

# **Report to the Finance & Performance Management Scrutiny Panel**

**Date of meeting: 17 November 2009**

**Portfolio: Finance & Economic Development**

**Subject: Quarterly Financial Monitoring**

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## **Recommendations/Decisions Required:**

**That the Panel note the revenue and capital financial monitoring report for the second quarter of 2009/10;**

## **Executive Summary**

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

## **Reasons for proposed decision**

To note the second 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 second quarterly report for 2009/10 and covers the period from 1 April 2009 to 30 September 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.

## **Revenue Budgets (Annex 1 – 9)**

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 £450,000 or 4.5%. The largest underspend is still on the Planning Services Directorate of £145,000 (12.4%). The post of Assistant Director (Policy and Conservation) was filled from mid-September however there still are a number of other vacancies within planning. The budget allowed for a pay award of 2.6%. This has now been agreed at 1.25% for points 4 to 10 and 1% for those above that (excluding Chief Officers). There will therefore be a CSB saving of the difference between the assumed pay inflation rate in the budget and that now in force, this amounts to around £300,000.
4. Building Control Income shows an under achievement of £64,000 at 30 September. The Council has recently won a contract to deal with the Building Control issues relating to

the Bank of England development due to start in January 2010 the anticipated fee on this is £60,000. This along with other schemes being considered as part of a partnership arrangement should see the account in surplus on in year costs and contribute toward the recovery of the ongoing deficit. A detailed report has been made to the Corporate Executive Forum on this issue and any additional information arising will be reported at the meeting.

5. Investment interest levels in 2009/10 will be lower than that in the estimate and rates look unlikely to recover much for at least two years. The last two investments made were for a four month period at 0.85%. At the end of September interest of £708,000 had been earned, £362,000 down on expectations. The outturn is going to be at least £600,000 down in a full year. Of this around £250,000 is likely to fall on the General Fund. With regard to investment interest to the HRA, the latest Housing Subsidy return included an interest rate of 2%. Whilst this is still a little high when compared to actual returns it is at least more reasonable than the original rate in the 2009/10 Subsidy Determination of 6.23%. Having said that it is still not clear what rate will apply eventually and the Department for Communities and Local Government (CLG) have now said that a decision will be made at the year end.

6. The timing of recoveries from the Heritable bank has changed since that published in the Statutory Statement. The Council is still to receive 80p in the £ however 16.13% was received in July 2009 as opposed to 15% with a further 10% in December 2009. the remaining recovery rates are:-

- (a) July 2010 20.22%
- (b) July 2011 19.22%
- (c) July 2012 7.22%
- (d) July 2013 7.21%.

7. Development Control income at Month 6 is £10,000 below expectations. This includes a fee of £49,000 relating to St Johns School. It is still difficult to be sure, at this stage, whether income will reach the budget or not. It is however clear that the budget will only be achieved if some larger applications come through in the second half of the year.

8. Hackney Carriage licensing income continues to be buoyant and if anything has increased slightly on the same period last year. Other licensing income is however below expectations.

9. Income from MOT's carried out by Fleet Operations are proving popular and income so far this year is significantly above the budget. Once the revised cost of the service has been ascertained a surplus of around £50,000 is expected. This unbudgeted surplus will benefit the General Fund.

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

11. The Housing Repairs Fund shows an underspend of £538,000 most of this is because there tends to be a higher proportion of repairs necessary during the second half of the financial year.

12. Housing Subsidy is usually set prior to the start of a given financial year and there are therefore usually no variances to report. This year however, due to the late change to Guideline Rents and the CLG's indecision surrounding the notional interest rate the actual subsidy payment will be lower than that originally set. The variation to date relates solely to the Guideline Rent reduction.

13. Payments to the Waste Management contractor are lagging behind expectations in that the July and August payments had not been made by 30 September 2009. The payments were subsequently made in mid-October. Whilst this obviously shows as an underspend on Refuse Collection, Street Cleansing and Recycling it is also part of the reason for the underspend on Special Services within the HRA.

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

15. 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)**

16. Tables for capital expenditure monitoring purposes (annex 10 -16) are included for the six months 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.

17. 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.

### **Major Capital Schemes (Annex 17)**

18. 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**

19. There is particular concern over the anticipated level of income from Building Control fees and Investment Interest. With regard to Building Control things are now looking more positive and the ring fenced account is expected to be in surplus this year. With regard to Investment Interest there is little scope for improving returns significantly without taking on additional risk, this could not be recommended. It does now look as if the HRA element will be adjusted for within the subsidy system though.

20. Income from Development Control and Land Charges will also need to be closely monitored. The former is below expectations and the latter slightly above expectations at Month 6. It looks as if Land Charge income probably will achieve the budgeted income levels where as Development Control income probably will not.

21. 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.