

Report to the Finance & Performance Management Scrutiny Panel

Date of meeting: 10 February 2009

Portfolio: Finance & Performance Management

Subject: Quarterly Financial Monitoring



Officer contact for further information: Peter Maddock (01992 - 56 4602).

Democratic Services Officer: Adrian Hendry (01992 – 56 4246)

Recommendations/Decisions Required:

That the Panel note the revenue and capital financial monitoring report for the third quarter of 2008/09;

Executive Summary

The report provides a comparison between the profiled budgets for the period ended 31 December 2008 and the actual expenditure or income as applicable.

Reasons for proposed decision

To note the third quarter financial monitoring report for 2008/09.

Other options for action

No other options available.

Report:

1. The Panel has within its terms of reference to consider financial monitoring reports on key areas of income and expenditure for each portfolio. This is the third quarterly report for 2008/09 and covers the period from 1 April 2008 to 31 December 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 £344,000. A 2.45% pay increase has now been implemented, however the award itself is still with arbitration. Assuming that the arbitration process leaves the award at 2.45% the underspend above is genuine saving however there is obviously a possibility that arbitration could recommend a higher award which would then eat into these savings. Most of this saving will fall on the General Fund with the Planning Services Directorate being underspent by some £144,000. The underspend is a little higher than at this stage last year.
4. Income budgets are looking increasingly volatile, more so than in 2007/08. Development Control income at Month 9 is now £17,000 below expectations. This is entirely down to pre-application fees not reaching expectations. These fees were introduced in July

2007 on the basis that the income would finance any consultancy advice required in relation to the said applications. Whilst the fee levels have not been achieved the related expenditure has also not been incurred and both budgets have been reduced to more realistic levels in the revised estimates. As regards Development Control income generally November and December saw particularly low income levels when compared to the three year average. Income in January has so far held up well and the budgeted income level is still expected to be achieved.

5. Building Control Income shows an under achievement of £53,000, Income levels will not reach originally predicted levels and the revised budget has therefore been prepared on the basis of an income loss of £80,000. A reduction in the use of consultants has been made in an effort to make the account breakeven in 2008/09.

6. Land Charge search income at month 9 is £187,000 below the expected level. A Income loss of £250,000, (£175,000 CSB and £75,000 DDF), has been placed in the revised budget and based on current information this does look likely though the exact CSB/DDF split is only an estimate at this stage.

7. Hangar no. 1 has now been let, however due to the delays in agreeing a lease, DDF of £64,000 for the lost rental income and £13,000 empty property rates are included in the revised estimate.

8. Income from car parking is higher than expectations mainly due to additional season tickets issued to Essex County Council. This additional income has been included in the revised estimates.

9. Since the last Scrutiny Panel meeting in November 2008 interest rates have plummeted dramatically. During October 2008 rates available on investments for 6 months were around 6.5%, however by mid-January rates of only 1.8% were available on 3 month deposits. The council's investment income will still exceed original expectations as much of the cash is locked into deals struck prior to the drop in rates. The additional income shown in the tables relates to both the General Fund and HRA however the effect of low interest rates will eat into this additional income over the remaining three months of the financial year. As regards the Council's investment of £2.5 million with the Heritable Bank, there has been a creditors meeting since the last Scrutiny panel and an initial report from the administrators suggests that unsecured creditors should get most of their investment back, the timing of this though is still unclear.

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

11. Expenditure on Recycling sacks will be higher than originally expected. Equally recycling credits are also higher than expectations. A DDF item of £162,000 for sacks and CSB growth of £124,000 for Recycling Credits have been included within the revised estimates.

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

13. 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)

14. Tables for capital expenditure monitoring purposes (annex 11 -15) are included for the nine months to 31 December. 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.

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

16. 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)

17. 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

18. 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. Land Charge income is going to fall short of the original budget by some £250,000 this has been taken into account within the revised estimate and a DDF/CSB split has been assessed though this is very much an estimate. With regard to Hangar no.1 a new tenant is now in occupation, however an additional District Development Fund (DDF) item relating to the lost income and empty property rates has been placed within the 2008/09 revised estimate.

19. Despite the above, there is currently a significant underspend on salaries expenditure and a £175,000 contingency included in the Original Budget has been removed from the revised budget. It is now predicted that a little over £500,000 will be added to General Fund balances compared to £219,000 in the original.

20. The panel is asked to note the position on both revenue and capital budgets as at Month 9 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.