

Subject: Financial Monitoring 2009/10:
Month 9 – end December 2009

Status: For Publication

Report to: Cabinet

Date: 17th February 2010

Report of: Finance Manager

Portfolio

Holder: Finance and Resources

Key Decision: No

Forward Plan General Exception Special Urgency "X" In
Relevant Box

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to update Members on financial matters, including the General Fund budget monitoring for 2009/10, the Capital Programme and Treasury matters.
- 1.2 Following the cancellation of the January Cabinet, this report now includes any significant issues from the end of November report which has been submitted for consideration in January.

2. CORPORATE PRIORITIES

- 2.1 The matters discussed in this report are linked to and support each of the Council's priority areas however in particular they impact on following:
- o *Providing value for money services* - strong financial control ensures the effective management of the Council's resources, which then enables the provision and delivery of value for money services.

3. RISK ASSESSMENT IMPLICATIONS

- 3.1 All the issues raised and the recommendations in this report have involved risk considerations as set out below:
- 3.1.1 Financial monitoring of General Fund service departments focuses on the key risk areas of employee costs, income, agreed budget savings, emerging issues and opportunities and in particular service department net costs.

3.1.2 Risks associated with treasury management practices are managed within the Council's Treasury Management Strategy included in the Medium Term Financial Strategy approved in February 2009.

3.1.3 The delivery of capital receipts continues to be a prime area of focus for the Council in supporting its corporate priorities, as does the connection between physical and financial delivery of the projects within the capital programme.

4. BACKGROUND AND OPTIONS

4.1 Below is an executive summary of the new full monthly financial monitoring report for the end of December 2009, attached at Appendix 1 (the end of November report is available on the Council's website as part of the original agenda for the cancelled January Cabinet). In the interests of providing a more comprehensive financial picture to both Members and Management, this improved report is now being more widely circulated, hence the covering report here presents only the main findings.

4.2 General Fund (revenue) – pages 4 to 23

4.2.1 The out-turn favourable impact on General Fund as at the end of December compared to budget for 2009/10 is £352.8k. Whilst November saw a £30k favourable movement, the December results now predict adverse changes of £56.4k.

4.2.2 This favourable variance of £352.8k would potentially result in the General Fund Reserve at 31st March 2010 being £1,31.8k (see below), though the revenue budget carry-forward rules would identify £208k of this for one-off improvement projects in 2010/11, leaving the General Reserves in 2010/11 at £1,023.8k against a recommended maximum of £1m.

| | |
|--|----------------|
| General Fund Reserves | £000 |
| Total Balance at 1st April 2009 | 942.0 |
| Less 50% service allowance | |
| Communities | (45.0) |
| Member Training | (5.0) |
| Regeneration | (13.0) |
| Plus expected contribution from 2009/20 operations | 352.8 |
| Total Balance estimated as at 31st March 2010 | 1,231.8 |
| Less 50% service carry forward allowance to 2010/11 | |
| Place Directorate | (99.0) |
| Business Directorate | - |
| Corporate Directorate (operational services only) | (109.0) |
| Net Balance available in 2010/11 | 1,023.8 |

4.3 Earmarked Revenue Reserves – page 24

4.3.1 The planned use of Earmarked Reserves is shown on page 24. There have been no significant changes to these plans during November and December, though for

clarity the Unapplied Government Grants accounts have now been split to a separate table on the following page.

4.4 Government Grants Unapplied – page 25

4.4.1 In November the Council received confirmation of the Housing Planning Delivery Grant (PDG) allocation for 2009/10 at £138k (compared with an assumed figure of £83k). This means that the gap between resources available to date and planned costs over the next three years has been reduced to £41k if no further grant is ever received. At present such a complete stop on the grant in 2010/11 is not likely, but is possible.

4.5 Treasury & Cash Management pages 26 to 28

4.5.1 Cash continues to be buoyant until the last major instalment of Council Tax in early January. The £3m deposit for 1 year with Bank of Scotland has been renewed, now earning interest at 1.8%, therefore forecasts of interest income earned have risen again to £55k favourable for the year, continuing to out-perform the Sector model portfolio.

4.5.2 National economic trends appeared to turn the corner in October and have continued to improve during November (end of December information is not available at present). In mid November Sector revised their forecast of future interest base rates, anticipating that the recovery will begin one quarter later, ie during summer 2010, and that growth will be more gradual than previously expected, lowering the interest at December 2010 to 1% from 1.25%. This has now been reflected in the interest income budget for 2010/11.

4.5.3 Performance in collecting sundry debts continues to improve.

4.6 Capital Receipts – page 29

4.6.1 Capital receipts remain a concern. Though land sales are still expected to reach £300k by the year end, income expected from Right to Buy receipts and VAT shelter are now forecast at £114k and £400k respectively after notification of quarter 3 performance. The first £350k of the VAT shelter receipts are still required to fund pension costs, therefore only £50k is expected to be available to support capital spending.

4.6.2 Therefore, overall receipts available to fund capital are forecast as £536k. Following £1,338k brought forward at the beginning of the year and expected utilisation of receipts at £1,057k, the balance carried forward to fund future projects is likely to be around £817k, of which £371k is earmarked for housing works.

4.7 Capital Programme – page 30

4.7.1 To the end of December 59% of the capital programme has been completed with a further 11% committed through the purchase order system, mainly in relation to refuse vehicles (comparable to 49% completed to a similar time in 2008/09).

- 4.7.2 Capital activity in November included a purchasing framework for new refuse vehicles. A full business case is being developed to analyse the merits of various funding options for these vehicles before any firm orders are placed.
- 4.7.3 November also saw the start of the Accommodation Strategy Phase 1 which will add £18k per annum to the Minimum Revenue Provision repayments, but in turn save more than this in the rental costs of the current Council Chamber site from April 2010 onwards.

COMMENTS FROM STATUTORY OFFICERS:

5. SECTION 151 OFFICER

- 5.1 Financial matters are dealt with within the report.

6. MONITORING OFFICER

- 6.1 Unless specifically commented upon within the report, there are no specific implications for consideration.

7. HEAD OF PEOPLE AND POLICY (ON BEHALF OF THE HEAD OF PAID SERVICE

- 7.1 Unless specifically commented upon within the report, there are no implications for consideration.

8. CONCLUSION

- 8.1 The General Fund continues to be monitored closely by finance staff and managed professionally by all departments throughout the Council. Despite the effects of the economic downturn, the 2009/10 forecast still looks favourable.

9. RECOMMENDATIONS

- 9.1 The Members note and consider the contents of the report.

10. CONSULTATION CARRIED OUT

- 10.1 Directors, Heads of Services and Budget Holders.

11. EQUALITY IMPACT ASSESSMENT

Is an Equality Impact Assessment required ~~Yes~~ / No
 Is an Equality Impact Assessment attached ~~Yes~~ / No

12. BIODIVERSITY IMPACT ASSESSMENT

Is a Biodiversity Impact Assessment required ~~Yes~~ / No

Is a Biodiversity Impact Assessment attached

~~Yes~~ / No

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| Background Papers | |
|--|----------------------------|
| Document | Place of Inspection |
| Monthly detailed financial monitoring statements for each service area | Financial Services |