Report to the Finance & Performance Management Cabinet Committee

Report reference: FPM-008-2009/10.
Date of meeting: 5 October 2009.

Epping Forest District Council

Portfolio: **Finance & Economic Development.**

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 first quarter of 2009/10 be noted.

Executive Summary:

The report provides a comparison between the profiled budgets for the period ended 30 June 2009 and the actual expenditure or income as applicable.

Reasons for Proposed Decision:

To note the first quarter financial monitoring report for 2009/10.

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. This is the first quarterly report for 2009/10 and covers the period from 1 April 2009 to 30 June 2009. The reports are presented based on which directorate is responsible for delivering the services to which the budgets relate.

2. Salaries monitoring data is presented as well as it represents a large proportion of the authorities expenditure and is an area where historically large under spends have been seen.

<u>Revenue Budgets (Annex 1 – 9)</u>

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 £255,000 or 5.1%. The largest underspend is still on the Planning Services Directorate of £55,000 (9.5%) however appointments have recently been made to two posts that have been vacant for a while. The budget allowed for a pay award of 2.5% so roughly half of the 5.1% equates to underspends from vacancies. Having said that given the current economic climate and level of inflation it is unlikely any award will reach this level. Indeed an offer of 1.0% has now been made regarding the 2009/10 pay award. The revised estimates for 2009/10 will need to be adjusted to take this into account.

4. Building Control Income shows an under achievement of £29,000. The 2009/10 budget was set on the basis of recovering the costs incurred in 2009/10 plus the £15,000

deficit that existed at 31 March 2008. To this end fees were increased by 8% from 1 April 2009. Taking into account the 2008/09 outturn the deficit is now £25,000. Whilst it may still be possible to breakeven on this years expenditure it will be difficult to recover the additional £25,000 without increasing fees further or ceasing the use of consultants altogether. Clearly some action needs to be taken to bring the situation back into line and this is currently being considered.

5. Investment Interest levels in 2009/10 will now be lower than that in the Estimate unless rates rise fairly quickly, which looks unlikely. Toward the end of the quarter interest rates of around 1.2% were being achieved on 3 month lending. Now rates are nearer 0.9%. At the end of June interest of £452,000 had been earnt, £83,000 down on expectations and the outturn could be as much as £400,000 down in a full year. Investigations are underway to see whether other types of investment could help make up some of the shortfall but options appear to be somewhat limited without taking on additional risk which in the current climate could not be recommended. The loss of interest will be shared between the General Fund and HRA. It is possible that the loss of HRA interest will be mitigated if Central Government agree to take in to account the fall in interest rates since the issue of the 2009/10 Subsidy Determination. Local authorities including this Council have raised concerns regarding the assumed interest rate, (6.23%), used in the subsidy formula, the DCLG undertook to review this and indeed the mid-year claim quotes a figure of 2.00%, which is clearly far more reasonable. However no official notification has as yet been received to confirm that this rate will be used. On a brighter note the Council has received the first tranche of money back in relation to the Heritable Bank loans. A 15% return was due in July equating to £376,000 in the event £404,000 was received.

6. Development Control income at Month 3 is £19,000 above expectations. This is due to the fee of £49,000 relating to St Johns School. Even with this though Income is below the level at Quarter 1 in 2008/09. There has been a reduction in application levels compared to the first quarter of 2008/09, which suggests that fee levels might struggle to reach those estimated but income levels are also dependant on the size of applications rather than just the quantity. A few quite large applications could easily keep the income levels on track as the receipt of the St Johns School fee demonstrates.

7. Hackney Carriage licensing income continues to be buoyant and if anything has increased slightly on the same period last year.

8. Income from industrial estates is higher than expectations due to a number of rent reviews being backdated to April 2008.

9. The Housing Repairs Fund shows an underspend of £214,000 most of this is because there tends to be a higher proportion of repairs necessary during the second half of the financial year.

10. Payments to the Waste Management contractor are lagging behind expectations in that no payments relating to 2009/10 had been made by 30 June 2009. The April and May invoices have now been received and are expected to be paid shortly. Whilst this obviously shows as an underspend on Refuse Collection, Street Cleansing and Recycling it is also the main reason for the underspend on Special Services within the HRA.

11. The payments to Sports and Leisure Management Ltd are up to date as of 30 June 2009.

12. 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 10-16)

13. Tables for capital expenditure monitoring purposes (annex 10 -16) are included for the three months to 30 June. 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.

14. The full year budget for comparison purposes is the original budget updated for amounts brought forward from 2008/09 and any additional items agreed up to the last Cabinet. A full review of the Capital Programme is due to go to Cabinet on 12 October 2009.

Major Capital Schemes (Annex 17)

15. Annex 17 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

16. There is particular concern over the anticipated level of income from Building Control fees and Investment Interest. With regard to Building Control a decision needs to be made on how best to bring the account back into line. With regard to Investment Interest consideration needs to be given to how it might be possible to mitigate the effects, though it now looks as if the HRA element will be adjusted for within the subsidy system.

17. Income from Development Control and Land Charges will also need to be closely monitored as despite being in line with the estimates at Month 3, it will not take much to push income levels off track.

18. The panel is asked to note the position on both revenue and capital budgets as at Month 3 and the Major Capital Schemes monitoring schedule.

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.

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.

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.