
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	16th FEBRUARY 2010	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/financial monitoring reports/2010 – 1 February
SUBJECT:	BUDGET and FINANCIAL MONITORING 2009/10 – 3rd Quarter to 31st December 2009	REF
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the latest budget and financial monitoring figures for 2009/10 (as at December 2009) are considered and approved.

2.0 Purpose of Report

- 2.1 The Council is expected, in demonstrating a proper use of its resources, to monitor income and expenditure against its base budget on a regular basis throughout the year. This is undertaken generally on a monthly basis, and weekly on some of the more volatile and higher risk budgets such as housing repairs.
- 2.2 A fundamental part of the process involves budget managers, together with their service accountant, meeting and reviewing performance against their particular budgets. Monitoring is intended to identify any variances as early as possible to enable remedial and timely action to be taken.
- 2.3 Overall financial performance and the major budget variances are reported to this committee throughout the year. In addition progress is also reported as part of the quarterly performance management reports to all Policy Committees.
- 2.4 In accordance with its Treasury Management Strategy, the Council monitors its lending and borrowing on a regular basis. The Council's cash flow is monitored on a daily basis and reported monthly to the Council's senior finance officers. Again, overall performance is reported to this Committee throughout the year.

3.0 Detail

GENERAL FUND REVENUE ACCOUNT

- 3.1 This is the third substantive monitoring report for the financial year 2009/10. It details performance up to 31st December 2009, and follows a detailed review of income and expenditure as part of the 2010/11 budget round, which was reported to the Committee last month.
- 3.2 The updated Medium-Term Financial Plan (MTFP) reported to the Committee January, highlighted a worsening financial position due to the economic situation and in particular, the effects of reducing income.
- 3.3 The original budget for 2009/10 approved in February 2009, showed an overall budget deficit of just under £5,000 on the General Fund. The updated MTFP shows this deficit increasing to approximately £453,000, although this includes £100,000 for one-off works at Midway Fishponds.
- 3.4 The budget was updated to reflect this revised deficit and was considered and approved by the Committee in November 2009.
- 3.5 Consequently and in accordance with normal monitoring arrangements, the position on the General Fund has been reviewed against this.
- 3.6 Given the worsening position in 2009/10 and its potential longer-term impact, all services have been asked to look closely at spending and in particular to contain any additional expenditure within overall base budgets.
- 3.7 This has resulted in some savings and reductions being identified, in particular in Planning, Waste and Cleansing Services, together with on-going savings been realised in procurement.
- 3.8 However, additional expenditure is still forecast on the new Etwall Leisure Centre and an update on this is provided later in the report.
- 3.9 The Budget, together with projected variances for the year based on income and expenditure as at December 2009, is summarised in **Table 1**, below.

Table 1 – General Fund

NET EXPENDITURE BY SERVICE AREA 2009/10	Approved Budget	Projected variance for the Year	Previous Projection @ Sept 09
Environmental Services	4,170,340	-64,000	-47,000
Management, Finance and Property	2,590,849	10,800	1,000
Private Sector Housing and Public Buildings	935,198	7,000	-12,000
Organisational Development	909,056	0	4,000
IT and Business Improvement	1,255,639	-34,000	-16,000
Legal and Democratic Services	1,206,462	-8,500	-15,000
Leisure and Community Services	2,957,681	18,500	110,000
Planning Services	1,065,685	-37,500	-12,000
Customer Services (including Revs & Bens)	2,109,018	53,000	19,000
Minimum Revenue Provision	297,000	0	0
Revenue Contributions to Capital	129,000	0	0
Inflation and Other Amounts set-aside	333,841	0	0
Internal Recharges	-5,548,318	0	0
OVERALL NET REVENUE EXPENDITURE	12,411,451	-54,700	32,000
Less FINANCING (RSG & Council Tax)	-11,958,188	0	0
DEFICIT for the Year	453,263	-54,700	32,000

Note – Minus figures denote more income and/or reduced expenditure

- 3.10 The table highlights a projected (favourable) variance overall of £54,700 for 2009/10. This is an improvement compared to the ½ year position which projected an adverse variance overall of £32,000.
- 3.11 The main reason for the change is the better out-turn now anticipated on the income and expenditure of the new Etwall Leisure Centre. The estimated variance is now estimated at £22,000 compared to £80,000 previously.
- 3.12 In addition, additional savings are being made on staff vacancies, mainly in the Environmental and Customer Service areas. Additional savings have also been made in printing and stationery due to rationalisation of supplies and services. Maintenance of vehicles and fuel costs continue to be lower than budgeted.
- 3.13 On the negative side, the substantial increase in housing benefit payments of over £2m will see an increase in costs (£46,000) falling on the Council. In addition, interest on bank deposits and short-term investments is estimated to decline further. Total interest for the year is now estimated at £25,000 compared to £150,000 in the original budget set 12 months ago.
- 3.14 Many of the variances have already been reported to the Committee in the previous monitoring report and have been subject to more detailed analysis in reports to the Council's Policy Committees during the 2010/11 budget-round.
- 3.15 A summary of all major variances compared to the Budget for 2009/10 as it currently stands is provided in **Table 2**, below.

Table 2 – Summary of Projected Variances

Environmental Services	£	£
Decrease in Licensing Income	9,000	
Increase in Private Hire Income	-6,000	
Staff vacancies	-27,000	
Transport Costs (materials and fuel)	-50,000	
Refuse Collection Costs due to adverse weather	10,000	-64,000
Management, Finance and Property		
Further reduction in Interest Receivable	5,000	
Decrease in income from industrial units	5,800	10,800
Private Sector Housing and Public Buildings		
Staffing costs, mainly cover for office cleaning	10,000	
IT upgrade and subscriptions	9,000	
Civic offices - utility costs - procurement savings	-12,000	7,000
IT and Business Improvement		
Procurement of protective clothing	-15,000	
Procurement of stationery and print materials	-19,000	-34,000
Legal and Democratic Services		
Printing Council minutes and agendas	-6,500	
Savings on Members allowances	-2,000	-8,500
Leisure and Community Services		
Reduction in cemeteries income	6,500	
Utility costs at Green Bank Leisure Centre	-10,000	
Etwall Leisure Centre	22,000	18,500
Planning Services		
Vacant posts (building regulations)	-73,000	
Footpaths Agency transferred to the County	-4,500	
Reduction in income from Building Regulations	40,000	-37,500
Customer Services (including Revs & Bens)		
Increase in Housing benefit payments	46,000	
Associated printing costs for benefits and debt recovery	10,000	
Additional External Audit Fees due to changes in 08/09	40,000	
Staff vacancies	-23,000	
Concessionary Travel Costs	-20,000	53,000
TOTAL OVERALL VARIANCE		-54,700

Note – Minus figures denote more income and/or reduced expenditure

Planning Services

3.16 Based on income and activity to-date, income from Building Regulations is projected to be under budget by approximately £40,000, as highlighted in Table 2. However, this is much improved compared to earlier in the year, where projections indicated £90,000.

3.17 This reduction is being more than offset by staff vacancies in the service area with two posts in particular remaining vacant.

3.18 Income from Development Control (planning fees) is still projected to be on budget, mainly due to a major application being received in April 2009. In addition, the costs of a recent planning inquiry are currently being contained within budget.

3.19 However, a public inquiry may take place in connection with another major site if called in by the Secretary of State or if the application is refused. This could culminate in additional costs for the Council.

ICT Spending

3.20 This again has changed during the year with upgrades to servers and the main network, the cost being financed from the approved IT reserve. Some savings have been made on the provision of telephones and hardware, although the major corporate software license has been updated.

3.21 Overall, there is likely to be an “under spend” of approximately £30,000 compared to that budgeted. In accordance with current policy, this will be maintained in the IT reserve to meet future commitments in the ICT Strategy.

Other Potential Reductions

3.22 Compared to budgets, spending on repairs at Green Bank Leisure Centre and in Economic Development are lower than estimated. Some commitment may still be required in 2009/10.

3.23 Requests are being made to carry forward any unused budget to 2010/11, especially in relation to Green Bank due to the re-tendering of the contract and possible capital works in the next financial year.

HOUSING REVENUE ACCOUNT (HRA)

3.24 The Council is required to account separately for income and expenditure in providing Council Housing. The HRA Budget, together with projected variances for the year based on income and expenditure as at December 2009, is summarised in **Table 3**, below.

3.25 Similar to the General Fund, the approved budget reflects the latest position as reported to the Housing and Community Services Committee on 6th February 2010 following a review of the base budget and updated 10-year financial projection.

Table 3 - HRA

NET EXPENDITURE BY SERVICE AREA 2009/10	Approved Budget	Projected variance for the Year	Previous Projection @ Sept 09
Housing Repairs	3,007,959	-71,000	0
General Management	1,106,652	14,000	0
Choice-based Lettings	65,952	-26,000	-29,000
Share of Corporate and Democratic Costs	169,500	0	0
Sheltered Accommodation and Services	971,701	48,000	40,000
Council Tax on Void Properties	1,800	0	0
Provision for Bad Debts	7,500	0	0
Capital Charges	133,927	0	0
Payment to Government Pool (negative subsidy)	3,081,265	0	0
Depreciation	1,895,827	0	0
Provision and Contribution to Capital	168,421	0	0
OVERALL NET REVENUE EXPENDITURE	10,610,504	-35,000	11,000
Less Rent and Other Income	-10,198,925	-78,000	-50,000
DEFICIT for the Year	411,579	-113,000	-39,000

3.26 **Table 3** shows that overall, the HRA is projected to have a lower deficit (£113,000) compared to that budgeted and included in the 10-year financial forecast.

Housing Repairs

3.27 As the above table shows, the main change compared to the previous monitoring report, is an estimated reduction in repairs spending. However, as usual, this may change depending on the effects for example, of the recent adverse weather on demand.

Other Variances

3.28 The projected variance on General Management relates mainly to an IT upgrade on the Housing System. The variance on Choice Based Lettings is due to a vacant post and it is not anticipated that this will be filled before the year-end.

3.29 The additional costs in connection with Sheltered Housing continue to be associated with the expansion of the Telecare Service, although this is more than offset by the additional income generated.

CAPITAL EXPENDITURE and FINANCING

3.30 The overall position on gross expenditure (before financing) as at December 2009 is summarised in **Table 4**, below. This represents the updated programme as reported to the Committee in January 2010 as part of the MTFP.

Table 4 – Capital Expenditure

ANALYSIS OF SPENDING BY MAIN SERVICE/PROJECT AREA	APPROVED ESTIMATE £	SPENT AT SEPT 09 £	SPENT AT DEC 09 £
Council House Improvements**	2,429,173	925,742	1,210,014
Disabled Facility Grants	459,000	256,691	372,833
Other Housing Investment	755,470	423,189	613,892
Leisure and Community Schemes	2,371,617	608,542	841,481
Environmental and Development	1,368,491	77,757	225,582
Property and Other Assets	668,897	28,957	457,945
Total Expenditure	8,052,598	2,320,878	3,721,747

** WITHIN THIS, THERE IS A PAYMENT OF £300,000 IN RESPECT OF COVENANTS NOT DUE UNTIL 31ST MARCH.

Summary of Progress to date

- 3.31 Spending on Council House Improvements is as planned, with some contract payments still due. As previously reported, the current spending profile on Housing Investment and in particular Disabled Facility Grants is ahead of that budgeted. This continues to be reviewed in order that overall spending for the year does not exceed the Budget.
- 3.32 Works on the Swadlincote Town Centre Improvements have now been committed and commenced, although contract payments are yet to be made. This is the reason for the low level of expenditure compared to that budgeted for in **Environmental/Development schemes** in **Table 4**. Consequently, there may be some slippage on this scheme into 2010/11.

Leisure and Community Schemes

- 3.33 The latest development at Rosliston Forestry Centre (construction of the Business Units) estimated at approximately £600,000, has been delayed slightly by the adverse weather conditions over recent weeks. However, much of the project will be completed by March 2010, and the associated contract payments made. It is anticipated that the whole scheme will now be completed by May 2010.
- 3.34 In addition, expenditure on Play/Youth facilities will be less than estimated. This is due to lower take-up by parish councils and the availability of external funding.

Capital Receipts

- 3.35 The revised financing programme approved by the Committee, estimates new capital receipts in the year of £74,500. This was based on the sale of 3 council houses and 2 small parcels of land. Actual receipts to the end of December 2009 total £70,000, with 4 council house sales being completed (including 1 in early January 2010).

3.36 These proceeds will be used to help finance the outstanding capital commitments identified in the MTFP - which is subject to a separate report (item 10) on this Agenda.

TREASURY MANAGEMENT

3.37 An analysis of the Council's borrowing and short-term investments/bank deposits is summarised in **Table 5**, below.

Table 5

Borrowing	01/04/09	31/12/09
• Long Term Debt Outstanding	£1,000,00	£1,000,000
• Temporary Borrowings	£223,326	£136,667
Total Debt Outstanding	£1,223,326	£1,136,667
• Interest Rate on Long Term - fixed at:	4.875%	4.875%
• Interest Rate on Temporary –1% below Base	0.00%	0.00%
• Base Rate (Latest change was on 5th March 09)	0.50%	0.50%
Short-term Investments		
• Bank Deposits and Other Investments	N/a	£3,786,700
Average Interest Rate Earned (on Investments)	0.00%	0.75%
Target – Average 7-Day Rate (for comparison)	0.50%	0.30%

Analysis of Interest (Paid)/Received	Revised Estimate for the Year £	Projected for the Year £
Short term Deposits	30,000	25,000
Less Temporary Loans	(1,315)	(1,315)
Total – Net Interest Receivable	28,685	23,685

3.38 As previously reported, the net interest receivable has been reduced considerably over the last 2 years. Latest estimates suggest that even the modest amount of interest currently budgeted for the year of £30,000 will not be achieved.

3.39 Clearly, as a net lender of funds, the Council would benefit from an increase in interest rates. However, the general view of informed commentators is that the UK Bank Base Rate will remain at 0.5% for the foreseeable future, and possibly now, all through 2010. This will depend on when, and how quickly, economic growth recovers.

3.40 In addition, there is still little evidence of banks lending to generate activity in the financial markets. In addition, banks are still demanding large deposits to

access rates, although the Council's average rate is still above the market average.

Overall Debt Liability

- 3.41 Besides the debt shown in **Table 5**, the Council also pays interest on Covenants (which are effectively a form of debt financing). It also contributes to historic debt now administered by a neighbouring authority following a transfer of assets some years ago due to local government re-organisation.
- 3.42 In total, the Council's debt liability is summarised in **Table 6**, below. Again, this has been revised following the updated MTFP and besides the reduction in interest receivable as highlighted above there are no further variances since then.

Table 6

Summary of Overall Debt Payments 2009/10	Estimate (£)	Projected (£)	Variance (£)
Money Market Loan	48,750	48,750	0
Temporary Loans and Bonds	1,315	1,315	0
Bank Interest	1,400	1,400	0
Covenants	101,050	101,050	0
Transferred Debt	19,600	19,600	0
Interest Received on Deposits	(30,000)	(25,000)	5,000
Other Interest Received	(80)	(80)	0
Net Recharge to the HRA	(97,284)	(97,284)	0
Net Interest (Received)/Payable	(44,751)	(39,751)	5,000

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 There are no other direct legal, personnel or property implications apart from that considered in the report.

6.0 Community Implications

6.1 None directly.

7.0 Background Papers

7.1 None