

Report to the Finance & Performance Management Scrutiny Panel

Date of meeting: 15 November 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 Second quarter of 2011/12;

Executive Summary

The report provides a comparison between the original estimate for the period ended 30 September 2011 and the actual expenditure or income as applicable.

Reasons for proposed decision

To note the Second quarter financial monitoring report for 2011/12.

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 second quarterly report for 2011/12 and covers the period from 1 April 2011 to 30 September 2011. 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 £413,000 or 4.2%. This compares to 3.4% at this time last year.

4. Building Control shows an underspend of 31.9% but this is because posts have been held vacant so that resources can be matched more closely with workload, Housing shows a 7.9% underspend mainly due to the downsizing process being undertaken within the Works Unit. The other significant variance relates to the Office of the Chief Executive where the 20.5% variation is due to the costs of the Acting Chief Executive being accounted for within the Deputy Chief Executive. The Original Budget assumed that both posts would be

occupied.

5. Investment interest levels in 2011/12 are above expectations at quarter 2, whilst interest rates are slightly lower than expected there has on average been £4 million more invested than expected. There were underspends on both Revenue and Capital Budgets last year and expenditure in the first half of the financial year is generally lower than the second half. Interest rates achieved on investments show no sign of improvement and the position may well not be sustained as the year progresses.

6. The Council had received a little over £1.517m (60.7%) of the original £2.5m investment placed with Heritable Bank as at 30 September 2011, however a further payment in October has brought this figure up to £1.618m (64.7%). Current indications are that the Council will receive between 86 and 90% of their original investment back however the final amounts will not be received until toward the end of 2012/13 at the earliest.

7. Building Control Income is generally on track when compared to the budget and is slightly up on the previous year. The ring fenced account is looking quite healthy and is expected to return a surplus.

8. Development Control income at Month 6 is £40,000 above expectations, there have been some significant fees relating to glasshouses so this increase whilst welcome may not be indicative of future periods. The additional income at month 3 of £53,000 has reduced slightly which suggests some of the increase is of a one off nature. The income estimate for 2011/12 will be reassessed during the 2012/13 budget process to see whether there is scope for increasing the budget.

9. Hackney Carriage licensing income is in line with expectations but down slightly on last years actual to date. Other licensing income is also in line with expectations but down on the prior year. The annual renewal notices have now gone out and income will no doubt pick up as the year progresses.

10. Income from MOT's carried out by Fleet Operations is slightly below expectations. A recent report to Cabinet regarding the installation of an additional ramp to increase capacity has been agreed though the exact timing of this is uncertain. Once installed the additional income from MOT's should fairly quickly exceed the capital outlay.

11. Introduction of the Local Land Charges (Amendment) Rules 2010, has lead to a reduction in income levels compared to previous years and there is currently uncertainty regarding the ability to charge for certain types of land charge search. Having said that income has been better than expected so far this year.

12. The Housing Repairs Fund shows an underspend of £767,000. Whilst an underspend is usually showing at this point in the year due to seasonal factors the level is somewhat more substantial than 2010/11. It is now expected that a saving of around £250,000 will occur here.

13. Payments to the Waste Management and Leisure Management contractor have been in line with expectations and variances are minimal apart from Loughton Leisure Centre where the agreed profit share for 2010/11 was not received until October.

14. Income and expenditure levels are generally in line with expectations and apart from a number of timing differences, which is usual, there is nothing particularly concerning. Income levels are generally holding up well and the Building Control account is looking more healthy than for a number of years. The budgets are currently being revisited and where appropriate will be revised in line with expectations.

Capital Budgets (Annex 10 - 16)

15. 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.

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

Major Capital Schemes

17. The Limes Farm Hall Development started at the end of the previous financial year and there is a table and related commentary at annex 17.

Conclusion

18. Generally income and expenditure so far is broadly in line or better than expected. The budgets are in the process of being reviewed as part of the 2012/13 budget process and the probable outturn for the year will be adjusted to reflect changes during the year.

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

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

There is no evidence at this stage to suggest that the budget set will not be met, however the economic climate is somewhat volatile and it is difficult to predict what is going to happen in the short to medium term let alone the longer term.

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