

Committee:	Executive	Agenda Item No.:	11
Date:	27th October 2008	Category	
Subject:	Half Year Budget Review	Status	Open
Report by:	Director of Resources		
Other Officers involved:	Chief Accountant Principal Accountant		
Director	Director of Resources		
Relevant Portfolio Holder	Leader of the Council		

## **RELEVANT CORPORATE AIMS**

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

### **TARGETS**

The development of Policy Led Budgeting will help to inform future spending plans and assist in the delivery of annual efficiency gains targets.

### **VALUE FOR MONEY**

The budget process challenges existing spending levels and new spending proposals to ensure that resources are effectively used and directed towards the delivery of the Corporate Aims.

## **THE REPORT**

### **Background information**

Earlier this year the Executive, Scrutiny Committee and Council approved the Council's Budget Strategy for 2009/10 to 2011/12. This report takes account of actual income and expenditure up to 30<sup>th</sup> September 2008 and then attempts to forecast the income and expenditure for the remainder of the year, taking account of spending patterns and known events likely to affect the budget.

## **OPTIONS FOR CONSIDERATION**

The supporting financial information for this report is attached to this report.

### **General Fund**

A summary of the General Fund, together with the cost centre budgets can be found at appendix C.

Whilst it appears expenditure is budgeted to increase by £985,000 and appropriations from Reserves to fund this by £723,000. This level of change in the main reflects the change in accounting practices that have resulted in the Planning Delivery Grant being moved from the in year expenditure to a reserve.

Overall, total expenditure is budgeted to increase by £262,050, this reflects no budget changes having been made for the planned £300,000 of efficiency saving (which are detailed later in the report).

Many items of income and expenditure are demand led and difficult to predict. Consequently, judgement has been applied in order to provide the most realistic indication of performance for the year.

There are many variations within the Recharges from Other Services largely as a direct result of a number of revisions to the allocation methods for internal charges. There are also a number of budget adjustments to reflect items of expenditure funded through Reserves. These are outlined in Appendix A attached to this report.

A summary of the other main variations in income and expenditure are as follows:

- Support staff for the Working Neighbourhood Fund have been added to the budget with corresponding funding.
- Community safety staffing increased due to revised payroll arrangements and associated grant received to fund this.
- Equalities funding (£16,000) from NEDDC now ended and budget adjusted to reflect it.
- LEGI expenditure adjusted to match to lower funding levels.
- Pleasley Vale Mills electricity budget increased by £38,480 to reflect current charges. Officers are reviewing the options available to the Council to minimise any cost increase
- Pleasley Vale Mills Rates budget increased by £22,260 to reflect the impact of the empty property rates for more units than budgeted.

The overall effect of these variations, including a revised figure for Anticipated Savings, shows overall spending to be in line with the approved budget.

## Housing Revenue Account

A summary of the Housing Revenue Account, together with detailed information on the main areas of income and expenditure can be found at appendix D.

Overall the budget reflects the original budget, with the exception of the Efficiency Saving Target of £150,000. This will be commented on later.

## Budget Risk Assessment

As part of the proposed budget approved by Council in February 2008, a risk assessment of material items of income and expenditure was prepared. The risk matrix, together with a half year review of the main areas is attached as Appendix B to this report.

Risk 13 has been the focus of Senior Management Team. To progress this further a regular meeting is scheduled to consider new ideas and progress on schemes already being worked on. This has cascaded to the Heads of Service in a joint meeting and a number of initiatives agreed to. In addition we have:

- sought to maximise funding for such reviews by linking in with the Regional Efficiency and Improvement Programme.
- commenced work on mainstreaming mobile working for within Housing
- progressed alternative options for stores provision
- linked into external support from the Regional Efficiency and Improvement Partnership to train officers on a worked example of LEAN / systems redesign approach.

## Recovery of Arrears

The half year position in terms of income collection and arrears collection is set out below.

	<b>Income Collection Target</b>	<b>1<sup>st</sup> Quarter Progress</b>	<b>2<sup>nd</sup> Quarter Progress</b>
<b>Council Tax</b>	97.80%	98.32%	100.2%
<b>NNDR</b>	97.50%	94.60%	98.10%
<b>Sundry Debtors</b>	88.00%	78.00%	90.00%
<b>Housing Rents/Arrears Collection</b>	Subject to separate monitoring by Executive	Subject to separate monitoring by Executive	Subject to separate monitoring by Executive

	<b>Arrears Recovery Target</b>	<b>1<sup>st</sup> Quarter Progress</b>	<b>2<sup>nd</sup> Quarter Progress</b>
<b>Council Tax</b>	Reduce the balance of arrears (as at 31/03/07) by 55% (£625,618)	Balance reduced by 20.4%. (£268,066)	Balance reduced by 34.2%. (£450,275)
<b>NNDR</b>	Reduce the balance of arrears (as at 31/03/07), after taking account of any revaluation adjustments by 45%	Balance decreased by 36.8% (£281,819)	Balance decreased by 70.8% (£541,213)
<b>Sundry Debtors</b>	Reduce the balance of arrears (as at 31/03/07) by 88%	Balance reduced by 48.0% (£328,425)	Balance reduced by 53.0% (£362,418)
<b>Housing Rents/Arrears Collection</b>	Subject to separate monitoring by Executive	Subject to separate monitoring by Executive	Subject to separate monitoring by Executive

### Capital Programme

A summary of the Capital Programme, together with a review of the individual schemes is shown in appendix E.

Overall the Capital Programme has increased from £11.5m to £15.5m. A significant proportion of the increased expenditure is due to slippage in 2007/08 being carried forward into the current year. The additional spend will be financed from unused Grants, Contributions and Usable Capital Receipts also carried forward from 2007/08.

A summary of the other main variations are as follows:

<b>Code</b>	<b>Details of Expenditure</b>	<b>£</b>	<b>Description of Variance</b>
C123	Tractor	35,000	Approved by SMT
C024	New Terrace Upper Pleasley	107,697	Slippage from 07/08
C027	Shirebrook Group Repair	(66,500)	Transfer of funding within Pte Sector Schemes
C032	Byron Street, Shirebrook	75,700	Slippage from 07/08
C033	Empty Property Grants	32,000 47,000	Slippage from 07/08 Transfer of funding within Pte Sector Schemes
C035	New Houghton Renewal Area	135,030 500,000	Slippage from 07/08 New external funding received – GOEM
C038	Station Road, Shirebrook	176,435 400,000	Slippage from 07/08 Transfer of funding within Pte Sector Schemes
C100	Electrical Rewiring – Decent Homes	48,395 200,000	Slippage from 07/08 Transfer within MRA schemes
C103	Electrical Relets	110,000	Transfer within MRA schemes
C107	Cavity Wall + Loft Insulation	170,000	Transfer within MRA schemes
C118	Kitchen Replacements – Decent Homes	300,000	Transfer within MRA schemes
C119	Decent Homes Standard	(300,000)	Transfer within MRA schemes
C145	Creswell Schools	114,550	Slippage from 07/08
C148	Asset Management Plan	138,335	Slippage from 07/08
C152	Creswell Environmental Phase 2	25,000 59,920	Slippage from 07/08 New external funding – MVMP Ltd
C157	Creswell Elmtton Road Project	57,000	Expenditure transferred from 07/08
C169	Street Services Depot Relocation	107,175	Slippage from 07/08
C179	Major Capital Works – Pleasley Vale Mills	65,430	Slippage from 07/08
C187	Private Sector Decent Homes	88,000 200,000	Transfer between Pte Sector schemes New external funding

<b>Code</b>	<b>Details of Expenditure</b>	<b>£</b>	<b>Description of Variance</b>
			received – GOEM
C020	Disabled Facility Grants	497,000	New external funding – PCT and extra Specified Capital Grant
C120	Improvements – tenants; aspirations	(155,800)	Transfer within MRA schemes
C126	Clune Street Recreation Ground	100,000	Work required as part of sale of land – funded by capital receipt
C133	Playground Upgrade Programme	87,442	Slippage and Expenditure transferred from 07/08
C173	Northern Housing Market Needs Survey	84,315	New external funding – Other Council contributions

### Treasury Management

This section of the report will outline borrowing and investment activities for the period ended 30th September 2008, and also monitor the Prudential Indicators determined by Council in March 2008 as part of the Treasury Management Strategy 2008/09.

The following table outlines the movement in the value of loans outstanding as at the end of the second quarter:

	<b>Value of Outstanding Loans</b>		<b>Difference £</b>
	<b>At 31<sup>st</sup> March 2008 £</b>	<b>At 30<sup>th</sup> Sept 2008 £</b>	
Total Long Term External Borrowing (PWLB)	19,100,000	19,100,000	0
Parish Councils	701,211	866,236	165,025
Temporary Borrowing	0	0	0
<b>Total External Borrowing</b>	<b>19,801,211</b>	<b>19,966,236</b>	<b>165,025</b>

The increase in Parish Council investments reflects the re-investment of two Parish Council precepts.

The table below details the level of investments as at 30<sup>th</sup> September 2008:

	Level of Investments		Difference £
	At 31 <sup>st</sup> March 2008 £	At 30 <sup>th</sup> Sept 2008 £	
Temporary Investments	16,800,000	21,900,000	5,100,000
Long Term Investments (365 days or more)	0	0	0
<b>Total Investments</b>	<b>16,800,000</b>	<b>21,900,000</b>	<b>5,100,000</b>

The comparative level of investment as at 30<sup>th</sup> September 2007 was £20,100,000.

The average rate of interest earned on external investments for the first six months was 5.70%. Throughout the period the base rate has been constant at 5%.

#### Prudential Indicators

	Estimate for year £	Position at 30 <sup>th</sup> Sept 2008 £	Variance £
Capital Financing Requirement Non - HRA	9,981,000	10,174,223	193,223
Capital Financing Requirement - HRA	6,874,000	6,873,586	(414)

In 2006/07 and 2007/08 capital receipts were used to temporarily reduce the Capital Financing Requirement. The effect of starting to reverse this is an increase to the Capital Financing Requirement towards its original position.

	Limit / Boundary £	Position at 30 <sup>th</sup> Sept 2008 £	Headroom £
External Debt to Authorised Limit	26,600,000	19,966,236	6,633,764
External Debt to Operational Boundary	23,600,000	19,966,236	3,633,764

The headroom for the limit/boundary includes for the possibility of undertaking borrowing to finance the capital programme.

A further report will be presented to the Executive on 26<sup>th</sup> January 2009, which will form the basis for the formal revised budget position.

### **IMPLICATIONS**

Financial: Overall spending on the General Fund and Housing Revenue Account is expected to be in line with approved budget.

Legal: None

Human Resources: None

### **RECOMMENDATIONS**

- 1. That the current position on the projected income and expenditure levels for the General Fund, Housing Revenue Account and Capital Programme be noted.**
- 2. That the current position against the main areas identified in the Budget Risk Assessment be noted.**
- 3. That the report on the Treasury Management activities and Prudential Indicators be received.**

ATTACHMENTS: Y  
FILE REFERENCE: None  
SOURCE DOCUMENT: Background papers held in Financial Services

### **REASON FOR DECISION TO BE GIVEN IN ACCORDANCE WITH THE COUNCILS CONSTITUTION**

In accordance with best practice and sound financial management, Members' monitoring and consideration of changes to the budget are considered on a regular basis.



**APPENDIX A**

**BUDGET ADJUSTMENTS - ITEMS FUNDED THROUGH RESERVES**

<b>Cost Centre</b>	<b>Contribution £</b>	<b>Reserve</b>	<b>Description</b>
Depot – Bolsover	5,000	CPA Dev.Fund	Restructure Costs – Depot from 05/06
HRA – Repair + Maintenance	8,000	CPA Dev.Fund	Asbestos Register
Community Action Network	18,540	General	New Technology for Rangers
Sherwood Lodge	800	General	Evacuation Chair
Customer Contact Centre	1,350	General	Uniforms for Customer Advisors + receptionist
Customer Contact Centre	21,000	General	Overtime budget increase
Customer Contact Centre	23,522	General	Customer Advisors
Human Resources	23,220	General	Job Evaluation contribution
Licensing	3,550	General	Costs towards setting up the Gambling Act
Customer Services + Performance	4,000	ICT	Development of the BDC website
Legal Services	13,000	Legal Costs	Revenue expenditure to be funded by the reserve
Planning Policy	22,580	Local Dev. Scheme	Revenue expenditure to be funded by the reserve
Pleasley Vale Mills	40,000	Pleasley Vale Building	Revenue expenditure to be funded by the reserve
Planning Department Management	1,130	Planning Del. Grant Revenue	Staff advertising funded by PDG
Development Control	140	Planning Del. Grant Revenue	Training funded by PDG
Development Control	5,000	Planning Del. Grant Revenue	Unit Payments to staff to be funded by PDG
Planning Policy	3,730	Planning Del. Grant Revenue	Contribution to joint DCC archaeologist
Regeneration Mgmt + Admin	(5,665)	CPA Dev. Fund	Alliance SSP Project Officer all contribution paid in 06/07
Regeneration Mgmt + Admin	(7,140)	Local Dev. Scheme	Housing needs survey no longer funding revenue expenditure
<b>TOTAL</b>	<b>181,757</b>		

**REVENUE BUDGET RISK ASSESSMENT 2008/09**

<b>No.</b>	<b>Budget Item</b>	<b>Risk</b>	<b>Impact</b>	<b>Actions Required</b>	<b><i>Half Year Progress</i></b>
1	Pay Awards	Settlements for 2008/09 – 2010/11 exceed the percentage increase provided for in the budget.	Additional cost for the Council.	Prudent budget estimates and regular budget monitoring to determine overall financial position	Budget includes a 2.47% increase per annum pending the outcome of the pay negotiations.
2	Pay and Grading Review	The costs associated with the Pay and Grading Review cannot be met from within existing resources	Additional cost for the Council.	Ensure the financial implications of the final proposed Pay Model and settlement of Equal Pay Claims are fully considered and monitored.	Continued consideration of all aspects.
3	Fuel Costs	The increases in Gas and Electricity exceed the budget provision.	Additional cost for the Council.	Regular budget monitoring and maintenance of adequate reserves and working balance levels to deal with any major fluctuations.	Significant pressures anticipated. Officers looking at alternative solutions.
4	Investment Income	Available cashflow surpluses are lower than anticipated and/or lower than expected interest rates.	Reduction in the level of income earned on investments	Monitor the average rate of interest received, and changes to levels of balances. Liaise with Treasury Management Consultants to ensure the maximum potential is being realised from investment activities	A number of longer term investments have attracted favourable interest rates during the first half year.

<b>No.</b>	<b>Budget Item</b>	<b>Risk</b>	<b>Impact</b>	<b>Actions Required</b>	<b>Half Year Progress</b>
5	Income from Fees and Charges	Reduction in the number of users/applications.	Shortfall in the amount of anticipated income	Regular budget monitoring, which must identify any primary reasons for reductions.	Planning income could be 50% less than estimated.
6	Pleasley Vale Mills	Loss of key tenants and/or rise in repairs and maintenance costs.	Either of these factors will have an adverse effect on the Council's budget.	Regular monitoring and liaison with the Management Company. Also need to consider the long term viability of the Mills.	Estimates at the end of the first quarter show an expected shortfall in income of £100,000 plus additional expenditure on NNDR.
7	Concessionary Fares	The financial implications of an appeal lodged by key Bus Operators are higher than anticipated.	The costs of the national scheme exceed the budget provision.	Monitor the outcome of the appeal and continue to liaise with the Department for Transport regarding the cost to the Council.	Costs expected to be on target, only 1 appeal still outstanding.
8	Housing Benefits and Subsidy	An increase in the level of Benefit Overpayments,	Lower than expected levels of Subsidy Grant income.	Full Subsidy is only payable on correctly paid benefits; therefore there is a need to monitor the levels and recovery of benefit overpayments.	Monitoring continues
9	Council Tax and NNDR Income	Failure to achieve collection rate targets.	Adverse effect on the Council's overall cashflow position.	Monitor monthly and evaluate the effectiveness of recovery procedures.	Monitoring continues

<b>No.</b>	<b>Budget Item</b>	<b>Risk</b>	<b>Impact</b>	<b>Actions Required</b>	<b>Half Year Progress</b>
10	Supporting People	The Council may receive a lower than expected contribution from the central fund, administered by Derbyshire County Council.	Any shortfall between the actual costs incurred in the Supporting People scheme and the contribution received will have to be met by the Council.	Liaise closely with the Supporting People Team and monitor costs.	Monitoring continues.
11	HRA Rent Income	Higher than anticipated void property levels or right to buy sales.	Either of these options will reduce the levels of Rent Income.	Regular budget monitoring and review the procedures to manage void properties.	Right to buy levels dropped significantly.
12	Housing Rent Arrears	Little or no improvement in the collection of arrears.	Adverse effect on the Council's overall cashflow position.	Monitor monthly and evaluate the effectiveness of recovery procedures.	On going development of arrears monitoring and recovery methods being considered.
13	Efficiency Gains	Efficiency targets cannot be met.	If the efficiency targets are not achieved, this will require a reduction in the current working balance levels in order to maintain a balanced budget. Consistent failure to meet targets could lead to Government intervention.	Develop a Savings Strategy and monitor progress against target on a quarterly basis.	SMT now have dedicated meeting to this subject on a regular basis. Number of projects progressing. Linking into national funding (Regional Improvement & Efficiency programme) and local joint service opportunities.