
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 11
DATE OF MEETING:	13th OCTOBER 2005	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/financial monitoring/ october 05
SUBJECT:	FINANCIAL and PERFORMANCE MONITORING 2005/06	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM08

1.0 Recommendations

- 1.1 That the monitoring and performance information is considered and noted.

2.0 Purpose of Report

- 2.1 To provide an update on the latest financial news affecting the Council. It reports latest budget monitoring figures for 2005/06 and performance against the Council's main financial indicators (as at 31st August 2005).
- 2.2 It also details the Council's response to the Government's consultation paper on the future distribution of Government grant (**Appendix 1**).

3.0 Executive Summary

- 3.1 Current monitoring figures continue to show that overall Council spending is within that budgeted for 2005/06. The General Fund overall is projected to achieve a reduction in net expenditure, at this stage estimated at approximately £168,000.
- 3.2 Within this, is additional fee income from planning of around £80,000. As reported to Committee on 21st July, it is proposed to use this to offset the reduction in Planning Delivery Grant for 2005/06 and additional costs associated with implementing the new planning framework.
- 3.3 The number of council house sales continues to fall from that estimated and on current trends will total 68 for the year, a reduction of 12 compared to the level used for budgetary purposes. This could potentially reduce the level of resources available for future capital investment.
- 3.4 The Council's cash flow continues to be more favorable than anticipated during the year and this should generate additional resources by the year-end. The interest rate earned on bank deposits has continued to be higher than the average market rate.

- 3.5 The collection rates for council tax and business rates both continue to be above the level compared to the same period in 2004/05. The time taken to process new benefit claims have increased compared to 2004/05 due to resources being directed to the implementation of the new computer system. However, performance is still well within the Government target.
- 3.6 Performance in the processing of invoices for payment (within 30-days) improved during August to 93%. In addition, the number of electronic payments continues to increase and a rate of 85% was achieved for both July and August.

4.0 Detail

UPDATE ON FINANCIAL NEWS

Grant Distribution

- 4.1 As reported at the last Committee, the Government has issued a consultation paper on changing the methodology and data for distributing grant to councils, which will be used from 2006/07 onwards.
- 4.2 A response to the consultation paper has been sent on behalf of the Council and a copy is attached at **Appendix 1**. Generally, the proposals are technical in nature, appear overall to favor the Council, but it will not be absolutely clear until the draft settlement is announced later in the year.

Resource Equalisation

- 4.3 The main area of concern is on the issue of resource equalisation, i.e. shifting more resources to areas with high demand for services but with limited scope to generate more income locally due to a low tax base (relative to other authorities). In addition, this would move resources to specific areas such as Social Services.
- 4.4 The Government proposes to achieve this by changing the control totals for each of the main service areas included in this block, in particular by increasing the amount available for personal social services and policing. By doing this, the amounts available for other services would be reduced.
- 4.5 The exemplifications in the consultation paper show that this would broadly move resources into metropolitan and city authorities and away from shire areas. However, it is recognised that other proposals, if implemented, would help to neutralise the overall effect and the Council's response supports and reflects this.

Population Projections

- 4.6 The other main issue raised in the Council's response was in respect of using more up-to-date population figures. Although the move towards using projected figures is welcomed, the figures for South Derbyshire will probably not reflect the true resident population at anyone time. Consequently, the Government has been asked to consider rebasing projections on a yearly basis.
- 4.7 In addition, the Council is an authority that through the grant setting mechanism contributes to what is called the "floor." This guarantees all authorities a set minimum increase in their grant each year that would have otherwise seen a reduction.

- 4.8 This is achieved by scaling back potentially larger grant increases of authorities (like South Derbyshire) to pay for the floor and effectively “protect” other authorities. Therefore, the Government has been asked to consider some form of compensation for the potential loss of mainstream funding via a targeted or specific grant.
- 4.9 The population and growth issue is being pursued in conjunction with other authorities across England who similar to South Derbyshire, are recognised as high growth areas.

The Lyons Inquiry and Council Tax Revaluation

- 4.10 The Government has announced that the Lyons Inquiry on local government funding reform has been put back from 2005 to the end of 2006. In doing so, the remit of the inquiry has been widened to include a review of the functions and future role of local government.
- 4.11 Consequently, the revaluation of council tax has been put back from 2007 (to around 2009 at the earliest) to allow it to be included in a “package of reform.”

BUDGET MONITORING 2005/06

General Fund

- 4.12 Monitoring figures as at August 2005, are summarised in the following table.

Analysis of NET Expenditure (By Main Service Area)	Approved Estimate £	Latest Projection £	Projected Variance £
Environmental Services	7,174,810	7,155,140	-19,670
Financial and Property Services	3,552,560	3,560,760	8,200
Housing and Public Buildings	2,057,430	2,055,490	-1,940
Human Resources	642,480	644,730	2,250
IT and Customer Services	2,008,680	2,007,650	-1,030
Legal and Democratic Services	1,661,200	1,660,260	-940
Leisure and Community Services	3,560,570	3,542,430	-18,140
Planning Services	1,945,800	1,872,270	-73,530
Policy and Economic Regeneration	711,460	691,840	-19,620
Revenues and Benefit Services	2,493,350	2,449,050	-44,300
TOTAL NET EXPENDITURE	25,808,340	25,639,620	-168,720

- 4.13 Overall, the General Fund is projected to show a reduction of approximately £168,000 for 2005/06 based on current monitoring figures. This compares with a projected figure of around £200,000 being projected in the previous monitoring report.
- 4.14 The major variations currently identified are highlighted in the following table.

General Fund – Projected Variances 2005/06	£
Reduced Expenditure/Additional Income	
• Leisure Centre income	24,000
• Planning Fees	80,000
• Benefit Subsidy – transitional protection	50,000
• Income from Liquor Licensing	26,000
• Other variations	2,000
Sub Total	182,000
Offset by:	
Expenditure associated with new Planning Framework	8,000
Feasibility Study into Flooding at Ticknall	6,000
TOTAL – PROJECTED VARIANCE	-168,000

Planning Fees

- 4.15 As reported to Committee on 21st July, it is proposed to use the additional income to offset the reduction in Planning Delivery Grant for 2005/06 and additional costs associated with implementing the new planning framework.

Other Reductions

- 4.16 In addition, other cashable savings have also been identified for 2005/06 and approved by the Council as follows:

- Restructuring the Accountancy Unit - £16,000
- Reshaping Commercial and Licensing Unit £4,700
- Insurance Premiums - £57,000

- 4.17 These savings are being held in the mainstream budget as it is assumed that they will be diverted and utilised to enhance services elsewhere (in accordance with “Gershon” and “Shifting Resources” project).

Housing Revenue Account

- 4.18 Latest monitoring figures are summarised in the following table. Effectively, the projected figures are those reported to the July Committee and that have been included in the HRA’s Business Plan.

Summary Position as at July 2005	Approved Estimate 2005/06 £	Projected Out-turn 2005/06 £	Variance £
Housing Repairs	2,725,910	2,733,080	+7,170
General Management	778,900	778,900	0
Sheltered and Other Services	843,030	843,030	0
Council Tax on Void Properties	9,470	9,470	0
Provision for Bad Debts	30,000	5,000	-25,000
Capital Financing Charges	333,310	278,580	-54,730
Payment to Government Pool	3,809,840	3,794,050	-15,790

Cost of Rebates Remaining in HRA	101,140	88,300	-12,840
Provision for increase in Pensions	6,100	6,100	0
Rent and Other Income	-8,646,840	-8,649,170	+2,330
Net Surplus	9,140	112,660	+103,520

Housing Repairs

- 4.19 It is assumed repairs spending will be in line with that being projected. There continues to be a risk that the overall budget could be exceeded, as was the case in 2004/05. This will need to be monitored closely.

Capital Expenditure and Financing

- 4.20 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 £	Spent as at Aug 05 £	Projected Out-turn £	Projected Variance £
Council House Improvements (excluding contingency set-aside)	1,760,920	497,100	1,761,920	0
Disabled Facility Grants (note 1 below)	220,000	133,500	303,300	83,300
Other Housing Investment (note 1 below)	1,116,450	179,500	884,300	-232,150
Community Projects (note 2 below)	1,169,950	346,100	1,158,200	-11,750
Environmental Schemes	841,550	495,700	841,550	0
I.T., Property and Other Assets (note 3)	1,070,000	259,400	1,026,200	-43,800
Total Expenditure	6,178,870	1,911,300	5,975,470	-204,400

Note 1 - Disabled Facility Grants (DFG'S) and Other Housing Investment

- 4.21 The increase in spending on DFG's represents the additional subsidy (£50,000) from the Government as reported at September's Committee. In accordance with the requirements attached to the Government funding, this has been topped up from the Council's own resources on a 60/40 basis.
- 4.22 The Council's additional contribution will be contained within the overall private sector investment programme of £1m for 2005/06. However, it is planned to spend £200,000 less than the approved programme to allow for any shortfall in capital receipts during the year.
- 4.23 Should the projected level of "windfall" receipts be achieved in the year, then the additional spending of £200,000 can be added to future investment.

Note 2 - Community Projects

- 4.24 The projected reduction of approximately £11,000 is due to additional external funding towards the development of Rosliston Forestry Centre. This will reduce the Council's contribution.

Note 3 - I.T. Property and Other Assets

- 4.25 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 January 2006.
- 4.26 It should be noted that included in this programme are approved resources for major 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

- 4.27 The amount to be generated and **usable** for future capital investment was estimated at around **£2.2m** for 2005/06. This was largely from the predicted sale of 80 council houses.

Council House Sales

- 4.28 As at August 2005, 28 sales had been completed. Based on the average monthly completion rate to-date, then 68 sales would go through for the year in total, 12 down compared to the estimate.
- 4.29 In addition, the estimate assumed an average sale price (after discount) of £43,000. The average to-date is approximately £48,000. Based on 68 sales, this would generate usable receipts to the Council (after payment to the Government Pool) of approximately **£2m**.
- 4.30 Although this would reduce the level of resources (around £200,000) available for future capital investment, it would increase the amount of rent income in the HRA compared to that estimated.
- 4.31 In addition, the Council has still in reserve, amounts received from the sale of sheltered accommodation, which amounts to approximately £900,000 (after fees).

BORROWING AND SHORT-TERM INVESTMENTS

- 4.32 These are summarised in the following tables.

Borrowing	01/04/05 £'000	31/08/05 £'000
• Long Term Debt Outstanding	1,000	1,000
• Temporary Borrowings	2,051	171
Total Debt Outstanding	3,051	1,171
• Average Interest Rate – Long Term	4.88%	4.88%
• Average Interest Rate – Temporary	4.73%	3.50%
• Base Rate	4.75%	4.50%

Investments - Short Term Deposits	01/04/05 £'000	31/07/05 £'000
Total	0	4,658
Average Interest Rate Earned	4.63%	4.49%
Target – Average 7-Day Rate (for comparison)	4.47%	4.38%

Analysis of Interest Paid/Received	Estimate for the Year £	Actual as at August 2005 £	Projected for the Year £
Temporary Borrowings	+25,000	+7,750	+15,000
Short Term Deposits	-100,000	-48,450	-115,000
Total – Net Interest Receivable	75,000	40,700	100,000

4.33 The Council's cash flow continues to be more favorable than anticipated and this should generate additional resources by the year-end.

REVENUES and BENEFITS

4.34 Performance to-date is shown in the following tables.

Council Tax Collection 2005/06 (as at August 05)	Government Target for the Year	Actual to-date	Compare with 2004/05
Cumulative Collection Percentage	98.29%	50.07	49.57

Business Rate Collection 2005/06 (as at August 05)	Government Target for the Year	Actual to-date	Compare with 2004/05
Cumulative Collection Percentage	99.10%	47.76	46.76

Processing New Claims for Benefit 2005/06 (as at August 05)	Government Target	Actual Achieved	Compare with 2004/05
Average time taken (days)	30 days	23 Days	15 Days

4.35 The increase in processing new claims for benefit is due to the redeployment of resources to implement the new computer system.

OTHER FINANCIAL INDICATORS

Payment of Undisputed Invoices within 30 Days

4.36 This is a statutory Best Value Performance Indicator with a local target set of **97%** for 2005/06, which is upper quartile performance for District/Borough Councils. The last 3-years' performance is shown below.

- 2002/03 – 94%
- 2003/04 – 92%
- 2004/05 – 86%

4.37 Performance to-date in 2005/06 is shown in the following table.

Directorate	Number of invoices processed	Number paid in 30 days	Percentage
Chief Executive	167	159	95.21%
Policy and Development	236	223	94.49%
Community Services	4,152	3,747	90.25%
Corporate Services	602	561	93.19%
Etwall Leisure Centre	76	70	92.11%
TOTAL	5,233	4,760	90.96%

4.38 Overall performance improved during August to 93% from July's figure of 88% and this has improved the cumulative performance to-date.

Proportion of Invoices paid to Suppliers Electronically

4.39 This is an I.E.G. indicator. The target is that **100%** of all payments to suppliers are being made electronically by 31st December 2005.

4.40 Performance as at March 2005, was 63.2%. Developments in this area have steadily increased performance. As at 31st **August 2005, over 85%** of payments were being completed electronically.

Sundry Debtors

4.41 Outstanding Debt as 31st May 2005 with a comparison to the 3 previous years is shown in following table.

Age of Debt	As at 31 st March 2003 £'000	As at 31 st March 2004 £'000	As at 31 st March 2005 £'000	As at 31 st July 2005 £'000	As at 31 st Aug 2005 £'000
Less Than 1 Month	155	289	274	150	153
1 to 6 Months	118	91	207	131	150
6 to 12 Months	87	85	38	83	55
1 to 2 Years	101	59	107	116	70

Over 2 Years	222	248	229	177	244
Total Debt Outstanding	683	772	855	657	672

- 4.42 Approximately 60% of the total outstanding debt relates to Housing Benefit overpayments. This debt is historically difficult and slow to recover. Periodic reviews are undertaken to write-off debts viewed as uneconomical to pursue or are infact "statute barred."

