

Report to the Finance & Performance Management Scrutiny Panel

Date of meeting: 23 February 2010

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 third quarter of 2009/10;

Executive Summary

The report provides a comparison between the original profiled budgets for the period ended 31 December 2009 and the actual expenditure or income as applicable. The revised estimate has now been compiled and this suggests there is likely to be little change between the originally expected use of General Fund Balances of £704,000 and the revised projection of £837,000.

Reasons for proposed decision

To note the third 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 third quarterly report for 2009/10 and covers the period from 1 April 2009 to 31 December 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 £554,000 or 3.7%. The largest underspend is still on the Planning Services Directorate of £196,000 (11.2%). There still are a number of vacancies within planning and it is unlikely that the situation will improve much over the next three months. The budget allowed for a pay award of 2.6%. This has 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, (estimated at £180,000 General Fund, £120,000 Housing

Revenue Account(HRA)).

4. Building Control Income shows an under achievement of £110,000 at 31 December. The Council has won a contract to deal with the Building Control issues relating to the Bank of England the anticipated fee on this is £26,000. This is less than that originally expected as the value of works to be carried out has reduced. The account now looks as if it will either breakeven or return a small deficit.

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 Council has achieved some slightly better rates recently but there is still volatility in the market and it is too early to suggest that any recovery in rates will be sustained. At the end of December interest of £901,000 had been earned, £706,000 down on expectations. The revised estimate has been set at £1,089,000 and the outturn should be around this level if not marginally higher. As reported previously much of the lost interest relating to the HRA is offset by a reduction in Housing Subsidy payments.

6. The timing and amount of recoveries from the Heritable bank have again changed since the last quarter. The Council received notification on 1 February that it should receive 85p in the £ however 16.13% was received in July 2009 and 12.66% in December 2009. The updated remaining recovery rates are expected to be:-

- (a) July 2010 20.22%
- (b) July 2011 19.22%
- (c) July 2012 7.22%
- (d) July 2013 9.55%.

7. Development Control income at Month 9 is £28,000 below expectations. This includes a fee of £49,000 relating to St Johns School. It does now look unlikely that the income will reach the original target and to reflect this a reduction of £60,000 was included in the revised estimates. However income in January was higher than anticipated so the outturn may exceed the revised estimate.

8. Hackney Carriage licensing income has now reached last years full year total. Other licensing income is however slightly 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. Income levels are expected to be around £285,000 giving a surplus to the General Fund of a little over £50,000 for the full year.

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

11. The Housing Repairs Fund shows an underspend of £813,000 some of this is because there tends to be a higher proportion of repairs occurring during the winter months but given the size of underspend now showing, a proportion of this will be saving.

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 now relates both to the Guideline Rent reduction and the reduction in the notional interest rate.

13. Payments to the Waste Management contractor are lagging behind expectations in that the November payment had not been made by 31 December 2009. The payment was subsequently made during January. 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 again up to date as of 31 December 2009.

15. Where income budgets are not likely to be met, or under and overspends are expected this is noted within the report or 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 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.

17. The full year budget for comparison purposes is the latest agreed position and that included within the Capital strategy.

Major Capital Schemes (Annex 17 - 19)

18. The three major schemes exceeding £1m in 2009/10 are now shown on Annex 17,18 and 19 the annexes contain a short history on each scheme highlighting the timing of any supplementary estimates and issues affecting progress. Information on expenditure to date and expected outturn is also included.

Conclusion

19. There is particular concern over the anticipated level of income from Building Control fees and Investment Interest. With regard to Building Control, the ring fenced account should be close to breaking even this year but may return a small deficit. With regard to Investment Interest there is little scope for improving returns significantly without taking on additional risk, this could not be recommended. The expected income has been revised downwards and this should be met.

20. Income from Development Control and Land Charges will also need to be closely monitored. The former is below expectations and was revised downwards as part of the revised estimates the latter is above expectations at Month 9. It looks as if Land Charge income probably will exceed the budgeted income levels and Development Control income will be in line with the revised position.

21. The panel is asked to note the position on both revenue and capital budgets as at Month 9 and the Major Capital Schemes monitoring schedules.

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, although necessary adjustments to income levels have been 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.