

Key Decision Required:	Yes	In the Forward Plan:	Yes
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CABINET

10 NOVEMBER 2010

REPORT OF HEAD OF FINANCIAL SERVICES

A.4 CORPORATE BUDGET MONITORING REPORT FOR THE HALF YEAR ENDING 30 SEPTEMBER 2010

(Report prepared by Jim Smetherham and Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide an overview of the Council's budgetary position as at the end of September 2010 and to seek Cabinet approval to a series of virements to incorporate budget reductions and additional income identified in 2010/11.

EXECUTIVE SUMMARY

The actual financial position against the approved budget has been prepared for the first half year of 2010/11 and provides a detailed position as at the end of September 2010. During the summer months a review was undertaken of the 2010/11 budget and a significant amount of budget reductions for 2010/11 were achieved, some of which will have an ongoing impact on future years' budgets. This review was in two parts. The first was carried out with Heads of Service and Portfolio Holders and a second exercise was undertaken by Officers to include significant savings or significant additional income that have arisen since the first review. These reviews have addressed a large number of issues previously identified. However some expenditure or income trends may still be emerging but any significant issues arising to date have been highlighted and comments provided as necessary. Full details are shown in **Appendix H** and these have been incorporated into the figures shown in the appendices.

The position to the end of September 2010, as set out in more detail in the appendices attached, shows that overall the actual General Fund Revenue position is behind the profiled budget by **£1.302m**. (£3.129m as at June 2010). A considerable element of this variance is due to the timing of expenditure and income although some emerging issues have been identified which have been set out below.

This report now incorporates the changes to the format and content mentioned in the first quarter's report as part of the on-going and continuation of strengthening / improving budget monitoring information. In addition to the changes incorporated into the previous report further changes have now been made.

To assist members in fulfilling their governance responsibilities in respect of treasury management in accordance with the CIPFA code of practice, key treasury performance indicators have also been included.

A further appendix has also been provided giving details of section 106 monies already committed and those monies which have still to be allocated.

In respect of other areas of the budget such as the Housing Revenue Account, Capital

Programme, debt recovery and treasury activity, there are no significant issues that have been identified to date.

Where emerging issues have been identified, these will be monitored and updates provided in future budget monitoring reports where further action may be required or considered as part of the Financial Strategy and budget setting framework for 2011/12, which includes revising the budgets for 2010/11.

As the Corporate Budget Monitoring report is in respect of the second quarter ended 30 September 2010 it will be forwarded to Corporate Management Committee for consideration at their meeting on 29 November 2010.

RECOMMENDATION(S)

(a) That the budget for 2010/11 be amended to take account of budget reductions and additional income in 2010/11 totalling £1,141,870 as set out in Appendix H by a virement to the Service Improvement budget within the Finance Portfolio.

(b) That the financial position as at the end of September 2010 is noted.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Effective budgetary control is an important tool in ensuring the financial stability of the authority by drawing attention to issues of concern at an early stage so that appropriate action can be taken. Financial stability plays a key role in delivering the Council's corporate and community aims and priorities.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The financial implications are considered in the body of the report.

Risk

A number of favourable variances have emerged to date which although subject to change as the year progresses will enable the adverse position against some budgets to be managed. There is clearly a risk that this position may change over the remainder of the year but this will be monitored and reviewed as part of both the budget monitoring arrangements and the revised budget process that forms part of the Financial Strategy Process currently underway.

LEGAL

The Local Government Act 2003 makes it a statutory duty that Local Authorities monitor income and expenditure against budget and take appropriate action if variances emerge.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

The delivery of crime and disorder preventions and equality and diversity measures are managed within the overall budget.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The actual financial position against the approved budget has been prepared for the first half year of 2010/11 and provides a detailed position as at the end of September 2010.

During the summer months a review was undertaken of the 2010/11 budget and a significant amount of budget reductions for 2010/11 were achieved, some of which will have an ongoing impact on future years' budgets. This review was in two parts. The first was carried out with Heads of Service and Portfolio Holders and a second exercise was undertaken by Officers to include significant savings or significant additional income that have arisen since the first review. These reviews have addressed a large number of issues previously identified. However some expenditure or income trends may still be emerging but any significant issues arising to date have been highlighted and comments provided as necessary. Full details are shown in **Appendix H** and these have been incorporated into the figures shown in the appendices.

However any significant issues arising to date have been highlighted and comments provided below.

Although still important, some variances relate to the timing of expenditure or income and therefore are not necessarily an issue that will remain over the remainder of the year or at year end. This is supported by recent trends / historical budget monitoring statements. Therefore for information and completeness these are still highlighted but rather than include them in the report as was the case last year, they have now been provided against the relevant item on the actual Appendices. This includes budgets where the Council is the accountable body where variances highlighted over the course of the year do not remain at year end due to commitments / carryforwards made in consultation with the relevant external partners.

This report now incorporates the changes to format and content that were mentioned in first quarter's report as part of the on-going and continuation of strengthening / improving budget monitoring information. In addition to the changes incorporated into the previous report the following changes have now been made.

The report now seeks to give not only the traditional comparison of actual against budget, but is now focused on budgets where a potential issue has emerged or is emerging. Emerging issues are further split over areas that are ahead of the profiled budget such as higher expenditure incurred to date than budgeted and areas that are behind the profiled budget such as lower income received to date than anticipated.

In addition the report also provides members with information on spending against some of the Council's priorities. Although spend is not an indicator that the priority is being achieved, the information provided highlights the relationship between the budget and actual performance. To assist members in fulfilling their governance responsibilities in respect of treasury management in accordance with the CIPFA code of practice, key treasury performance indicators have been included.

The appendices attached to the report are as follows:-

Executive Summary – This is very similar to previous reports with the following changes

1. Capital is summarised between General Fund and Housing Revenue Account.

2. Summary information on Debt is included for General Debt, Housing Rents, Council Tax, and NNDR.
3. Headline treasury information

Appendix A – Salaries – This shows the variance between the salaries paid to date against the budget to date by portfolio. It is planned to include information around vacancies in future reports.

Appendix B – Budgets by Portfolio – This shows the variance between net expenditure to date against the budget to date by portfolio.

Appendix C – Key indicators - A number of key indicators have been identified for monitoring and reporting separately either because they are significant in terms of being high risk or volatile or there is a strong link / relationship between the budget and the delivery of the Council's priorities.

Appendix D – Capital programme – This shows the variance between the expenditure to date for each capital scheme (in portfolio order) against the budget to date. Where appropriate a comment is given highlighting where the schemes are in progress. The programme is split between General fund (including General Fund Housing) and Housing Revenue Account.

Appendix E – Corporate Debt - . This shows the performance in collecting the monies owed to the Council for General Debt, Housing rents, Council Tax, and NNDR. The information given has been revised and extended to include the total amount collectable for the year in addition to the level of collection / arrears performance during the year and comments are provided where appropriate

Appendix F – Treasury activity – in line with the Council's adoption of the CIPFA revised Code Of Practice On Treasury Management, key performance data on Treasury Management is provided along with the two critical Prudential Indicators in respect of external borrowing.

Appendix G – Section 106 Monies – This appendix shows the current committed expenditure using section 106 monies together with a statement showing what monies are available, for future investment analysed by category and timescale.

CURRENT POSITION – GENERAL FUND REVENUE

The position to the end of September 2010, as set out in the Executive Summary attached, shows that overall the actual position is behind the profiled budget by **£1.302m.** (£3.129m as at June 2010) A considerable element of this variance is due to the timing of expenditure and income although some emerging issues have been identified which have been set out in the next section of the report.

- An analysis by portfolio of the variances on salary budgets is set out in **Appendix A**
- An analysis of all other budgets by portfolio is set out in **Appendix B**

Additional information on the key indicators and capital programme are shown in **Appendices C and D**

SIGNIFICANT ITEMS EMERGING TO DATE – GENERAL FUND REVENUE

After excluding the issues relating to the timing of expenditure and income or where the Council is the Accountable Body, the following relate to significant issues that have emerged to date and have not been addressed through the budget reviews, but will be considered as part of the overall budget setting process.

a) Expenditure Budgets Behind Profile

- **Salaries –£0.090m** (£0.021m as at June 2010)

A detailed analysis of the position against salaries budgets after deduction of the salary inflation provision as identified in Appendix H is set out in **Appendix A**.

The position on salaries is consistent with the introduction of the vacancy freeze. The detailed position will be finalised and included in the revised budget for 2010/11.

b) Expenditure Budgets Ahead of Profile

No significant issues to highlight to date

c) Income Budgets Behind Profile

- **Key Indicators**

Crematorium and Cemeteries Income – £0.019m (£0.015m as at June 2010)

Although an adjustment has been made in the budget review, the income is continuing to fall beyond that included in Appendix H. The position will be further affected by the recent closure of the cremators for repair. This will be closely monitored during the year and in respect of 2011/12 it has been recognised via the inclusion of a Priority 1 cost pressure within the Initial Financial Strategy for 2011/12 that was considered by Cabinet on 4 August 2010.

Planning Income – £0.069m (£0.027m as at June 2010)

Although income is currently behind profile, it is expected that a number of major applications will be submitted in 2010/11 which, if they materialise, will ensure the income achieves the amount budgeted for. It is also worth noting that in the first quarter of 2010/11 planning applications have increased compared to the first quarter of 2009/10 with applications generally up by 25%.

Off-Street Car Parks Income – £0.043m (£0.016m as at June 2010)

Income is currently lower than profiled. This position will be closely monitored over the rest of the year especially now that the “shop local” initiative is operational. The budget profile has allowed for a reduction in income from October as a result of this initiative and therefore as this shortfall in income reflects the position after the summer season there is likelihood that there will be a shortfall in income at the year end.

Income from Sports facilities - £0.042m (not reported as a key indicator in June 2010)

Although the majority of this under achievement is because of September income not being accounted for within the financial systems until October £0.014m relates to a shortfall in income for the happy valley pitch and putt facility over the summer season. As the season has now ended this under achievement of income will remain.

- **Other budgets**

Print Unit - £0.048m (not reported for June 2010)

Although income is behind profile by £0.048m the print unit's expenditure is also behind by £0.021m giving a net position of £0.027m under recovery of costs. This position reflects the outturn position for 2009/10 and the current situation will be closely monitored in the months ahead.

HOUSING REVENUE ACCOUNT – REVENUE

An overall position is set out in the Executive Summary attached.

As at the end of September 2010, the HRA is **£0.264m** behind the profiled budget (£0.221m as at June 2010) with no significant issues to highlight to date.

Although a significant element of the HRA annual budget is spent on recharges (approx. **£2.500m**) from the General Fund for internal services that are provided, these are not included in the profiled budgets which therefore reflect only direct HRA expenditure and income for budget monitoring purposes. Although an important element of the HRA, internal charges currently form part of the end of year processes and will be reflected within the overall outturn position following the end of the financial year.

CAPITAL PROGRAMME - GENERAL FUND

Following the work of External Audit on the Statement Of Accounts and subsequent amendments that were approved by Audit Committee at its 23 September meeting, the Capital Programme for 2010/11 included expenditure of £0.352m that has subsequently been charged back to 2009/10. However this is only a timing issue with a corresponding adjustment against the original approved funding mechanism (Government Grant) and therefore has no net impact on the overall capital programme.

The overall position taking into account the changes identified above is set out in **Appendix D**.

As at the end of September 2010 the programme is behind profile by **£0.545m** (£0.367m as at June 2010).

The programme is made up of schemes carried over from 2009/10 and new schemes in 2010/11. Where schemes are currently being delivered, information is provided in the Appendix where relevant. Overall to date there are no significant issues to highlight as many of the schemes and projects remain subject to development, planning and further decisions with limited expenditure incurred to date.

CAPITAL PROGRAMME – HOUSING REVENUE ACCOUNT

The overall position is set out in the Executive Summary attached.

As at the end of July 2010 the programme is behind profile by **£0.151m** (£0.045m as at June 2010).

This budget relates to the on-going major repairs and improvements to the Council's own dwellings. There are no specific issues to highlight at this stage and the expectation is that expenditure / commitments will be broadly in line with the budget at the end of the year.

CORPORATE DEBT

A detailed analysis of the current position is shown in **Appendix E**.

There are no significant issues to highlight at the present time. Income will continue to be collected over the remainder of the year with recovery arrangements and action taken as necessary.

TREASURY ACTIVITY

A detailed analysis of the current position is shown in **Appendix F**. There are no matters of significance to highlight at the present time with investment and borrowing activity ongoing in line with the Treasury Strategy and associated practices / requirements.

Council agreed the Treasury Strategy for 2010/11 on 30 March 2010 and in accordance with the Financial Procedure Rules (13.1) this strategy has been reviewed and the results of that review are given below.

The Base Rate has remained at 0.5% and at the present time is forecast to remain at this level until after Easter 2011. This means there is little likelihood of significant interest from investments for the remainder of the year and interest remains broadly in line with the budget. The national economic position is that recovery has slowed and the housing market has begun to falter with price reductions still being reported. The CPI was at 3.1% in August which is much higher than the Bank Of England target of 2%, although it is expected to fall to this level in due course.

The credit ratings of the banks have not improved over the first 6 months of the year, although Sovereign ratings for some countries in the Eurozone have been down graded, including Spain. Eire has suffered a further downgrading. The UK sovereign rating has remained at AAA. The impact of all the above is that the Council still has a very restricted counterparty list and details of the Council's current investments are in **Appendix F**, with Treasury Bills being the main source of investment. All investments have been undertaken in accordance with the strategy and the Counterparty limits set out in the Treasury Management Practices have been complied with.

As far as the Council is concerned there have been no changes to circumstances or budgets that necessitate a change to the agreed Treasury Strategy.

INCOME FROM S106 AGREEMENTS

A detailed analysis of the current position is shown in **Appendix G**.

There are no significant matters to highlight at the present time although the information does highlight that **£0.031m** is currently held that would need to be spent in the short term (less than 2 years) and **£0.377m** in the medium term (2 to 4 years) in line with the individual agreements. The remaining balance of money currently held of **£0.925m** having a 'spend by' date in excess of 4 years.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Front Cover and Executive Summary

Appendix A – Salaries

Appendix B – Other Budgets

Appendix C – Key indicators.

Appendix D – Capital programme

Appendix E – Corporate Debt

Appendix F – Treasury activity

Appendix G – Income from S106 Agreements

Appendix H - Budget review