

**Report to the Finance & Performance
Management Cabinet Committee**



**Epping Forest
District Council**

Report reference: FCC-015-2008/09.

Date of meeting: 17 November 2008.

Portfolio: Finance & Performance Management.

Subject: Quarterly Financial Monitoring.

Responsible Officer: Peter Maddock (01992 564602).

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

That the revenue and capital financial monitoring report for the second quarter of 2008/09 be noted.

Executive Summary

The report provides a comparison between the profiled budgets for the period ended 30 September 2008 and the actual expenditure or income as applicable.

Reasons for proposed decision

To keep the Cabinet Committee informed of the Council's financial situation.

Other options for action

No other options available.

Report:

1. The Committee has within its terms of reference to consider financial monitoring reports on key areas of income and expenditure for each portfolio. This is the second quarterly report for 2008/09 and covers the period from 1 April 2008 to 30 September 2008.

2. Salaries monitoring data is presented as well as it represents a large proportion of the authorities expenditure and is an area in which large under spends have been seen. The salaries data is held by Directorate rather than by portfolio, although there are clearly some Directorates that are linked closely to particular portfolios.

Revenue Budgets (Annex 1 – 10)

3. Comments are provided on the monitoring schedules but a few points are highlighted here as they are of particular significance. The salaries schedule (Annex 1) shows an underspend of £446,000. This is prior to the settlement of the 2008/09 pay award, and equates to 4.6% of the budget. An allowance of 2.45% was included in the budget for the pay award leaving a further 2.15% being the underspend at month 6. The pay award has now been referred to arbitration and given the length of time that has elapsed since the offer of 2.45% was made, it has been agreed that this be implemented in November with the back pay being paid in December. The level of underspend has reduced slightly since month 3, this situation also occurred last year though it was more marked.

4. Income budgets are looking increasingly volatile, more so than in 2007/08.

Development Control income at Month 6 is £27,000 up on expectations due to a couple of larger schemes that came through during the first quarter. Building Control shows an under achievement of £36,000 and Land Charge search income at month 6 is £125,000 below the expected level. A report highlighting the issues faced by Local Land Charges is scheduled for Cabinet on 10 November. Expenditure saving measures introduced within the Building Control Account are expected to ensure that the account breaks even, though this will need to be monitored closely over the next few months. Income at North Weald Airfield is £52,000 below expectations due to difficulties in letting Hangar 1. A lease has now been agreed with a new tenant and subject to completing all the final legal formalities the lease should start within the next few months. There has also been an increase in expenditure relating to empty property rates as a result of this.

5. Income from car parking is a little higher than expectations mainly due to additional season tickets issued to Essex County Council.

6. A report regarding the Council's investment strategy was made to an additional Cabinet meeting on 20 October. The Council had no investments directly in Iceland, but has got £2.5 million with the Heritable Bank. This bank is registered and regulated in the United Kingdom, but has an Icelandic parent company. It is expected that most of the sums invested will eventually be recoverable and indeed a claim has been lodged with the Administrator for the capital sum and interest due under the investment agreement. Having said that Interest receipts are well above expectations due in part to higher levels of surplus cash invested and better rates being achieved. It is therefore likely, assuming no further financial institutions with which the Council has invested get into difficulties, that interest income will exceed the budget.

7. The Housing Repairs Fund also shows an underspend. Much of this again is due to late invoicing by the gas servicing contractor.

8. Expenditure on Recycling sacks is likely to be higher than originally expected. Equally recycling credits are also higher than expectations. It is anticipated that the two will more or less offset each other and a report regarding this issue will be brought to Cabinet in due course.

9. The payments to Sports and Leisure Management Ltd are lagging behind the profiled budget, this is due to a delay in agreeing the August invoice.

10. Where income budgets are not likely to be met, or under and overspends are expected this is noted on the schedules. Where no comment exists the actual outturn, at this point in time, is expected to be broadly in line with budgets.

Capital Budgets (Annex 11-15)

11. Tables for capital expenditure monitoring purposes (annex 11 -15) are included for the half-year to 30 September. The tables show the major schemes separately with other more minor items being summarised. There is a brief commentary on each item highlighting the scheme progress.

12. The full year budget for comparison purposes is the updated budget as presented within the capital review to Cabinet on 6 October 2008.

13. The process of profiling capital budgets has now been completed and all variations relate to differences between actual and expected spending patterns.

Major Capital Schemes (Annex 16)

14. Annex 16 looks at progress on those schemes with total budget provision in excess of £1m. The schedule monitors the schemes in total rather than by financial year. The total cost figures shown in columns six and seven therefore relate to two or more financial years. The

original anticipated start dates where applicable are also included and where this was not achieved a revised or actual start date is given. There is also some commentary on the schemes for information.

Conclusion

15. There is concern over the lower than originally anticipated levels of income from Building Control, Land Charges and North Weald Airfield rents. As regards Building Control, expenditure on consultants has been reduced and is expected to bring the account back into line. A report to Cabinet will highlight the issues facing Land Charges. Service costs are currently being reviewed but income levels are going to be substantially down on expectations and this will need to be reflected in the revised estimate. The split between how much is ongoing and how much is one off will also be assessed at that point in time. With regard to Hangar no.1 a new tenant should be in occupation shortly, however an additional District Development Fund (DDF) item relating to the lost income will need to be placed within the 2008/09 revised estimate.

16. The panel is asked to note the position on both revenue and capital budgets as at Month 6 and the Major Capital Schemes monitoring schedule.

Consultations Undertaken:

This report has been circulated to Portfolio-holders. An oral update will be provided to cover any additional comments or information received from Portfolio-holders.

Resource Implications:

Additional resource requirements may arise due to shortfalls in income. These issues will be kept under review and necessary adjustments to income levels will be included within the revised estimates.

Legal and Governance Implications:

Reporting on variances between budgets and actual spend is recognised as good practice and is a key element of the Council's Governance Framework.

Safer, Cleaner, Greener Implications:

The Council's budgets contain spending in relation to this initiative.

Background Papers:

Various budget variance working papers held in Accountancy.

Impact Assessments:

These reports are a key part in managing the financial risks faced by the Council. In the current climate the level of risk is increasing. Prompt reporting and the subsequent preparation of action plans in Cabinet reports should help mitigate these risks.