

Report to the Finance & Performance Management Standing Panel

Report reference: FPM-016-2010/11
Date of meeting: 09 December 2010



Portfolio: Finance & Economic Development.

Subject: Quarterly Financial Monitoring – July – September 2010.

Responsible Officer: Peter Maddock (01992 564602).

Democratic Services: Adrian Hendry (01992 564246).

Recommendations/Decisions Required:

That the Panel note the revenue and capital financial monitoring report for the second quarter of 2010/11;

Executive Summary

The report provides a comparison between the original profiled budgets for the period ended 30 September 2010 and the actual expenditure or income as applicable.

Reasons for proposed decision

To note the second quarter financial monitoring report for 2010/11.

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 2010/11 and covers the period from 1 April 2010 to 30 September 2010. 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 £345,000 or 3.4%. The report now isolates two areas where underspends are particularly evident and in both cases there are specific reasons for the underspend occurring.
4. Building Control is managed within a ring fenced account that over a three year period should break even. Income from fees has been somewhat depressed over the last two years or so. In order to keep the account in balance posts have deliberately been held vacant in recognition of this downturn.

5. The works unit has been undergoing a process of downsizing to a core of employees with other work being outsourced. This is being achieved largely through not filling vacancies. As these posts would have been included in the budget this now shows as an underspend.
6. Once the areas above are taken out of the equation the underspend overall amounts to £180,000 or 2.0%. The budget included 1.5% for pay inflation, there will now not be an award this year so this represents a saving on the budget, and given the inclusion of a 2% vacancy allowance within the budgeted figures already vacancy levels are on average running at a little over 2.5%.
7. Building Control Income shows an under achievement of £67,000 at 30 September, when compared to the three year average used for budget monitoring purposes. Income now is slightly above that achieved at this point last year, if income levels this financial year are to be consistent with last year and reach last years outturn position there will need to be a couple of larger schemes come through in the second half of the year. The original budget however will not be met. As mentioned earlier there is a significant underspend on salaries which counteracts the loss in income to a degree however a breakeven position is now looking unlikely unless additional work can be attracted during the remaining six months of the year.
8. Investment interest levels in 2010/11 will be lower than that in the estimate and rates look unlikely to recover much for at least two years. Rates on short term investments under a year for example are still not even as high as 1%. Income at month 6 is £148,000 below expectations. There is little that can realistically be done to improve returns at the moment other than lending for longer periods. Clearly any decision to lend longer term needs to be balanced against the Council's need for cash in the medium term.
9. With regard to the Heritable Bank, a further payment has been received amounting to 4.14% (£103,864) bringing the total repayment of loans to 45.6%. Notification has also been received stating that a further dividend is intended to be distributed during January 2011. It is expected that at least 85p in the pound will eventually be returned to the Council. The budget assumes that the expected shortfall of £375,000 will be charged to the District Development Fund (DDF) during this financial year and that any additional monies received back in excess of 85% will then be credited back to the DDF.
10. Development Control income at Month 6 is £38,000 below expectations. There have not been any large scheme fees coming through so far this year and income in months 5 and 6 were significantly below expectations. As with Building Control the budget will not be met and will need to be revised downwards as a result.
11. Hackney Carriage licensing income is above expectations and other licensing income below expectations. If the two are taken together income is broadly on track.
12. Income from MOT's carried out by Fleet Operations is now exceeding last year. The Original Budget was set at £292,000. There would appear to be scope to increase the budget for the probable outturn.
13. Income from Local Land Charges is more or less in line with expectations, a report to the Cabinet of 13 September 2010 highlighted some of the issues around access to the information concerned and the introduction of the Local Land Charges (Amendment) Rules 2010. The Department for Environment, Food and Rural Affairs in a letter dated 28 September 2010 has assured Local Authorities that there will be no overall cost in the current financial year as a result of the introduction of the 2010 Rules referred to above.
14. The Housing Repairs Fund shows an underspend of £404,000. Much of the underspend is because there tends to be a higher proportion of repairs occurring during the winter months. However some minor savings have also been identified.
15. Due to the long lead in time between completion of work and agreeing invoices, the

Waste Management contractor payments have been assumed to be paid within two months of the work being done rather than one. The payments are in line with the revised budget profile.

16. 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)

17. Tables for capital expenditure monitoring purposes (annex 10 -16) are included for the six months to 30 September. There is a brief commentary on each item highlighting the scheme progress.

18. The full year budget for comparison purposes is the original budget plus agreed carry forwards from 2009/10.

Major Capital Schemes

19. All three major schemes exceeding £1m reported on during 2009/10 reached practical completion in that year. A Final Account report has been presented to Cabinet for the Loughton Broadway Town Centre Enhancement, the Bobbingworth Tip report is due at the next Cabinet and the Springfields report will follow shortly. Going forward the only scheme falling into this category is the Limes Farm Hall Development which will be included once spending on the project commences.

Conclusion

20. The situation regarding Local Land Charges was reported to the Cabinet during the last cycle. There will be a Continuing Services Budget (CSB) income loss of at least £25,000 and potential for repayments of past fees relating to personal searches, which could be significant. A letter was received from The Department for Environment, Food and Rural Affairs stating that in this financial year no authority will bear additional cost as a result of the Local Land Charges (Amendment) Rules 2010. Officers are investigating exactly what mechanism is in place to ensure this occurs.

21. Income from Development Control and Building Control will also need to be closely monitored. Both are below expectations and, unless some larger schemes do come through, meeting the budgets is unlikely. With the latter it is likely that a deficit will be recorded on the ring-fenced account.

22. Investment interest is not going to reach the budget level. Returns do not look likely to improve in the foreseeable future either. There is little that can be done other than managing the situation as best we can, including funding investment interest shortfalls from the DDF.

23. The committee is asked to note the position on both revenue and capital budgets as at Month 6.

Resource Implications:

Additional resource requirements may arise due to shortfalls in income. These issues will be kept under review. The 2011/12 budget process is in progress, which includes a review of the 2010/11 budget, this will look to find savings in 2010/11 to mitigate the effects, as far as possible, of the likely income losses identified above.

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.

Consultation 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:

Risk Management

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.

Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?
None.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A.