

TO: EXECUTIVE – 25TH JULY 2005

SUBJECT: FINANCIAL MONITORING 2005/2006 (TO 31ST MAY 2005)

FROM: FINANCE

1. RECOMMENDATIONS

- 1.1 To note the contents of the May financial monitoring report for 2005/2006.
- 1.2 To approve the changes proposed in the capital programme and associated funding as outlined in Section 8 of the report.

2. REASONS FOR RECOMMENDATIONS

- 2.1 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.

3. ALTERNATIVE OPTIONS CONSIDERED

- 3.1 There is no alternative to ongoing review of spending against budget and assessing the options that are then presented.

4. POLICY AND BUDGET FRAMEWORK

- 4.1 By regularly reviewing its budget members can be assured they continue to work within the framework they agreed.

Andrew Dunnell,
Head of Finance.

BACKGROUND PAPERS

Budget Setting and Management Report – November 2004

Areas in District Affected:	All
Executive Portfolio Area and Holder:	All
Overview and Scrutiny Committee:	All
Key Decision:	No
Included in Forward Plan:	No

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5. BACKGROUND

- 5.1 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 the structure within which management control of the Council's budgets is achieved.
- 5.2 This is the first report to the Executive for 2005/2006 and details the results up to the end of May 2005.
- 5.3 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.

6. GENERAL FUND REVENUE ACCOUNT

- 6.1 Service Expenditure (excluding Salaries and Wages)
 - 6.1.1 The current service expenditure position is a projected underspend in 2005/2006 of £147,858 as shown in Appendix A.
 - 6.1.2 Appendix B lists the notes that explain the variations in respect of items of over £5,000. The most significant item which accounts for the majority of the underspend relates to the effect of the introduction of a new national planning fee regimen which is anticipated could generate an additional £150,000 in the current year. The profile of income during the year is quite volatile and it will be important to continue to monitor this item carefully during the year.
- 6.2 Salaries and Wages
 - 6.2.1 Salaries and wages paid up to the end of May amount to £1,791,717, after deducting those financed externally, which together with commitments of £15,309 brings the cumulative spend to £1,951,000.
 - 6.2.2 The annual budget for salaries and wages as £12,081,000 excluding recruitment costs. By applying a simple pro-rata of one-sixth the budget figure for the first two months of the year would be £2,004,000 which would indicate an estimated underspend of about £53,000.
 - 6.2.3 The recruitment and temporary staff budget held by Corporate Personnel stands at £99,805 at the end of May.
- 6.3 Risk
 - 6.3.1 Attached at Appendix D are the risks identified at budget setting together with a commentary on them.

7. HOUSING REVENUE ACCOUNT – REVENUE ACCOUNT

- 7.1 The summary position of this account is shown in Appendix C and the position for the year is a net underspend of £158,200. The most significant item is the anticipated increase in rent income of £144,000 due to the reduced level of Right To Buy sales.

8. CAPITAL EXPENDITURE

8.1 General Fund and Housing Investment Programme

- 8.1.1 The original total approved Capital Budget for 2005/06 was £12,387,000, as shown in Appendix E. This was increased following the June Executive for approved slippage and adjustments totalling £3,348,000 giving an adjusted budget of £15,735,000. Further amendments are now proposed to the approved budget as listed in Appendix F and discussed here.

8.2 Budget Adjustments

8.2.1 E Government Schemes - Net increase £385,000

The E Government changes to the Capital Programme reflect many allocations from the “unallocated E Government budget”, and also within the Warwickshire On-Line Partnership (WOLP) budget. In addition the programme has been increased for schemes such as One Stop Shops where the County Council is providing some funding.

In summary the increase in the E Government Budget will be funded by:-

Implementation Support Unit Grant (ISU Grant from ODPM)	£80,000
WCC (funding towards One-Stop Shops)	£240,000
Implementing E Government Grant (IEG Grant from ODPM)	£114,000
Revenue Contribution to Capital Outlay from Corporate Repairs and Maintenance budget	£5,000
Capital Contributions to Revenue Expenditure – in respect of revenue expenditure to be finance from capital resources	<u>£54,000</u> credit
Total	<u>£385,000</u>

8.2.2 PIE Projects - Net decrease £21,000

The intended expenditure from the PIE budgets will need to be classified as revenue. As such, it is necessary to reduce the capital budget and increase the revenue, with associated adjustments to financing.

8.2.3 Royal Spa Centre Stage Improvements - Net decrease £14,000

It is not going to be possible to proceed with this scheme so the budget should consequently be reduced.

8.2.4 Housing Association Schemes - Net decrease £203,000

This budget should be reduced to match the latest forecast expenditure of the Housing Strategy Section.

8.2.5 Taking into account of the above changes the approved budget will total £15,883,000.

8.3 Expenditure to date

- 8.3.1 Actual committed expenditure to the end of May 2005 totalled £1,794,000, representing 11% of the proposed budget. All the variations on individual schemes are shown within Appendix E, together with explanations. At this stage it is predicted that the outturn on schemes will be £255,000 below budget. The position will continue to be monitored throughout the year, with further proposals coming forward in due course for amendments to the Capital Programme.

8.4 Housing Capital Receipts

- 8.4.1 Sales of Council Houses have recently slowed down substantially. This reflects continuing high property prices in the area. In the first quarter of this year only 6 properties have been sold compared to a total of 66 in the year 2004/05. Based on this trend it is predicted that there will be a shortfall of £1.3m on the receipts included within the Estimates approved last February. The implication of this is that the HRA will have its resources reduced by this amount. This should not present a problem for the 2005/06 Capital Programme as there are sufficient reserves. However it will represent a problem for future years. Once the Council has received the updated Stock Condition Survey later in the Summer, the Housing Investment Programme will be fully reviewed and reported back to members in the Autumn.

9. **KEY NON-FINANCIAL ACTIVITY INDICATORS**

- 9.1 As part of this Council's CPA for 2005 the Audit Commission are introducing Use of Resources judgements which will form part of the auditor's opinion relating to the Council's Financial Management. In order to achieve a Level 3 self-assessment it will be necessary to enhance the Council's financial monitoring procedures by monitoring performance against key non-financial targets. When the Budget Report for 2005/2006 was approved in February 2005 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 G.
- 9.2 Managers have generally reported that they are in line to meet these targets although in some areas variations have been noted already this year.
- 9.3 Swimming and gym admissions are slightly down for the first two months but, assuming a decent summer and the introduction of new gym equipment in September 2005, expect to achieve out-turn admission figures.
- 9.4 The number of planning applications received so far this year has fallen compared to last year's equivalent period.
- 9.5 Base rate interest levels and the percentage earned on the Invesco portfolio are slightly lower and have accounted for reduced investment income for the General Fund of £40,000 identified in Appendix A.

APPENDIX A**ALL GENERAL FUND VARIANCES – MAY 2005**

	APPROVED BUDGET (inc. Ear Res. & Virements) £	VARIATIONS IDENTIFIED £	LATEST ESTIMATE £	APPENDIX B NOTES
Corporate and Strategic Leadership	2,811,800	61,443	2,873,243	1
Cultural Services	6,923,300	10,250	6,933,550	2
Customer and Community Services	1,871,000	4,852	1,875,852	3
Economic Services	1,169,736	(78,127)	1,091,609	4
Environmental Services	7,464,600	(136,276)	7,328,324	5
Housing Services	1,161,200	(10,000)	1,151,200	6
TOTAL SERVICE VARIATIONS	21,401,636	(147,858)	21,253,778	
Salaries and Wages savings to 31.05.05		(53,000)	(53,000)	
Reduced Interest		40,000	40,000	
LATEST GENERAL FUND POSITION	21,401,636	(160,858)	21,240,778	

RECONCILIATION BETWEEN ORIGINAL ESTIMATE AND LATEST APPROVED ESTIMATE

	£
ORIGINAL ESTIMATE	20,748,500
Budget Amendments Approved by Executive	(50,364)
Earmarked Reserves brought forward from 2004/2005	711,500
LATEST APPROVED BUDGET	21,401,636

APPENDIX B

GENERAL FUND MAJOR VARIANCES (OVER £5,000) – MAY 2005

	Notes	Favourable £	Adverse £
1.	<u>Corporate and Strategic Leadership (£51,300 Net Adverse)</u>		
	Print Unit		
	- Purchase of obsolete guillotine and copier/printers		8,000
	- additional income from external photocopying work and local plan	11,000	
	Best Value		
	- Consultants Fees for Citizens Panel included in service plan omitted from budget		12,500
	Office Accommodation		
	- Increased rates on Council properties following rating revaluation		41,800
2.	<u>Cultural Services (£1,000 Net Favourable)</u>		
	Golf Course		
	- Reduced Fee Income		7,900
	Cemeteries and Crematorium		
	- Work on second memorial circle not expected in 2005/2006	14,400	
	- Increased rates resulting from rating revaluation		5,500
3.	<u>Customer and Community Services £667 Net Favourable)</u>		
	Local Land Charges:		
	- Reduced payment to WCC for search fees – calculation net of local supplement	6,067	
	Cashier Services/Payment Channels		
	- Unexpired contract costs on cashiers system		5,400
4.	<u>Economic Services (£76,300 Favourable)</u>		
	Car Parks		
	- Car parks unaffected by rating revaluation, rating reduction resulting from 3.3p reduction in business rates	31,800	
	- Fees and Charges – additional income from St. Mary's Lands	35,000	
	Highways Grass Cutting		
	- Reduced payment to WCC following revision of contract.	9,500	
5.	<u>Environmental Services (£137,000 Net Favourable)</u>		
	Development Control		
	- Increased income from planning fees following effect of national increase in fee scales from 1 st April	150,000	
	Abandoned Vehicles		
	- Loss of income from HRA following use of Car Clear Scheme		13,000
6.	<u>Housing Services (£10,100 Favourable)</u>		
	Homelessness		
	- Savings in devolved repairs following termination of private leases	10,100	

HOUSING REVENUE ACCOUNT VARIANCES – MAY 2005

	APPROVED BUDGET £	VARIATIONS IDENTIFIED £	LATEST ESTIMATE £	NOTES
INCOME	(17,940,200)	(164,100)	(18,104,300)	1
EXPENDITURE	26,408,900	5,900	26,414,800	2
NET COST OF HRA SERVICES	8,468,700	(158,200)	8,310,500	

NOTES (VARIATIONS OVER £5,000)

Favourable	Adverse
£	£

1. INCOME

Housing Revenue Account

- | | | |
|--|---------|--|
| - Change in interest payments on subsidy claim | 7,700 | |
| - increased rental due to reduction in RTB sales | 144,000 | |
| - increased ground rents from higher proportion of flats being sold | 11,500 | |
| - Increased number of tenants paying Supporting People service charges | 12,200 | |

2. EXPENDITURE

Warden Supported Services

- | | | |
|----------------------------|--|-------|
| - Early retirement payment | | 8,600 |
|----------------------------|--|-------|