

Report to the Finance & Performance Management Scrutiny Panel

Report reference:

Date of meeting: 10 March 2011

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 2010/11;

Executive Summary

The report provides a comparison between the probable outturn for the period ended 31 December 2011 and the actual expenditure or income as applicable.

Reasons for proposed decision

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

Other options for action

No other options available.

Report:

1. The Committee 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 2010/11 and covers the period from 1 April 2010 to 31 December 2011. The reports are presented based on which directorate is responsible for delivering the services to which the budgets relate.

2. The first two reports compared the actual expenditure to date to the Original Estimate. Comparisons in this report are to the Probable Outturn figures which have been generated during the 2011/12 budget setting process. Despite the income losses reported against the Original Estimate the probable outturn is expected to use £235,000 less of General Fund balances than was predicted in the Original Estimate. This is primarily due to the aforementioned income losses being offset by savings on employee expenditure, the budget assumed a 1.5% pay increase which in the event did not occur.

3. 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)

4. 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 £294,000 or 2.0%. The report now isolates two areas where underspends are particularly evident and in both cases there are specific reasons for the underspend occurring.

5. Building Control is managed within a ringfenced account that over a three year period should break even. Income levels have been down significantly and in order to keep the account in balance posts have been held vacant.

6. 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.

7. Once the areas above are taken out of the equation, the underspend overall amounts to £144,000 or 1.1%. 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%.

8. Building Control Income shows an under achievement of £4,000 at 31 December, when compared to the three year average used for budget monitoring purposes. Income is £20,000 above that achieved at this point last year, however January was a poor month. In 2009/10 March was an extremely good month and enabled the account to return a small surplus. Unless this happens again in 2010/11 the account will be in deficit by the year end.

9. Investment interest levels in 2010/11 should be in line with the expected outturn position which has had to be reduced by some £300,000 from the original estimate. There is still little sign of any improvement in rates and the average rate achieved for the nine months to December is around 1.1%. 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.

10. With regard to the Heritable Bank, a further payment has been received amounting to 4.74% (£118,414) bringing the total repayment of loans to 50.3%. Notification has also been received stating that a further dividend is intended to be distributed during April 2011 and at three month intervals thereafter until October 2012. 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 DDF during this financial year and that any additional monies received back in excess of 85% will then be credited back to the DDF.

11. Development Control income at Month 9 is £20,000 above the current probable outturn figure, however like Building Control January was not a good month. If the final two months outturn in line with the Probable Outturn figures the amended position will be met.

12. Hackney Carriage licensing income was revised upwards for the probable outturn and income is now above this level, it is also expected that other licensing income will at least achieve the level recorded in the probable outturn.

13. Income from MOT's carried out by Fleet Operations is now exceeding last year. The Probable Outturn reset the income level at £325,000. However income may fall slightly short of this.

14. Income from Local Land Charges has been revised downwards as a result of the introduction of the Local Land Charges (Amendment) Rules 2010. Income seems to be on track with the adjusted figure. The Department for Environment, Food and Rural Affairs 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. It is still unclear exactly how the Council is to receive the funding required to achieve this.

15. The Housing Repairs Fund shows an underspend of £354,000. However much of the winter related expenditure will not show until the final quarter. The final position is expected

to be in line with the Probable Outturn figure.

16. 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.

17. 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)

18. Tables for capital expenditure monitoring purposes (annex 10 -16) are included for the nine months to 31 December. There is a brief commentary on each item highlighting the scheme progress.

19. The full year budget for comparison purposes is the updated budget that is within the recently approved Capital Strategy.

Major Capital Schemes

20. The Limes Farm Hall Development scheme which is due to start in earnest later this month or early in April will be included within the major schemes tables from the first quarter of 2011/12.

Conclusion

21. Whilst a number of income sources will fall short of the Original Budget set in February 2010, the budget process undertaken during 2010/11 included an update on the expected outturn for the year. The amount needed from the General Fund balance to meet the net expenditure should be about £235,000 less than the £544,000 originally anticipated.

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

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

During the budget process for 2011/12, which included the Probable Outturn for 2010/11, it has been possible to fund the income shortfalls from savings elsewhere in the budget. These savings have in the main arisen due to the 1.5% inflation included in the Original Estimate for pay increases not being required.

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

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