

Report to the Finance & Performance Management Scrutiny Panel



**Epping Forest
District Council**

Date of meeting: 20 November 2012

Portfolio: Finance & Technology

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 2012/13;

Executive Summary

The report provides a comparison between the original estimate for the period ended 30 September 2012 and the actual expenditure or income as applicable.

Reasons for proposed decision

To note the second quarter financial monitoring report for 2012/13.

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 2012/13 and covers the period from 1 April 2012 to 30 September 2012. 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 £265,000 or 2.7%. This compares to £413,000 or 4.2% at this time last year. This is slight reduction in percentage terms on quarter 1.
4. Within Building Control some posts have been held vacant so that resources can be matched more closely with workload hence the quite large underspend, in percentage terms, reported here. Having said that this only amounts to £19,000 in monetary terms. Although in the previous year the underspend was more significant. There is a substantial saving shown on Office of the Chief Executive. The new Chief Executive joined the

Authority from 1 October, there will of course be a one off saving in this year relating to the first half year and also an on-going CSB saving. The acting Chief Executive was accounted for under the Office of the Deputy Chief Executive hence the slight overspend reported here.

5. Investment interest levels in 2012/13 are below expectation at quarter 2, and significantly below the prior year. There is no obvious sign of rates improving even in the longer term at the moment. Investment returns in the prior year were higher as there were still some longer term deals maturing at better rates than those available now.
6. The Council had received £1.872m of the original £2.5m investment placed with Heritable Bank as at 30 September 2012, this now brings the recovery up to 74.5%. A further payment was due in October though to date hasn't been received. Indications are that the Council can still expect to recover between 86 and 90% of the original investment. The final payment is not due to be received until April 2013.
7. Development Control income at Month 6 is £27,000 below expectations, the shortfall reported at month 3 has continued at the same rate and it is felt likely that this will continue leaving a shortfall at the year end of around £40,000. Generally applications so far this year have been quite small, though pre-application income has exceeded the full year budget already.
8. Building Control income is also down, but by £56,000. Activity in the building industry is at a low level and fewer applications are coming through. Having said that expenditure is also down but not as significantly it is still hoped to at least breakeven on the account though this now looks less certain. There was a cumulative surplus at the end of March 2012 of £94,000 so if there was a small deficit for the year this does not in itself present a problem.
9. Hackney Carriage licensing is in line with expectations, other licensing is ahead of expectations but the timing of renewals can vary from year to year.
10. Income from MOT's carried out by Fleet Operations is below expectations. There were some difficulties whilst the new ramp was installed and income at month 6 is £8,000 below target, There is also a small reduction in expenditure but the surplus made on MOT's has diminished somewhat over the last couple of years and is expected to be below £10,000 this year.
11. Local Land Charge income is below the prior year and above the original estimate which suggests, as last year, income will exceed budget for the year. There is though still significant uncertainty surrounding the future for charging for these services which may or may not be resolved during the financial year.
12. The Housing Repairs Fund shows an underspend of £894,000. However a larger than average proportion of the expenditure is seasonal falling in the winter months. The budgets will be revised shortly and there may be a saving here.
13. Payments to the Waste Management contractor have been in line with expectations and variances are minimal.
14. The budgets are currently being revisited and there are a number of income areas that look likely to fall short of expectations however expenditure, particularly salaries, are likely to underspend by at least as much. This will be taken into account during this process.

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 original budget updated for budgets carried forward from 2011/12 as part of the Provisional Outturn Report considered at the June meeting.

Major Capital Schemes

17. The Limes Farm Hall Development has been completed sometime but the final account is still to be determined, there is a table and related commentary at annex 17.

Conclusion

18. Generally income is a little down on expectations but expenditure is too. Overall at this time it appears unlikely that there will be a significant variance on the estimated addition to reserves for 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 real evidence at this stage to suggest that the net 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