



FINANCE DIGEST

General Fund

Financial Monitoring

Period 4

(July 2011)

Foreword

The monthly Finance Digest is a key tool for raising awareness of financial issues throughout the Council at both member and officer level.

If you have any comments or queries on its contents and presentation, or a suggestion for an item to be included, please contact Nigel Pollard (727198) or Gilbert Mills (727437).

The Finance Digest brings together the key indicators that describe Watford's financial health. It provides a regular update on the progress of spend against the Council's revenue and capital budgets including performance within a number of discrete areas.

Part 1 - Budgetary Control

This reflects the Council's latest forecast of its financial position for the year, assessing expected spend against the agreed budget and split into service area. The Digest includes information on key risks and volatile budgets including any action taken to mitigate their impact. Revenue spend is forecast monthly whereas capital updates are normally provided on a quarterly basis.

Part 2 - Performance Indicators

This section provides the latest performance information.

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1 - General Fund Revenue

- 1.1 This report provides an update, in summary form, of the latest position as at 31st July 2011 on the Council's budget for the current financial year.
- 1.2 The forecast out-turn net expenditure for 2011/12 at the end of period 4 is predicted to be £15,145k and needs to be reconciled back to the net budget requirement agreed at the start of the year of £14,718k. The difference of (£427k) comprises the following :-

	£k
* Use of 2010/11 Carry Forward Reserve	(349)
* Use of Invest To Save Reserve (Resilience Officer)	(38)
* Contribution to Vehicle Replacement Reserve	150
* Anticipated use of Economic Impact Reserve up to period 4	(190)
Sum of reserve movements up to period 4	<u>(427)</u>

1.3 Carry Forward Reserve £349k

In closing the final accounts for 2010/2011 there were a number of specific expenditure programmes which had been delayed and for which an under spend was being reported. The Leadership Team considered all proposals and agreed that budgets could be carried forward into 2011/2012. These proposals totalled £349k and a specific reserve was set up to enable the expenditure to be financed and, as a consequence, the Current Budget for 2011/2012 has been increased accordingly. Full detail of all carry forward proposals has been itemised on individual service variance sheets. For the Period 4 Digest onwards only the total of carry forwards will be reported.

Invest to Save Reserve £38k

The Mayor has approved the two year appointment of a Resilience Officer who will have responsibility for liaising with the voluntary sector in order to help co-ordinate current and future service delivery on behalf of the Council. This post to be financed from the Invest to Save Reserve.

Anticipated Use of General Fund Balance

This £13k represented the budget shortfall for 2011/2012 at the time the council tax was approved in February 2011. Since that date Cabinet received a report upon the revised Medium Term Financial Strategy on 25th July in which it approved that any budget shortfalls should be funded from the Economic Impact Reserve which is reflected within this digest and will be in future digests.

Forecast Overspend £154k

At the end of the June Quarter only one variation has been reported and that relates to a forecast overspend due to the use of Bed and Breakfast accommodation for those families and individuals deemed to be homeless. If compensating savings cannot be identified then this will ultimately need to have recourse to the Economic Impact Reserve.

Icons

Icons have been used to indicate the severity of the variation against budget.

The key is as follows:

- ☺ Forecast net expenditure is within budget
- ☹ Forecast net expenditure is as per budget
- ☹ Forecast net expenditure is over budget but there is no cause for concern at this stage.
- 🔔 Forecast net expenditure is more than 10% or £50k over budget and is a cause for concern.

Table 1 - General Fund summary

General Fund Variance Summary for 2011/12 Period 4

Service Area	Original Budget	Current Budget	Variance @ Period 3	Variance This Month	Total Variance	Forecast Outturn	Variance	
	£000's	£000's	£000's	£000's	£000's	£000's	%	☺
Corporate Services	473	597	0	0	0	597	0.0	☺
Community Services	8,701	8,745	154	0	154	8,899	1.8	🔔
Environmental Services	6,199	6,199	0	0	0	6,199	0.0	☺
Planning	2,305	2,313	0	(20)	(20)	2,293	-0.9	☺
Corporate Management	1,360	1,360	0	0	0	1,360	0.0	☺
Legal and Property Services	(3,576)	(3,418)	0	0	0	(3,418)	0.0	☺
Shared Services Implementation	30	30	0	0	0	30	0.0	☺
Shared Services	3,881	3,889	0	43	43	3,932	1.1	☹
Strategic Finance	(4,792)	(4,747)	0	0	0	(4,747)	0.0	☺
NET GENERAL FUND	14,581	14,968	154	23	177	15,145	1.2	🔔
Transfer To/(From) Reserves	150	(250)	(154)	(23)	(177)	(427)		
Transfer To/(From) Working Balance	(13)	0	0	0	0	0		
NET BUDGET REQUIREMENT	14,718	14,718	0	0	0	14,718		
General Fund working Balance								
Opening Balance	1,350	1,350	0	0	0	1,350		
Transfer To/(From) Working Balance	(13)	0	0	0	0	0		
CLOSING WORKING BALANCE	1,337	1,350	0	0	0	1,350		

Table 2 - Variance Analysis by Service and Cost Centre

Service Area	Original Budget	Agreed Budget Change	Current Budget	Variance @ Period 3	Variance This Month	Total Variance	Forecast Outturn	Comments regarding This Month's Variances
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Corporate Services								
Partnerships & Performance	473	58	531	0	0	0	531	
Customer Services	0	10	10	0	0	0	10	
Corporate Projects	0	56	56	0	0	0	56	
Total for Corporate Services	473	124	597	0	0	0	597	

Variance Analysis by Service and Cost Centre (contd.)

Notes to Agreed Budget ChangesReason for Agreed Budget Change

Agreed Budget Changes reported
in Finance Digest Period 3

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Variance Analysis by Service and Cost Centre (contd.)

Service Area	Original Budget	Agreed Budget Change	Current Budget	Variance @ Period 3	Variance This Month	Total Variance	Forecast Outturn	Comments regarding This Month's Variances
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Community Services								
Parks and Open Spaces	2,075	0	2,075	0	0	0	2,075	
Sports and Arts	4,297	44	4,341	4	0	4	4,345	
Housing	2,329	0	2,329	150	0	150	2,479	
Total for Community Services	8,701	44	8,745	154	0	154	8,899	

Notes to Agreed Budget Changes

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Reason for Agreed Budget Change

Variance Analysis by Service and Cost Centre (contd.)

Service Area	Original Budget	Agreed Budget Change	Current Budget	Variance @ Period 3	Variance This Month	Total Variance	Forecast Outturn	Comments regarding This Month's Variances
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Environmental Services								
Environmental Health & Licensing	1,604	2	1,606	0	0	0	1,606	
Street Cleansing	2,068	(2)	2,066	0	0	0	2,066	
Waste & Recycling	2,527	0	2,527	0	0	0	2,527	
Total for Environmental Services	6,199	0	6,199	0	0	0	6,199	

Notes to Agreed Budget ChangesReason for Agreed Budget Change

**Agreed Budget Changes reported
in Finance Digest Period 3**

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Variance Analysis by Service and Cost Centre (contd.)

Service Area	Original Budget	Agreed Budget Change	Current Budget	Variance @ Period 3	Variance This Month	Total Variance	Forecast Outturn	Comments regarding This Month's Variances
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Planning Services								
Development Section	1,070	0	1,070	0	0	0	1,070	
Transport and Infrastructure	667	8	675	0	(20)	(20)	655	Reduced subsidy of £20k anticipated to transport operators
Policy Team	568	0	568	0	0	0	568	
Economic Development	0	(0)	0	0	0	0	0	
Total for Planning Services	2,305	8	2,313	0	(20)	(20)	2,293	

Notes to Agreed Budget ChangesReason for Agreed Budget Change

**Agreed Budget Changes reported
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Variance Analysis by Service and Cost Centre (contd.)

Service Area	Original Budget	Agreed Budget Change	Current Budget	Variance @ Period 3	Variance This Month	Total Variance	Forecast Outturn	Comments regarding This Month's Variances
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Corporate Management								
Corporate Management	1,360	0	1,360	0	0	0	1,360	
Total for Corporate Management	1,360	0	1,360	0	0	0	1,360	

Notes to Agreed Budget Changes

Reason for Agreed Budget Change

**Agreed Budget Changes reported
in Finance Digest Period 3**

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Variance Analysis by Service and Cost Centre (contd.)

Service Area	Original Budget	Agreed Budget Change	Current Budget	Variance @ Period 3	Variance This Month	Total Variance	Forecast Outturn	Comments regarding This Month's Variances
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Legal and Property Services								
Legal and Democratic	1,810	12	1,822	0	0	0	1,822	
Property	(5,816)	0	(5,816)	0	0	0	(5,816)	
Buildings and Projects	430	146	576	0	0	0	576	
Total for Legal and Property Services	(3,576)	158	(3,418)	0	0	0	(3,418)	

Notes to Agreed Budget ChangesReason for Agreed Budget Change

**Agreed Budget Changes reported
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Variance Analysis by Service and Cost Centre (contd.)

Service Area	Original Budget	Agreed Budget Change	Current Budget	Variance @ Period 3	Variance This Month	Total Variance	Forecast Outturn	Comments regarding This Month's Variances
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Shared Services Implementation								
Shared Services Implementation	30	0	30	0	0	0	30	
Total for Shared Services Implementation	30	0	30	0	0	0	30	

Notes to Agreed Budget ChangesReason for Agreed Budget Change

**Agreed Budget Changes reported
in Finance Digest Period 3**

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Variance Analysis by Service and Cost Centre (contd.)

Service Area	Original Budget	Agreed Budget Change	Current Budget	Variance @ Period 3	Variance This Month	Total Variance	Forecast Outturn	Comments regarding This Month's Variances
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Shared Services								
Revenues and Benefits	1,538	0	1,538	0	(3)	(3)	1,535	
ICT	875	(0)	875	0	48	48	923	
Human Resources	493	9	502	0	(3)	(3)	499	
Finance	975	0	975	0	0	0	975	
<i>Rounding Adjustments</i>			(1)					
Total for Shared Services	3,881	9	3,889	0	42	42	3,932	

Notes to Agreed Budget ChangesReason for Agreed Budget Change**Agreed Budget Changes reported****in Finance Digest Period 3**

Human Resources

Shared Services - Total0

9 C/F to 2011/12 HR Shared Services - Training day + PDR module

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Variance Analysis by Service and Cost Centre (contd.)

Service Area	Original Budget	Agreed Budget Change	Current Budget	Variance @ Period 3	Variance This Month	Total Variance	Forecast Outturn	Comments regarding This Month's Variances
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Strategic Finance								
Finance and Resources	216	0	216	0	0	0	216	
Finance Services Client	(895)	0	(895)	0	0	0	(895)	
Revenues and Benefits Client	198	0	198	0	0	0	198	
ICT Services Client	(875)	0	(875)	0	0	0	(875)	
Human Resources Client	(493)	45	(448)	0	0	0	(448)	
Procurement	0	0	0	0	0	0	0	
Corporate costs	3,151	0	3,151	0	0	0	3,151	
Capital & FRS17 Adjustments	(6,094)	0	(6,094)	0	0	0	(6,094)	
Total for Strategic Finance	(4,792)	45	(4,747)	0	0	0	(4,747)	

Notes to Agreed Budget Changes

**Agreed Budget Changes reported
in Finance Digest Period 3**
Human Resources Client

Strategic Finance - Total

Reason for Agreed Budget Change

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(9) C/F to 2011/12 HR Shared Services - Training day + PDR module

1 Minor budget adjustments

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Table 3 - Salary Breakdown

Salaries Variance Analysis (Excl. IAS19)

Service Area	Previous Year Final	Original Budget	Agreed Budget Change	Current Budget	Variance @ Period 3	Variance This Month	Total Variance	Forecast Outturn	Variance		Comments regarding This Month's Variances
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	%	☺	
Corporate Services	1,754	1,434	146	1,580	0	0	0	1,580	0.0	☺	
Community Services	3,507	3,269	95	3,364	0	0	0	3,364	0.0	☺	
Environmental Services	4,821	4,724	0	4,724	0	0	0	4,724	0.0	☺	
Planning Services	2,043	2,078	0	2,078	0	0	0	2,078	0.0	☺	
Corporate Management	564	531	0	531	0	0	0	531	0.0	☺	
Legal and Property Services	2,606	2,450	(5)	2,445	0	0	0	2,445	0.0	☺	
Shared Services Implementation	298	43	0	43	0	0	0	43	0.0	☺	
Strategic Finance	145	204	(75)	129	0	0	0	129	0.0	☺	
Consultancy	437	274	(67)	207	0	0	0	207	0.0	☺	
Total	16,175	15,007	94	15,101	0	0	0	15,101	0.0	☺	

Notes to Agreed Budget ChangesReason for Agreed Budget Change

**Agreed Budget Changes reported
in Finance Digest Period 3**

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Table 4 - Key Risk Areas (as at end of July 2011)

Service Area	Original Budget	Current Budget	Variance @ Period 3	Variance This Month	Total Variance	Forecast Outturn	Variance		Current Assessment of Outturn Position	Mitigating Action Taken
	£000's	£000's	£000's	£000's	£000's	£000's	%	☺		
Investment Interest	(346)	(346)	0	0	0	(346)	0.0		Extreme volatility in the financial markets will result in a 'flight to safety' and maturity profile being shorter. Both of these will affect the Council's rate of return.	Dependent upon Eurozone countries resolving the issues around sovereign debt.
Commercial Property Income	(6,870)	(6,870)	0	0	0	(6,870)	0.0		Currently holding up well, but economic situation will probably deteriorate.	
Charter Place Market Rents	(474)	(474)	0	0	0	(474)	0.0		Vacancy levels are higher than budgeted. Will probably report an adverse variance at Period 5.	Marketing of vacancies is being actively pursued.
Bed and Breakfast homelessness cost increase	6	0	150	0	150	150	0.0		The Council is unable to accommodate all families deemed to be homeless without recourse to using bed and breakfast accommodation.	Options for commissioning additional temporary accommodation and more effective demand management being explored.
Development and Building Control Income	(635)	(635)	0	0	0	(635)	0.0		Economic downturn may affect level of fee income.	Staffing levels may need to reflect reduced volumes of activity.
Land Charges Income	(40)	(40)	0	0	0	(40)	0.0		The income budget has been reduced significantly due to a change in legislation. There could be the need to reimburse charges relating to previous years.	The LGA is supporting a 'test case' through the courts opposing the need to reimburse fee income.

Table 4 - Key Risk Areas (as at end of July 2011) contd.

Service Area	Original Budget	Current Budget	Variance @ Period 3	Variance This Month	Total Variance	Forecast Outturn	Variance		Current Assessment of Outturn Position	Mitigating Action Taken
	£000's	£000's	£000's	£000's	£000's	£000's	%	☺		
Trade Refuse Income	(710)	(710)	0	0	0	(710)	0.0		A fall off in demand for this service is being experienced. A potential adverse variance in Period 5.	A review of the trade refuse service may need to be carried out.
Kerbside Recycling Income	(607)	(607)	0	0	0	(607)	0.0		Income forecast should be achieved.	
Council Tax and Rent Allowance Net Expenditure <i>(Client cost that includes relevant shared service operating costs detailed below)</i>	1,716	1,716	0	(3)	(3)	1,713	(0.2)		This is potentially the greatest risk area facing the Council. Increased demand for this service and increased risks of overpayment could significantly affect this budget.	There needs to be a very rigorous quality control process in place to ensure all benefit claims are properly validated.
Shared Service Operating Costs :-										
Finance	975	975	0	0	0	975	0.0		Largely attributable to the ICT shared service where there is a need to employ external resources to cover illness and on going vacancies.	The harmonisation of processes should result in efficiencies.
Human Resources	493	502	0	(3)	(3)	499	(0.6)			
ICT	875	875	0	48	48	923	5.5			
Revenues & Benefits	1,538	1,538	0	(3)	(3)	1,535	(0.2)			

2 - Performance Indicators

The following analysis identifies performance on the Councils key 'financial health' and key business indicators.

2.1 Treasury Management Performance

The performance of the council's treasury management function for the period ending 31st July 2011 shows an average annualised return on investments of 1.25% (compared to an estimate of 1.3%). Interest paid as at 31st July 2011 is £69,276.

The current estimate of interest returns for 2011/12 is:

	2011/12
Best case	1.4 %
Central case	1.2 %
Worst case	1.0 %

Interest base rates (0.5%) are *not now* expected to *rise* until December 2012.

The forecast out-turn for investment interest is £346k.

2.2 Council Tax and NNDR

For the 4 months ending 31st July 2011, for Council Tax and NNDR collection rates are as follows:

Council Tax Collection rates	2009/10	2010/11	2011/12	Target
	%	%	%	%
End April	9.3	10.8	10.7	8.3
End May	18.3	17.8	19.7	16.6
End June	27.4	27.2	28.5	24.9
End July	36.5	35.8	37.6	37.0
End August	45.4	45.0		46.0
End September	54.7	54.1		55.0
End October	63.9	62.8		64.0
End November	73.0	71.9		73.0
End December	81.7	80.4		82.0
End January	90.6	88.9		91.0
End February	94.8	92.8		94.0
End March	96.7	95.3		96.0

NNDR Collection rates	2009/10	2010/11	2011/12	Target
	%	%	%	%
End April	10.3	9.6	13.7	10.9
End May	20.7	17.2	23.5	21.0
End June	30.2	27.2	33.4	30.5
End July	39.7	37.2	41.6	40.0
End August	48.3	51.7		50.0
End September	58.5	57.9		60.0
End October	67.7	68.9		70.0
End November	77.0	80.2		80.0
End December	87.2	87.2		89.5
End January	94.2	93.5		96.0
End February	94.5	95.7		97.0
End March	95.9	96.3		98.0

The improved collection rates in 2011/2012 are very encouraging and reflect an improved recovery performance from the Revenues Division.

67% of council tax is paid by direct debit which is the cheapest and most reliable form of collection.

2.3 Creditor Payment Monitoring

For 2011/12, and in particular the month of July 2011, the Council paid 93.12% of undisputed invoices within 30 days (against an Audit Commission target of 100%)

The number of payments made by BACS is currently 83% against a target of 90%

Creditor Payment Monitoring Statistics By Service Area

	Total Undisputed Invoices	Late Payts.	Payts. On Time	% Payts. On Time	% Payts. On Time 2010/11
Corporate Services	38	1	37	97.37	90.97
Community Services	114	8	106	92.98	88.54
Environmental Services	259	3	256	98.84	93.84
Planning	37	3	34	91.89	94.01
Corporate Management	7	0	7	100.00	90.24
Legal and Property	174	18	156	89.66	84.65
Shared Services	83	16	67	80.72	80.38
Total	712	49	663	93.12	89.16

Cumulative Percentages of Payments Made On Time

	2009/10	2010/11	2011/12
April	N/A	N/A	98.45
May	98.15	63.77	95.11
June	96.59	69.79	93.27
July	96.07	71.77	93.23
August	95.35	74.62	
September	94.06	81.59	
October	93.58	84.61	
November	93.60	86.45	
December	93.23	87.59	
January	92.40	87.91	
February	92.03	87.94	
March	92.22	89.16	

The April figure has not been reported separately in past years so a historic comparison is not possible.

As can be seen above, the cumulative position at the end of July 2011 indicates 93.23% of invoices were paid within 30 days.

2.4 Debtors

A summary of debtors raised / paid is shown in the table below. A fuller report upon total debt outstanding and a maturity profile will be included within the Period 4 Finance Digest.

General Debtor Invoices Raised to the end of July 2011

Invoices Raised from 1st April 2011 to 31st July 2011					
Service Area	No. Invoices	Total Raised £	Collected £	Outstanding	
				£	%
Corporate Services	14	43,338	43,146	192	0.44
Community Services	97	223,038	177,530	45,507	20.40
Environmental Services	1,415	561,512	437,841	123,671	22.02
Planning	71	132,665	21,435	111,230	83.84
Corporate Management	11	4,462	634	3,828	85.79
Legal and Property	2,282	4,349,421	3,525,317	824,104	18.95
Human Resources	1	241	0	241	100.00
Housing	7	730	417	313	42.88
Finance	101	1,144,322	1,055,859	88,463	7.73
ICT	1	1,163	0	1,163	100.00
Revenues & Benefits	376	12,750	3,296	9,455	74.15
Total	4,376	6,473,641	5,265,474	1,208,167	18.66

2.5 Key Business Indicators

Monthly indicators at the end of July 2011 (Period 4):

Occupancy rates at Market	60% (target 75%)
Occupancy rates-Commercial	99% (target 99%)
Repair & Maintenance Programme	9.0% underspent
Procurement Efficiencies	On target (only £50k assumed for the year)
Capital Programme	13% under spent at period 4
Capital Programme Section 106	13% under spent at period 4

Internal Audit Plan – productive days	0.4% under achieved
Average time to process housing benefits	43 days (against a target of 30 days).
Average time for change of circumstances	44 days (against a target of 20 days)
Sickness Levels	2.53 days at end of July 2011 (2.61 days is profiled target)
Staff Appraisals completed on time	74.5% (against a target of 100%)
CSC - all calls answered	99% (against a target of 95%)
Complaints resolved at Stage 1	76% (against a target of 90%)
No. of valid bins missed	0.047% (target 0.1%) - exceptionally good performance
ICT service availability	97.17% during month (target 99.5%)
ICT user satisfaction	% N/A (target 95%)