

**REPORT TO:** FINANCE AND MANAGEMENT COMMITTEE      **AGENDA ITEM:**

**DATE OF MEETING:** 21st FEBRUARY 2006      **CATEGORY:** DELEGATED

**REPORT FROM:** DIRECTOR OF CORPORATE SERVICES      **OPEN**

**MEMBERS' CONTACT POINT:** KEVIN STACKHOUSE (595811)      **DOC:** u/ks/financial monitoring/february06

**SUBJECT:** BUDGET MONITORING 2005/06      **REF:**

**WARD(S) AFFECTED:** ALL      **TERMS OF REFERENCE:** FM08

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### 1.0 Recommendations

- 1.1 That the latest budget monitoring figures and associated information is considered and noted.

### 2.0 Purpose of Report

- 2.1 To report the latest budget monitoring figures for 2005/06 (as at 31st December 2005). It also provides an overview of the Council's Use of Resources Assessment for 2005/06.

### 3.0 Detail

#### **Use of Resources Submission**

- 3.1 As previously reported, this is an annual assessment (first year 2005/06) by the Audit Commission on how the Council uses its resources. It effectively tests an authority's financial management arrangements, its financial standing and reporting, together with its internal control arrangements. A further assessment is made on how far authorities achieve value for money.
- 3.2 Each area is scored on a scale from 1 to 4, where:
- 1 = weak performance
  - 2 = performing well and meeting minimum requirements
  - 3 = strong performance (above average)
  - 4 = excellent
- 3.3 The Council submitted its self-assessment to the Audit Commission in November 2005. Based on the criteria and evidence submitted, the Council submitted the scores shown in the following table.

Area Assessed	Score
Financial Reporting (including accounts closure)	3
Financial Management (see note below)	3
Asset Management (see note below)	1
Financial Standing	2
Internal Control (including corporate governance)	3
Value For Money (not solely finance orientated)	2

Note – financial and asset management are combined, giving an average score of 2.

### Calculating the Overall Score

3.4 This is shown in the following table.

At least two 4's and no other scores below 3	4
At least three 3's and no score below 2	3
At least three 2's	2
Any other combination	1

3.5 Effectively, the Council **has assessed its self as a 2**, i.e. three 2's (after combining financial and asset management). If asset management were to score a 2, then the overall score would be lifted to 3.

3.6 It should be noted that these scores are subject to ratification by the Audit Commission and a formal announcement and publication is expected in March 2006. Their inspection did not indicate any significant deviation from that submitted by the Council.

3.7 However, this does not guarantee that their final assessment will not affect the score. The value for money assessment in particular is difficult to gauge. The scores are currently being moderated by the Audit Commission and compared with other authorities to ensure consistency of approach to issues and associated scoring.

### Issues Identified and Areas for Improvement

3.8 The overall score of 2 indicates that the Council's performance in this area is at least satisfactory and achieving minimum requirements. The weakest area is asset management, which if improved along the lines recommended by the Audit Commission, could push the overall score to 3.

3.9 To help achieve improvements in this area, proposals have been submitted as part of the current budget round.

3.10 Other issues have already been identified which will be required to maintain a level 3 in certain areas and to improve performance in current level 2 areas. These are highlighted below and are considered best practice by the Audit Commission.

- Producing a summary set of annual accounts in more simple form and consulting a range of stakeholders to establish their requirements in respect of that publication.
- Modelling balance sheets and cash flows in medium-term budget strategies.

- Bringing forward and streamlining current monthly monitoring arrangements.
- Setting and monitoring targets for sundry debt collection.
- More regular (higher level) risk management monitoring and review
- Establishing an audit panel/sub-committee with clear terms of reference and work programme.

3.11 It is planned to address these issues during 2006.

## BUDGET MONITORING 2005/06

### General Fund

3.12 Monitoring figures as at December 2005, are summarised in the following table.

<b>Analysis of Expenditure (By Main Service Area)</b>	<b>Approved Estimate £</b>	<b>Projected Out-turn £</b>	<b>Projected Variance £</b>
Environmental Services	7,856,070	7,855,950	-120
Financial and Property Services	3,475,850	3,485,180	+9,330
Housing and Public Buildings	1,976,060	1,976,060	0
Human Resources	614,150	614,250	+100
IT and Customer Services	2,084,090	2,072,710	-11,380
Legal and Democratic Services	1,800,210	1,800,210	0
Leisure and Community Services	4,237,710	4,239,500	+1,790
Planning Services	2,022,640	2,024,040	+1,400
Policy and Economic Regeneration	670,340	667,520	-2,820
Revenues and Benefit Services	2,571,810	2,554,340	-17,470
<b>TOTAL EXPENDITURE</b>	<b>27,308,930</b>	<b>27,289,760</b>	<b>-19,170</b>

3.13 The approved estimate reflects the probable out-turn figures approved by the Policy and Finance Committees in January 2006. They were generally based on expenditure to October 2005.

3.14 The projected variance on these figures is a reduction overall of around £25,000 for 2005/06. The main variations currently identified are highlighted in the following table.

<b>General Fund – Projected Variances 2005/06</b>	<b>£</b>
<b>Reduced Expenditure/Additional Income</b>	
• Additional income on Housing Benefits (Fraud)	-17,000
• Funding secured for temporary post in I.T. (was in mainstream budget)	-10,000
<b>Offset by:</b>	
• Recruitment costs associated with appointment of the new Procurement Officer	6,000

## Housing Revenue Account

3.15 Latest monitoring figures are summarised in the following table.

Summary Position as at December 2005	Approved Estimate 2005/06 £	Projected Out-turn 2005/06 £	Variance £
Housing Repairs	2,890,730	2,890,730	0
General Management	752,670	755,990	+3,320
Sheltered and Other Services	810,200	813,150	+2,950
Council Tax on Void Properties	-21,350	-26,400	-5,050
Provision for Bad Debts	7,500	7,500	0
Capital Financing Charges	332,630	332,630	0
Payment to Government Pool	3,832,100	3,832,100	0
Cost of Rebates Remaining in HRA	104,570	104,570	0
Rent and Other Income	-8,762,030	-8,766,950	-4,920
<b>Net Surplus</b>	<b>-52,980</b>	<b>56,680</b>	<b>-3,700</b>

3.16 The spending on housing repairs continues to be monitored very closely. Based on the level of spending at December, the overall budget would be exceeded. Therefore, some remedial action including the scheduling and reprioritisation of some works has been put in place.

### Capital Expenditure and Financing

3.17 The Council's approved capital spending includes amounts carried forward from 2004/05 to meet commitments and to complete schemes with work in progress. The overall position is summarised in the following table.

Analysis of Spending by Main Service/Project Area	Approved Estimate £'000	Spent as at Dec 05 £'000	Projected Out-turn £'000	Projected Variance £
Council House Improvements	1,761	1,352	1,761	0
Disabled Facility Grants	270	201	270	0
Other Housing Investment (note 1)	889	300	689	-200
Community Projects (note 2)	2,239	1,017	1,404	-835
Environmental Schemes (note3)	884	558	845	-39
I.T., Property and Other Assets (note 4)	876	671	705	-171
<b>Total Expenditure</b>	<b>6,919</b>	<b>4,099</b>	<b>5,674</b>	<b>-1,245</b>

#### Note 1 - Other Housing Investment

3.18 As previously reported, this programme is currently being scaled back in accordance with the overall shortfall (compared to that forecasted) of capital receipts.

3.19 In addition, approximately £32,000 is budgeted for the purchase of Palm Pilots for the management of repairs. This has been reviewed, and it is now proposed to purchase an additional maintenance module for the Housing Management (Orchard)

System. It is considered that this will enhance the service in much the same way as the proposed palm tops.

## **Note 2 - Community Projects**

3.20 Schemes continuing to slip and where money is not expected to be spent in 2005/06 are summarised below:

- Play Areas and Safety Surfacing - £100,000
- Community Partnership Scheme - £220,000
- Football Pitch Improvements (Newhall) - £20,000 (contractor in place)
- Etwall Leisure Centre (provision for works) - £80,000
- Refurbishment of Plant (Green Bank Leisure Centre) - £5,000

3.21 In addition, works to provide the Artificial Sports Pitch (which was subject to a separate report to this Committee in November 2005) will not commence until April of this year. Therefore, the total budget of approximately £405,000 will need to be carried forward.

## **Note 3 – Environmental Schemes**

3.22 The flood alleviation works at Hatton (contract of £1/2m – fully funded by the Government) is likely to under-spend by approximately £30,000. In addition, the Council's contribution to Hilton Cycle Way has reduced by £9,000.

## **Note 4 - I.T. Property and Other Assets**

3.23 The projected variance is due to Phase 2 works for disability access to Council buildings. Although Phase 1 works are now completed (held over from last year) it is anticipated that the next round of works will not commence until February 2006.

3.24 It should be noted that included in this programme are approved resources for repairs/maintenance to village halls and community facilities (£95,000) and for risk management (£50,000). At this stage, actual deployment of these resources has still to be approved.

## **Capital Receipts**

3.25 The amount to be generated and **usable** for future capital investment was estimated at around **£2.2m** for 2005/06. This was from the predicted sale of 80 council houses. This was reduced to 60 (as reported on 17<sup>th</sup> January 2006) giving revised estimated total resources available (after payment to the Government Pool) of **£1.85m**.

## **Council House Sales to-date**

3.26 As at December 2005, 47 sales had been completed. Based on the average monthly completion rate to-date, then 62 sales would go through for the year in total, slightly better compared to the revised estimate. This would generate additional resources of approximately £60,000 after Government pooling.

## BORROWING AND SHORT-TERM INVESTMENTS

3.27 These are summarised in the following tables.

<b>Borrowing</b>	<b>01/04/05 £'000</b>	<b>31/12/05 £'000</b>
• Long Term Debt Outstanding	1,000	1,000
• Temporary Borrowings	2,051	171
<b>Total Debt Outstanding</b>	<b>3,051</b>	<b>1,171</b>
• Average Interest Rate – Long Term	4.88%	4.88%
• Average Interest Rate – Temporary	4.73%	3.50%
• Base Rate	4.75%	4.50%

<b>Investments - Short Term Deposits</b>	<b>01/04/05 £'000</b>	<b>31/12/05 £'000</b>
Total	0	5,260
Average Interest Rate Earned	4.63%	4.48%
<b>Target – Average 7-Day Rate (for comparison)</b>	<b>4.47%</b>	<b>4.41%</b>

<b>Analysis of Interest Paid/Received</b>	<b>Estimate for the Year £</b>	<b>Actual as at Dec 2005 £</b>	<b>Projected for the Year £</b>
Temporary Borrowings	12,000	9,220	10,500
Short Term Deposits	140,000	123,030	-142,000
<b>Total – Net Interest Receivable</b>	<b>128,000</b>	<b>113,810</b>	<b>131,500</b>

3.28 The estimate is the updated figure approved on 17<sup>th</sup> January 2006 and was based on performance and associated forecasts as at October 2005. It is estimated that overall interest receivable will be slightly higher than the updated projection, due to a more positive cash flow position.