

Agenda Item

Executive Board

02 September 2009

MW/LG



Financial Monitoring Report 2009/10 – Month 4

Summary

This report gives a summary of the Council's overall financial position for 2009/10 at the end of month four (31 July 2009).

Within the year, revised or supplementary estimates are agreed. If there are any, these will be shown in Appendix A to this report.

In compiling this report we have looked at all large, high risk and volatile budget areas. Predicted spending patterns have been linked to operational activity and all material budgets have been subject to thorough risk assessments by operational managers and finance staff. Any continuing variances in spending patterns will then be considered as part of the medium term financial strategy.

The report details all budget variances for the period to the 31 July 2009.

Recommendation that:

the variances identified as part of the Revenue and Capital Monitoring process up to month four be noted and that the following corrective action taken by managers be endorsed:

- **the predicted overspend on vehicle costs for Parks and Pleasure Grounds be offset by a reduction in the spend on non essential contractors,**
- **that the Head of Housing be requested to identify where £150,000 could potentially be saved or held back to bring the predicted HRA balance back in line with the agreed policy.**

a) **Reasons for Recommendation**

The report updates Members on the overall financial position of the Authority following the end of each month and includes recommendations where corrective action is required for the remainder of the financial year.

b) **Alternative Options**

To disagree with the recommended action proposed.

c) **Risk Considerations**

Current monitoring indicates that the Council's balances and reserves are not being maintained at the adopted levels.

d) **Policy and Budgetary Considerations**

This report highlights all budgetary variances and then comments on the level and adequacy of Reserves.

e) **Date for Review of Decision**

Not applicable.

Financial Monitoring Report 2009/10 – To Month Four

1. Introduction

- 1.1 The purpose of this monitoring report is to update members of the Executive Board on the overall financial position of the Authority following the end of month four and to report on areas that may require corrective action during the remainder of the financial year.

2. General Fund Position up to Month Four.

2.1

	£	£
Budget Requirement (set 18/02/09)		14,660,620
Less:		
Month 4 predicted net underspend to Year End	(386,000)	
Add:		
Revised estimates approved during 2009/10	<u>Nil</u>	<u>(386,000)</u>
Predicted Budget Requirement		<u>14,274,620</u>

A summary of the predicted over and under spends to the year-end are shown below:

	Variation at Month 4 £000's	Predicted Outturn £000's
Communities Portfolio		
Home Safeguard		
Software upgrade, equipment replacement	0	41
StreetScene Portfolio		
Parks & Pleasure Grounds		
Overspends on vehicle repairs and leases	(7)	20
Reduction in spend on non-essential contractors	(26)	(20)
Refuse & Recycling		
Employees – vacancy	(16)	(40)
Contribution to capital – routing software	0	37
Engineers Section		
Employees - vacancy	(8)	(38)
Strategic Planning & Regeneration Portfolio		
Development Management		
Employees – vacancy	(15)	(21)
Resources Portfolio		
Employees – vacant posts covered by agency staff	21	65
Additional benefits admin grant from government	0	(109)
Communications Portfolio		
Legal Section		
Employees - vacancy	(21)	(21)
Economy Portfolio		
Concessionary Fares	(353)	(300)
Total	(425)	(386)

2.2 These variations will have the following overall effect on the Council's General Fund Balance.

	£	£
Available General Fund Balance (01/04/09)		(4,304,000)
Less:		
Use of earmarked revenue reserves	1,810,000	
Add:		
Items identified in para. 2.1	<u>(386,000)</u>	
Predicted G.F. Balance (31/03/09)		<u>(2,880,000)</u>

2.3 Officers have been requested to continually consider where additional savings might be achieved in the current financial year as £1.8m has already been taken from reserves to balance the 2009/10 budget. Further to this the 2010/11 budget will encompass recommendations from the Leader's Service Transformation Group (LSTG) in order to address the funding gap.

2.4 An analysis of the main income streams is shown below:

	Annual Budget £000's	Variation at Month 4 £000's	Predicted Outturn £000's
Car Park charges	(2,350)	(65)	(2,350)
Planning Deposit fees	(600)	(27)	(600)
Building Control fees	(486)	(20)	(486)
Local Land Charges	(250)	(9)	(250)

The budgets for these areas were significantly reduced for 2009/10 and although the actual position currently indicates higher than expected income, it must be remembered that the Spring and Summer months are the 'good' months and income will reduce towards the end of the year. For that reason no variances from the budgets have been predicted for the year end at this stage.

2.5 We have been notified that LABGI of £0.049m will be received for 2009/10. This was not allowed for in the budget and will be transferred to the LABGI Reserve, which currently stands at £0.683m, and which is set aside to promote and deliver economic development.

3. Housing Revenue Account Position up to Month 4.

	£	£
Budget Requirement (set 18/02/09)		395,600
Month 4 predicted net overspend to year end	Nil	
Supplementary estimates approved	<u>Nil</u>	<u>Nil</u>
Predicted Budget Requirement		<u>£395,600</u>

No specific over/underspends have been identified to date although the Head of Housing has indicated that there are some vacant posts that will not be filled and that there is likely to be an underspend on Tenant Improvements.

3.1 These variations will have the following effect on the Housing Revenue Account Balance.

	£	£
Housing Revenue Account Balance (01/04/09)		(1,295,503)
Predicted budget requirement as above		<u>395,600</u>
Predicted HRA Balance (31/03/10)		<u>(£899,903)</u>

The recommended level for the HRA balance, at £245 per dwelling, is currently £1.050m. At the time the budget was set, the estimated balance at the end of 2008/09 was anticipated to be higher than the actual level eventually achieved. Consequently the predicted balance at the end of this financial year is now £0.150m lower than the recommended level. Although it is too early in the financial year to 'panic' into corrective action, it is considered prudent to recommend that housing officers consider which budgets could be reduced or where spend could be held back at this stage in order to bring the predicted balance back into line.

4. **Pay Award**

In addition to the variations previously detailed, the pay award for 2009/10 is likely to be in the region of 1% rather than the 2.45% which was anticipated when the budget was prepared. The effect of this will be a saving of approximately £0.189m on the General Fund and £0.028m on the HRA. These savings will be achieved once the pay negotiations are finalised and are not yet reflected in the figures above.

5. **Capital Programme Position up to Month 4**

5.1 The Capital Programme and its funding have three constantly changing variables:

- a) the net programme itself,
- b) capital receipts,
- c) funding for the programme.

The net programme varies due to slippages, additional projects (usually via Project Board), any savings throughout the year and additional grant income.

Capital receipts are increased by new items being identified as potentially for sale during the year but are also subject to delays.

Funding may be increased by revenue contributions to specific projects and S106 funding not in the original programme.

Therefore the amount required to be funded from Capital Reserves will vary in relation to a, b and c above. The tables at the end of this report identify these variations as at month 4.

5.2 The following table currently estimates the total required from the Capital Reserve as £3.263m, an increase of £0.514m compared to the original requirement of £2.749m (set 18/02/09).

5.2.1 This will reduce the Capital Reserve balance from £6.784m to £3.521m.

	£	£
Net Capital Budget (Exec Board 18/02/09)		3,937,000
Revisions per Outturn 08/09 (Exec Board 10/06/09)	734,000	
Month 4 Revisions (a)	<u>(209,200)</u>	
Predicted Budget Requirement		<u>4,461,800</u>
Financed by		
In Year Usable Capital Receipts	(217,250)	
Capital Receipts brought forward	(248,000)	
HRA Contribution	(274,000)	
Use of Reserve for refuse bins purchase	(403,000)	
S.106 contribution for Play Equipment	(9,990)	
GF contributions to various projects	(46,800)	
Predicted Capital Reserve requirement (see below)	<u>(3,262,760)</u>	
Total Funding		<u>4,461,800</u>
Summary of changes:		
Capital Reserve Requirement (set 18/02/09)		2,749,000
Add: Net 2008/09 Outturn revisions	<u>623,700</u>	3,372,700
Less:		
Capital Programme variation (note a)	(209,200)	
Reduced capital receipts (note b)	156,050	
Increase in S106 funding and GF contribution (note c)	<u>(56,790)</u>	<u>(109,940)</u>
Predicted Capital Reserve Requirement		<u>3,262,760</u>

Note (a) Month 4 Programme Variations:

	£
Year End Accruals	2,000
CAPS Public Access Software (Revenue funded)	10,000
SITA Routing Software (Revenue funded)	36,800
Homestay Grants (Formula funded)	237,000
Additional Disabled Facilities Grant received	(186,000)
Disability Access	(40,000)
Honiton Community Centre slippage to 2010/11	(269,000)
External Property advice savings	<u>(10,000)</u>
Total Programme Variations	<u>(209,200)</u>

Note (b) Month 4 Receipts Variations:	£
2008/09 additional brought forward	(28,000)
1 Pankhurst Close removed	63,000
Land adjoining Pine Cottage	2,500
Eurotech Exmouth	(30,000)
Otterton toilets slipped to 2010/11	10,000
Colyvale restricted covenant	(10,000)
Stowford Rise received in 2008/09	150,000
Cunningham Road	(5,000)
Additional Housing	200
Council House sales	35,000
Pooled amount to DCLG	<u>(26,250)</u>
Reduction in Capital Receipts Funding	<u>(156,050)</u>

Note (c) Month 4 Funding Revisions:	£
S.106 Play Equipment Bystock Chase	(9,990)
GF contribution from HPDG or excess Land Charges income	(10,000)
GF contribution from LPSA2 for Sita routing software	<u>(36,800)</u>
Additional Funding	<u>(56,790)</u>

Legal Implications

No legal implications have been identified.

Financial Implications

The financial implications are detailed in this report.

Consultation on Reports to the Executive

Nil.

Background Papers

Financial Services - Accountancy Section Working Papers.

Mandy White & Laurelie Gifford
Senior Accountants

Executive Board
02 September 2009