

 <b>Executive 16<sup>th</sup> July 2008</b>		<b>Agenda Item No.</b>
<b>Title</b>	FINANCE MONITORING 2008/09 (TO 31 <sup>ST</sup> MAY 2008)	
<b>For further information about this report please contact</b>	Mike Snow 01926 456800 mike.snow@warwickdc.gov.uk	
<b>Service Area</b>	Finance	
<b>Wards of the District directly affected</b>	All	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>		
<b>Background Papers</b>	None	

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

<b>Officer/Councillor Approval</b>		
With regard to officer approval all reports <u>must</u> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Relevant Director	25 <sup>th</sup> June 08	Mary Hawkins
Chief Executive	26 <sup>th</sup> June 08	Chris Elliott
CMT	26 <sup>th</sup> June 08	
Section 151 Officer	25 <sup>th</sup> June 08	Mary Hawkins
Legal	30 <sup>th</sup> June 08	Simon Best
Finance	24 <sup>th</sup> June 08	Mike Snow
Portfolio Holder(s)	2 <sup>nd</sup> July 08	Councillor Michael Doody
<b>Consultation Undertaken</b>		
Please insert details of any consultation undertaken with regard to this report.		
<b>Final Decision?</b>		Yes/No
<b>Suggested next steps (if not final decision please set out below)</b>		

## **1. SUMMARY**

- 1.1 This report summarises the Council's financial position as at the end of May 2008. It is the first 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 May financial monitoring report for 2008/09, which indicates a possible underspend of £166,300 by 31/3/09.
- 2.2 It is also recommended that the £27,900 Community Support budget be transferred, on a recurring basis, to the Joint Area Partnership, with £8,800 of this being vired to Salaries.
- 2.3 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 capital programme by £169,000 in 2008/09, and increasing 2009/10's capital programme by £169,000, due to delays in the Sydenham Sports Hall (£96,000) and Castle Farm Sports Pitch (£73,000) projects.

## **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 first 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 May 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 £60,900. The net total of variances over £5,000, as shown in Appendix A, is a £23,200 overspend and this is increased by a variety of minor overspends (all under £5,000), which total £37,700.
  - 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 £112,000, which has been reported to the Audit and Resources Committee. This figure is after allowing for the recommended changes to the fees and charges in the separate car parks report to this Executive.
  - 8.1.4 Other items of significance are:-
    - i) Land Charges Service £51,100 (adverse)-Searches reduced from 2,300 to 1,900 – housing 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 £40,000 (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) Pension Fund Contribution – shortly after the Council's 2008/09 budget was set the results of the triennial pension fund review were published. This reduced the employer contribution pension rate that had been allowed for in the Estimates. However, there will still be increases in the pension fund rate in future years.
- 8.2 Salaries and Wages
  - 8.2.1 Salaries and wages paid up to the end of May were analysed and, after excluding those financed externally and taking into account managers' comments, a small surplus of £2,200 is forecast by 31<sup>st</sup> March 09.

8.2.3 The unallocated recruitment and temporary staff budget held by Corporate Personnel stands at £99,000 as at the end of May 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 overspend on Service Expenditure of £58,700. However, it is still 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 be used to reduce the overall Council overspend, resulting in an underspend of £166,300.

### 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 May 2008 were 262 compared to 457 in May 2007. The fee has increased from £100 in 2007/08 to £140 in 2008/09.

Service	Income Received to 31 <sup>st</sup> May '08	2008/09 Annual Budget	% of 2008/09 Budget Received at 31 <sup>st</sup> May '08	% of 2007/08 Outturn Received at 31 <sup>st</sup> May '07
Car Parking	£392,800	£2,406,000	<b>16.3%</b>	18.4%
Land Charges	£51,300	£360,900	<b>14.2%</b>	19.2%
Development Control	£45,400	£665,600	<b>6.8%</b>	20.7%
Building Control	£138,600	£543,600	<b>25.5%</b>	30.2%

## 8.6 Collection Rates

- 8.6.1 The amount of Council Tax collected as a percentage of the amount due in the year is 20.36% (May 2007 20.39%), for NNDR it is 21.96% (May 2007 21.72%)

## 8.7 Budget Virement

- 8.7.1 As part of the Restructure under Building on Excellence, a Joint Area Partnership Team was created, comprising of staff from both Warwick District Council and the County Council. When transferring the budgets into this new Service Area for 2008-09, one of the Budgets, "Community Support" held by Organisational and Performance Improvement, £27,600, was overlooked.

This was identified when a request was made to utilise some of this budget to fund an increase in the hours of the Policy and Performance Officer – Community Development/Equalities. By increasing her hours from 22.5 to 30 hours per week, this would equate to a cost of £8,800 (including Employer's on-costs).

It is therefore recommended that the £27,900 Community Support budget be transferred, on a recurring basis, to the Joint Area Partnership in line with the Building on Excellence structure, from the Policy-Community Support Budget, with £8,800 of this being vired to Salaries.

## 8.8 Revenue Budget Monitoring Returns

- 8.8.1 All Revenue Budget Managers completed their returns in time to be included in the report.

## 9. HOUSING REVENUE ACCOUNT – REVENUE ACCOUNT

- 9.1 The summary position of this account is shown in Appendix C and the position for the year is currently £1,300 over budget. The extra interest mentioned in 8.4.1 (£132,000) is treated in exactly the same way as the General Fund and shown as a 'below the line' item and will increase the HRA balances.

## **10. CAPITAL EXPENDITURE**

### **10.1 General Fund and Housing Investment Programme**

10.1.1 The original total approved Capital Budget for 2008/09 was **£7,926,800**. This was increased following the June Executive for approved slippage totalling £5,636,900 and adjustments to capital budgets of £566,000 giving an adjusted budget of **£14,129,700**. Further amendments are now proposed and discussed here.

### **10.2 Expenditure to date**

10.2.1 Actual committed expenditure to the end of May 2008 totalled £2,741,953 representing 19% of the proposed budget. At this stage it is predicted that the outturn on schemes will be £13,962,700. An analysis of the projection and variances is shown at Appendix D. The main causes of the projected underspend is due to the delays in the Sydenham Sports Hall (£96,000) and Castle Farm Sports Pitch Projects (£73,000). The reason for the delay in the Sydenham Project is due to the un-certain future of the school, whilst the Castle Farm project is reliant on match funding that has not yet been secured. The position will continue to be monitored throughout the year, with further proposals coming forward in due course for amendments to the Capital Programme.

### **10.3 Capital Budget Monitoring Returns**

10.3.1 At the time of writing this report, some Capital Budget Managers have failed to respond with a forecast capital out-turn. It has therefore been assumed that their budgets will be on target and neither over or underspend.

## **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 play 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 two months

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 400 below their target of 2,300

11.6 Bank rate interest levels are expected to decrease this year. As at mid June 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.

**ALL GENERAL FUND VARIANCES – MAY 2008**

<b>EXPENDITURE ON SERVICES</b>	<b>APPROVED BUDGET £</b>	<b>VARIATIONS IDENTIFIED £</b>	<b>LATEST ESTIMATE £</b>
Corporate and Resources	3,421,700	(185,400)	3,236,300
Culture Portfolio	4,837,900	0	4,837,900
Customer and Business Improvement	2,553,700	10,000	2,563,700
Community Portfolio	918,600	0	918,600
Human Resources Portfolio	(500)	0	(500)
Legal and Documentation Portfolio	9,100	51,100	60,200
Development Portfolio	3,120,700	45,000	3,165,700
Environment Portfolio	7,229,800	102,500	7,332,300
Housing Portfolio	1,577,700	0	1,577,700
Other Variances under £5,000		37,700	37,700
<b>TOTAL SERVICE AREA VARIATIONS</b>	<b>23,668,700</b>	<b>60,900</b>	<b>23,729,600</b>
Salaries and Wages savings to 31.05.08		(2,200)	(2,200)
<b>Total of All General Fund Variations</b>	<b>23,668,700</b>	<b>58,700</b>	<b>23,727,400</b>
External Interest	(851,100)	(225,000)	(1,076,100)
Financing Adjustments	(5,293,900)		(5,293,900)
<b>LATEST NET EXPENDITURE</b>	<b>17,523,700</b>	<b>(166,300)</b>	<b>17,357,400</b>

**RECONCILIATION BETWEEN ORIGINAL ESTIMATE AND LATEST APPROVED ESTIMATE**

	<b>£</b>
<b>ORIGINAL ESTIMATE</b>	<b>22,934,800</b>
Earmarked Reserves brought forward from 2007/2008	733,900
<b>LATEST APPROVED BUDGET</b>	<b>23,668,700</b>
External Interest and Financing	6,145,000
<b>NET EXPENDITURE FOR DISTRICT PURPOSES</b>	<b><u>17,523,700</u></b>
<b>FORECAST POSITION AS AT END OF MAY 2008</b>	<b>(166,300)</b>

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

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

<b>May 2008 General Fund Variances: -</b>	<b>(Favourable) / Adverse £</b>
<b>Legal and Documentation Portfolio</b>	
Land Charges – Searches reduced from 2300 to 1900 – housing market downturn	60,900 A
Reduced Con29 (Land Charges) payments to WCC because of above	(9,800) F
<b>Environment Portfolio</b>	
Car Parking Fees, Season Tickets, Excess Charges shortfall, and proposed changes to charges (separate report to Exec) –	112,000 A
Crematorium Electricity – Bio-mass boiler has reduced consumption	(9,500) F
<b>Development Portfolio</b>	
Estate Management – Rents – Vacant properties and sale of De Montfort Hotel (not taken into account at Estimate time) reduces forecast income	40,000 A
Estimated Legal Fees now not reimbursable by AWM due to delays in obtaining a signed contract from AWM for the development of Court Street Railways Arches.	5,000 A
<b>Corporate and Resources Portfolio</b>	
Pension Fund – Change in employer contribution rate	(43,900) F
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	(17,100) F
<b>Customer and Business Improvement Portfolio</b>	
ICT Computer Equipment - £40k taken off this budget due to BoE unlikely to be achieved.	10,000 A
<b>Sub-Total of Variances £5,000 or greater</b>	<b>23,200 A</b>
Total of Variances under £5,000:	37,700 A
Projected net Salary Variation:	(2,200) F
<b>Increased Investment Interest (Below the Line)</b>	<b>(225,000) F</b>
<b>Grand Total of Variances affecting General Fund Balances</b>	<b>(166,300) F</b>



**HOUSING REVENUE ACCOUNT VARIANCES – MAY 2008**

	<b>APPROVED BUDGET £</b>	<b>VARIATIONS IDENTIFIED £</b>	<b>LATEST ESTIMATE £</b>	<b>NOTES</b>
INCOME	(21,107,700)	1,000	(21,106,700)	
EXPENDITURE	19,642,100	300	19,642,400	
NET COST OF HRA SERVICES	(1,465,600)	1,300	(1,464,300)	
INVESTMENT INTEREST	(769,700)	(132,000)	(901,700)	
ESTIMATED POSITION	(2,235,300)	(130,700)	(2,366,000)	

**CAPITAL EXPENDITURE****General Fund**

The original total approved Capital Budget for 2008/09 was £7,926,800. Further amendments are now proposed and discussed here.

This was increased following the June Executive for approved slippage and adjustments totalling £6,202,900 giving an adjusted budget of £14,129,700.

**ALL CAPITAL VARIANCES - MAY 2008**

<b>SERVICE AREA</b>	<b>APPROVED BUDGET (Inc. Slippage /Adjustment) £</b>	<b>VARIANCE  £</b>	<b>MANAGERS OUT-TURN Latest  Estimate £</b>	<b>NOTES</b>
Chief Executive	214,500	0	214,500	
Customer & Service Improvement	2,355,600	0	2,355,600	
Revenues and Customer Service	269,900	0	269,900	
Engineering	295,600	2,000	297,600	Equipment costs slightly higher than budget
Cultural Services	168,300	-96,000	72,300	Sydenham Sports Hall slippage.
Neighbourhood Services	623,900	-73,000	550,900	Castle Farm Sports Pitch slippage.
Finance	336,300	0	336,300	
Environmental Health	478,100	200	478,300	Land Registry fee not budgeted for.
Economic Development and Regeneration	20,000	0	20,000	
Housing Strategy	2,129,500	22,900	2,152,400	Decent Homes Grant – Funding changed from revenue to capital.
ICT	386,900	-22,500	364,400	Budget for Data Capture to be reviewed.
Organisational & Performance Improvement	49,200	0	49,200	
Community Safety Sustainability	5,700	0	5,700	
Planning	305,200	-700	304,600	Digitisation costs slightly lower.
Housing & Property Services	6,466,000	0	6,466,000	
Revenue, Benefits & Customer Services	25,000	0	25,000	

<b>14,129,700</b>	<b>-167,100</b>	<b>13,962,700</b>
-------------------	-----------------	-------------------

## **APPENDIX E**

### **KEY ACTIVITY INDICATORS – May 2008**

		<b>Target</b>	<b>Projection</b>	<b>Financial Effect</b>
No. of council land charge searches		2,300	1,900	£51,100 (a)
No. of planning applications		1,900	1,800	Being monitored
No. of building control applications		1,900	1,900	Being monitored
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%	5.00%	
	by Mar 2009	5.00%	4.75%	
Invesco portfolio		5.50%	5.50%	None