

BABERGH DISTRICT COUNCIL

FROM: Head of Finance

REPORT NUMBER E257

**TO: OVERVIEW & SCRUTINY
(STEWARDSHIP)**

DATE OF MEETING 31 January 2006

REVENUE BUDGET – QUARTERLY MONITORING REPORT

1. **SUMMARY**

The review of expenditure and income against budgets to the end of quarter 3 has been undertaken and key points are highlighted.

2. **RECOMMENDATIONS**

2.1 That members note the position on 2005/06 budget variations in Appendix 1 and the key areas highlighted in section 4.3 of the report.

2.2 That officers continue to work with budget holders on action plans to monitor and deal with any unfavourable variations.

The Committee is able to resolve these matters.

3. **FINANCIAL IMPLICATIONS**

3.1 As a result of work in the last few months on the Service & Financial Planning (SFP) process, a good indication of projected year-end variations can be provided, and these are included in Appendix 1. Whilst the position could yet change, it is estimated that there could be an overall net saving on the budget of approximately £300k. This is the same broad assessment projected in the previous report. Comments are also given on the potential impact on budgets for 2006/07.

3.2 As noted in previous reports, the single most significant area relates to additional investment income. There will also be savings in other areas, though there are risks of increased expenditure and income shortfalls in certain areas that would offset these to a greater or lesser extent.

4. **KEY INFORMATION**

4.1 Officers have completed detailed work on reviewing budgets for the current financial year as part of the SFP process. The information included in Appendix 1 reflects the latest information as determined by discussion between budget holders and Finance staff. In order to remain consistent with previous reports (papers E201 & E98), the year-to-date variations are measured against original budgets.

4.2 The projected year-end position for each area noted in Appendix 1 is based on the revised budgets that have recently been formulated. They should, therefore, give a good indication of key variations likely to be seen as at 31 March. The year-end figures quoted exclude the impact of internal recharges, as well as budgets that have been carried forward from 2004/05, in order to give a better indication of the real, underlying variation.

4.3 The main points to highlight are:

- Waste collection & recycling – current estimates indicate that we may be around £70k better than budgeted due mainly to higher activity levels generating both increased income and a reduction in price per tonne on gate fees. This position is unchanged from the quarter 2 report.
- Development Control – the target for fee income is potentially at risk, though the demand-led nature of the work undertaken means it can be difficult to predict with absolute certainty. It had previously been noted that some large applications were in the pipeline, but if income from these does not materialise in this financial year, a shortfall against the overall target is probable.
- Car parking charges – two key areas of income generation have been scaled down for the current year, namely advertising income and excess charge notices (ECNs). Together, these have caused the revised budget to worsen by around £30k. A formal plan to address both these areas has been drawn up and an improvement is expected during 2006/07.
- Hadleigh Pool & Kingfisher Leisure Centre – a full assessment of the impact of extending the current management contract has been considered and built in to revised budgets. Savings elsewhere and unused budgets from 2004/05 have been redirected in order to cover these additional costs. This has been subject to detailed consideration by the Procurement Task Group and Strategy Committee.
- Land Charges – detailed monitoring by officers reveals continuing pressure on this area, by way of lower activity levels than hoped-for. Current projections estimate a potential shortfall against budget of around £26k, though the demand-led nature of this service means that this position could change. Given recent trends, however, it seems unlikely that the position will improve significantly.
- Recruitment costs are below budget, and it looks highly likely that savings will arise in this area this year. These savings may be carried forward into 2006/07.
- Procurement savings – it is unlikely that much of the £30,000 budget allowance will be achieved this year, but the dedicated procurement resource - a post that is shared with Forest Heath and St Eds – has this as their main priority for 2006/07.
- Investment income will be considerably higher than the budget. The position remains as per the previous report and projections indicate that the position at year-end could be around £250k higher than budget, which is extremely helpful.
- Savings on the salary bill are above expectations at over £50k to date.
- A number of more modest savings in specific service areas have also arisen and details are provided in Appendix 1. Further monitoring will continue in the coming months.
- The position on the Housing Revenue Account (HRA) is also covered, in respect of costs of repairs and maintenance of council properties. The position is largely unchanged from the previous report, in that overspends will be seen against electrical repairs and the costs associated with ‘void’ properties.

The above variations are all reflected in revised budgets for this year.

- 4.4 Clearly, the overall impact of these and other items will result in a significant saving against the original budget for the year and, in the case of investment income specifically, this is also likely to affect the 2006/07 budget. Officers and the SFP member group have taken due consideration of these and other key factors in formulating the proposed draft budget for next year, which has successfully achieved the aim of keeping Council Tax increases to the rate of inflation.
- 4.5 Members should note that a few areas are included in Appendix 1 even though there is no significant variation to report. This has been done in order to keep the Committee informed on areas of general interest, such as public conveniences and East House.

5. **APPENDICES**

(1) Explanations of key variations.

6. **BACKGROUND PAPERS REFERRED TO:**

None.

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Explanations of key variations: 2005/06 quarter 3

Appendix 1

Service Area	Original budget for year £'000	Year-to-date budget £'000	Year-to-date actual £'000	Year-to-date variation £'000	Comments (including potential impact on year-end results and budget for 2006/07)	Projected year-end position* £'000
				Adverse/ (favourable)		Adverse/ (favourable)
<u>Environmental</u>						
Public conveniences	191.8	106.6	106.6	-	Potential saving on payments to contractor (£4k) in 05/06. Budget for 06/07 set to increase by net £1.8k due to higher management fee charged by Sudbury TC.	(4)
Local licensing (income)	(123.0)	(88.9)	(120.8)	(31.9)	Most income received in the early part of the year. Likely position for year-end will be £5k better than budget. Alcohol licensing income anticipated to reduce by around £8k in 06/07 with further loss of income from (discontinued) public entertainment licences, though there will be some savings in staff costs.	(5)
Twin Bins	184.0	240.3	194.1	(46.2)	Position at year-end is projected to show net savings of around £25k due to higher levels of waste giving rise to reduction in banding of gate fees payable. Loss of £140k collaborative funding in 06/07 has already been factored in to budget considerations.	(25)
Trade waste	35.3	(52.0)	(74.8)	(22.8)	Higher volumes being handled, leading to increased level of income. Anticipated position at year-end = £12k favourable. Position for 06/07 currently projects an increase in income of around £40k.	(12)
Green waste	97.0	19.4	(18.7)	(38.1)	Income from fees and charges has already exceeded budget for the full year (income of £144.6k against budget of £110k for the year). The vast majority of income is received early in the year. The year-end outturn and budget for 06/07 for income is projected at £145k, i.e. improvement of £35k.	(32)
As a footnote to the waste & recycling items above, it should be noted that budgets for contractor payments in 2005/06 have been realigned across the various services, though the total budget for the year has remained unchanged. The total contractor budget for 2006/07 has increased by inflation only.						
Abandoned vehicles	74.9	57.3	47.4	(9.9)	Position unchanged from Q2 - lower numbers of abandoned vehicles than anticipated. This may in part be due to higher prices for scrap metal, leading to car owners taking cars to dealers for scrapping rather than dumping them. Year-end position projects a £9k saving, with 06/07 slightly better still.	(9)

* Projected year-end position reflects the difference between the original budget for the year and the revised budget (excluding the effect of internal recharges & overheads and budgets carried forward from last year).

Service Area	Original budget for year £'000	Year-to-date budget £'000	Year-to-date actual £'000	Year-to-date variation £'000	Comments	Projected year-end position* £'000
Cultural						
Hadleigh Pool & Kingfisher Leisure Centre	561.4	205.6	157.7	(47.9)	Extension of management contract will increase costs in the current year. This has been considered and approved by the Strategy Committee and takes account of all aspects of resources required to establish the new leisure trust. Proposals to fully fund these additional costs from savings elsewhere have been agreed by members.	-
Tourism	245.4	191.1	220.0	28.3	Year-to-date variation appears high due to value of stock-in-hand. This will be adjusted at year-end. Recent retail consultation exercise is expected to help generate additional income and savings that should keep year-end variation to a minimum. In 2006/07, a target has been set to increase income by 12%.	3
Amenity areas	325.8	164.9	161.6	(3.3)	The variation reflects a saving by way of legal fees recovered. Additional spend is planned on tree maintenance work, though this is being covered by other savings.	(3)
Planning						
Development control (planning fees)	(404.0)	(343.4)	(286.4)	57.0	Latest projections, at the time of writing this report, suggest that the budget for income may be at risk. Some larger cases are still in the pipeline, though these may not generate income until 2006/07. The revised budget assumes they will. Budget for next year allows for a small increase compared to 05/06 base budget.	- (but may be a shortfall of around £20k)
Development control (legal fees paid)	28.9	21.7	24.8	3.1	Further costs will be incurred in the coming months and revised budget has been increased by £36k to accommodate these. This is in line with advice given to members as part of the year-end review of 2004/05. No changes to base budget proposed for 06/07.	- (covered by reserves)
Dev't control (legal fees recovered)	(3.9)	(2.9)	(22.7)	(19.8)	Policy of charging for "Section 106" work has resulted in additional income. Benefit of £17k likely to be seen by year-end, with same projected for next year.	(17)
Building control fees	(365.0)	(306.0)	(362.3)	(56.3)	Year-to-date position is masked by an accounting adjustment that is required each year to correctly reflect the timing of income. Income is running at around £31k per month on average, which is in line with budget. Above-inflation increase being targeted for 06/07.	-
Economic Development	172.2	92.8	95.5	2.7	Reduction in grants and loans being awarded will result in £3k saving on these, with higher savings target put forward for next year. Other miscellaneous savings have been achieved this year, e.g. stationery.	(6)
East House	(12.7)	(24.1)	(25.7)	(1.6)	Rental income to be £2k higher than budget in 05/06 due to extension of tenancy to March 2006. However, potential significant impact on 2006/07, due to SCC terminating their lease. Draft budget for next year currently allows for loss of income (£33k) plus increase in running costs (£6k).	(2)

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Service Area	Original budget for year £'000	Year-to-date budget £'000	Year-to-date actual £'000	Year-to-date variation £'000	Comments	Projected year-end position* £'000
Transport						
Car parking	191.4	103.4	99.6	(3.8)	Position has now crystallised. Advertising income now removed in full from this year's budget (£15k) and £3k income is now budgeted for 2006/07. Fees from excess charge notices (ECNs) lower than budget, though increased rates should be implemented from mid-way through 2006/07. Review of warden requirements should generate higher volume of ECNs in future years. Combined with increase in charge, it is expected that fee income will increase significantly and future budgets will reflect this.	31
Concessionary fares/ travel vouchers	17.0	12.7	1.3	(11.4)	Continued low take-up of vouchers likely to result in budget savings of £12k by year-end. The move to free bus passes next year will increase our costs substantially (by approx. £350k), which are to be covered by Government grant.	(12)
Housing						
Council Tax & Housing Benefits	385.7	4,131.6	4,208.4	76.8	Timing of costs payable and grants received causes current position. Expected that there will be a loss of £20k subsidy for rent allowances due to increase in fraud overpayments detected. Ongoing monitoring is being undertaken by officers.	50?
Debt counselling	9.4	7.0	4.5	(2.5)	Cost of £4.5k paid in Q1 is the full amount for the year. There will therefore be a saving of around £5k at year-end. This will be the ongoing position into 06/07.	(5)
Central Services						
Members' expenses	1,152.0	852.0	826.4	(25.6)	Significant savings on printing costs for committee agendas/papers.	(16)
Local land charges (fee income)	(305.6)	(234.6)	(212.1)	22.5	The pattern of income has shown a downward trend against budget on a month-by-month basis, which is monitored closely by officers. Current projections indicate a potential year-end shortfall of £26k. Increased charges to be applied in 06/07 will help reduce this, but we still expect £13k reduction in income next year.	26
Council Tax Collection – summons costs recovered	(97)	0	0	-	Due to improved collection rates within our Revenues & Benefits section, there is less need to issue summons, with an associated loss in costs recovered. It appears likely that this will affect our revised budget by around £20k, with a slight improvement on this built in for 2006/07.	20
Bank charges, audit fees and treasury management	167.0	26.1	48.2	22.1	The year-end position will be worse than originally budgeted due to the impact of reduced credit card charges recovered (£9k) and payment for specialist advice from our treasury management advisors (£2k), plus a small increase in audit fees (£3k).	14

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Service Area	Original budget for year £'000	Year-to-date budget £'000	Year-to-date actual £'000	Year-to-date variation £'000	Comments	Projected year-end position* £'000
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Corporate areas						
Salary costs	(228.8)	(171.6)	(226.3)	(54.7)	The ongoing policy of not immediately replacing vacancies continues to generate savings. Year-end position based on an extrapolation of recent months' results. Savings have now been reflected in revised staffing budgets across all divisions.	(40)
Staff training	196.8	147.4	117.3	(30.1)	The budget includes carry forwards from 2004/05 of £51.5k. Many areas have not fully used their training budget this year and are likely to be underspent at year-end. It is anticipated, however, that there will be a need to carry most, if not all, of this forward into next year.	- (but could be savings)
Recruitment costs	94.4	70.8	35.3	(35.5)	Current position is favourable, though pattern of vacancies and related recruitment costs is difficult to predict. The budget for 06/07 has been kept at the same level, given the uncertainty surrounding the impact of organisational review, CAST & business process re-engineering (BPR). Again, savings this year may be carried forward into 2006/07	(40)?
Investment income	(147.0)	(110.3)	(360.0)	(249.7)	As has been reported previously, the level of investment income is considerably higher than budgeted as surplus funds available for investment are higher than allowed for in the budget. There will also be further benefit in 2006/07, currently projected at around £150k (i.e. taking total budget to around £300k).	(250)
Business Rate Growth	(35.0)	0	0	-	Amount of payment under 'Business Growth Incentive Scheme' has not been confirmed by ODPM, but current calculations suggest a possible shortfall of £15k. A further reduction in 2006/07 has been built in to the draft budget. Income is expected in February, hence the nil budget for year-to-date.	15
Total variations						(319)

Housing Revenue Account	Original budget for year £'000	Year-to-date budget £'000	Year-to-date actual £'000	Year-to-date variation £'000	Comments	Projected year-end position £'000
Repairs and maintenance of council properties	1,772.0	1,236.3	1,436.3	200	<ul style="list-style-type: none"> Tenant responsive repairs are £24k overspent at this stage although are currently expected to break-even by the year-end. 	83

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					<ul style="list-style-type: none"> • Void repairs are overspent by £43k due to the average current running cost at around £1,180 per property, compared to a historical target of £800. This historical target of £800 is to be increased to reflect current prices. It is envisaged that costs could exceed the budget by around £50k, which is similar to the outcome in 2004/05. • Electrical repairs are £33k overspent due to new Electrical regulations introduced this year. • Repairs administration costs are £22k overspent due to more Council housing work than anticipated in the first half of the year. • As noted previously, the Head of Technical Services believes that savings elsewhere can offset some of these increased costs and continued efforts will be made to reduce the overall projected increased costs. 	

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