
REPORT TO THE MEETING OF THE EXECUTIVE 4 NOVEMBER 2009

PORTFOLIO: FINANCE AND RESOURCES

**REPORT FROM HEAD OF FINANCE, AUDIT AND PERFORMANCE
MANAGEMENT**

**SUBJECT: FINANCIAL MANAGEMENT REPORT – QUARTER 2
2009/10**

1 DECISION BEING RECOMMENDED

- 1.1 To note the current year-end forecasts for the revenue budgets of the Council based on financial performance in the first half of the financial year 2009/10, as shown in Appendix 1.
- 1.2 To note the current financial performance on key financial indicators, as shown in Appendix 2.

2 REASON/S FOR RECOMMENDATION

- 2.1 The purpose of this report is to provide Members with the latest forecast for the General Fund revenue budgets for the end of the year compared to the original budgets agreed in January 2009. The General Fund is split into cost centres such as Financial Services and Environmental Health and the forecasts for each cost centre are detailed in Appendix 1. These forecasts for the end of year position are based on the information available as at the end of September 2009.
- 2.2 Within the cost centres, there are budget headings which are considered significant to the overall financial position of the authority. An example of this would be salaries which account for £7.4m of total expenditure or significant income streams such as planning fees or parking. These key financial indicators are summarised in Appendix 2.

3 OVERALL FINANCIAL POSITION

- 3.1 The results to the end of September 2009 indicate that for the General Fund, the year-end position is forecast to meet the original estimate of £13.1m.
- 3.2 Salary estimates within each cost centre were based on a cost of living rise of 2.5%. This has now been confirmed at 1% so this creates a favourable variance in a number of cost centres.
- 3.3 In summary the main factors which are increasing the end of year forecasts for net expenditure are:-
 - Parking income, including season tickets, is forecast to be £85,000 below budget.
 - Investment income is forecast to be £100,000 below budget

- Income from charges for bulky waste is forecast to be £110,000 below budget
- Court cost income is forecast to be £47,000 below budget

3.4 The main factors that are reducing the overall net expenditure are:-

- Recycling income is £275,000 above budget
- Concessionary Fares expenditure is £80,000 lower
- Inflation linked increases lower than forecast by £70,000

4 RISK IMPLICATIONS

Low activity levels in the housing market and general economic conditions adversely affected Land Charges, Building Control and Development Control income in 2008/09. Further falls in activity may lead to further reductions in income. Benefits activity has increased which may increase expenditure on processing claims if turnaround times are to be maintained.

Collection rates for council tax remain consistent with previous years. However, the current economic position could have an effect on ability to pay. Collection rates are being maintained through effective recovery action of arrears and continued promotion of direct debit.

Changes to legislation, economic factors and external funding can put pressure on resources. Regular monitoring of those budgets with the higher risk considerations will assist in controlling resource risk.

I confirm that the above recommendation does not depart from Council policy and that appropriate consideration has been given to any budgetary and legal implications.

SMT Lead Officer Signature: _____

Head of Finance, Audit and Performance Management

Background Papers:

None

For further information please contact Yvonne Woodward on:-

Tel:- 01702 546366 ext 3102

E-Mail:- yvonne.woodward@rochford.gov.uk

If you would like this report in large print, braille or another language please contact 01702 546366.

FINANCIAL MANAGEMENT REPORT
FORECAST YEAR-END POSITION OR 2009/10 AS AT END OF SEPTEMBER 2009

SERVICE: CHIEF EXECUTIVE

| Service Area | 2009/10 Original Budget £ | End of Year Forecast £ | Variance (Bracketed figures are favourable) £ | Comment |
|--|--|---------------------------------------|--|---|
| Chief Executive's Office | 190,200 | 184,300 | (5,900) | Savings due to lower than estimated cost of living rise |
| Human Resources | 327,700 | 327,700 | - | Savings in salaries and recruitment costs are being used to facilitate initiatives around apprentices and work placements as part of the Council's response to the recession. |
| Corporate Management Account | 233,800 | 220,200 | (13,600) | External audit fees were notified in May 2009 and are lower than originally forecast, due to reduction in grant audit work as no housing subsidy to audit and reduced inspection costs following CPA rating of good. |
| Emergency Planning & Health and Safety | 78,300 | 62,400 | (15,900) | Savings from a vacant post which has now been filled and the lower cost of living rise. |
| Corporate Policy & Partnership | 224,000 | 201,000 | (23,000) | Savings from a vacant post which has now been filled and the lower cost of living rise. |
| Environmental Initiatives | 15,300 | 15,000 | (300) | Small reduction in a subscription cost. |
| Economic Development | 428,200 | 436,000 | 7,800 | The Business Support Officer post funded by grant (Local Area Business Growth Incentive Grant) was not included in the original estimate and this has been offset by lower expenditure than forecast on a number of budgets including subscription costs, Heritage and Business directories |
| Community Safety | 117,300 | 98,900 | 18,400 | Savings from a vacant post and the lower cost of living rise. |

SERVICE: CORPORATE DIRECTORS

| Service Area | 2009/10 Original Budget £ | End of Year Forecast £ | Variance (Bracketed figures are favourable) £ | Comment |
|----------------------------------|--|---------------------------------------|--|--|
| External Services Client Account | 150,600 | 145,700 | (4,900) | Cost of living rise on salaries was lower than budgeted for. |
| Internal Services Client Account | 157,100 | 152,300 | (4,800) | Cost of living rise on salaries was lower than budgeted for. |

Appendix 1

SERVICE: COMMUNITY SERVICES

| Service Area | 2009/10 Original Budget £ | End of Year Forecast £ | Variance (Bracketed figures are favourable) £ | Comment |
|-----------------------------------|------------------------------------|------------------------------|--|--|
| Council Tax | (103,400) | 309,700 | 413,100 | Salaries for Council Tax and Housing Benefit Admin staff were previously shown under the Community Services Client Account because of the generic working arrangements in the Revenues and Benefits Team. However, this has proven to make cost comparisons difficult so the salaries will be allocated to the separate cost centres. This is a technical accounting change. |
| Housing Benefit Admin | (340,300) | (67,700) | 272,600 | |
| Community Services Client Account | 871,500 | 225,300 | (646,200) | For these 3 cost centres, the overall forecast is that the year end position will be an increase in expenditure of about £47,000 due to a reduction in income from court action as it is now anticipated that the income will be in line with 2008/09's actual of £116,000. |
| Business Rates | (64,400) | (71,700) | (7,300) | Additional government grant funding will be received to cover the costs of the Business Rates Deferral Scheme introduced by the Government to help businesses during the current economic situation. This allows businesses to defer a proportion of the 2009/10 increase in their rates and pay it over the next 2 years. |
| Council Tax Benefits | (45,500) | (40,000) | 5,500 | The original estimate for subsidy and benefits payments were set in December 2008. The increase in net cost is due to an increase in claims and anticipated reduction in recovery of overpayments. |
| Housing Benefit Payments | (206,800) | (190,200) | 16,600 | |

Appendix 1

SERVICE: COMMUNITY SERVICES

| Service Area | 2009/10 Original Budget £ | End of Year Forecast £ | Variance (Bracketed figures are favourable) £ | Comment |
|--------------------------------|------------------------------------|------------------------------|--|---|
| Revenues Investigation Section | 155,400 | 162,900 | 7,500 | A part-time post has been moved to this team from the Revenues and Benefits team to increase capacity for property inspections and benefit visits. No impact on overall salary costs. |
| Culture & Heritage – Windmill | 32,600 | 25,400 | (7,200) | Savings from reduction in subscriptions and additional income forecast from weddings. |
| Leisure Premises | 579,600 | 570,000 | (9,600) | Annual increase in contract price was lower than originally estimated. |
| Sports Development & Promotion | 31,200 | 22,800 | (8,400) | External funding for summer activities has reduced net expenditure forecast for the year. |
| Leisure Client Account | 98,800 | 99,100 | 300 | Cost of living rise on salaries was lower than budgeted for. |
| Housing Strategy | 145,600 | 136,300 | (9,000) | Cost of living rise on salaries was lower than budgeted for. Revenue costs for the new IT system for Choice Based Lettings will be met from Computer Services cost centre, which means a reduction in the net expenditure for Housing Strategy. |
| Private Sector Housing Renewal | 261,000 | 256,000 | (5,000) | Cost of living rise on salaries was lower than budgeted for. |
| Homelessness | 339,800 | 314,800 | (25,000) | Cost of living rise on salaries was lower than budgeted for. The Homelessness improvements will be funded by use of existing reserves, reducing the net expenditure forecast for the year end. |

Appendix 1

SERVICE: ENVIORNMENTAL SERVICES

| Service Area | 2009/10 Original Budget £ | End of Year Forecast £ | Variance (Bracketed figures are favourable) £ | Comment |
|---|------------------------------------|------------------------------|--|--|
| Woodlands | 210,800 | 206,000 | (4,800) | Cost of living rise on salaries was lower than budgeted for Budget of £5,100 for clearing litter and dog bins at Cherry Orchard Jubilee Country Park will be partially funded by additional external funding. |
| Maintenance of Grounds Holding Account | 795,600 | 815,600 | 20,000 | Provision has had to be made for additional costs on the grounds maintenance contract in connection with the daily locking up of one open space and the maintenance of new equipment. |
| Management of Recreation Grounds & Open Spaces | 67,500 | 60,900 | (6,600) | Reduction in repairs and maintenance costs forecast |
| Environmental Health | 617,600 | 557,800 | (59,800) | Savings due to lower than estimated cost of living rise and restructuring of Environmental Health teams. |
| Licensing | 41,800 | (6,600) | (48,400) | Savings due to lower than estimated cost of living rise and changes to staffing in the team. |
| Public Health | 25,000 | 25,500 | 500 | Income received from fines for stray dogs will be lower than originally estimated. This was a new budget for 2009/10 so difficult to forecast. |
| Public Conveniences | 97,800 | 98,000 | 200 | NNDR and Water/sewerage charges are now forecast to be higher than originally estimated – this has been largely addressed by a reduction in repairs & maintenance. |
| Street Cleansing | 594,900 | 594,900 | - | Currently forecast to meet original estimates. |

Appendix 1

SERVICE: ENVIORNMENTAL SERVICES

| Service Area | 2009/10 Original Budget £ | End of Year Forecast £ | Variance (Bracketed figures are favourable) £ | Comment |
|--|------------------------------------|------------------------------|--|---|
| Recycling Collection | 2,147,500 | 2,204,900 | 57,400 | Income from the bulky waste collection scheme is anticipated to be about £110,000 lower than the original estimate of £146,000 due to the current economic climate deterring residents from replacing larger items. The additional budget of £36,000 for administration and IT costs for the scheme will not be required. Other savings from the lower cost of living rise, staff vacancies during the year and moving staff costs to the Corporate Communications team. |
| Recycling Disposal | (216,800) | (501,200) | (284,400) | The original estimate for recycling income and gate fees have been revised following the Inter-authority agreement which results in an increase in forecast income of £275,000 from the improvements in recycling performance. Another outcome from the success of the recycling scheme, is that the amount spent on the bring banks is now forecast to be £10,000 lower than originally estimated. |
| Environmental Services Client Account | 354,100 | 362,700 | 8,600 | As part of the restructure in Environmental Services, some staff costs have been moved to this cost centre from Recycling Collection. |
| Depot | 134,800 | 109,700 | (25,100) | Savings due to lower than estimated cost of living rise and reduction in headcount as part of Environmental Services restructure. |

SERVICE: FINANCE, AUDIT AND PERFORMANCE MANAGEMENT

| Service Area | 2009/10 Original Budget £ | End of Year Forecast £ | Variance (Bracketed figures are favourable) £ | Comment |
|-----------------------------------|------------------------------------|------------------------------|--|---|
| Coast Protection | 2,100 | 2,100 | - | |
| Financial Services | 457,100 | 458,000 | 900 | |
| Cashiers | 50,700 | 49,700 | (1,000) | Savings due to lower than estimated cost of living rise |
| Audit & Performance Management | 181,400 | 176,200 | (5,200) | Savings due to lower than estimated cost of living rise and a vacancy which has now been filled. |

Appendix 1

SERVICE: INFORMATION AND CUSTOMER SERVICES

| Service Area | 2009/10 Original Budget £ | End of Year Forecast £ | Variance (Bracketed figures are favourable) £ | Comment |
|---|------------------------------------|------------------------------|--|---|
| Democratic Representation | 737,100 | 719,500 | (17,600) | Savings due to lower than estimated cost of living rise, trial of new arrangements for delivering committee papers to the parish/town councils electronically and reduction in the net cost of Rochford District Matters following a review of the printing and delivery arrangements. |
| Conducting Elections | 58,500 | 58,000 | (500) | Savings due to lower than estimated cost of living rise, |
| Registration of Electors | 74,700 | 73,900 | (800) | Savings due to lower than estimated cost of living rise, |
| Telephones & Reception | 187,600 | 182,400 | (5,200) | Savings due to lower than estimated cost of living rise, review of mobile phone contract arrangements and telephone maintenance charges. |
| Document Management Unit | 472,800 | 451,600 | (21,200) | Savings due to lower than estimated cost of living rise, staff vacancies during the year and savings identified in a Value for Money review of postal arrangements. |
| Computer Services – Including Web & Communications. | 1,369,700 | 1,381,700 | 12,000 | This cost centre holds all the website and corporate communication team costs plus the total costs of all the IT software and contract costs for the whole authority. The increase in the forecast year end position is due to a change in internal costing arrangements from one cost centre to another in terms of staff workload and reporting workload. |

Appendix 1

SERVICE: LEGAL SERVICES

| Service Area | 2009/10 Original Budget £ | End of Year Forecast £ | Variance (Bracketed figures are favourable) £ | Comment |
|--------------------------------------|--|---------------------------------------|--|--|
| Office Accommodation Rochford | 335,200 | 315,500 | (19,700) | Savings due to lower than estimated cost of living rise and reduction in electricity costs due to new lighting and credit notes received in respect of 2008/09. |
| Office Accommodation Rayleigh | 94,800 | 70,800 | (24,000) | Savings due to lower than estimated cost of living rise, reduction in estimated repairs and maintenance and increased income from room hire. |
| Local Land Charges | (54,000) | (67,200) | (13,200) | Reduction in insurance premiums in relation to Land Charges due to the fall in income. £10,000 increase in the forecast for income from land charge searches based on the year to date position. |
| Cemeteries & Churchyards - Open | (102,500) | (106,300) | (3,800) | Increase in income from interments. |
| Cemeteries & Churchyards - Closed | 13,600 | 11,200 | (2,400) | Reduction in estimated repairs and maintenance for this year. |
| Property Services | 195,500 | 160,200 | (35,300) | Savings due to lower than estimated cost of living rise and staff turnover |
| Legal Services | 318,200 | 293,600 | (24,600) | Savings due to lower than estimated cost of living rise and staff turnover |

Appendix 1

SERVICE: PLANNING AND TRANSPORTATION

| Service Area | 2009/10 Original Budget £ | End of Year Forecast £ | Variance (Bracketed figures are favourable) £ | Comment |
|---------------------------------|------------------------------------|------------------------------|--|---|
| Building Control Client Account | 321,300 | 289,200 | (32,100) | Savings due to lower than estimated cost of living rise and staff changes |
| Building Control Fee Account | (230,000) | (230,000) | - | |
| Planning Policy | 274,100 | 273,800 | (300) | Savings due to lower than estimated cost of living rise |
| Development Control | 353,000 | 329,800 | (23,200) | Savings due to lower than estimated cost of living rise and proposed staff changes |
| Planning Administration | 99,300 | 97,200 | (2,100) | Savings due to lower than estimated cost of living rise and proposed staff changes |
| Hackney Carriage | 10,100 | 5,500 | (4,600) | This cost centre needs to be self financing. Savings due to lower than estimated cost of living rise and a small increase in the forecast income from Licensing charges. |
| Highways/Roads Routine | (13,600) | (14,100) | (500) | Small reduction forecast in the spend on Signs and equipment. |
| On Street Parking | (26,800) | (29,600) | (2,800) | Penalty Charge Notice income forecast to meet original target of £145,000. Savings due to lower than estimated cost of living rise |
| Off Street Parking | (819,100) | (735,700) | 83,400 | Income from pay and display machines is now forecast to be around £800,000, compared to an original estimate of £850,000 and last year's actual of £850,325. In addition, the year end forecast for income from permits/season tickets is a reduction of £35,000. There is a small saving from the lower than estimated cost of living rise in salaries.. |

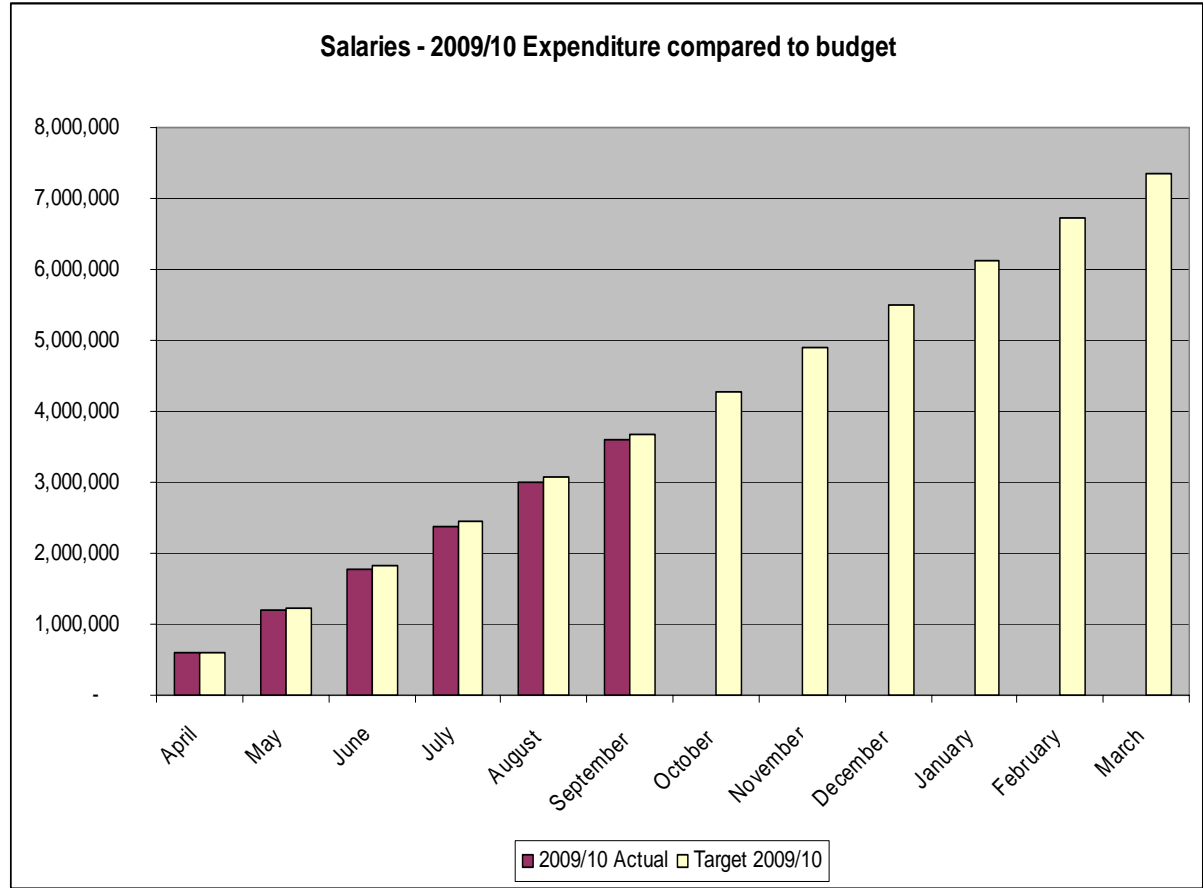
Appendix 1

SERVICE: PLANNING AND TRANSPORTATION

| Service Area | 2009/10 Original Budget £ | End of Year Forecast £ | Variance (Bracketed figures are favourable) £ | Comment |
|------------------|------------------------------------|------------------------------|--|---|
| Public Transport | 900,200 | 793,400 | (106,800) | The agreement between Essex County Council and the Essex authorities regarding the transfer of responsibility for costs of the concessionary bus pass scheme to County for 2009/10 and 2010/11 has meant that the year end forecast for the cost of the scheme is £80,000 lower than originally expected. A review of the taxi voucher scheme and the demand to date indicates that the scheme will cost about £20,000 less than originally forecast. |

FINANCIAL MANAGEMENT REPORT
KEY FINANCIAL INDICATORS AS AT END OF QUARTER 2

Salaries

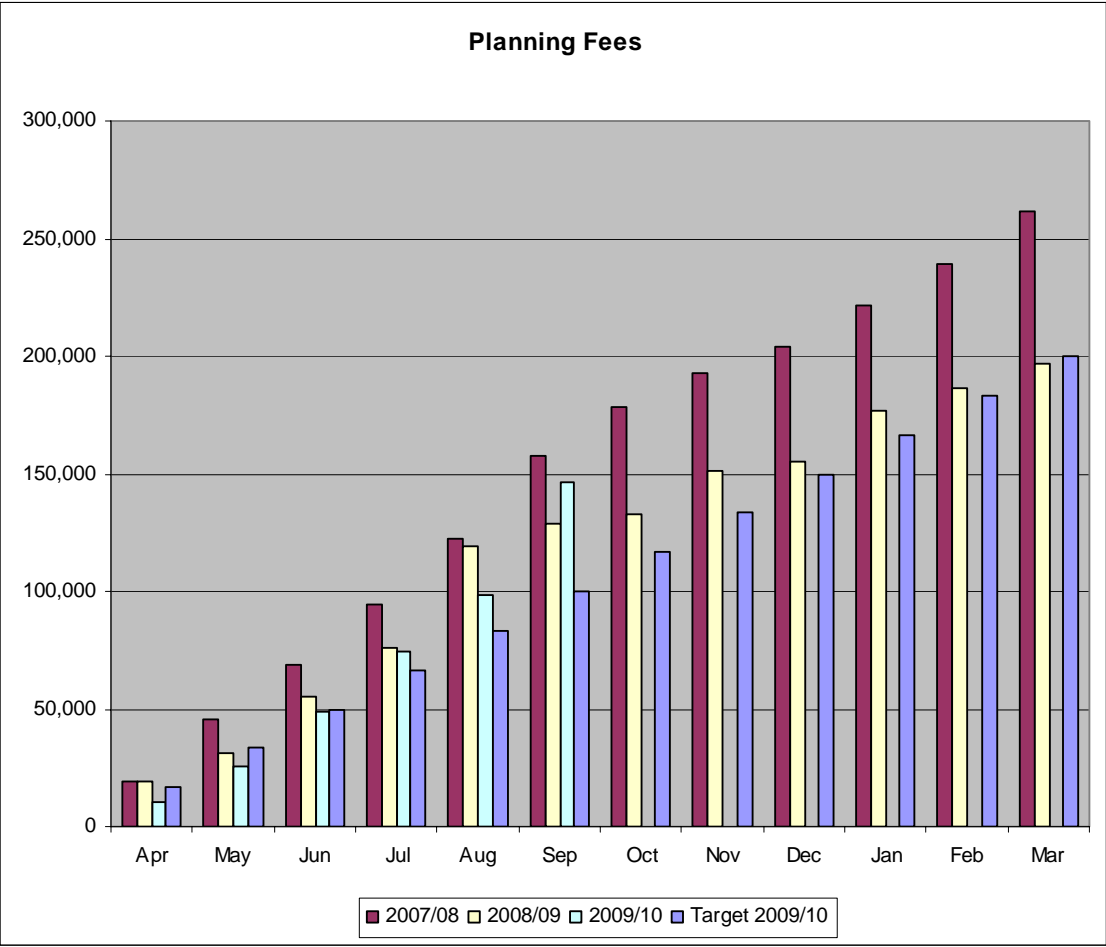


Commentary

Total salaries were originally estimated at £7.343m which includes a salary strategy saving of £387,000 which is based on forecast turnover rates, recruitment levels and assumptions on cost of living rises. The current year end forecast is £7.342m. The cost of living rise was originally forecast at 2.5% for all staff but the final agreement was 1% for staff up to but not including Chief Officers.

Expenditure on salaries is managed corporately and will be kept within the overall total. There is a likelihood of further savings on salaries depending on turnover in the remainder of the year.

Planning Fees



Commentary

The original estimate for planning fees income is £200,000. Compared to the same period in previous years, 2009/10 income at £146,557 is up by £18,000 against 2008/09 and down £10,000 against 2007/08.

Although the year to date position is an improvement against target of £46,000, some of this is related to large high earning applications. At this stage, in view of the experiences in 2008/09 when income plummeted, the forecast for the year has been kept at £200,000. However, this will be monitored during the budget process and revised upwards if judged appropriate.

The risk is that the current economic climate and continuing recession mean a further reduction in planning applications with a drop off in income over the remaining period.

Parking Fees**Commentary**

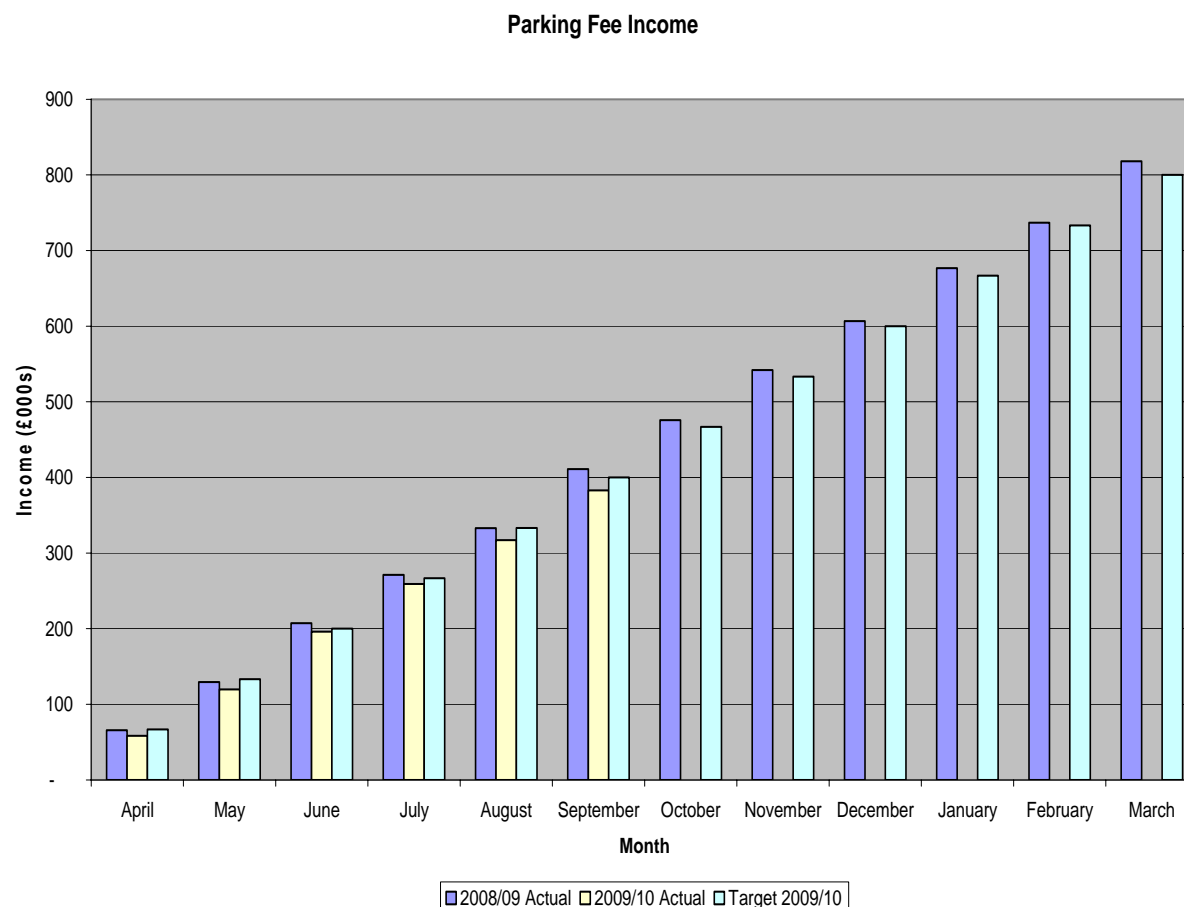
The original budget for 2009/10 was set at £850,000.

In the first 6 months, income at £382,782 is down against the half year budget of £425,000. This compares to £411,108 for the same period, against a final figure for 2008/09 of £818,000. In Websters Way car park, there was an unusual fall in income of £11,900 for August 2009 compared to August 2010, which was probably due to the gas works in the High Street.

Ticket sales are down 13% with a 53% fall in the number of All day tickets sold.

In view of this, the year end forecast for 2009/10 has been revised down to £800,000. This figure does not take into account any loss in income if free parking is granted in the lead up to Christmas.

There is a risk that this target will not be met but it will be monitored over the next 2 months before the final budget is set in January.



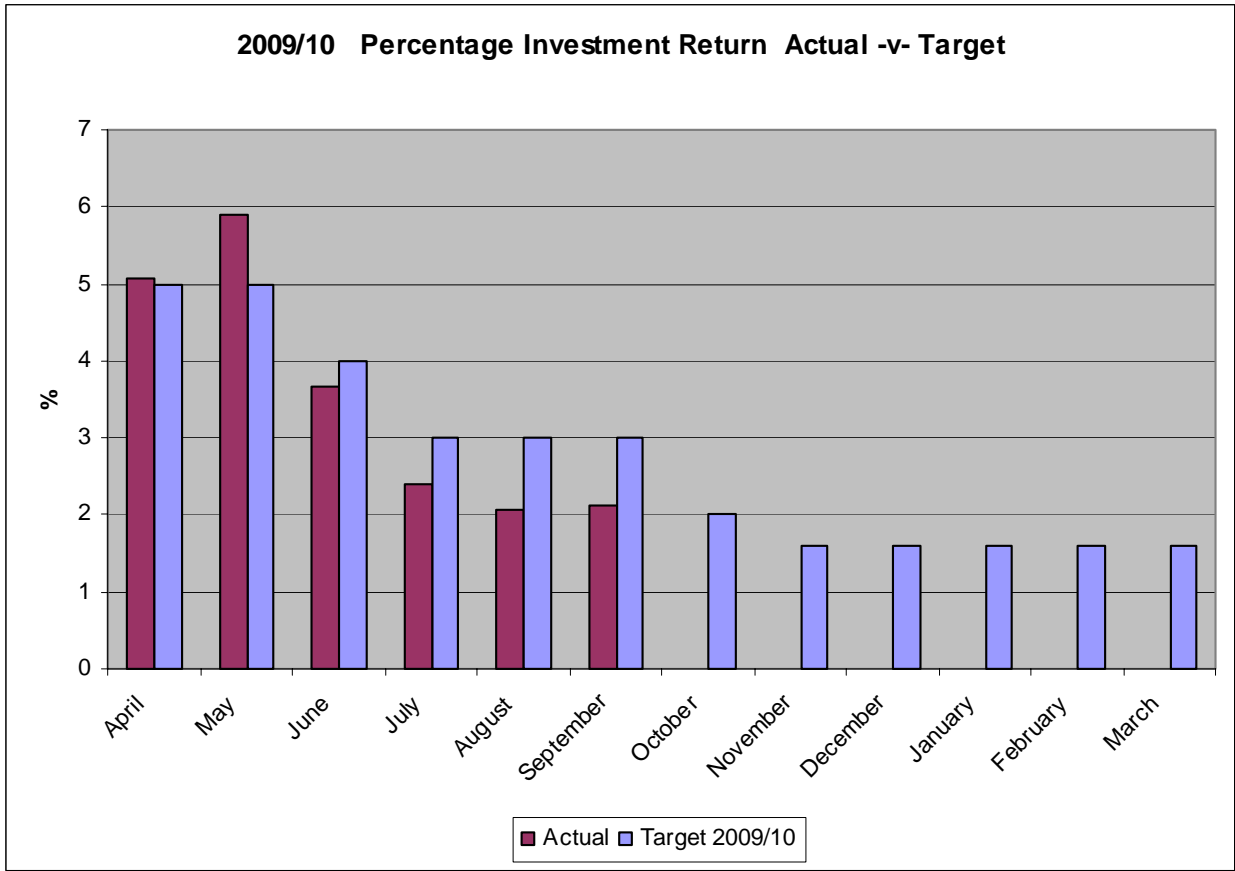
Investment Income

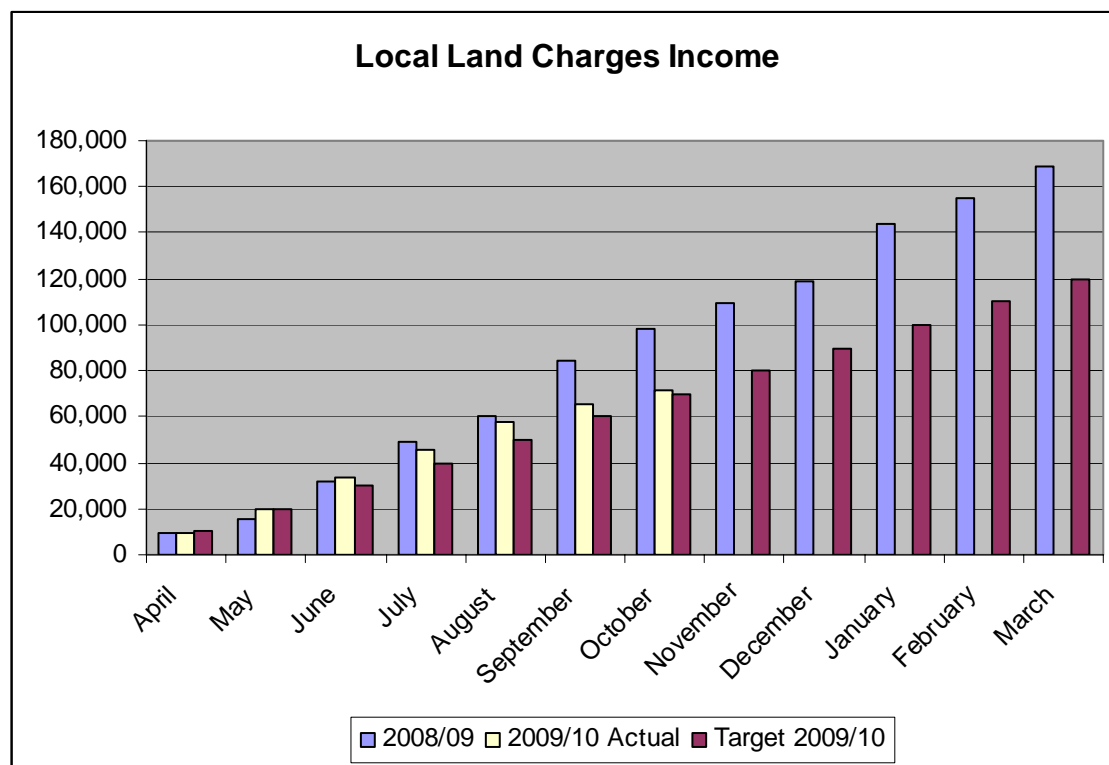
Commentary

The original estimate for investment income for 2009/10 was £340,000 which was set before the final reduction in bank base rate to 0.5% in February 2009. The Council had benefitted from some outstanding investments earning over 6% but these have all matured and current rates are between 0.75% and 2%. Interest is received at the time of maturity but the amount of interest received to date plus that outstanding on current investments totals £180,800. This includes £117,000 from returns of 6% on investments placed in 2007/08. It is anticipated that investments placed in the remainder of the year will earn about £60,000.

The year end forecast is total income of £240,000, compared to the original forecast of £340,000.

The risk of a further fall in base rate is considered small but there is a risk that the rates on the money markets may fall if liquidity improves.



Local Land Charges**Commentary**

The original estimate for 2009/10 is £120,000 and income in the first half of the year is £65,695. The revised estimate has been increased to £130,000.

There is a risk that income starts to fall again and this will be monitored during the budget process and the estimate revised accordingly.