
REPORT TO THE MEETING OF THE EXECUTIVE 16 FEBRUARY 2011**PORTFOLIO: PORTFOLIO HOLDER FOR FINANCE AND RESOURCES****REPORT FROM HEAD OF FINANCE****SUBJECT: FINANCIAL MANAGEMENT REPORT QUARTER 3 2010/11****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 period April - December of the financial year 2010/11, as shown in Appendix 1.
- 1.2 To note the current financial performance on key financial indicators as shown in Appendix 2.
- 1.3 To note the mid year Treasury Management review based on actual investment and borrowing activity.

2 REASON 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 revised budgets agreed in December 2010. 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 December 2010.
- 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 £7.1m of total expenditure, or significant income streams, such as planning fees or parking. These key financial indicators are summarised in Appendix 2.
- 2.3 The Council has strong budgetary control arrangements with the Finance team working with departmental officers to identify potential overspends or under recovery of income. Overspends are usually covered by virements from other budgets. The commentary in Appendix 1 does not attempt to cover all the budgetary changes as cost centres may have over 30 different budget lines, but it draws attention to the key factors affecting the net expenditure for that cost centre. If the variance is under £1,500, there is no commentary. Some of the forecast under spends are due to staff vacancies which have either been filled or are being held vacant pending budget decisions. The Portfolio Holder for Finance and Resources receives quarterly reports on Staff Vacancies.

- 2.4 The revised Treasury Management Code of Practice advises that Local Authorities provide members with an interim report of actual Treasury Management activity of the current year to supplement the framework detailed in the Treasury Management Strategy.

3 OVERALL FINANCIAL POSITION

- 3.1 The results to the end of December 2010 indicate that for the General Fund, the year-end position is forecast to meet the revised estimate of £11.5m.
- 3.2 In summary, the main factors which are increasing net expenditure are:-
- Parking income is forecast to be £25,000 below revised budget.
 - Penalty Charge notice income is forecast to be £30,000 below revised budget.
 - Building Control income is forecast to be £35,000 below revised budget.
- 3.3 The main factors that are reducing the overall net expenditure is:
- Local Land Charge income is forecast to be £20,000 above revised budget.
 - Current forecasts show that salary savings should be around £40,000 more than the £150,000 savings built into the revised budget.
- 3.4 As part of this report Members are given information on the amount of outstanding money approved for write off during the reporting period. The Chief Finance Officer is authorised to write off amounts due or claimed by the Council up to £5,000 and, after consultation with the Leader of the Council, between £5,000 and £15,000. Amounts over £15,000 must be reported to the Executive.

Details of Amounts approved for Write Off

	Council Tax	NNDR	Benefits	Parking	Housing	Total
2008/09	38,368	31,822	15,297	20,355	324	106,166
2009/10	31,213	145,345	7,973	17,418	129	202,078
2010/11	47,380	127,593	18,501.	7,665	1,252	202,391

4 TREASURY MANAGEMENT MID YEAR REVIEW

Introduction

- 4.1 In January 2010, Council approved the Treasury Management Strategy for the Council under the new Code of Practice. Part of the requirement under this code is a mid-year review.

Review of the Strategy

Activities Undertaken

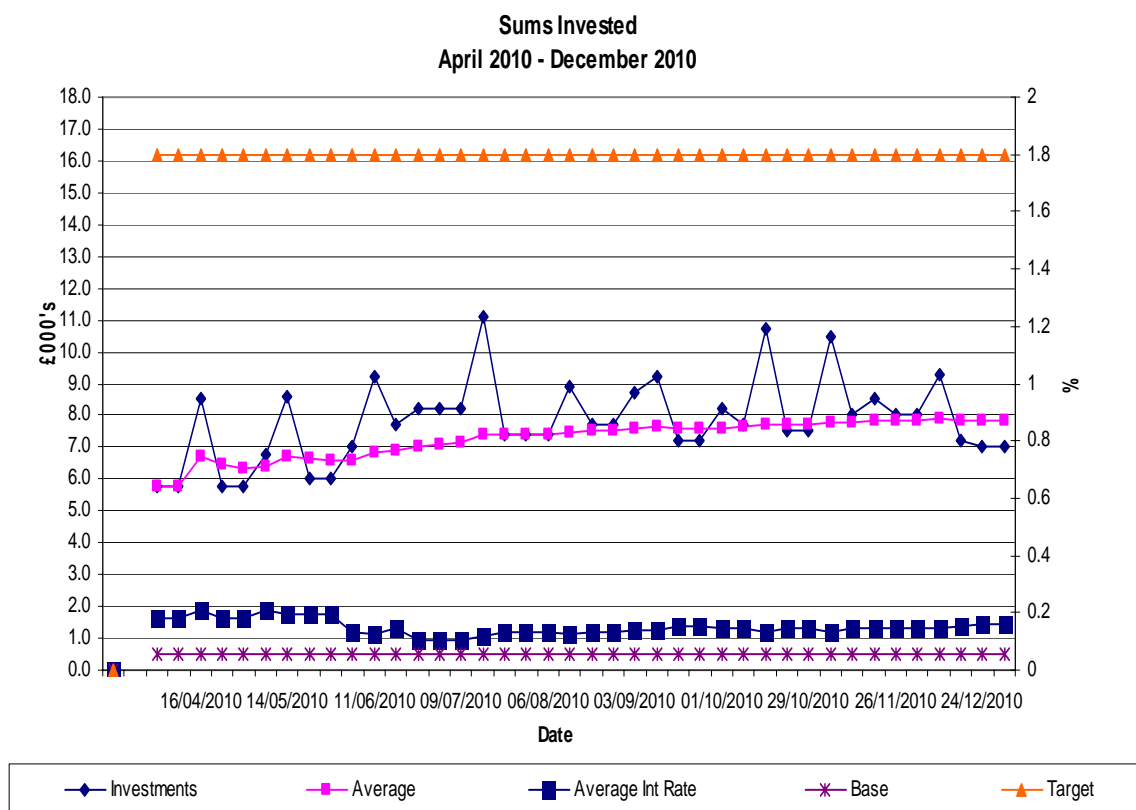
- 4.2 In 2010/11, the Authority have started to deal in money markets. The organisations invested with have been selected to ensure that they meet the criteria detailed in the strategy.
- 4.3 This has given greater flexibility in where the Authority can invest monies, and has also resulted in a greater return from higher interest rates.
- 4.4 The Authority are still debt free and have no immediate plans to take out any borrowing.

Variations from agreed policies

- 4.5 There have been no deviations in the year from the policies and practices previously agreed by Members.

Interim Performance Report

- 4.6 The graph below shows the investment level and interest rates of the Authority to date in comparison to the average level of investments and interest base rate.
- 4.7 This shows that the Authority are achieving rates over and above base rate and are overall consistent in the level of funds being invested.



Compared to previous years, the amount of money invested in longer term investments has decreased. This is due to a general decrease in lack of funds available for investment, but most notably due to the recent economic downturn which has led to more money being invested in the more secure short term options.

Regular Monitoring

- 4.8 All transactions are required to be signed off by a bank signatory in order to transfer funds, and weekly a summary of the financial position of all bank accounts and investments, including the current position in relation to key prudential indicators are reported to the Deputy and Chief Finance Officers.

Monitoring of Treasury Management Indicators

- 4.9 As no borrowing has occurred, the Authority are below the set limits for borrowing. No indicator is currently at risk of being breached.

Other Information

- 4.10 In light of the new code, the Treasury Management Practices have been reviewed and updated for any changes in arrangements. Per the delegation agreed by Council in January 2010, these will be reviewed by the Chief Finance Officer.
- 4.11 The Treasury Management Strategy Report reported to members in January 2010 contained forecasts of changes in interest rates. This forecast that the bank base rate would start to rise by Quarter 3 2010. This has not happened and the current forecast is that the rate will not start to increase until Quarter 4 2011.

Summary

- 4.12 The Treasury Management Function has performed well in the first half of the financial year. No changes have had to be made to the agreed policy and practices, and changes in the market have not had an adverse affect on the Authority's finances due to the criteria and risk management processes in place.

5 RISK IMPLICATIONS

- 5.1 Current general economic conditions still have the potential to adversely affect some of our major income streams, such as Parking, Building Control and Development Control income. 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. Changes to benefits may also increase the number of homeless.
- 5.2 Collection rates for council tax remain consistent with previous years. Collection rates are being maintained through effective recovery action of arrears and continued promotion of direct debit.

- 5.3 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.
- 5.4 The announcement of Rochford's cut in grant funding to £3.637m on 13 December 2010 will not impact on 2010/11 estimates, but the implications for future years' budgets will need to be closely monitored to ensure that all identified cost reductions are achieved and remain ongoing.

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

Background Papers:

None.

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FINANCIAL MANAGEMENT REPORT
FORECAST YEAR-END POSITION FOR 2010/11 AS AT END OF DECEMBER 2011

SERVICE: CHIEF EXECUTIVE

Service Area	2010/11 Revised Budget £	End of Year Forecast £	Variance (Bracketed figures are favourable) £	Comment
Chief Executive's Office	184,600	181,375	(3,225)	Forecasted under spends on Training and Equipment codes.
Human Resources	292,000	250,043	(41,957)	Savings are being made on relocation, staff advertising and occupational health. It is currently the Council's strategy to recruit from within wherever possible to limit recruitment costs.
Corporate Management Account	226,300	226,215	(85)	
Emergency Planning & Health and Safety	61,500	54,657	(6,843)	Savings due to staff turnover.
Corporate Policy & Partnership	163,800	135,345	(28,455)	Savings due to staff turnover.
Environmental Initiatives	12,500	12,300	(200)	
Economic Development	266,400	266,857	457	
Community Safety	98,800	97,581	(1,219)	

SERVICE: DEPUTY CHIEF EXECUTIVE

Service Area	2010/11 Revised Budget £	End of Year Forecast £	Variance (Bracketed figures are favourable) £	Comment
Deputy Chief Executive	149,200	147,823	(1,377)	
Highways/Roads (Routine)	(13,400)	(14,787)	(1,387)	

SERVICE: COMMUNITY SERVICES

Service Area	2010/11 Revised Budget £	End of Year Forecast £	Variance (Bracketed figures are favourable) £	Comment
Council Tax	237,000	204,080	(32,920)	Savings from staff turnover.
Housing Benefit Administration	(20,600)	(19,738)	862	
Community Services Client Account	138,900	133,384	(5,516)	Saving relates to under spend on training budgets.
Business Rates	(58,800)	(58,397)	403	
Council Tax Benefits	(43,600)	(43,600)	-	Subsidy payments are based on grant claims submitted at key points in the year. Current figures are based upon the latest claim submitted.
Housing Benefit Payments	(98,300)	(120,020)	(21,720)	
Revenues Investigation Section	172,100	177,530	5,430	Income from fraud prosecutions down relating to reduction in number of cases.
Culture & Heritage – Windmill	33,300	34,643	1,343	
Leisure Premises	1,368,600	1,361,407	(7,193)	Responsive maintenance costs are lower than budgeted for.
Sports Development & Promotion	(18,500)	(26,903)	(8,403)	Additional income relates to sports activities that had a higher demand than expected.
Leisure Client Account	188,600	181,713	(6,887)	Additional income relates to Arts Activities budget due to higher than expected demand.
Housing Strategy	126,200	109,094	(17,106)	Savings relate to staff sickness.
Private Sector Housing Renewal	228,100	229,320	1,220	

SERVICE: COMMUNITY SERVICES

Service Area	2010/11 Revised Budget £	End of Year Forecast £	Variance (Bracketed figures are favourable) £	Comment
Homelessness	284,100	203,170	(80,930)	£65,000 additional income from contracted accommodation recharge, plus savings from staff turnover.

SERVICE: ENVIRONMENTAL SERVICES

Service Area	2010/11 Revised Budget £	End of Year Forecast £	Variance (Bracketed figures are favourable) £	Comment
Woodlands	146,600	63,048	(83,552)	Savings relate to staff turnover and under spends on contractor and groundwork's costs.
Maintenance of Grounds Holding Account	765,200	744,999	(20,201)	Additional income from defaults relating to the topographical survey on main contract with Fountains.
Parks & Open Spaces	371,200	326,227	(44,973)	Savings on planned and responsive maintenance budgets.
Environmental Health	611,700	568,672	(43,028)	Relates to savings on Contaminated Land budget, and climate code budgets. Additionally there are projected savings on staff turnover and officer related budgets such as training and expenses.
Licensing	(19,300)	(35,639)	(16,339)	Additional income from licensing expected during the remainder of the year.
Public Health	15,600	11,940	(3,660)	Savings generated from reduced demand in collection and kennelling of stray dogs.
Public Conveniences	108,600	90,611	(17,989)	Savings on electricity costs and responsive maintenance budgets.
Street Cleansing	626,100	599,036	(27,064)	Reduced demand for graffiti removal and minor groundwork budgets will lead to savings.
Recycling Collection	2,289,100	2,275,279	(13,821)	Savings relate to staff turnover.
Recycling Disposal	(741,200)	(746,769)	(5,569)	Current projections show a reduction in Gate Fee Income compared to budget.
Depot	317,300	286,585	(30,715)	Savings relate to staff turnover and reduced costs on maintenance budgets.

SERVICE: FINANCE, AUDIT AND PERFORMANCE MANAGEMENT

Service Area	2010/11 Revised Budget £	End of Year Forecast £	Variance (Bracketed figures are favourable) £	Comment
Coast Protection	2,200	2,200	-	
Financial Services	458,800	458,185	(615)	
Cashiers	49,400	44,417	(4,983)	Savings due to maternity leave.
Audit & Performance Management	176,500	176,033	(467)	

SERVICE: INFORMATION AND CUSTOMER SERVICES

Service Area	2010/11 Revised Budget £	End of Year Forecast £	Variance (Bracketed figures are favourable) £	Comment
Conducting Elections	118,100	125,504	7,404	Net saving of £16,672 relates to staff vacancy for part of the year, plus savings on postage and printing costs.
Registration of Electors	81,300	57,224	(24,076)	
Telephones & Reception	146,000	130,569	(15,431)	Savings relate to staff turnover and savings on the telephone contract.
Information & Support Services	490,400	456,347	(34,053)	Savings relate to postal and printing budgets
Computer Services – Including Web & Communications	1,470,200	1,437,151	(33,049)	Savings relate to staff turnover.
Customer Services	340,900	329,205	(11,695)	Savings relate to staff turnover.

SERVICE: LEGAL, MEMBER & COMMITTEE SERVICES

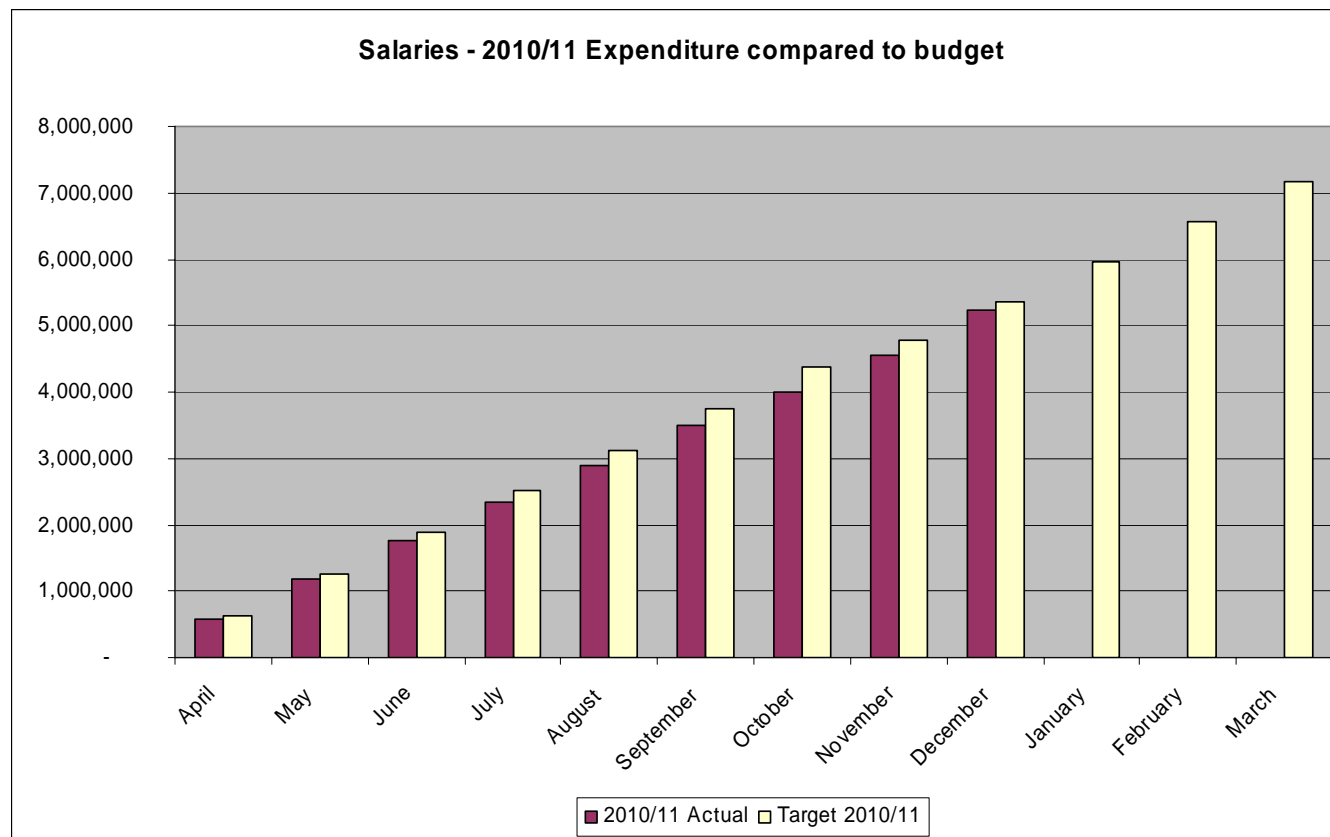
Service Area	2010/11 Revised Budget £	End of Year Forecast £	Variance (Bracketed figures are favourable) £	Comment
Office Accommodation Rochford	484,700	492,304	7,604	The price of electricity remains volatile and costs are expected to exceed revised budget.
Office Accommodation Rayleigh	113,300	106,589	(6,711)	Savings relate to reduced spend on responsive maintenance costs, and bulk oil purchases for central heating at the Rayleigh Offices.
Local Land Charges	(13,800)	(47,637)	(33,837)	Forecasted income from land searches is now higher than expected, despite legislation changes stating that personal searches can no longer be charged for.
Cemeteries & Churchyards – Open/Closed	(114,400)	(93,140)	21,260	Income from purchases of graves, internments and monuments is forecasted to be lower than budgeted for.
Estate Management Services	163,600	160,116	(3,484)	Additional income relates to drainage works recharged to private home owners not budgeted for.
Legal Services	325,600	332,378	6,778	Relates to additional costs on legal fees budget.
Member & Committee Services	555,900	529,289	(26,611)	Relates to savings on Members delivery and training budgets. Training reductions have been achieved by carrying out more in house officer led courses.

SERVICE: PLANNING AND TRANSPORTATION

Service Area	2010/11 Revised Budget £	End of Year Forecast £	Variance (Bracketed figures are favourable) £	Comment
Building Control Client Account	241,700	241,404	(296)	
Building Control Fee Account	(256,000)	(221,229)	34,771	Despite a new fee structure coming into place in October 2010, the end of year forecast is down against revised budget. This is reflected in the number of applications being processed which have dropped from 249 in Q2, to 192 in Q3. There will be a review of the charging structure in March 2011.
Planning Policy	282,200	281,151	(1,049)	
Development Control	175,800	136,395	(39,405)	Savings relate to staff turnover.
Planning & Building Control Administration	123,300	124,489	1,189	
Hackney Carriage	6,800	3,895	(2,905)	Salary budget includes overtime costs not claimed, or required.
On St Parking	(39,900)	(10,496)	29,404	Current indications are that income from penalty charge notices and pay & display income will be down against end of year budget. Patrolling of yellow lines was difficult during the snow and ice which additionally kept drivers off the roads and away from town centres. The number of Penalty Charge Notices issued in Q3 was down by 224 compared to Q2.
Off St Parking	(751,000)	(709,251)	41,749	
Public Transport	784,100	774,207	(9,893)	Expenditure on taxi voucher scheme is lower than end of year forecast. This is a demand led budget.

FINANCIAL MANAGEMENT REPORT
KEY FINANCIAL INDICATORS AS AT END OF QUARTER 3

Salaries

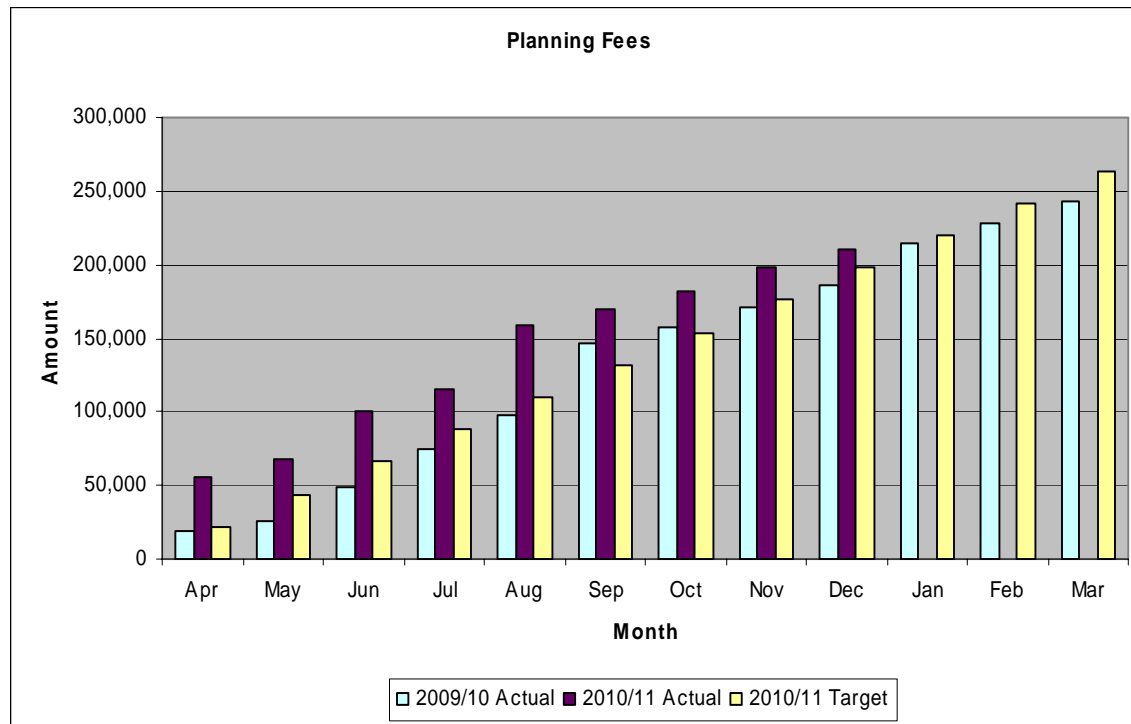


Commentary

Total salaries are estimated at £7.112m which includes a salary strategy saving of £150,000 which is based on forecast turnover rates, recruitment levels and assumptions on cost of living rises. There is no planned cost of living rise for the current year. Current indications are that there will be a further £40,000 saving on salary costs.

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

Planning Fees

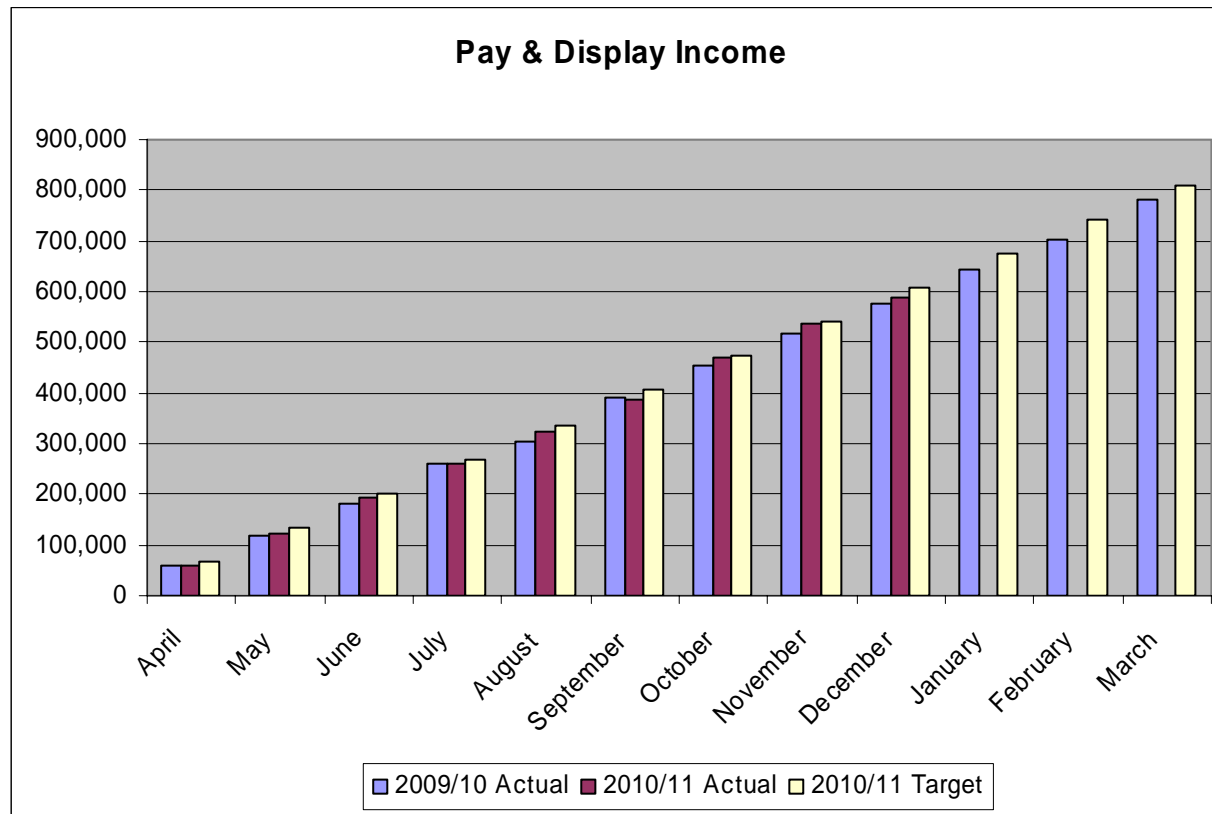


Commentary

The revised estimate for planning fees income is £264,000. Compared to the same period in previous years, 2010/11 income at £210,415 is up by £24,200 against 2009/10 and up £47,506 against 2008/09.

At this stage, the year to date position is favourable against target by £12,415 and year end forecasts predict total income to be near the revised budget of £264,000. It must be noted though that income to date includes 3 large planning applications received in April, June and August.

Parking Fees



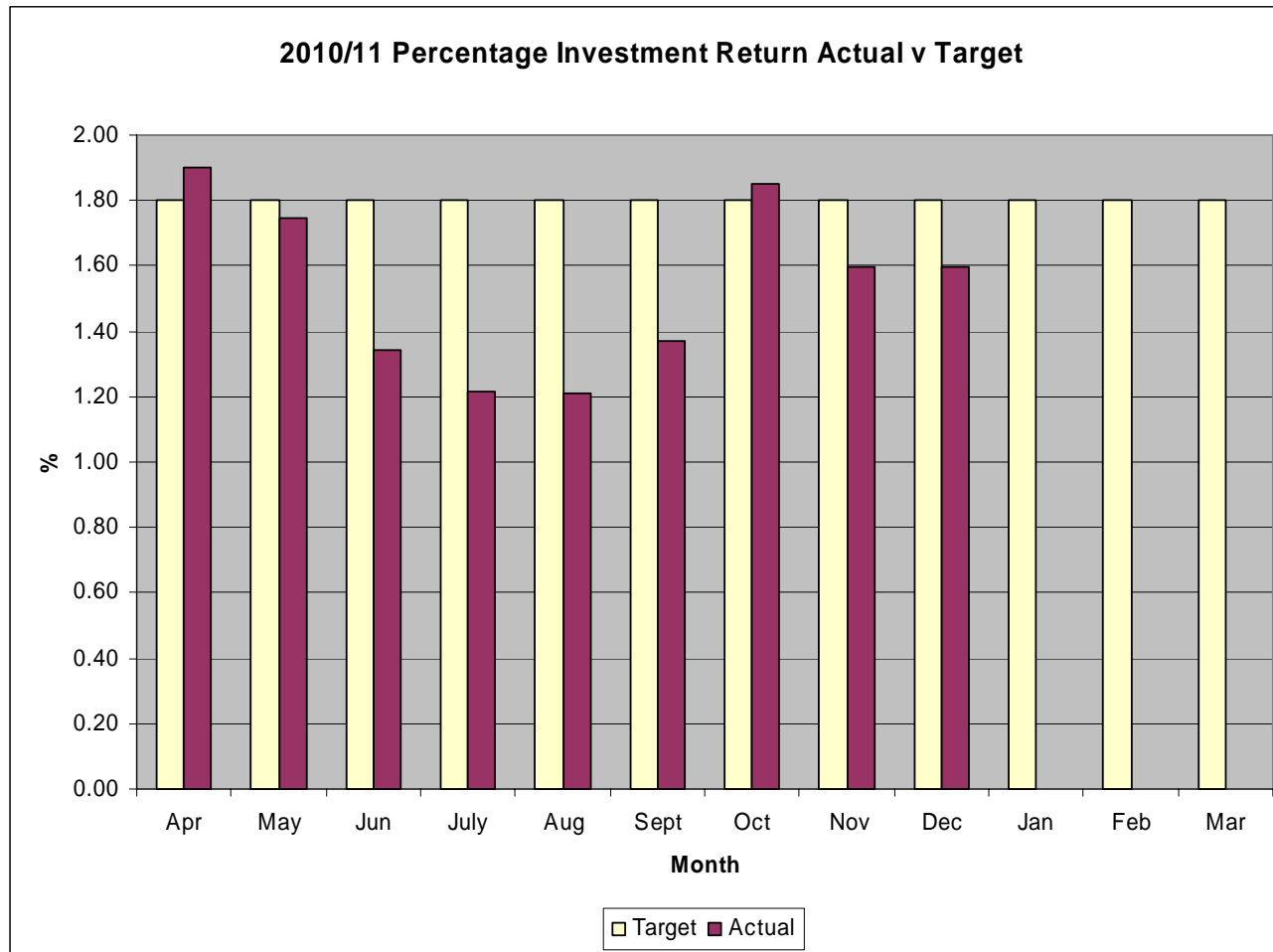
Commentary

The revised budget for 2010/11 is set at £810,000.

Income at £588,822 is down against the revised budget of £607,500. This compares to £578,287 for the same period, against a final figure for 2009/10 of £779,711.

Current indications are that income at year end will be down against end of year budget by about £10,000.

Investment Income

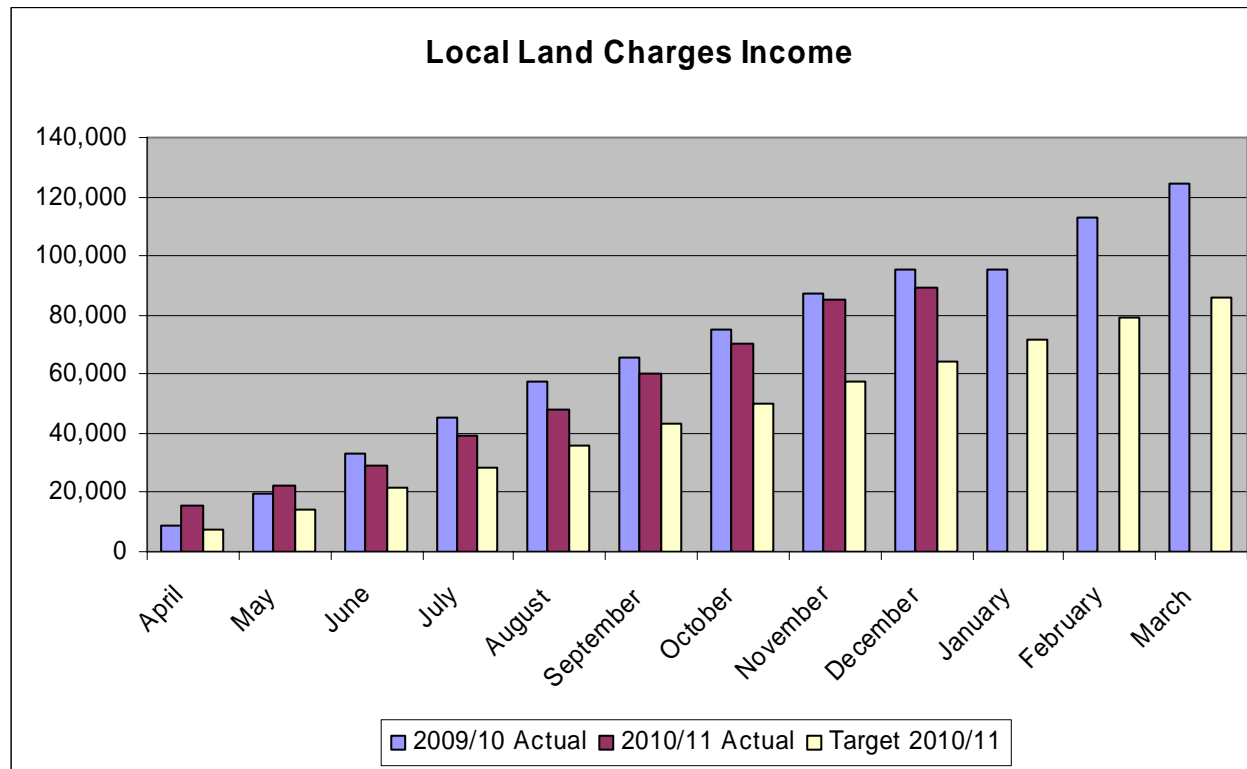


Commentary

The revised estimate for investment income for 2010/11 is £90,000. Current interest rates are between 0.75% and 0.85% for short term deposits. For 12 months we are currently able to get between 1.80% and 1.95%. Revised budget has been set assuming there will be no base rate rise for the remainder of 2010/11. A rate rise is not forecasted until Q3 2011/12.

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



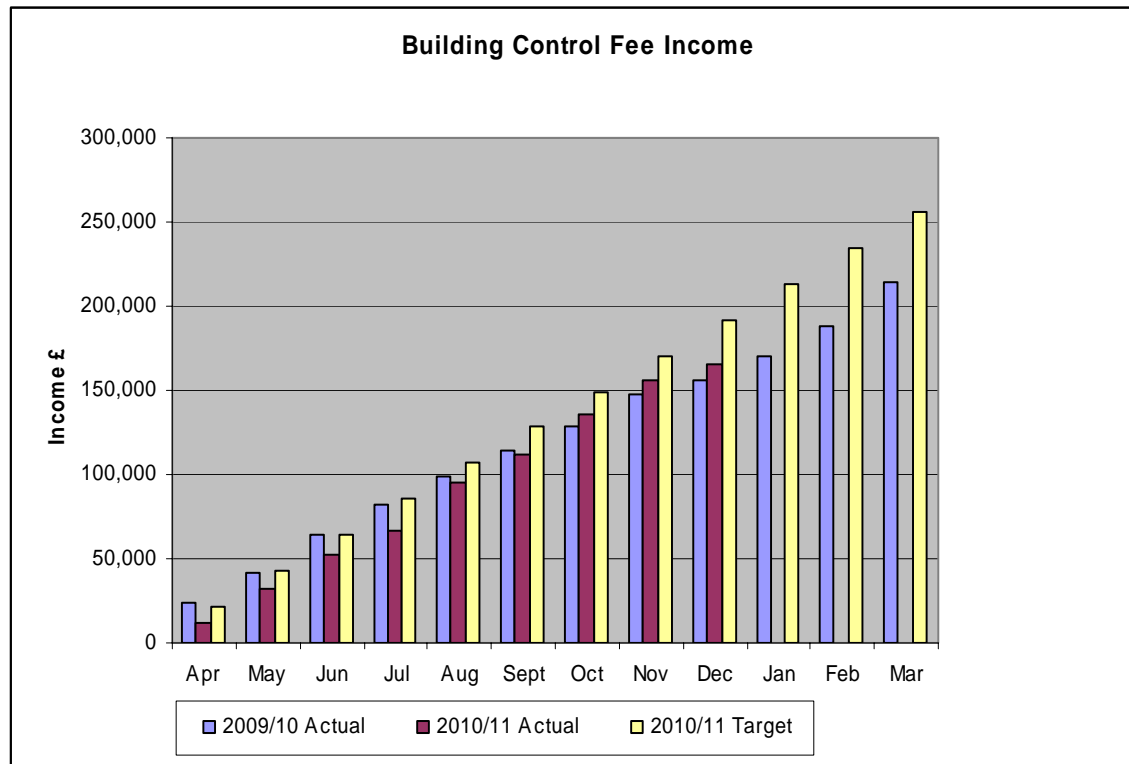
Commentary

The revised budget for 2010/11 is £86,000 and income to date is £89,251 against a year to date target of £64,500.

In August, legislation changed regarding personal searches. Local Authorities can no longer charge for them. Given a cost of £22 per individual personal search, the budget was revised down accordingly.

Income for the year is now forecast to be around £20,000 more than revised budget.

Building Control Income



Commentary

The revised estimate for 2010/11 is £256,000, income to date is £165,922 against a year to date target of £192,000. This compares to £156,400 for the same period last year.

A new structure for Building Control Charges came into effect on 1 October 2010. This should have resulted in an upward curve in income; however, application rates have dropped from 249 in Quarter 2 to 192 in quarter 3. Given the continuing problems economically, levels are likely to remain low for the forecasted period. Income as at the end of 2010/11 is likely to be around £35,000 below revised budget.