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**REPORT TO THE MEETING OF THE EXECUTIVE 20 OCTOBER 2010****PORTFOLIO: PORTFOLIO HOLDER FOR FINANCE AND RESOURCES****REPORT FROM HEAD OF FINANCE****SUBJECT: FINANCIAL MANAGEMENT REPORT QUARTER 2 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 the first half 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.

**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 original budgets agreed in January 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 September 2010. The commentaries include references to various savings that have been identified during the review of budgets in preparation for today's announcement of the Government's Spending Review. Some of these savings have been factored into the revised estimates at this stage but further work is going on. The savings and additional income identified will be reported to Members during the budget process but it is not practical to cover them in this report.
- 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 £7.5m 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 £1,000, there is no commentary. Some of the forecast underspends 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.

### **3 OVERALL FINANCIAL POSITION**

3.1 The results to the end of September 2010 indicate that for the General Fund, the year-end position is forecast to meet the original estimate of £11.5m. The revised estimates for 2010/11 will be reported to Council on 14 December.

3.2 In summary, the main factors which are increasing net expenditure are:-

- Parking income is forecast to be £75,000 below original budget.
- Land Charge income is forecast to be £44,000 below original budget.
- Investment income is forecast to be £100,000 below original budget.

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

- Planning fees income is forecast to be £40,000 above original budget.
- Salary expenditure is forecast to be £170,000 below original budget. This is in line with strategy saving built into the original budget estimate.

### **4 RISK IMPLICATIONS**

Current general economic conditions still have the potential to adversely affect some of our major income streams, such as Land Charges, 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.

Collection rates for council tax remain consistent with previous years. However, the current economic position could have an effect on the 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.

The announcements in the Government's Spending Review on 20 October are not expected to have an impact on 2010/11 estimates but the implications for future years' budgets will need to be evaluated and plans to reduce expenditure may need to be put in place during this financial year.

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**

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**Background Papers:**

None.

For further information please contact Yvonne Woodward on:-

Tel:- 01702 546366 Extn 3102

E-Mail:- [yvonne.woodward@rochford.gov.uk](mailto: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 FOR 2010/11 AS AT END OF SEPTEMBER 2010**

**SERVICE: CHIEF EXECUTIVE**

<b>Service Area</b>	<b>2010/11 Original Budget £</b>	<b>End of Year Forecast £</b>	<b>Variance (Bracketed figures are favourable) £</b>	<b>Comment</b>
Chief Executive's Office	185,400	180,928	(4,472)	Savings due to staff turnover.
Human Resources	314,800	288,635	(26,165)	Savings are being made in relocation and staff advertising as the Councils strategy is currently to aim to recruit from within.
Corporate Management Account	254,200	239,276	(14,924)	The Comprehensive Area Assessment budget has been cut by £15,000 following the abolition of the CAA framework.
Emergency Planning & Health and Safety	81,700	58,044	(23,656)	Savings due to staff turnover.
Corporate Policy & Partnership	218,800	193,671	(25,129)	Savings due to staff turnover.
Environmental Initiatives	15,300	12,186	(3,114)	Community Plan budget has been reduced as there is a reserve to fund future works.
Economic Development	379,700	379,152	(548)	
Community Safety	107,200	106,305	(895)	

**SERVICE: DEPUTY CHIEF EXECUTIVE**

<b>Service Area</b>	<b>2010/11 Original Budget £</b>	<b>End of Year Forecast £</b>	<b>Variance (Bracketed figures are favourable) £</b>	<b>Comment</b>
Deputy Chief Executive	148,300	147,755	(545)	
Corporate Director – Internal Services	154,400	108,511	(45,889)	This Cost Centre will be deleted at Revised Estimate time. Savings relate to retirement of Corporate Director (Internal Services) and Personal Assistant.
Highways/Roads (Routine)	52,500	52,205	(295)	

**SERVICE: COMMUNITY SERVICES**

Service Area	2010/11 Original Budget £	End of Year Forecast £	Variance (Bracketed figures are favourable) £	Comment
Council Tax	207,600	169,738	(37,862)	Savings relate to staff turnover.
Housing Benefit Admin	(1,500)	24,507	26,007	£25,000 agency staff costs to be met from extra subsidy.
Community Services Client Account	115,700	115,077	(623)	
Business Rates	(61,700)	(61,435)	265	
Council Tax Benefits	(49,700)	(43,600)	6,100	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	(202,300)	(120,019)	82,281	
Revenues Investigation Section	166,000	165,716	(284)	
Culture & Heritage – Windmill	44,900	43,906	(994)	
Leisure Premises	1,685,000	1,685,000	-	
Sports Development & Promotion	15,700	15,310	(390)	
Leisure Client Account	95,600	96,380	780	
Housing Strategy	144,100	130,293	(13,807)	Savings relate to staff sickness.
Private Sector Housing Renewal	261,300	254,250	(7,050)	Savings from staff turnover
Homelessness	320,500	273,308	(47,192)	Savings relate to staff turnover and an externally funded post.

**SERVICE: ENVIRONMENTAL SERVICES**

Service Area	2010/11 Original Budget £	End of Year Forecast £	Variance (Bracketed figures are favourable) £	Comment
Woodlands	134,700	57,441	(77,259)	Savings relate to staff turnover.
Maintenance of Grounds Holding Account	1,014,200	1,010,805	(3,395)	Savings relate to budgeted staff overtime not being used.
Parks & Open Spaces	164,000	158,800	(5,200)	Budget for Maintenance of Bridleways has been moved to Woodlands for specific use in Cherry Orchard Country park.
Environmental Health	649,900	626,207	(23,693)	Variance relates to various savings offered up by department. Budgets will be revised accordingly during the current estimate process.
Licensing	(9,900)	(19,808)	(9,908)	Additional income from licensing expected during the remainder of the year.
Public Health	15,800	15,390	(410)	
Public Conveniences	113,700	105,700	(8,000)	Electricity costs are now expected to be lower than originally budgeted.
Street Cleansing	604,100	584,930	(19,170)	Income agreed from Essex County Council to support litter picking in the District, not originally budgeted for.
Recycling Collection	2,371,200	2,312,746	(58,454)	Savings relate to staff turnover.
Recycling Disposal	(455,200)	(455,200)	-	Unable to determine the potential for possible savings until the new MRF contract is let
Depot	273,500	259,872	(13,628)	Savings relate to staff turnover.

**SERVICE: FINANCE**

<b>Service Area</b>	<b>2010/11 Original Budget £</b>	<b>End of Year Forecast £</b>	<b>Variance (Bracketed figures are favourable) £</b>	<b>Comment</b>
Coast Protection	2,200	2,200	-	
Financial Services	456,600	467,207	10,607	Additional costs relate to staff cover during the Final Accounts process.
Cashiers	50,600	48,632	(1,968)	Savings due to maternity leave.
Audit & Performance Management	178,200	177,521	(679)	



**SERVICE: INFORMATION AND CUSTOMER SERVICES**

Service Area	2010/11 Original Budget £	End of Year Forecast £	Variance (Bracketed figures are favourable) £	Comment
Conducting Elections	116,100	97,402	(18,698)	Net saving of £20,741 relates to an under spend against the Cost of Elections budget. This has been requested to be put to reserve for future years should a sudden election be called in the near future.
Registration of Electors	79,800	77,757	(2,043)	
Telephones & Reception	182,400	142,119	(40,281)	£20,000 reduction in Access to Services budget which will be factored into the estimate process. An additional £16,000 saving relating to staff turnover, and a £3,000 saving from negotiating a cheaper telephone contract.
Information & Support Services	487,500	486,823	(677)	
Customer Services	368,400	328,290	(40,110)	Saving relates to staff turnover.
Computer Services – Including Web & Communications.	1,742,700	1,709,912	(32,788)	Saving relates to staff turnover.

**SERVICE: LEGAL, ESTATES & MEMBER SERVICES**

Service Area	2010/11 Original Budget £	End of Year Forecast £	Variance (Bracketed figures are favourable) £	Comment
Office Accommodation Rochford	453,300	456,315	3,015	Net cost of £2,166 relates to staff overtime costs.
Office Accommodation Rayleigh	81,800	80,951	(849)	
Local Land Charges	(66,200)	(14,823)	51,377	In August, legislation changed regarding personal searches. Local Authorities can no longer charge for them. Given a cost of £22 per individual personal search, forecasted income for the year is now expected to be around £86,000, this equates to a £44,000 drop in budgeted income. Additional costs relate to a post restructure.
Cemeteries & Churchyards – Open	(109,000)	(119,000)	(10,000)	Higher than budgeted income from purchases of graves, internments and monuments.
Cemeteries & Churchyards – Closed	8,600	8,600	-	
Estate Management Services	166,200	165,546	(654)	
Legal Services	300,900	300,507	(393)	
Member Services	572,300	561,569	(10,731)	Savings have been identified from the review of the printing and publication arrangements for Rochford District Matters, these will be factored into the current estimate process.

**SERVICE: PLANNING AND TRANSPORTATION**

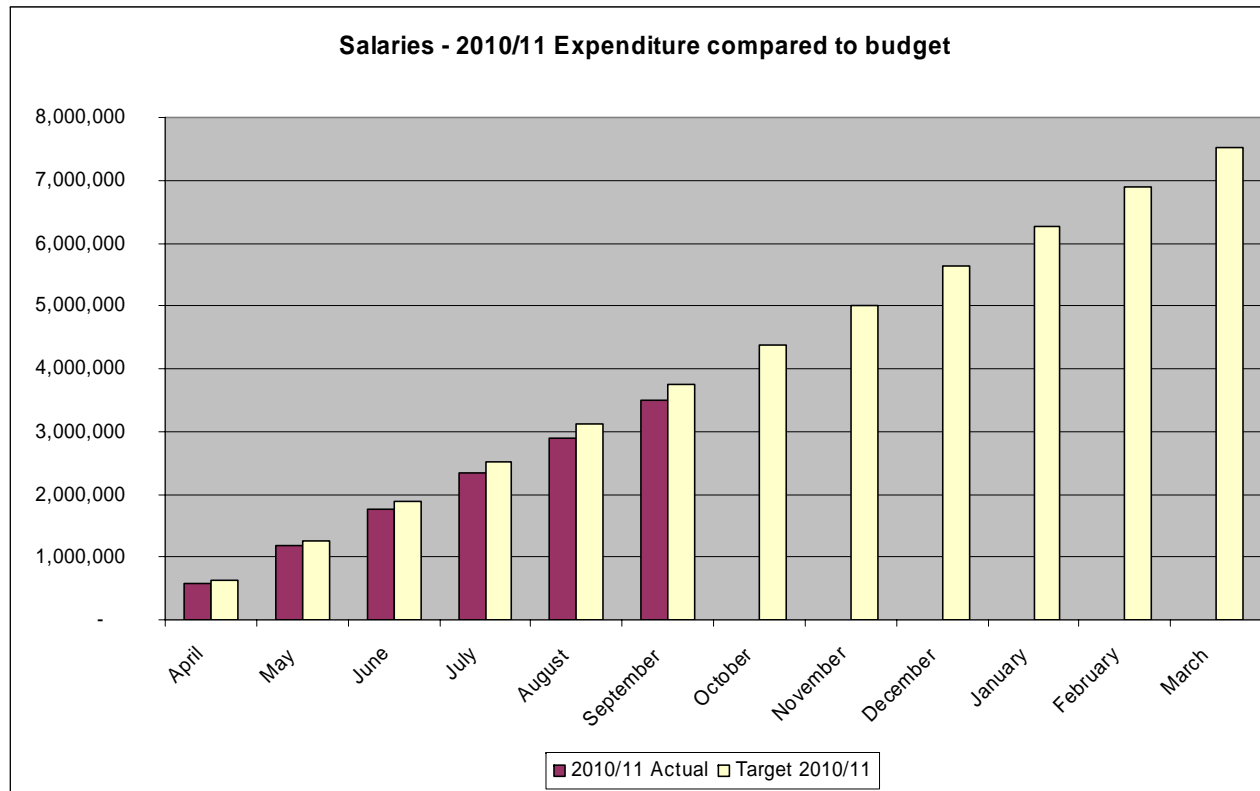
Service Area	2010/11 Original Budget £	End of Year Forecast £	Variance (Bracketed figures are favourable) £	Comment
Building Control Client Account	267,600	267,556	(44)	A new structure for Building Control Charges came into effect on 1 October 2010. This should result in an upward curve in income, assuming current application rates remain constant. This however cannot be guaranteed, income will be monitored closely during the current estimate process.
Building Control Fee Account	(256,000)	(256,000)	-	
Planning Policy	329,800	332,697	2,897	Additional cost relates to post restructure.
Development Control	313,600	197,238	(116,362)	Savings generated from staff turnover and an additional £40,000 income from planning fees.
Planning & Building Control Administration	79,500	59,878	(19,622)	Saving relates to staff turnover.
Hackney Carriage	5,900	3,185	(2,715)	Savings generated in staff training and equipment budgets.
Highways/Roads Routine	(14,100)	(14,654)	(554)	
On Street Parking	(29,000)	(42,337)	(13,337)	Savings generated relate to staff turnover and additional income from Penalty Charge Notices. This account is ring fenced as part of the Agency Agreement with Essex County Council.
Off Street Parking	(804,900)	(762,205)	42,695	Current indications are that income from pay and display machines will be down against end of year budget by about £40,000, income will be monitored closely during the current estimate process.

**SERVICE: PLANNING AND TRANSPORTATION**

Service Area	2010/11 Original Budget £	End of Year Forecast £	Variance (Bracketed figures are favourable) £	Comment
Public Transport	788,400	778,648	(9,752)	Original Concessionary Travel budget included possible legal fees payment to the operators. These are not now happening, saving £10k on the budget.

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

**Salaries**

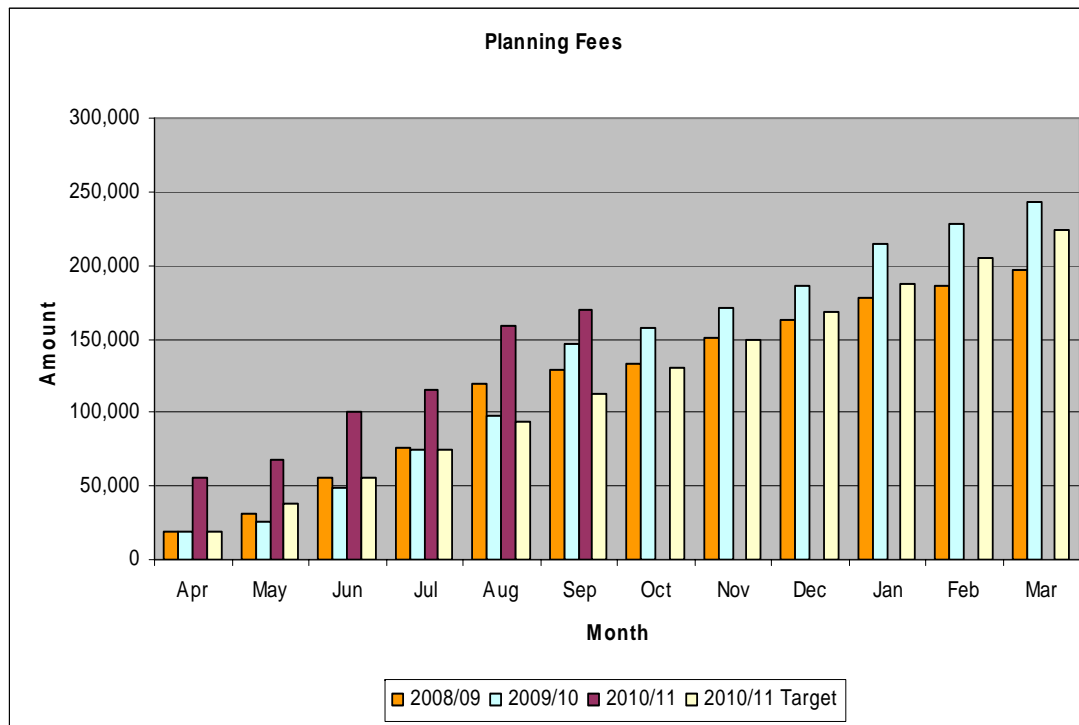


**Commentary**

Total salaries are estimated at £7.511m which includes a salary strategy saving of £400,000 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.

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**



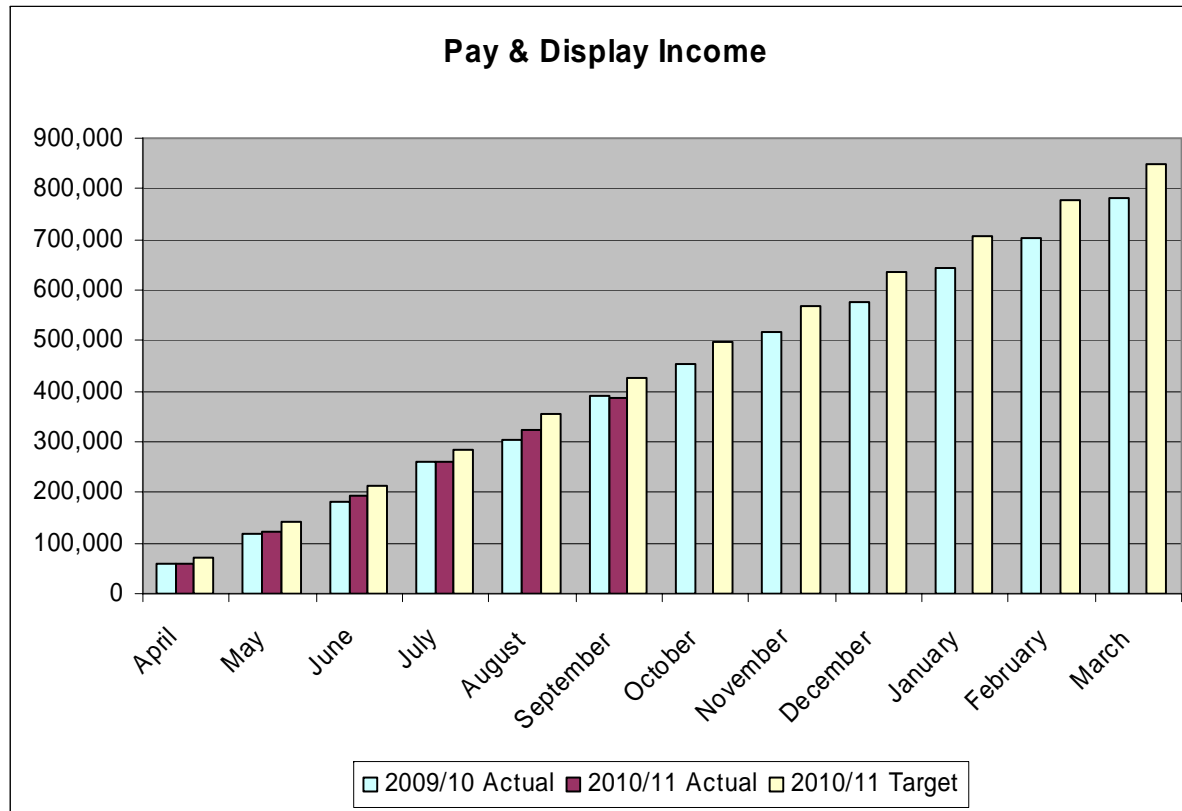
**Commentary**

The original estimate for planning fees income is £224,000. Compared to the same period in previous years, 2010/11 income at £169,900 is up by £23,343 against 2009/10 and up £41,106 against 2008/09.

At this stage, the year to date position is favourable against target by £57,900 and year end forecasts predict total income to be nearer to £264,000. The reason for this is due to income from 3 large planning applications being received in April, June and August.

Despite these three large applications, the current economic climate and continuing financial instability mean that further gains in planning income are unlikely. Revised budget will be set bearing this additional income in mind.

**Parking Fees**



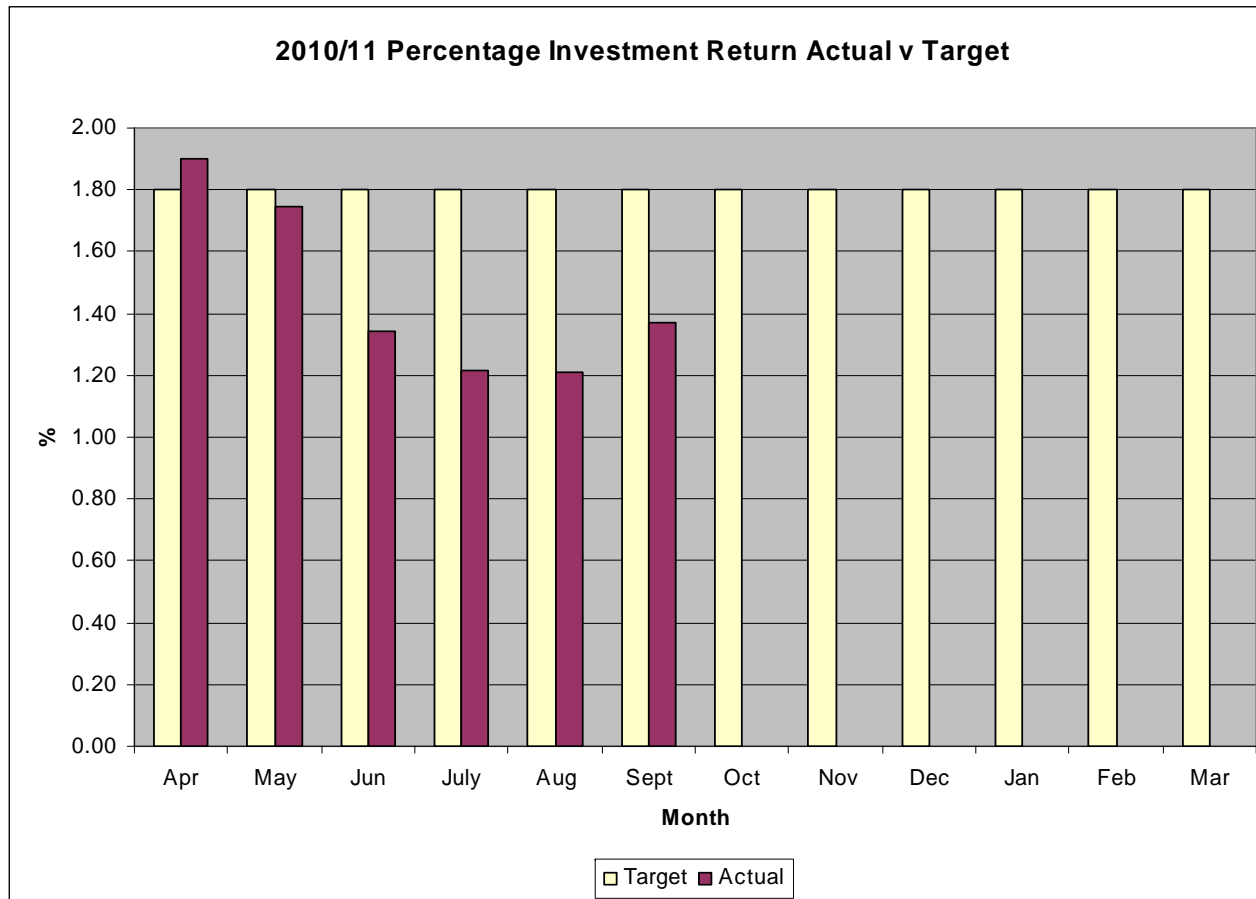
**Commentary**

The original budget for 2010/11 is set at £850,000.

In the first 6 months, income at £387,554 is down against the original budget of £425,000. This compares to £391,087 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 £40,000.

**Investment Income**



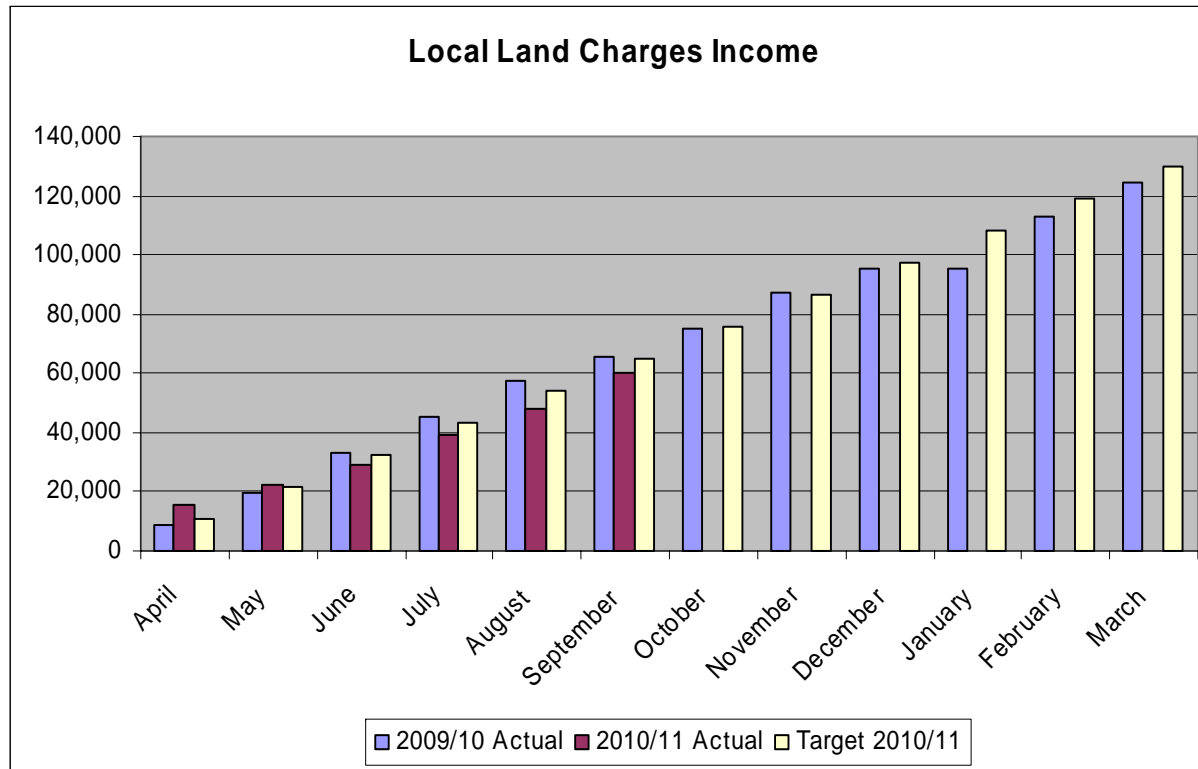
**Commentary**

The original estimate for investment income for 2010/11 is £180,000. Current interest rates are between 0.75% and 0.85% for short term deposits. For anything over 6 months we are currently able to get between 1.80% and 1.90%. Original budget was set assuming a base rate rise between 0.25% and 0.50% during the year, this has not materialised and a rate rise is now not forecasted until Q3 2011/12. Assuming no further rate rises this year, actual income from investments will be around £80,000, down by £100,000 on original budget.

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**

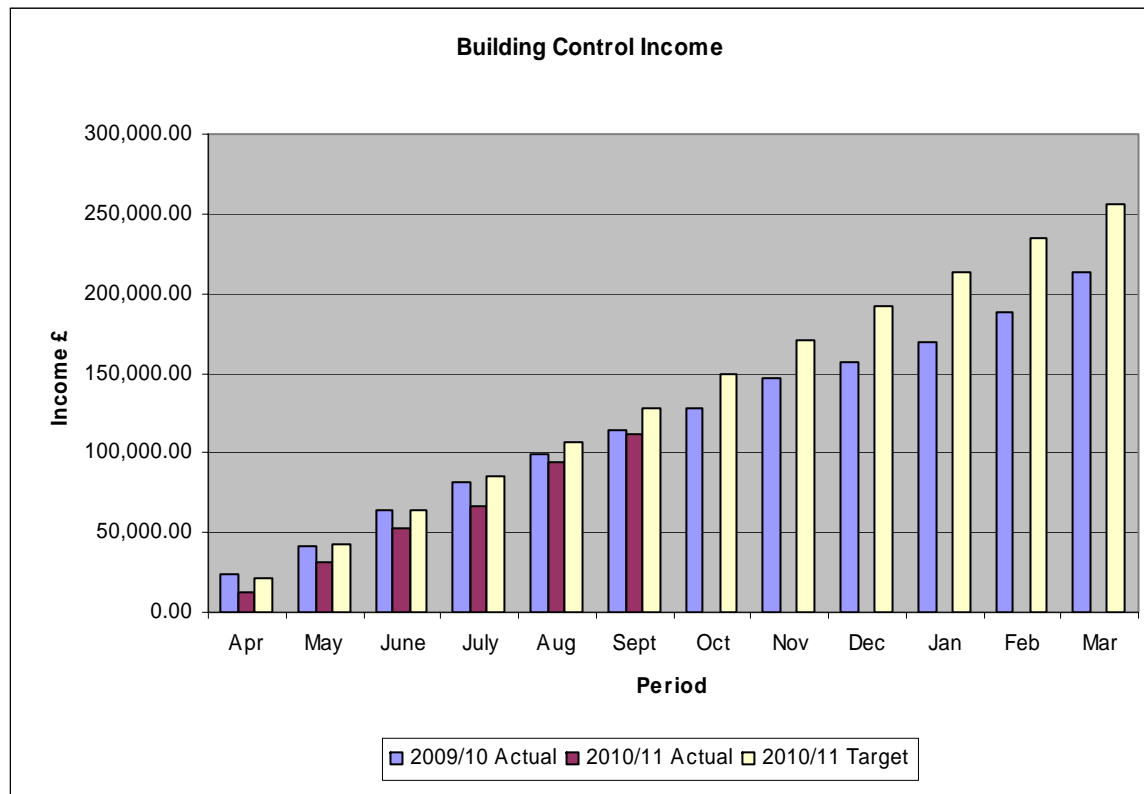


**Commentary**

The original estimate for 2010/11 is £130,000 and income to date is £60,310 against a year to date target of £65,695.

In August, legislation changed regarding personal searches. Local Authorities can no longer charge for them. Given a cost of £22 per individual personal search, forecasted income for the year is now expected to be around £86,000. The budget will be revised accordingly.

**Building Control Income**



**Commentary**

The original estimate for 2010/11 is £256,000, income to date is £112,227 against a year to date target of £128,000. This compares to £114,579 for the same period last year.

A new structure for Building Control Charges came into effect on 1 October 2010. This should result in an upward curve in income, assuming current application rates remain constant. This however cannot be guaranteed, income will be monitored closely during the current estimate process with a view to setting a more accurate budget.