

Executive 15th October 2008

Agenda Item No.

Title	FINANCE MONITORING 2008/09 (TO 31 ST AUGUST 2008)
For further information about this report please contact	Mike Snow 01926 456800 mike.snow@warwickdc.gov.uk
Service Area	Finance
Wards of the District directly affected	All
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006	No
Date and meeting when issue was last considered and relevant minute number	
Background Papers	None

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No

Officer/Councillor Approval

With regard to officer approval all reports *must* be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).

Officer Approval	Date	Name
Relevant Director	23/09/08	Mary Hawkins
Chief Executive	25/09/08	Chris Elliott
CMT	25/09/08	
Section 151 Officer	23/09/08	Mary Hawkins
Legal	25/09/08	Simon Best
Finance	23/9/08	Mike Snow
Portfolio Holder(s)	25/9/08	All

Consultation Undertaken

Please insert details of any consultation undertaken with regard to this report.

Final Decision?	Yes/No
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Suggested next steps (if not final decision please set out below)

1. SUMMARY

- 1.1 This report summarises the Council's financial position as at the end of August 2008. It is the second report on the 2008/09 Budget to go to the Executive since it was set in February 2008.

2. RECOMMENDATION

- 2.1 It is recommended that Members note the contents of the August financial monitoring report for 2008/09, which indicates a possible underspend of £165,500 by 31/3/09.
- 2.2 It is recommended that Members approve the changes proposed in the capital programme, and associated funding, as outlined in Section 10 of the report reducing the 2008/09 Capital Programme by **£281,600 to £13,785,500** for the reasons detailed in 10.3.4.

3. REASONS FOR THE RECOMMENDATION

- 3.1 Variations to the Council's revenue and capital budgets have been identified within its agreed financial management monitoring progress. This report provides information to enable decisions to be taken by the Executive on how to address its budget variations.

4. ALTERNATIVE OPTION CONSIDERED

- 4.1 There is no alternative to ongoing review of spending against budget and assessing the options that are then presented.
- 4.2 Not monitoring budget variations throughout the financial year would create uncertainty and lead to significant variations at the end of the financial year. The Council has to be certain it has sufficient monies to carry out its commitments during the year and that where resources are no longer required, they be redirected appropriately.

5. BUDGETARY FRAMEWORK

- 5.1 By regularly reviewing the Council's budgets, Members can be assured they continue to work within the framework and strategy previously approved.

6. POLICY FRAMEWORK

- 6.1 Regular scrutiny of its budgets facilitates the Council to provide clear community leadership and effective management of resources.
- 6.2 Careful monitoring and challenging of costs can help improve the efficiency of service delivery to the Council's customers.

7. BACKGROUND

- 7.1 The current monitoring system requires quarterly reports to be submitted to the Executive. This arrangement complements the monthly monitoring reports prepared for the Corporate Management Team, and provides a structure to control the Council's budgets.
- 7.2 This is the second report to the Executive on the 2008/09 budget since it was set in February of this year and details the position up to the end of August 2008.
- 7.3 The report covers the activities on Revenue and Capital for both General Fund and Housing Revenue Account. It includes the effects of the use of the Council's reserves and any known changes to income received for interest on balances.

8. GENERAL FUND REVENUE ACCOUNT

8.1 Service Expenditure (excluding Salaries and Wages)

- 8.1.1 The current service expenditure position is a projected overspend in 2008/09 of £183,000. The net total of variances over £5,000, as shown in Appendix A, is a £113,800 overspend and this is worsened by a variety of minor overspends (all under £5,000), which total £69,200.
- 8.1.2 Appendix B lists the notes that explain the variations in respect of items of over £5,000.
- 8.1.3 The main item of note relates to the Car Parking Fees, Season Tickets and Excess Charges shortfall of £218,000. This figure is £55,000 higher than ones shown in monthly budget monitoring exercises and the report to the Audit and Resources Committee in June 08.
- 8.1.4 Other items of significance are:-
 - i) Land Charges Service £111,000 (adverse)-Searches reduced from 2,300 to 1,200 – housing market downturn. Legal Services will review on a monthly basis the housing market situation, and assess whether recent changes to Stamp Duty may change market conditions. In addition, the government has published draft regulations which appear to indicate that costs of the land charges section may be spread across both council and local searches. An introduction date of December 2008 has been mentioned. If that is the case the total of council and personal searches becomes important. Personal searches are rising in number. If the fees regime is changed then the number of searches, over which the land charges section will be able to recover fees, will include personal searches. This will help to lessen the adverse effect of the market downturn.
 - ii) Estate Management – Rents – Vacant properties and sale of De Montfort Hotel (not taken into account at Estimate time) reduces forecast income by £17,600 (adverse).
 - iii) Committee Teas - HM Revenue and Customs have agreed that Committee teas are covered by our current dispensation and so they have cancelled their invoice for £65,800 (favourable)
 - iv) Development Control Fees £115,600 (adverse) – Depressed by market downturn.
 - v) Waste Collection – extra income from recycling credits (£74,400), bin sales (£6,000), additional tonnage for recycled materials (£90,500) and no charge for abandoned vehicles in new contract (£10,000), totalling £180,900 favourable.

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8.2 Salaries and Wages

8.2.1 Salaries and wages paid up to the end of August were analysed and, after excluding those financed externally and taking into account managers' comments, a surplus of £123,500 is forecast by 31st March 09.

8.2.3 The unallocated recruitment and temporary staff budget held by Corporate Personnel stands at £91,500 as at the end of August 2008. It is anticipated that this will be fully spent by the year end.

8.3 Overall Service Position

After taking account of the salary underspend, the position is an overall overspend on Service Expenditure of £59,500, as shown in Appendix A. However, it is still relatively early in the year so it is not possible to make any firm predictions. The situation will continue to be monitored closely with the position being reported as part of the next quarterly report to Executive.

8.4 Investment Interest

8.4.1 It is anticipated that the Council's investments will earn an additional £357,000 in 2008/2009. There are two reasons for this –

a) The balances held on the closure of the 2007-08 accounts were higher than anticipated, at this point in time it is forecast this will generate an additional £234,000.

b) The Council has secured investments at higher rates of return than the interest rate forecasts upon which the estimates were based. This has led to a forecast additional £125,000.

The additional monies need to be split in the following proportions – General Fund £225,000 and Housing Revenue Account £132,000, due to the nature of the balances held. The £225,000 will alter the Council overspend, resulting in a forecast underspend of £165,500.

Deleted: increase

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Deleted: underspend

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8.5 Major Sources of Income

This section to the report gives details of some of the Council's major sources of income. These areas can be subject to significant fluctuations which may have an adverse or favourable effect on the Council's finances. Car parking Income excludes Penalty Charge Notices. Housing supply policy is continuing to affect Development Control fee income, but the Head of Planning feels that it is difficult to predict the effect on annual fee income at this stage. The change in the fee structure for large planning applications will, almost certainly, influence the amount received. One major application (e.g. Chandos Street) could mean total numbers were down but income would remain on target. Finance will monitor these areas closely and liaise regularly with the managers concerned to ensure that CMT and Members have an accurate and up to date estimated out-turn for this budget when the situation becomes clearer.

Land Charges searches for August 2008 were 534 compared to 1,149 in August 2007. The fee has increased from £100 in 2007/08 to £140 in 2008/09.

Service	Income Received to 31 st August '08	2008/09 Annual Budget	% of 2008/09 Budget Received at 31 st August '08	% of 2007/08 Outturn Received at 31 st August '07
Car Parking	£1,057,400	£2,406,000	43.9%	49.2%
Land Charges	£111,000	£360,900	30.8%	49.2%
Development Control	£172,900	£665,600	26.0%	46.5%
Building Control	£249,900	£543,600	46.0%	59.2%

8.6 Collection Rates

- 8.6.1 The amount of Council Tax collected as a percentage of the amount due in the year is 48.92% (August 2007 48.76%), for NNDR it is 49.90% (August 2007 49.60%)

8.8 Revenue Budget Monitoring Returns

- 8.8.1 Most Revenue Budget Managers (87%) completed their returns in time to be included in the report.

9. HOUSING REVENUE ACCOUNT – REVENUE ACCOUNT

- 9.1 The latest information for the Housing Revenue Account indicates an adverse variation of £117,100 against the HRA budget approved for 2008/09. This is more than met by a projected increase in the investment interest receivable.

Net income from HRA Services (Latest 2008/09 Budget)	£ (1,465,600)
Projected variances from budget, as identified below:	117,100
Net income from HRA Services (Projected 2008/09 Outturn)	<u>(1,348,500)</u>

- 9.2 The following variances have been identified:

August 2008 HRA Variances: -	(Favourable) / Adverse £
Increase in payment to the National Housing Rents Pool	25,000 A
Projected net cost of Telecare pilot scheme	88,800 A
Minor variations	3,300 A
Net projected Variances to HRA Services budget	117,100 A

- 9.3 The £25,000 increase in the payment to the National Housing Rents Pool, for 08/09, is due to a reduction in the interest rate used in the calculation.

- 9.4 The £88,800 projected net cost of the Telecare pilot is £53,100 less than the £141,900 agreed by the relevant portfolio holders in March 2008. This is largely due to not needing to fill all posts immediately.
- 9.5 In addition to these service variances there is a £132,000 projected increase in the HRA investment interest receivable (as per paragraph 8.4.1). This will more than offset the variances identified above, with the remainder increasing HRA balances.

10. CAPITAL EXPENDITURE

10.1 General Fund and Housing Investment Programme

The latest Annual Approved Capital Budget for 2008/09 is **£14,067,100**

10.2 Budget Adjustments

There have been the following budget adjustments to the Capital Programme since the last Report to the Executive in July on the position as at May 2008.

	£'000's
Capital budget reported in July (May monitoring)	14,130
<u>Changes approved by Executive July</u>	
- Althorpe Street Innovation Centre	78
- Castle Farm Drainage, Slippage to 2009/10	(73)
- Sydenham Sports Centre, Slippage to 2009/10	(96)
<u>Changes approved by Executive in September</u>	
- WDP Communications Upgrade	28
Revised Capital Programme as at August 2008	14,067

10.3 Expenditure to date

- 10.3.1 Actual committed expenditure to the end of August 2008 totalled **£4,283,000** representing 30% of the budget. Early indications suggest an out-turn of **£13,807,900** against a budget of **£14,067,100**.

- 10.3.2 An analysis of the projected variance of **£259,200** is shown at **Appendix D**.

- 10.3.3 The main causes of the **£259,200** projected underspend are:

(a) (£403,500) Total Slippage in Programme to 2009/10 due to delays on projects:

- (£26,100) One Stop Shops,
- (£142,400) Refurbishment of Housing Benefits Area & Riverside House Reception
- (£235,000) Car Park Enhancements.

(b) £144,800 New Allocations into Capital Programme:

- £36,700 Public Arts Funding (£21,650 to come from Insurers and £15,050 from Corporate property Repairs & Maintenance Revenue Account re – Elephant Seat.)

- £40,000 Joint Contact Centre upgrade – new allocation of Government Grant,
- £3,100 Edmondscote Track – scheme now complete, but slight overspend so budget to be increased by contribution from Sports & Leisure Revenue Budget,
- £3,000 Town Hall Equipment – scheme now complete, however, sound system came in over budget and additional budget is required.
- £62,000 Acquisition of Refuse / Recycling Containers – additional budget was detailed in the February Budget Report re purchase of additional red boxes, however, this appears to have been omitted from the 2008/09 original budgets.

(c) (£17,200) net reduction on e-government schemes to reconcile to IEG records:

- £3,000 allocation to Digital TV scheme,
- £4,000 allocation to New I.T. Helpdesk,
- £20,000 allocation to Agile Working –Intranet
- (£44,200) overall reduction in e-government unallocated balance of to give a balance of £24,500 in this “pot” which then reconciles to the IEG records.

(d) (£5,700) removal of budget for safer neighbourhoods, as budget moved to revenue for this current financial year. This £5,700 was the remainder of last years grant slipped into 2008/09 but is no longer required per Project Manager.

(e) Virements, (net to £0 effect)

£2,500 Planning Development Grant (PDG) vired from (£2,500) Digital Reader / Scanner project which came in under budget so saving returned to PDG unallocated budget.

£2,000 Server Upgrade & Facility to Monitor Severs vired from (£2,000) New HR System as server works carried out by ICT in order to support the new HR system.

£20,000 Discretionary Renovation Grants vired from (£20,000) Discretionary Disabled Facilities Loans per budget manager request to support demand of these schemes.

£300,000 new scheme for S.W.Warwickshire Shared Ownership to Rent vired from (£186,900) Section 106 sites and (£113,100) SCE Grant Allocation as both of these budgets were effectively unallocated balances.

10.3.4 The sum of the adjustments detailed in 10.3.3. is £281,600 which is £22,400 different the net variation reported of £259,200. This £22,400 variation is where tenders for the Brunswick Enterprise Hub project have come in over budget; consequently, £22,400 additional funding has been sought from AWM. A decision is expected any time regarding this, therefore, until the outcome is known the Capital Programme can not be updated. If the AWM bid is unsuccessful a further report will be issued.

The resource implications of these adjustments can be summarised as: £:

Slippage to 2009/10 – No overall effect on resources	(403,500)
Net adjustments on externally funded projects	38,750
WDC funding to be met by savings on revenue budgets	18,150
WDC Capital Expenditure requiring funding	65,000
(£62,000 Recycling / Refuse Containers and £3,000 Town Hall Equipment)	
	<u>281,600</u>

10.4 Right-to-Buy Sales

Right-to-Buy sales of council dwellings were estimated to be 22 per year for the next 4 years. However, no dwellings have been sold in 2008/09 to date, with the prospects for the rest of the year looking no better. If sales are reduced to nil for each year then the Council will not receive sufficient capital receipts to meet the projected 4 year capital programme for private sector housing & Registered Social Landlord (RSL) projects. The balance of capital receipts currently held would provide the full estimated contribution required for the capital programme in 2008/09 and 2009/10 but there would be a shortfall of around £725,000 in 2010/11, then £991,000 in each subsequent year.

10.5 Capital Budget Monitoring Returns

10.5.1 All Capital Budget Managers completed their returns in time to be included in the report.

11. KEY ACTIVITY INDICATORS

- 11.1 When the Budget Report for 2008/09 was approved in February 2008 it identified a number of key activity assumptions relating to large volatile budgets to which members should pay close attention. Details of these indicators are shown in Appendix E.
- 11.2 Managers have generally reported that they are in line to meet these targets although in some areas variations have been noted already this year.
- 11.3 Swimming and gym admissions are on target for the first five months of the year.
- 11.4 The number of planning applications is expected to be 100 below its target of 1,900.
- 11.5 Land Charge Searches are expected to be 1100 below their target of 2,300
- 11.6 Bank rate interest levels are expected to decrease this year. As at the end of August 2008, the Council's Treasury Management advisors, Sector, are projecting a reduction in interest rates towards the end of the financial year. This had not been anticipated in the Council's 2008/09 Estimates. However, this reduction has been allowed for in the revised interest figure quoted in paragraph 8.4.1 and this means the outlook for interest receipts still looks quite positive for 2008/09. Money Market rates are considerably higher than Bank Rate and are expected to remain so for the foreseeable future.

APPENDIX A**ALL GENERAL FUND VARIANCES – AUGUST 2008**

EXPENDITURE ON SERVICES	APPROVED BUDGET £	VARIATIONS IDENTIFIED £	LATEST ESTIMATE £
Corporate and Resources	3,624,275	(143,900)	3,480,375
Culture Portfolio	4,850,670	(59,000)	4,791,670
Customer and Business Improvement	2,577,184	10,000	2,587,184
Community Portfolio	921,095	0	921,095
Human Resources Portfolio	(27,888)	0	(27,888)
Legal and Documentation Portfolio	9,100	111,000	120,100
Development Portfolio	3,109,463	138,400	3,247,863
Environment Portfolio	7,225,900	57,300	7,283,200
Housing Portfolio	1,578,901	0	1,578,901
Other Variances under £5,000		69,200	69,200
TOTAL SERVICE AREA VARIATIONS	23,868,700	183,000	24,051,700
Salaries and Wages savings to 31.08.08		(123,500)	(123,500)
Total of All General Fund Variations	23,868,700	59,500	23,928,200
External Interest	(851,100)	(225,000)	(1,076,100)
Financing Adjustments	(5,493,900)		(5,493,900)
LATEST NET EXPENDITURE	17,523,700	(165,500)	17,358,200

RECONCILIATION BETWEEN ORIGINAL ESTIMATE AND LATEST APPROVED ESTIMATE

	£
ORIGINAL ESTIMATE	22,934,800
Earmarked Reserves brought forward from 2007/2008	933,900
LATEST APPROVED BUDGET	23,868,700
External Interest and Financing	6,345,000
NET EXPENDITURE FOR DISTRICT PURPOSES	<u>17,523,700</u>
FORECAST POSITION AS AT END OF AUGUST 2008	(165,500)

APPENDIX B

GENERAL FUND MAJOR VARIANCES (OVER £5,000) – AUGUST 2008

The following table details the variances from the current approved General Fund budget for 2008/09:

August 2008 General Fund Variances: -	(Favourable) / Adverse £
<u>Legal and Documentation Portfolio</u>	
Land Charges – Searches reduced from 2300 to 1200 – housing market downturn	130,900 A
Reduced Con29 (Land Charges) payments to WCC because of above	(19,900) F
Variance for Legal and Documentation Portfolio	111,000 A
<u>Environment Portfolio</u>	
Car Parking Fees, Season Tickets, Excess Charges shortfall	218,000 A
Car Parking – Water Rates underestimated from previous years	20,200 A
Waste collection – extra income from recycling credits (£74.4k), bin sales (£6k), additional recycling tonnage (£90.5k) and no fee payable to contractor for abandoned vehicles (£10k)	(180,900) F
Variance for Environment Portfolio	57,300 A
<u>Culture Portfolio</u>	
Pump Rooms Electricity – Based on last 18 months consumption	(9,700) F
Jephson Gardens Glasshouse – function income back to 06/07	(15,000) F
Spa Centre & Pump Rooms Rate Refunds	(19,800) F
Spa Centre – WDC admissions	(10,000) F
Spa Centre – Cinema	6,900 A
Gas/Electricity – savings at SNP/NCLC	(11,400) F
Variance for Culture Portfolio	(59,000) F
<u>Development Portfolio</u>	
Estate Management – Rents – Vacant properties and sale of De Montfort Hotel reduces forecast income	17,600 A
Development Control Fees – Depressed by market downturn	115,600 A
WCC – Lower agency reimbursement for culvert maintenance	5,200 A
Variance for Development Portfolio	138,400 A
<u>Corporate and Resources Portfolio</u>	
Regenesis Rent – part of CUP AIEC- no longer needed	(22,500) F
Audit and Risk – Recovery of Costs from old investigation	(18,900) F
Committee Teas - HM Revenue and Customs have agreed that Committee teas are covered by our current dispensation and as such they have cancelled their invoice for £65,800.	(65,800) F
Rates Refund – Riverside House	(17,200) F
External Audit Fees negotiated lower than estimate	(7,100) F
Payslips now provided free by County Council	(14,300) F
Extra grant from Ministry of Justice for Polling Screens	(6,000) F
Office Accommodation – RH Security	7,900 A
Variance for Corporate and Resources Portfolio	(143,900) F
<u>Customer and Business Improvement Portfolio</u>	
ICT Computer Equipment - £40k taken off this budget due to BoE unlikely to be achieved.	10,000 A

Sub-Total of Variances £5,000 or greater	113,800 A
Total of Variances under £5,000:	69,200 A
Projected net Salary Variation:	(123,500) F
Increased Investment Interest (Below the Line)	(225,000) F
Grand Total of Variances affecting General Fund Balances	(165,500) F

APPENDIX C

HOUSING REVENUE ACCOUNT VARIANCES – AUGUST 2008

	APPROVED BUDGET £	VARIATIONS IDENTIFIED (Fav.) / Adv. £	LATEST ESTIMATE £
INCOME	(21,107,700)	0	(21,107,700)
EXPENDITURE	19,642,100	117,100	19,759,200
NET COST OF HRA SERVICES	(1,465,600)	117,100	(1,348,500)
INVESTMENT INTEREST	(769,700)	(132,000)	(901,700)
ESTIMATED POSITION	(2,235,300)	(14,900)	(2,250,200)

APPENDIX D

CAPITAL EXPENDITURE

Service Area	Latest 2008/09 Capital Budget	Managers Outturn Latest Estimate	Variance	Notes
	£	£	£	
Chief Executive	214,500	214,500	0	
Director of Customer & Service Improvement	2,434,000	2,488,900	54,900	£22,400 Brunswick Enterprise Hub, £36,700 Public Arts Funding, (£44,200) e-government unallocated and £40,000 JCC Phase 2 Upgrade.
Head of Revenues & Customer Service	297,800	132,300	(165,500)	(£26,100) Refurb. HB Area & RSH Improvements, (£142,400) One Stop Shops and £3,000 Digital T.V.
Head of Planning	305,200	305,200	0	£2,500 Planning Development Grant Unallocated and (£2,500) Digital Reader / Scanner.
Head of Engineering.	224,300	224,300	0	
Head of Finance	336,300	336,300	0	
Head of Cultural Services	143,700	149,800	6,100	£3,100 Edmondscote Track and £3,000 Town Hall Equipment.
Head of Neighbourhood Services	550,900	377,900	(173,000)	(£235,000) Car Park Enhancements and £62,000 Acquisition of Refuse / Recycling Containers.
Head of Env. Health	478,100	478,100	0	
Head of Econ. Dev & Regen.	20,000	20,000	0	
Head of ICT	386,900	392,900	6,000	£2,000 Server Upgrade and £4,000 New I.T. Helpdesk.
Head of Org. & Performance Improvement	49,200	67,200	18,000	(£2,000) New HR System and £20,000 Agile Working – Intranet.
Community Safety.	5,700	0	(5,700)	(5,700) Safer Neighbourhoods.
Head of Housing Strategy	2,129,500	2,129,500	0	£20,000 Discretionary Renovation Grants, (£20,000) Discretionary Disabled Facilities Loans, £300,000 S.W.Warwickshire Shared Ownership to Rent Scheme, (£186,900) Section 106 sites, (£113,100) SCE Grant Allocation.
Head of Members Services	25,000	25,000	0	
Property & Housing Services	6,466,000	6,466,000	0	
TOTAL	14,067,100	13,807,900	(259,200)	

APPENDIX E

KEY ACTIVITY INDICATORS – AUGUST 2008

		Target	Projection	Financial Effect
No. of council land charge searches		2,300	1,200	£111,000 (a) net
No. of planning applications		1,900	1,800	Being monitored
No. of building control applications		1,900	1,900	£115,600
No. of swimming and gym admissions		358,000	358,000	None
No. of golf rounds		21,800	21,800	None
Bank Rate movements	by Jun 2008	5.00%	5.00%	Interest currently being received is in excess of Bank Rate
	by Sep 2008	5.00%	5.00%	
	by Dec 2008	5.00%	4.75%	
	by Mar 2009	5.00%	4.50%	
Invesco portfolio		5.50%	5.50%	None