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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM:</b> 11
<b>DATE OF MEETING:</b>	<b>1st SEPTEMBER 2005</b>	<b>CATEGORY:</b> <b>RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (595811)</b>	<b>DOC:</b> u/ks/financial monitoring/ September 05
<b>SUBJECT:</b>	<b>FINANCIAL and PERFORMANCE MONITORING 2005/06</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM08</b>

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## **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 also reports latest budget monitoring figures for 2005/06 and performance against the Council's main financial indicators (as at 31st July 2005).

## **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 £200,000.
- 3.2 Within this, is additional fee income from planning of around £80,000. As reported to Committee on 21<sup>st</sup> 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 projected, and on current trends will total 60 for the year, a reduction of 20 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 has so far been 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 are both above the level compared to the same period in 2004/05. Although the time taken to process new

benefit claims is still within the Government target, it has increased compared to 2004/05.

- 3.6 Performance in the processing of invoices for payment (within 30-days) fell during July. However, the number of electronic payments is steadily increasing, and a rate of 85% was achieved in July.

#### **4.0 Detail**

### **UPDATE ON FINANCIAL NEWS**

#### **The Government's Spending Review**

- 4.1 This was planned to take place during 2006, but has been put back to 2007. The Treasury have however confirmed, that overall Government Departmental spend totals for the next two years will be held at the level set out in the last spending review in 2004.
- 4.2 During 2006/07, the Government is now planning to undertake a comprehensive spending review as they did back in 1997/98. This review will:
- Take a zero based approach to assessing the effectiveness of Departments' existing spending in delivering the outputs to which they are committed.
  - Examine the key long-term trends and challenges that will shape the next decade and assess how public services will need to respond.
  - Look at how the public expenditure framework can best embed and extend on-going efficiency improvements and support long-term investments needed to meet the challenges.
- 4.3 A report will be made on the above during 2006 and in 2007 revised spending totals will be issued for the three years 2008 to 2011.

#### **Three-year Financial Settlements**

- 4.4 As planned, these are being introduced for local government in accordance with the spending review cycle detailed above. Initially, the Government will notify councils of a 2-year settlement for 2006/07 and 2007/08 and this is expected in November.
- 4.5 Full three-year settlements will then commence with the next spending cycle in 2008/09. Apart from population projections and the taxbase, the data used in the indicators will be frozen. Data will only be updated at the beginning of each three-year settlement cycle.

#### **Grant Distribution**

- 4.6 Although overall control totals are being held as previously set for 2006/07 and 2007/08, the Government has issued a consultation paper on changing the methodology and data for distributing grant to councils.
- 4.7 The report has put forward a range of options with a series of technical changes to the mathematical formulae used. In addition, the report proposes to:

- Incorporate data gathered from the 2001 census (currently data from the 1991 census is used).
  - Provide financing for free bus travel for disabled people and the over 60's.
  - Increase the allocation to District Councils for corporate and democratic costs (i.e. the cost of "being in business") from £300,000 to £325,000 per year.
- 4.8 Approximately 50 changes have been proposed, although not all of these affect district councils as some of the proposals apply only to education and police authorities, etc. Each proposed change has been modeled individually by the Government to show the potential effect on each authority.
- 4.9 However, it is not clear what effect a combination of changes has on each authority. In addition, the overall pot of money to be distributed will be finite, so inevitably there will be the usual winners and losers and some phasing arrangement will most likely remain.
- 4.10 The paper says that:

**"The aim of this review is to produce a robust and fair system for the distribution of formula grant that will be fit for use in the context of three-year settlements. The Government recognises that any system based on formulae cannot reflect all possible circumstances, so there will inevitably be an element of rough justice.**

**The technical nature of the issues means that there is frequently no clear-cut optimum solution, so pragmatic decisions will be needed to produce a workable system."**

- 4.11 The report was issued in mid-July and the consultation period runs until mid-October 2005. Updates will be provided as the effect on individual authorities becomes much clearer.

## BUDGET MONITORING 2005/06

### General Fund

- 4.12 Monitoring figures as at July 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	7,173,460	-1,350
Financial and Property Services	3,537,560	3,545,540	+7,980
Housing and Public Buildings	2,057,430	2,057,290	-140
Human Resources	642,480	642,480	0
IT and Customer Services	2,011,110	2,004,610	-6,500
Legal and Democratic Services	1,638,700	1,639,170	+470
Leisure and Community Services	3,555,420	3,499,740	-55,680
Planning Services	1,945,800	1,872,200	-73,600
Policy and Economic Regeneration	711,460	704,210	-7,250
Revenues and Benefit Services	2,493,350	2,426,000	-67,350
<b>TOTAL NET EXPENDITURE</b>	<b>25,768,120</b>	<b>25,564,700</b>	<b>-203,420</b>

4.13 Overall, the General Fund is projected to show a reduction of approximately £203,000 for 2005/06 based on current monitoring figures. This compares with a projected figure of around £115,000 being projected in the previous (first) monitoring report for 2005/06.

4.14 The major 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>	
• Leisure Centre income	23,000
• Departmental Expenses - Vacant Posts	39,000
• Planning Fees	80,000
• Benefit Subsidy – transitional protection	50,000
• Housing Benefits – recovery of overpayments	19,000
<b>Sub Total</b>	<b>211,000</b>
<b>Offset by:</b>	
Expenditure associated with new Planning Framework	8,000
<b>TOTAL – PROJECTED VARIANCE</b>	<b>-203,000</b>

### **Planning Fees**

4.15 As reported to Committee on 21<sup>st</sup> 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

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 Monitoring figures as at July 2005 are summarised in the following table. Effectively, the projected figures are those reported to the July Committee that updated the overall forecast on the HRA to 2015.

<b>Summary Position as at July 2005</b>	<b>Approved Estimate 2005/06 £</b>	<b>Projected Out-turn 2005/06 £</b>	<b>Variance £</b>
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
<b>Net Surplus</b>	<b>9,140</b>	<b>112,660</b>	<b>+103,520</b>

### 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.

<b>Analysis of Spending by Main Project Area</b>	<b>Approved Estimate £</b>	<b>Spent as at July 05 £</b>
Council House Improvements (excluding contingency set-aside)	1,760,920	255,600
Disabled Facility Grants	220,000	100,800
Other Housing Investment	1,116,450	115,800
Community Projects	1,169,950	156,800
Environmental Schemes	841,550	361,600
I.T., Property and Other Assets	1,070,000	108,800
<b>Total Expenditure</b>	<b>6,178,870</b>	<b>1,099,400</b>

- 4.21 Any slippage on individual schemes in the year has still to be identified. It is anticipated that as in previous years, resources for council house improvements and disabled facility grants will be fully spent during the year. It should be noted that around £3/4m of spending in relation to covenant financing and financing the purchase of new vehicles will not be incurred until the year-end.

## Disabled Facility Grants – Additional Allocation

- 4.22 As regards disabled facility grants, the Council has been awarded an additional allocation of £50,000 for 2005/06. The Council is required to top this up from its own resources on a 60/40 basis. This provides extra resources overall of approximately £83,000 for 2005/06.

## Capital Receipts

- 4.23 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

- 4.24 During July, there were only 2 completions making a total of 20 for the year. Based on the average monthly completions to-date, then 60 sales would go through for the year in total, 20 down compared to the estimate.
- 4.25 In addition, the estimate assumed an average sale price (after discount) of £43,000. The average to-date is approximately £47,000. Based on 60 sales, this would generate usable receipts to the Council (after payment to the Government Pool) of approximately **£1.8m**.
- 4.26 Although this would reduce the level of resources available for future capital investment, it would increase the amount of rent income in the HRA compared to that projected.
- 4.27 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

- 4.28 This is summarised in the following tables.

<b>Borrowing</b>	<b>01/04/05 £'000</b>	<b>31/07/05 £'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%	3.75%
• Base Rate	4.75%	4.75%

<b>Investments - Short Term Deposits</b>	<b>01/04/05 £'000</b>	<b>31/07/05 £'000</b>
Total	0	4,570
Average Interest Rate Earned	4.63%	4.75%
<b>Target – Average 7-Day Rate (for comparison)</b>	4.47%	4.58%

<b>Analysis of Interest Paid/Received</b>	<b>Estimate for the Year £</b>	<b>Actual as at July 2005 £</b>	<b>Projected for the Year £</b>
Temporary Borrowings	+25,000	+7,322	+15,000
Short Term Deposits	-100,000	-33,583	-115,000
<b>Total – Net Interest Receivable</b>	<b>75,000</b>	<b>26,261</b>	<b>100,000</b>

4.29 The Council's cash flow has been more favorable than anticipated during the first quarter of the year, and this should generate additional resources by the year-end.

#### **REVENUES and BENEFITS**

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

<b>Council Tax Collection 2005/06 (as at July 05)</b>	<b>Government Target for the Year</b>	<b>Actual to-date</b>	<b>Compare with 2004/05</b>
Cumulative Collection Percentage	98.29%	40.98%	40.69%

<b>Business Rate Collection 2005/06 (as at July 05)</b>	<b>Government Target for the Year</b>	<b>Actual to-date</b>	<b>Compare with 2004/05</b>
Cumulative Collection Percentage	99.10%	40.54%	37.28%

<b>Processing New Claims for Benefit 2005/06 (as at July 05)</b>	<b>Government Target</b>	<b>Actual Achieved</b>	<b>Compare with 2004/05</b>
Average time taken (days)	30 days	22 days	15 days

## OTHER FINANCIAL INDICATORS

### Payment of Undisputed Invoices within 30 Days

4.31 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%

4.32 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	124	117	94.35%
Policy and Development	195	183	93.85%
Community Services	3,425	3,069	89.61%
Corporate Services	470	444	94.47%
Etwell Leisure Centre	55	51	92.73%
<b>TOTAL</b>	<b>4,269</b>	<b>3,864</b>	<b>90.51%</b>

4.33 Overall performance dropped during July. As at June, the overall figure stood at over 94%. July's figure was 88% and this has lowered the cumulative performance to-date.

### Proportion of Invoices paid to Suppliers Electronically

4.34 This is an I.E.G. indicator. The target is that **100%** of all payments to suppliers are being made electronically by 31<sup>st</sup> December 2005. The table below shows the progress towards this target as at July 2005.

Performance as at July 2005	Number	Percentage
• Cheque Payments	512	<b>26.2%</b>
• Payments by BACS (Electronically Transmitted)	1,442	<b>73.8%</b>
<b>Total Payments</b>	<b>1,954</b>	<b>100%</b>

4.35 Performance as at March 2005, was 63.2%. Developments in this area have steadily increased performance to-date. During **July 2005, over 85%** of payments were completed electronically.



## Sundry Debtors

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

<b>Age of Debt</b>	<b>As at 31<sup>st</sup> March 2003 £'000</b>	<b>As at 31<sup>st</sup> March 2004 £'000</b>	<b>As at 31<sup>st</sup> March 2005 £'000</b>	<b>As at 31<sup>st</sup> July 2005 £'000</b>
Less Than 1 Month	155	289	274	<b>150</b>
1 to 6 Months	118	91	207	<b>131</b>
6 to 12 Months	87	85	38	<b>83</b>
1 to 2 Years	101	59	107	<b>116</b>
<b>Over 2 Years</b>	<b>222</b>	<b>248</b>	<b>229</b>	<b>177</b>
<b>Total Debt Outstanding</b>	<b>683</b>	<b>772</b>	<b>855</b>	<b>657</b>

4.37 Approximately 50% of the total outstanding debt relates to Housing Benefits.

