
BUDGET MONITORING REPORT 2008/09

To: **Cabinet – 9 April 2009**

Main Portfolio Area: **Corporate**

By: **Financial Services Manager**

Classification: **Unrestricted**

Ward: **All**

Summary: To inform Cabinet of projected General Fund, HRA and Capital budget variances for the financial year 2008/09.

For Decision

1.0 Introduction

- 1.1 This report enables Cabinet to take an informed view of the likely financial out-turn on the General Fund, HRA and Capital Programme for 2008/09.

2.0 Summary Outturn Position 2008/09

- 2.1 The latest budget monitoring information shows an anticipated overspend of £116k for the General Fund for 2008/09. The Council's financial position has inevitably been affected by the global credit crunch and the unsettled banking environment. This has impacted upon the Council's expenditure levels, investment income receipts as well as other income streams both due to reduced demand as well as potentially increased defaults on debts. There has been a dramatic uptake in concessionary fare passes; investment income has fallen due to the reduced interest rates; planning fees and land charge income have fallen due to the decline in the housing market; and the number of housing benefit claimants has risen significantly. These have all been on an unprecedented scale. However, the Council has reacted quickly by controlling discretionary spend and containing overspends wherever possible within existing budgets.
- 2.2 The Housing Revenue Account (HRA) is currently reporting an underspend of £136k.
- 2.3 The General Fund Capital Programme has been revised to reflect slippage on some schemes to 2009/10. The revised programme is shown at **Annex 3** to this report. There are no changes to report to the HRA Capital Programme.
- #### **3.0 General Fund Outturn 2008/08**
- 3.1 The following table shows the projected outturn as at 28 February 2009 for the General Fund Revenue Budget 2008/09:

	February Monitoring
Variance in projected outturn from Director returns:	£'000
CE, CMT and Executive Support Unit	-5.0
Commercial and Operational	-228.0
Development Services	408.0
Customer Services	-63.0
Improvement & Performance	-17.0
Legal	0.0
Housing & Community	48.0
Resources	-135.0
Maritime	108.0
Projected outturn for 2008/09	116.0

The main reasons for this overspend are detailed below:

4.0 Detailed General Fund Outturn

- 4.1. Due to the work needed to align budgets with the new departmental structure, the budgets will not be presented in the new format for monitoring purposes until the new financial year.
- 4.2. **Commercial and Operational** – An underspend of £228k is forecast. This is mainly due to reduced expenditure on the Parks and Waste DLOs (£264k) as well as substantial reductions in expenditure across the service (£108k), all of which are offset by a projected loss of income on off street car parking (£144k). It is also anticipated that future maintenance costs of the refuse vehicles will increase as they come to the end of their warranties. A sum of £150k is estimated as being needed to be set aside in an earmarked reserve to meet future costs of refurbishing these vehicles. In addition a sum of £100k is required as a contribution to capital towards replacement bins in 2009/10. Neither of these have been reflected in the reported monitoring position nor in the budget build report, but will be reviewed as the financial year draws to a close and the final outturn figures for Commercial and Operational Services are confirmed. They will also be assessed alongside other competing priorities.
- 4.3 **Development Services** – An overspend of £408k is forecast. There is likely to be shortfall in the region of £220k in planning applications due to the downturn in the housing market. It is hoped that this will be offset by

additional income generated through outstanding rent reviews but the timing of this is uncertain and may not materialise until 2009/10. There is a further £33k potential loss in relation to the Staffordshire Market income following the owner going into administration. Land charge fee income is likely to be down by £161k. Although any shortfall in land charge fee income can be recovered within the following years, the impact on balances will be in 2008/09 and has therefore been reflected in the revised outturn position. There are also increased costs associated with the Eurokent site of £10k, however, these will be met from the Local Authority Business Growth Incentive Scheme (LABGI).

- 4.4. **Customer Services** – An underspend of £63k is forecast. This is due to additional costs of £55k in relation to corporate mail, offset by vacant post savings of £100k and additional income from the Gateway, Kent Innovation Centre and the Media Centre (£15k). The costs of the concessionary fares scheme have increased due to a higher take up of the passes, increased journey numbers and also due to Stagecoach being successful in their appeal against the Kent and Medway scheme. The additional costs of this scheme have been contained partly by a contribution from the decriminalisation reserve and also from a provision prudently set aside by the Council in case Stagecoach were successful in their appeal.
- 4.5. **Improvement & Performance** – An underspend of £17k is forecast. This is due mainly to vacant post savings.
- 4.6. **Housing and Community** – An overspend of £48k is forecast. This is mainly due to poor recovery rates within emergency and temporary accommodation.
- 4.7. **Resources** – An underspend of £135k has been forecast. This is due in the main to achieving savings of £75k through reduced insurance premiums following the re-tendering of the insurance contract. There are also savings of £60k attributable to the original staff restructure that took place in 2008/09 that were held to meet any associated costs.
- 4.8. **Maritime** – An overspend of £108k has been forecast. It is expected that income in relation to Transeuropa will be down by £90k. There could also be a potential £30k loss of income due to delays in the Windfarm project. This is partly offset by miscellaneous savings of £12k.

5.0 Total Anticipated General Fund Outturn Position

- 5.1 Based on the February monitoring returns, the General Fund Revenue Budget is likely to be overspent by £116k.
- 5.2 The Council's officers have worked hard to contain the potential overspend wherever possible by identifying compensating savings and reducing discretionary spend.

6.0 Risks and Opportunities

- 6.1 With all year-end forecasts, there is a degree of uncertainty built into the projection process. A number of material risks and opportunities have been identified and each is detailed below:
 - Housing and Council Tax Benefits – This is the largest budget area. With gross benefit payments of over £60m estimated for this year, even the

smallest variance could have a significant impact upon the current year's forecast. Engaging the help of specialists in this field has helped reduce the exposure to risk, but not removed entirely. Work is ongoing to further develop the monitoring of this area so that a potential large budget over or underspend is identified as soon as possible.

- Concessionary fares – It was originally forecast that there may be a small saving against this scheme. Subsequent data received however now reflects an overspend due to an increase in the number of passes and the number of journeys taken. This has been met by a contribution from the decriminalisation reserve. The Stagecoach appeal has also been successful resulting in additional costs to the Council, although a provision had already been set aside to meet these costs. Due to the fluctuation in the projected outturn on concessionary fares, the scheme will be monitored very closely over the new financial year.
- Interest – There is a risk that investment income on the General Fund will fall further than already allowed for (£100k has been built into the monitoring position). However, it is still anticipated that any further loss in investment income will be offset by a reduction in interest payable.
- Land Charges – A shortfall in income of £161k in relation to Land Charge searches has been forecast, which is mainly due to the downturn in the housing market. Land Charges is to break even over a three year period and so any impact on the General fund would be recovered over the next two years by increasing our fees. This would result in zero variance on the General Fund over this stipulated period.
- ERDF – There is a possibility that we may have to repay funding in relation to ERDF projects. This is detailed in paragraph 7 below.

7.0 ERDF possible reclaim

- 7.1 Two ERDF projects, 31 and 33, were subject to Government Office for the South East (GOSE) audit in February 2008. Unfortunately this identified a number of problems regarding the audit trail within the Council's records. GOSE have now re-audited these projects. Although the Council has not as yet received feedback regarding repayment implications, there could be a potential repayment of around £57k.
- 7.2 In addition to funding being at risk on projects 031 and 033, the balance of ERDF paid towards the Innovation Centre is still subject to uncertainty. Options for dealing with the transfer of ownership to the Council are being investigated. GOSE have requested an action plan for the future of the Centre which covers usage, occupancy, activity and future ownership. The deadline for submitting this is 31 March 2009 and officers are working towards this. GOSE officers have made clear that they cannot guarantee that a further repayment of ERDF for this project will not be requested.
- 7.3 GOSE have also advised that projects 002 and 036 may also be subject to audit. It has not yet been determined whether there is any likelihood of repayment on these projects.
- 7.4 GOSE have raised concerns about the lack of outputs achieved by project 030 (Margate Pedestrian Connections) and as a result some of the £140k

received for this project may have to be repaid.

8.0 Investments

- 8.1 The investments held by the Council are shown in **Annex 1**. The majority of funds have been placed in the Government's Debt Management Account Deposit Facility.
- 8.2 Interest rates have fallen following the reductions in base rate. The Anglo Irish Bank was nationalised in mid January 2009 and the Council's treasury advisers have recommended that no further investments be placed in Irish institutions. A decision had already been made some time ago to avoid investing in Irish institutions as there were concerns about the Irish Government's ability to fund their guarantee of Irish Banks if there was a banking collapse. As a result the Council does not have any exposure to Irish Banks.
- 8.3 It was anticipated earlier in the year that further borrowing may have been required for cash flow purposes before year end, but from year end cash flow forecasts, this is no longer expected to be the case.

9.0 Housing Revenue Account

- 9.1 The HRA account is currently projecting a £136K underspend.
- 9.2 There is £200K slippage on the programmed works within the HRA Revenue repairs budget relating to concrete work repairs at High Street, Churchfields and Loughborough Court. Due to the nature of work required, it has been decided to build these works into the 2009/10 Capital Programme.
- 9.3 The current administration re-imburement within Right to Buys is based on the sale of approx 20 properties per year. To date only 2 sales have been finalised meaning that there will be a shortfall in administration costs re-imburement of £33K.
- 9.4 Due to the current financial market, there has been a downturn on interest received on HRA reserves and balances. It is projected that the HRA will receive a loss of interest of £31k against that originally budgeted.

10.0 Capital

- 10.2. Cabinet approved a revised capital programme in February 2009. This reflected the reduction in the level of capital receipts generated and the receipt of some additional grant funding. No capital receipts have been received since that report, but through the slippage of some capital projects to 2009/10, the capital programme is now fully funded. A revised Capital Programme is shown at **Annex 2** to this report.
- 10.3. There are no changes to the Housing Revenue Account Capital Programme since the last Cabinet report.

11.0 Corporate Implications

11.1 Financial

11.1.1 The financial implications have been reflected within the body of the report.

11.2 Legal

11.2.1 Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, at the time of writing this report, it is the Director of Finance and Corporate Services (S151 Officer), Sue McGonigal, and this report is helping to carry out that function.

11.3 Corporate

11.3.1 Corporate priorities can only be delivered with robust finances and this report gives Members the opportunity to review the Council's current position.

11.4 Equity and Equalities

11.4.1 There are no equity or equalities issues arising from this report.

12.0. Recommendations

12.1. That Cabinet notes the outturn position for 2008/09.

12.2 That Cabinet notes the position in relation to the possible ERDF reclaim.

12.3 That Cabinet approves the revised General Fund Capital Programme.

Annex List

<i>Annex 1</i>	Placement of Surplus Funds at 18 January 2009
<i>Annex 2</i>	Capital Programme 2008/09

Contact Officers:

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INVESTMENTS AT 18/03/2009

FINANCIAL INSTITUTION INVESTED WITH	AMOUNT INVESTED	INTEREST RATE	DATE INVESTED	DATE REPAYABLE	COMMENTS
	£				
SHORT TERM INVESTMENTS					
Debt Management Office	600,000	0.30%	05/03/2009	30/03/2009	Fixed rate - M&S Funds Invested
Debt Management Office	1,750,000	0.30%	13/03/2009	19/03/2009	Fixed rate
Debt Management Office	4,000,000	0.30%	16/03/2009	19/03/2009	Fixed rate
Debt Management Office	3,000,000	0.30%	16/03/2009	20/03/2009	Fixed rate
BANK ACCOUNTS					
NatWest Main	52,578	0.50%			Current Account
NatWest SIBA (Standard Interest Bearing Account) 1	580,439	0.50%			Instant Access
NatWest SIBA (Standard Interest Bearing Account) 2	211,246	0.50%			Instant Access for M & S Scheme
NatWest SIBA (Standard Interest Bearing Account) 3	5,215	0.50%			Instant Access for SFP Ventures Scheme
Alliance and Leicester	1,036,229	1.30%			BASE Rate Beater Account - Instant Access
TOTAL INVESTED	11,235,707				

Annex 2

Capital Scheme	Revised Forecast £000s	Capital Receipts & Reserve £000s	Borrowing £000s	External Funding £000s
STATUTORY/MANDATORY				
Mandatory Disabled Facility Grants	974	232	-	742
Allotments	360	360	-	-
ONGOING SCHEMES FROM PREVIOUS YEARS				
Pleasurama/ Ramsgate Boulevard Cliff Facing Panel	633	633	-	-
Margate Renewal Area (including extended scheme)	400	205	-	195
Waste and Grounds Maintenance	829	154	675	-
ANNUAL ENHANCEMENT PROGRAMMES				
Disability Discrimination Act Works	20	20	-	-
Environmental Action Plan	77	77	-	-
Public Conveniences	62	62	-	-
PART OR FULLY EXTERNALLY FUNDED				
Education (S106)	145	-	-	145
Affordable Housing (S106)	1,290	-	-	1,290
Highway Imp. Inc Cycle Footpaths (S106)	958	-	-	958
Public Art/Sopers Yard	50	-	-	50
Playground MUGAs	146	-	-	146
Playground Improvements	100	-	-	100
Newgate Adventure Playground	61	15	-	46
Dalby Square	7	-	-	7
Planning Software (PDG Funded)	63	-	-	63
Oval Bandstand	12	-	-	12
Margate Seafront / Marine Terrace	60	-	-	60
Historic Town Centre Grants	328	164	-	164
Private Sector Housing 06/07	635	-	-	635
Private Sector Housing 07/08	728	-	-	728
Private Sector Housing 08/09	923	-	-	923
Building Safer Communities	39	-	-	39
Marks & Spencer	794	-	-	794
Margate Creative Quarter	484	-	-	484
CORPORATE PLAN SCHEMES				
Corp Plan Imp -Improve Leisure Facilities	112	112	-	-
Secure two Green Flags for our parks/open spaces	10	10	-	-
Swimming Pool Adjacent to Ramsgate Sports Centre	160	160	-	-
Developing and improving play areas in Margate and Ramsgate	10	10	-	-
REPLACEMENT & ENHANCEMENT				
Replacement of Marina Pontoons	20	20	-	-
Phased Replacement of Forklifts	25	25	-	-
Community Centre Boradstairs	43	-	-	43
Cecil Street Office Windows	170	170	-	-
E-Procurement Project	21	21	-	-
Authentication Project	-	-	-	-
Dip/Workflow (Bid 04)	193	193	-	-

Modernise Mail and Scan Ctr	25	25	-	-
Customer Profiling	30	30	-	-
CRM Version 3 Upgrade	17	17	-	-
Property Based Projects/Land Charges	33	33	-	-
Electronic Information Storage	50	50	-	-
Additional Office Refurbishment/Accommodation	6	6	-	-
Service Dev Program Board Service	2	2	-	-
Trove System	18	18	-	-
Wellington Crescent/Albion Gardens	19	19	-	-
Margate Pedestrian Connections	96	96	-	-
Military Rd Arches Structure	9	9	-	-
Eurokent/Jackey Bakers	146	146	-	-
Total General Fund Capital Programme	11,393	3,094	675	7,624