

REPORT TO: FINANCE AND MANAGEMENT COMMITTEE

AGENDA ITEM:

9

DATE OF MEETING: 4th MAY 2006

CATEGORY: DELEGATED

REPORT FROM: DIRECTOR OF CORPORATE SERVICES

OPEN

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DOC: u/ks/financial monitoring/may06

SUBJECT: BUDGET MONITORING and PROVISIONAL OUT-TURN 2005/06

REF:

WARD(S) AFFECTED: ALL

TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the latest budget monitoring figures and associated information is considered and noted.
- 1.2 That the probable variances on the General Fund for 2005/06 are considered and the proposed carry forwards to 2006/07 are approved in principle.

2.0 Purpose of Report

- 2.1 To report the latest budget monitoring figures for 2005/06 (as at 28th February 2006) including an indication of the budget out-turn for the year.

3.0 Detail

General Fund

- 3.1 Monitoring figures as at February 2006, are summarised in the following table.

Analysis of Expenditure (By Main Service Area)	Approved Estimate £	Projected Out-turn £	Probable Variance £
Environmental Services	7,856,070	7,780,760	-75,310
Financial and Property Services	3,475,850	3,466,110	-9,740
Housing and Public Buildings	1,976,060	1,936,998	-39,062
Human Resources	614,150	572,090	-42,060
IT and Customer Services	2,006,480	1,979,285	-27,195
Legal and Democratic Services	1,800,210	1,739,810	-60,400
Leisure and Community Services	4,237,710	4,161,490	-76,220
Planning Services	2,023,640	1,826,694	-196,946
Policy and Economic Regeneration	669,340	624,490	-4,850
Revenues and Benefit Services	2,571,810	2,530,960	-40,850
TOTAL EXPENDITURE	27,231,320	26,618,687	-612,633

3.2 An analysis of the main reasons for the probable variance is shown in the following table.

Reason/note on variance and proposed action	Total Variance £'000	Transfer To General Reserve s £'000	Proposed c/fwd to Earmark Reserve £'000
Lower costs (mainly wages) in refuse collection and street cleansing – variance represents around 2% of total costs.	-50	50	
Additional income from Liquor Licensing – this was the first year of operation and demand was not easily predictable.	-11	11	
Costs of formulating the Business Continuity Plan – to be financed from earmarked reserves.	+15		-15
Developing asset management – resources remaining from those approved in June 2005. Work to be completed in 2006/07.	-13		13
Additional income received from Property – lettings, lease renewals, rent reviews, etc.	-12	12	
Anticipated additional income from favorable cash flow (as detailed later in the report).	-22	22	
Homelessness Grant not fully utilised in the year due to staff vacancy – is earmarked and needs to be carried forward.	-50		50
Corporate Training budget not fully utilised - proposal to transfer this to a training and development reserve, primarily to fund a management development programme in 2006/07, which has been identified as a key improvement priority.	-26		26
Provision for support to implement single status (job evaluation) not yet fully utilised – will need to be carried forward.	-15		15
Additional funding for posts in I.T. – resources to be transferred to I.T. reserve in accordance with Council policy.	-22		22
Lower costs of implementing and maintaining Members Laptops – proposal to transfer this to the I.T. reserve.	-23		23
Lower cost of civic expenses, members allowances and external funding received for the Council's newsletter – proposal to carry these forward to supplement budgets in 2006/07.	-12		12
Lower staffing costs (mainly due to vacancies) in Legal Services – proposal to carry this forward to fund external support to cover maternity leave in.	-25		25
Lower costs associated with Swadlincote Woodlands – resources to be transferred back to Section 106 pot.	-8		8
Lower costs of Grounds Maintenance (mainly wages) – variance represents around 2% of total costs.	-26	26	

Implementation of Community Wardens will not commence until 2006/07 – 05/06 budget not required. However, request to carry forward budget to fund the cost of another warden on a 2-year temporary contract.	-45		45
Additional Planning and Building Regulation Fees – around £125,000 generated during the final quarter of the year from 3 or 4 major applications. Proposal to use 10k to help implement document management in 2006/07.	-158	148	10
Work to be completed on conservation area statements and printing of conservation area histories in 2006/07.	-18		18
Work to be completed on Heritage Schemes in 06/07.	-10		10
Delay in setting-up the Tourist Information Centre – funding will need to be carried forward.	-20		-20
Under-spend on Economic Development Promotions – proposal to carry forward to fund work on economic development strategy.	-20		-20
Increased housing benefit subsidy , in particular for achieving fraud targets.	-40	40	
Other Variances.	-2	2	
TOTALS	-613	311	302

General Comments on Variances

- 3.3 Firstly, these figures are still provisional and final figures will be reported at the June Committee. However, it does provide a very good indication of the likely level of the Budget out-turn for 2005/06.
- 3.4 Around 40% of the overall variance is due to various budgets not being spent in the year and it is proposed that these amounts are carried forward into 2006/07 as detailed in the above table.
- 3.5 It is recommended that these are considered and then approved in principle subject to final figures being confirmed.
- 3.6 As in recent years, the Council's net revenue expenditure, in monetary terms, is significantly lower compared to budget. Although employee costs are overall coming in on budget, other areas have again under spent or additional income has been generated. These areas are:
- The DSO (refuse, cleansing and grounds maintenance services)
 - Corporate training budget
 - Income from planning and building regulations
 - Utilising Homelessness grant
 - Spending on conservation and heritage allocations
 - Benefit subsidy
 - Economic development promotions

- 3.7 Clearly, in these areas, there can be difficulty in gauging accurate estimates and some degree of prudence is naturally built into budgets. In addition, the amounts involved need to be put into context.
- 3.8 For example, the under spend on the DSO is relatively small given that the gross expenditure of these services combined is in excess of £3m.
- 3.9 Income from planning and building regulation fees has again far exceeded the budget, even the revised estimate that was approved in December 2005.
- 3.10 Approximately £125,000 has been generated in the last quarter of the financial year. The total additional income represents a 20% increase on the revised budget.
- 3.11 A report is planned to be tabled at the next meeting of this Committee to consider the "shifting resources" project. This will include a review of certain areas of the Council's base budget. It is recommended that the areas identified above be considered in the early stages of that review.

Housing Revenue Account

- 3.12 Latest monitoring figures are summarised in the following table

Summary Position as at February 2006	Approved Estimate 2005/06 £	Projected Out-turn 2005/06 £	Probable Variance £
Housing Repairs	2,890,730	2,883,230	-7,500
General Management	752,670	747,670	-5,000
Sheltered and Other Services	810,200	798,270	-11,930
Council Tax on Void Properties	-21,350	-26,340	-4,990
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	-8,768,684	-6,654
Net Surplus	-52,980	-89,054	-36,074

- 3.13 It should be noted that these figures are still provisional and final figures will be reported at the June Committee. However, it does provide a very good indication of the likely level of the Budget out-turn for 2005/06.
- 3.14 In general, there are no major variances anticipated in the HRA and it should out-turn slightly better compared to that budgeted. Remedial action previously put in to ensure that the repairs budget did not overspend appears to have worked.

Capital Expenditure and Financing

- 3.15 The overall position is summarised in the following table and includes the updated estimates and updated investment programme as approved at Committee in February. This included those schemes already identified as slipping in 2005/06.

Analysis of Spending by Main Service/Project Area	Approved Estimate £'000	Spent at Feb 06 £'000	Projected Out-turn £'000	Projected Variance £'000
Council House Improvements (note 1)	1,761	1,698	1,761	0
Disabled Facility Grants (note 2)	350	235	280	-70
Other Housing Investment (note 3)	836	515	836	0
Community Projects (note 4)	1,544	1,053	1,313	-231
Environmental Schemes (note 5)	602	514	567	-35
I.T., Property and Other Assets (note 6)	1,080	782	1,029	-51
Total Expenditure	6,173	4,797	5,786	-387

Note 1 – Council House Improvements

3.16 The approved programme has been fully completed and only final payments are now due.

Note 2 – Disabled Facility Grants

3.17 The full programme has been committed, but some payments will not be made until 2006/07. These resources are ring-fenced and an amount of £70,000 will need to be carried forward.

Note 3 – Other Housing Investment

3.18 The relatively low expenditure to-date is due to covenant payments (£275,000) not due until the year-end.

Note 4 - Community Projects

3.19 As previously reported, some approved schemes will not be completed/spent by the year-end and will funding will therefore need to be carried forward to 2006/07. These are summarised below.

- Community Partnership Scheme - £141,000
- Access Improvements – Swadlincote Woodlands - £32,000
- Contribution to Artificial Sports Pitch -£58,000

Note 5 – Environmental Schemes

3.20 The flood alleviation works at Hatton (contract of £1/2m – fully funded by the Government) has come in under budget by approximately £35,000.

Note 6 - I.T. Property and Other Assets

3.21 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) the next round of works is only just about to commence. Around £71,000 will need to be carried forward.

3.22 However, the budget for improvements to the Civic Offices (reception area, etc) has overspent by approximately £20,000 (on a £1/4m project) due to unforeseen works on security and health and safety measures. It should be noted that approximately 50% of the project was financed from external grant.

Capital Receipts

3.23 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 17th January 2006) giving revised estimated total resources available (after payment to the Government Pool) of **£1.850m**.

Council House Sales to-date

3.24 As at February 2006, the estimated number of 60 sales had been completed, with the usable amount being approximately **£1.940m**, i.e. around **£90,000 more** than the above estimate.

3.25 In addition, any completions during the final weeks of the financial year will effectively be additional resources compared to that estimated.

Borrowing and Short-term Investments

3.26 These are summarised in the following tables.

Borrowing	01/04/05 £'000	28/02/06 £'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	28/02/06 £'000
Total	0	3,387
Average Interest Rate Earned	4.63%	4.46%
Target – Average 7-Day Rate (for comparison)	4.47%	4.38%

Analysis of Interest Paid/Received	Estimate for the Year £	Actual as at Feb 2006 £	Projected for the Year £
Temporary Borrowings	12,000	9,836	10,500
Short Term Deposits	140,000	155,746	-160,800
Total – Net Interest Receivable	128,000	145,910	150,300

3.27 As can be seen in the above table, overall interest receivable will be higher than the updated projection, due to a more positive cash flow position. This should generate approximately **£22,000 in additional resources**, primarily for the General Fund.

4.0 Financial Implications

4.1 As detailed above.

5.0 Corporate Implications

5.1 None associated directly with this report.

6.0 Community Implications

6.1 None associated directly with this report.

7.0 Background Papers

7.1 None

