

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

**Date of meeting: 20 March 2012**

**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 2011/12.**

## **Executive Summary**

The report provides a comparison between the original estimate 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 2011/12.

## **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 2011/12 and covers the period from 1 April 2011 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 2012/13 budget setting process. The Original Estimate expected £171,000 to be taken from General Fund balances to balance the budget however the probable outturn is expected to add £69,000 to General Fund balances this is a movement of £240,000.
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 £110,000 or 0.8%. This compares to 2.0% at this time last year. More

than half of this however relates to the Housing Revenue Account.

5. Expenditure on salaries at month 9 is £259,000 lower than at this point in 2010/11. This is no doubt due at least in part to the restrictions placed on recruitment and indeed the expected salaries expenditure figure had been revised to £14.209m some £443,000 lower than the figure of £14.652m in the previous year in recognition of the aforementioned restrictions. This accounts for much of the move from a deficit on the in year General Fund net expenditure to a small surplus.
6. Investment interest levels in 2011/12 are roughly in line with expectations at quarter 3. Interest rates are still extremely low and with the potential need to have cash available for the Payment to the DCLG for Housing Self Financing, much is lent out short term. Whilst investment income to date is in line it does look as if the final figure could now fall short of the updated budget by as much as £30,000.
7. The Council has received a little over £1.622m (64.9%) of the original £2.5m investment placed with Heritable Bank as at 31 December 2011, however a further payment in January has brought this figure up to £1.705m (68.2%). Current indications are still that the Council will receive between 86 and 90% of the original investment back however the final amounts will not be received until toward the end of 2012/13 at the earliest.
8. Building Control Income is generally on track when compared to the budget but is slightly down on the previous year. Income for the year may fall slightly short of the updated figure however the ring fenced account is looking quite healthy and is expected to return a surplus due to expenditure being lower.
9. Development Control income is above expectations, there have been some significant fees relating to glasshouses and this has been treated as one off income in the probable outturn. Having said that Income in December was quite low and both January and February were also low. In order to reach the target income of around £70,000 would be required in March. This does not look at all likely and a figure of nearer £30,000 is expected meaning a shortfall of around £40,000.
10. Hackney Carriage licensing income is slightly above expectations but down slightly on last years actual to date. However there have recently been a number of refunds of licence plates and the number of registered vehicles is falling. If this trend continues at the current rate the budgeted income levels will not be met and will obviously affect income going forward into 2012/13. Other licensing income is in line with expectations but down on the prior year. Having said that January was a good month and by the end of February the actual figure had exceeded the full year budget.
11. Income from MOT's carried out by Fleet Operations has been revised downwards due to the withdrawal of a local dealer. It now looks as if income will fall short of this revised level though. The issue surrounding Hackney licence plates highlighted above is also likely to have an effect on fleet operations income going forward as the vehicle inspections are carried out by the Council.
12. Introduction of the Local Land Charges (Amendment) Rules 2010, has led 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 levels were revised upwards in the probable outturn and indications suggest that this level may well now be exceeded.
13. The Housing Repairs Fund shows an underspend of £355,000. Expenditure does tend to be higher in the final quarter but even taking that into account an underspend looks likely.
14. Payments to the Waste Management and Leisure Management contractor are in line

with expectations and variances are minimal. The payments to the Leisure Management contractor tend to be made in the month following service delivery whereas payments to the Waste Management contractor are generally a further month behind.

15. The financial year will shortly be coming to an end and whilst there will undoubtedly be some variations to budgets overall net expenditure will be lower than the original and quite possibly lower than the probable outturn.

### **Capital Budgets (Annex 10 - 16)**

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

### **Major Capital Schemes**

18. The Limes Farm Hall Development started at the end of the previous financial year. The development has now been completed and opened to the public on 6 February. Annex 17 gives some detail around the development.

### **Conclusion**

19. The budgets for 2011/12 have now been updated and the overall position is better than expected. When comparing against the probable outturn there may be some shortfall in income but some expenditure underspends also look likely.
20. 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**

The probable outturn suggests that the final position on the General Fund will add an amount to balances rather than use an amount from balances therefore the position should be better than originally expected. There is concern around Hackney Carriage Licence and MOT income but salary and other expenditure savings are likely to offset this. There is no reason at this stage to assume that the Probable Outturn will not be met.

### **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