

INTRODUCTION

This latest briefing provides Members with an update on the latest financial news affecting the Council. In addition, it provides an overview of the Council's current budgetary position for the 1st Quarter of 2004/05.

It also provides other financial indicators concerning outstanding debt and council tax collection, etc.

The following information is included.

- **Page 2** - an update on financial news.
- **Pages 3 and 4** - budget monitoring figures for 2004/05, including analysis of spending across the Council's services to-date.
- **Page 5** - the Council's capital spending for 2004/05 to-date.
- **Pages 5 - 7** - updates the Council's cash flow position, including loans and bank deposits outstanding, together with council tax collection, performance in processing benefit claims and payments to suppliers.

Following on from the final accounts report for 2003/04 and a review of the 3-year rolling financial projection, this Briefing is intended to provide an early and broad indication of the Council's financial performance as we progress through 2004/05.

Please contact Terry Neaves or Kevin Stackhouse with any further queries or questions. Any feedback on the briefing's content or format would be appreciated.

FINANCE NEWS

Final Accounts 2003/04 - an overview of the Council's income and expenditure for last year, together with a review of the rolling 3-year financial projection was reported to Finance Committee on 22nd July. The figures continue to show that the Council's finances are sound with a relatively good level of general and earmarked reserves.

However, this needs to be balanced against the fact that projected expenditure exceeds income over the longer-term. In addition, the Council continues to face many financial challenges, including pressure to invest more in local services. Therefore, a baseline review of spending on existing services is planned to determine where existing resources match up to the Council's priorities. This was a key issues arising out of the recent Comprehensive Performance Assessment.

The Government's Spending Review - the Chancellor delivered his statement to Parliament on 12th July, setting out plans for public sector spending for 2005 to 2008. Many commentators believe that the announcement was not a good settlement generally for local authorities. The plans include a headline 2.6% real terms increase per year for local services for the next 3-years, with an assumption that council tax levels will need to increase by 6.7%.

Commentators believe that this will not be sufficient to meet financial pressures and commitments in the system, and that "cuts" will be required. On this point, a key element within the plans was a demand for £6.45billion of efficiency savings across local government by 2008. Obviously, these are the headline figures, and the effect on South Derbyshire will not be known until later in the year.

Housing Finance - has seen many changes in recent years such as the implementation of rent restructuring and alterations to the mechanics used for determining the Government's subsidy allowances. In the private sector, there are increasing expectations to deliver improvements and changes to the way Government support will be targeted in the future.

Against this, the review of the future ownership (including a detailed financial appraisal) of the Council's homes is will be considered through the forthcoming Committee cycle.

Change continues as this is on-going, with a Government consultation paper recently being issued on proposals for changing the current national formula for calculating rents (this is explained more on Page 4).

In addition, the Council is due to benefit from additional proceeds from council house and land sales over the next 3-years, as it escapes the Government's "pooling" arrangements. These resources can be spent on either the Council's own houses, or used for spending in the private sector.

MEMBERS FINANCE BRIEFING - JULY/AUGUST 2004

REVENUE BUDGET MONITORING 2004/05 (to week 13)

General Fund - The Council's General Fund Budgets are currently projected to show an overall reduction compared to the approved estimate for 2004/05 of around £64,000. This is broken down as follows.

Analysis of Net Expenditure by Main Service Area (excluding Internal Recharges)	Approved Estimate £	Projected £	Variance £
Environmental Services	7,225,680	7,240,270	+14,590
Financial and Property Services	3,197,480	3,136,420	-61,060
Housing and Maintenance	1,737,700	1,747,600	+9,900
Legal and Democratic Services	842,780	849,220	+6,440
Leisure and Community Services	2,060,480	2,067,700	+7,220
Planning Services	1,763,990	1,723,380	-40,610
Policy and Economic Regeneration	397,810	405,810	+8,000
Human Resources	576,110	577,050	+940
IT and Customer Services	1,479,450	1,480,880	+1,430
Revenues and Benefit Services	2,038,510	2,027,740	-10,770
TOTAL NET EXPENDITURE	21,319,990	21,256,070	-63,920

The main reason for the overall reduction is that the Council is continuing to benefit from increases in income from planning and building regulation fees. The main variances for the year (compared to that estimated) are projected to be as follows:

General Fund - Analysis of Main Variances as at Week 13	£
Reduction in fee income associated with Disabled Facility Grants	+13,850
Overall savings from vacant posts	-35,780
Lower contributions required for Meals on Wheels Service	-9,510
Anticipated increase in cost of Homelessness Service (especially B&B)	+10,940
Increase in Planning and Building Regulations Fees	-43,230

It should be noted that the above figures do not include spending being incurred at the Depot to meet Health and Safety requirements. Current estimates suggest that an additional £10,000 to £15,000 could be incurred over and above that budgeted for repairs and maintenance at the Depot. No allowance has been made for this.

MEMBERS FINANCE BRIEFING - JULY/AUGUST 2004

Housing Revenue Account (HRA)

Analysis of Net Expenditure by Main Service Area	Approved Estimate £	Projected £	Variance £
Housing Repairs and Maintenance	2,500,330	2,500,330	0
Supervision and Management	775,440	779,760	+4,320
Sheltered Housing and Other Services	840,070	840,070	0
Capital Charges and Other Costs	710,990	710,990	0
Payment to Government Pool	3,618,750	3,618,750	0
Rent and other Income	-8,770,950	-8,570,950	-200,000
Provision for Developing Services	86,000	86,000	0
TOTAL SURPLUS	239,370	35,050	-204,320

The main variation at this stage is the continuing reduction in rental income from council house sales. Any variations to capital charges and the payment to the Government Pool will not be known until later in the year.

However, the final housing subsidy settlement has recently been received and calculated for 2003/04. This indicates (subject to Audit) that the HRA will receive an **additional £200,000** compared to that estimated.

This will help to offset the reduction in overall income this year and help to maintain HRA reserves at the overall projected level by 31st March 2005.

As highlighted on Page 2, the Government has recently issued proposals to change the national rent setting formula from 1st April 2005. Potentially, this will affect all tenants and is likely to increase rents for many tenants, as the main proposal is to increase the capital value factor in the formula. Principally, the HRA overall should generate additional income over and above that currently projected.

The proposals have been issued for consultation until 30th September 2004 and the potential effects are being piloted by a cross-section of authorities.

MEMBERS FINANCE BRIEFING - JULY/AUGUST 2004

CAPITAL SPENDING 2004/05 (as Week 13)

Analysis of Spending by Main Project Area	Approved Estimate £	Spending to-date £	Proportion Spent %
Council House Repairs/other HRA	2,409,050	558,788	23.2%
Community Facilities	1,202,100	148,055	12.3%
Environmental Services	467,000	63,924	13.7%
E-Government and I.T.	424,500	21,320	5.1%
Property Improvements	233,400	43,487	18.6%
Private Sector Housing	617,200	39,073	6.3%
Repayment of Covenants	470,000	0	0
Total Expenditure	5,823,250	874,647	15%

Overall spending as at June was 15% of the total programme, which is fairly good progress for the first quarter of the year (compares with around 7% at the same stage in the previous 2 years). No major variations to the overall programme are expected at this stage.

Some of the major projects being undertaken in this year are as follows:

- Renovation of Maurice Lea Park
- Development of Coton Park
- Implementation of a new computer system for Housing
- Continuing programmes to improve council homes and private sector housing

CASH FLOW - LOANS and SHORT TERM DEPOSITS

Borrowing	01/04/04 £'000	30/06/04 £'000
• Long Term Debt Outstanding	1,000	1,000
• Temporary Borrowings	3,787	2,561
Total Debt Outstanding	4,787	3,561
• Average Interest Rate - Long Term	4.88%	4.88%
• Average Interest Rate - Temporary	3.84%	4.53%
Base Rate	4.00%	4.50%

MEMBERS FINANCE BRIEFING - JULY/AUGUST 2004

Short Term Deposits	01/04/03 £'000	30/06/04 £'000
Total	283	0
Average Interest Rate Earned	3.55%	3.65%
Target - Average 7-Day Rate (for comparison)	3.51%	4.07%

Analysis of Interest Paid/Received	Estimate for the Year £	Profiled Estimate to-date	Actual to-date £	Revised Estimate for Year £
Temporary Borrowings	38,000	30,500	11,752	19,000
Short Term Deposits	77,000	0	3,644	80,000
Total - Net Interest Receivable	39,000	-30,500	-8,108	61,000

The Council's cash flow traditionally works to a pattern where it tends to be a net borrower during the first quarter and then is a net lender for the remainder of the financial year. To -date, overall cash flow has been more favourable than estimated in particular the temporary borrowing requirement has been lower.

In addition, the Council has had short periods of lending money. Therefore, it is now expected that the overall net interest receivable will increase, although this will depend on the cash flow during the remainder of the year.

However, the average interest rate earned on this was lower than the comparable market figure, due to the short -term nature of the lending.

The Council's temporary debt peaked at just under £3m during the period. Consequently, the Council has operated very comfortably within its operational limit for external debt (£9m) as set out in the Treasury Management Strategy.

MEMBERS FINANCE BRIEFING - JULY/AUGUST 2004

REVENUES & BENEFITS

Council Tax Collection 2004/05 (as at June 04)	Government Target for the Year	Actual Achieved	Compare with 2003/04
Cumulative Collection Percentage	98%	31.60%	31.53%

Business Rate Collection 2004/05 (as at June 04)	Government Target for the Year	Actual Achieved	Compare with 2003/04
Cumulative Collection Percentage	99%	28.17%	26.22%

Processing New Claims for Benefit 2004/05 (as at June 04)	Government Target for the Year	Actual Achieved	Compare with 2003/04
Average time taken (days)	36 days	16 days	14 days

OTHER FINANCIAL INDICATORS

Proportion of Invoices paid to Suppliers Electronically (Local Indicator)

This is a new indicator for 2004/05, with a target for the year of 75% of all payments to suppliers to be made electronically. The table below shows the progress towards this target for the first quarter year.

Performance as at June 2004	Number	Percentage
• Cheque Payments	475	44%
• Payments by BACS (Electronically Transmitted)	600	56%
Total Payments	1,075	100%

