

BABERGH DISTRICT COUNCIL

FROM: Head of Finance & Performance Review

REPORT NUMBER **E201**

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

DATE OF MEETING 22 November 2005

REVENUE BUDGET MONITORING REPORT

1. **SUMMARY**

The review of expenditure and income compared to budgets to the end of quarter 2 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 4.4 of the report.

2.2 That officers continue to work with Heads of Service on action plans to deal with any unfavourable variations.

2.3 That the Member Service & Financial Planning Group ensure that variations that will impact on current and future budgets are reflected in their formulation of budget proposals for next year.

Committee is able to resolve these matters.

3. **FINANCIAL IMPLICATIONS**

3.1 Officers have been undertaking detailed reviews of budgets with Heads of Service and other budget holders as part of the Service & Financial Planning (SFP) process.

3.2 As a result of this work, a reasonable indication of projected year-end variations can be provided and details are included in Appendix 1. Although the position can change, it is estimated that there could be an overall net saving on the budget of approximately £300,000, which is significant. Comments are also made on the potential impact on budgets for 2006/07.

3.3 As noted in the report for quarter 1, one of the most significant variations relates to additional investment income compared to the budget. Indications are that there will be savings in other areas also. However, there are risks of increased expenditure and income shortfalls in certain areas that would offset these.

4. **KEY INFORMATION**

4.1 Officers have commenced detailed work on reviewing revised budgets for the current financial year as part of the SFP process. The information included in Appendix 1 reflects the latest assessments as determined by discussion between budget holders and Finance officers. Not all areas have been reviewed at the time of writing this report, but the majority have been.

- 4.2 In view of the fact that best estimates for the year-end have been obtained, those service areas where variations are expected are noted in Appendix 1. This incorporates items originally identified by members as 'risk' areas. Some additional areas have been recorded for the first time, in order to keep members fully informed of potential pressures on the budget for the year.
- 4.3 As has consistently been the case in the past, there are a number of variations that arise purely as a result of income & expenditure not occurring when expected and therefore not matching the budget for the period. Thus, details in Appendix 1 focus only on the true variations (i.e. those that are likely to be real or permanent in nature).
- 4.4 The main points to highlight are:
- Waste collection & recycling – current estimates indicate that we may be around £70k better off than the budget due mainly to higher activity levels generating both increased income and a reduction in the price per tonne paid on gate fees.
 - Development Control – fee income appears at this stage of the year to be at risk as this is over £60k below budget. However, it is hoped that the position could recover later in the year, as there are a number of potential big applications in the pipeline. There are also significant legal costs that will be incurred, though part of this can be met from reserves, which were earmarked for this purpose when the review of the 2004/05 accounts was undertaken.
 - Hadleigh Pool & Kingfisher Leisure Centre – more clarity is emerging on the potential costs of extending the management contract in the current year. This is subject to detailed consideration by Procurement Task Group and Strategy Committee, and any additional costs can be met from the increased investment income – see below.
 - 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 over £20k, though the demand-led nature of this service means that this position could change.
 - Recruitment costs are below budget, and it may be possible that savings could arise in this area.
 - Procurement savings – the position on this is covered in the progress report from the Procurement Task Group. Unlikely that much of the £30,000 budget allowance will be achieved this year.
 - Investment income will be considerably higher than the budget. The position has been further revised from 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 a little above expectations and we will continue to closely monitor the position in the coming months.
 - A number of more modest savings in specific service areas have also arisen and details are provided in Appendix 1. Further monitoring will continue as the year progresses.
- 4.5 Clearly some of the above, notably the investment income, will have a big impact on the overall budget for this year and this will also have an impact and affect the 2006/07 budget - in a positive way overall. Officers and the SFP member group have been taking due consideration of these and other key factors in formulating the draft budget position for next year.
- 4.6 In terms of the current year, there is a potential net overall saving of £278,000 indicated in the appendix, most of which arises from the additional investment income. Clearly this position can and will fluctuate during the remaining months of the year. In addition, we have been advised that the Government grant for 2005/06 and 2004/05 is to be reduced by £36,000 to reflect changes in data and population estimates. That will reduce the net overall saving to £242,000.

- 4.7 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 local licensing.
- 4.8 It should also be noted that other variations may arise that have not yet been identified, and these will be brought to the attention of members at the next quarterly review.
- 4.9 Appendix 1 also briefly summarises the position on the HRA, specifically in relation to Repairs and Maintenance, which is the biggest 'risk' area. This indicates that, as in 2004/05, dealing with void properties continues to result in unavoidable costs and that there are other cost pressures affecting the current position. Following discussions with the Head of Technical Services, it is clear that overall costs for the year will exceed the budget but that this increase can be contained to around £75,000.
- 4.10 That increase will have to be taken into account when the current budget is revised and the budget for 2006/07 formulated. The implications will be set out in the report on the 2006/07 HRA budget to the strategy Committee in January 2006.
- 4.11 At the last meeting of the Committee, Members asked for the position on voids to be looked at in terms of whether the council could introduce arrangements whereby tenants are required to make some sort of financial deposit that could be used to meet the costs of repairing properties as a result of their failure to adequately maintain it. Comments in relation to this suggestion are set out below:
- Making the offer of a council tenancy conditional on the payment of a fee would expose the Council to challenge, particularly if this were made a compulsory part of the lettings process.
 - Such action can in theory be taken, although there are difficulties, which would make this inappropriate, and an additional cost for the Council. Firstly the Council has a statutory duty in some instances to provide housing, and therefore if a tenant were unable to pay a deposit then the house would be provided anyway. This would leave the Council in the position of asking the tenant to pay the deposit only if they can afford it. It is likely that tenants would therefore not pay.
 - Furthermore, there would need to be photographs taken of the property before the new tenant moves in, and someone to take these photographs. In addition there would be additional accounting requirements. All of these would incur costs.'

5. **APPENDICES**

- (1) Explanations of key budget variations.

6. **BACKGROUND PAPERS REFERRED TO:**

None.

CONTACT: Barry Hunter/Adrian Shorten

DIRECT LINE: 01473 825819/825841

Appendix 1

Explanations of key variations: 2005/06 quarter 2

(NB Items in Italics are included for the first time)

| Service Area | 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 outturn £'000 |
|--|--------------------------|------------------------------|------------------------------|---------------------------------|--|-------------------------------------|
| | | | | Adverse/ (favourable) | | Adverse/ (favourable) |
| Environmental | | | | | | |
| Public conveniences | 191.8 | 71.1 | 68.5 | (2.6) | 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 from Sudbury TC. | (4) |
| Local licensing (income) | (123.0) | (57.7) | (98.2) | (40.5) | Income typically received in the early part of the year, hence YTD position will not be repeated in Q3 & Q4. Likely position for year-end will be £6k better than budget, with 06/07 expected to drop by £8k, though some savings in staff costs likely. | (6) |
| Twin Bins | 184.0 | 179.8 | 198.4 | 18.6 | Position at year-end is projected to show net savings of around £27k 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. | (27) |
| Trade waste | 35.3 | 7.7 | 12.8 | (5.1) | Higher volumes being handled, leading to increased level of income. Anticipated position at year-end = £12k favourable. Position for 06/07 still subject to review, but further increase in income is projected. | (12) |
| Green waste | 97.0 | (15.8) | (44.2) | (28.4) | Income from fees and charges has already exceeded budget for the full year (income of £140.3k 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 fees are projected at £145k, i.e. improvement of £35k. | (35) |
| Abandoned vehicles | 74.9 | 38.9 | 30.1 | (8.8) | 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) |
| Cultural | | | | | | |
| <i>Hadleigh Pool & Kingfisher Leisure Centre</i> | <i>561.4</i> | <i>137.3</i> | <i>115.3</i> | <i>(22.0)</i> | Ongoing issue of extension of management contract, which will increase costs in the current year by £26k. This area is the subject of separate consideration by Procurement Task Group and Strategy Committee. | 26 |

| Service Area | Budget for year £'000 | Year-to-date budget £'000 | Year-to-date actual £'000 | Q1 Variation £'000 | Comments | Projected Year-end outturn £'000 |
|---|--------------------------|------------------------------|------------------------------|-----------------------|--|-------------------------------------|
| <i>Tourism</i> | 245.4 | 130.1 | 160.8 | 30.7 | Advertising income lower than anticipated. This will potentially create a £5k adverse variation at year-end, but is to be offset by savings in other areas in 06/07. The balance of the Q2 variation is due to timing of income/expenditure and is not expected to remain. | 5 |
| Amenity areas | 325.8 | 120.1 | 124.5 | 4.4 | Of the variation, around £3k is a true saving, by way of legal fees recovered. | (3) |
| Planning | | | | | | |
| Development control (planning fees) | (404.0) | (260.5) | (197.9) | 62.6 | Planning fees lower than budget (also lower than Q2 2004/05), so this area will continue to be monitored closely. Given that income is entirely demand-led, accurate predictions can however be difficult. There is potential for significant fees from large cases later in the year, which may correct the shortfall. Current indications suggest that year-end outturn should, in fact, be close to budget. No change proposed to budget for 06/07. | 60? |
| <i>Development control (legal fees paid)</i> | 28.9 | 14.4 | 9.8 | (4.6) | Significant additional costs will be incurred in the coming months and revised budget is to be 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) |
| <i>Development control (legal fees recovered)</i> | (3.9) | (1.9) | (13.1) | (11.2) | Policy of charging for "Section 106" work has resulted in additional income being generated. Benefit of £17k likely to be seen by year-end, with same projected for next year. | (17) |
| Building control fees | (365.0) | (230.4) | (280.7) | (50.3) | Significant increase in fees generated during Q2, though projection for year-end remains in line with budget. Above-inflation increase being targeted for 06/07. | - |
| <i>Economic Development</i> | 172.2 | 62.8 | 66.5 | 3.7 | Reduction in grants and loans being awarded will result in £8k saving this year, with similar impact next year. | (8) |
| <i>East House</i> | (12.7) | (16.1) | (17.2) | (1.1) | 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, which is being monitored closely. | (2) |
| | | | | | | |
| Transport | | | | | | |
| Car parking | 191.4 | 69.6 | 69.9 | 0.3 | Income lower than budgeted, but this is currently being offset by reduced costs. Ongoing review being undertaken by officers to ensure that revised budgets correctly reflect expectations for the year. | ?? |

| Service Area | Budget for year £'000 | Year-to-date budget £'000 | Year-to-date actual £'000 | Q1 Variation £'000 | Comments | Projected Year-end outturn £'000 |
|---------------------------------|--------------------------|------------------------------|------------------------------|-----------------------|---|-------------------------------------|
| Travel Vouchers | 17.0 | 8.5 | 0.8 | (7.7) | Continued low take-up of vouchers likely to create budget savings of £12k by year-end. Fundamental change to system next year will increase our costs, which are due to be covered by Government grant. | (12) |
| Housing | | | | | | |
| Council Tax & Housing Benefits | 385.7 | 2,744.9 | 2,594.5 | (150.4) | 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. | 25 |
| Debt counselling | 9.4 | 4.7 | 4.5 | 0.2 | 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 | 565.7 | 553.9 | (11.8) | Savings against travel, printing costs and training, though training costs do not tend to be evenly spread through the year, so some of the current underspend is unlikely to be permanent. | ? |
| Local land charges (fee income) | (305.6) | (162.0) | (150.4) | 11.6 | 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 £21k. Increased charges to be applied in 06/07 will help reduce this, but prudently we still expect £8k reduction in income next year. | 21 |
| Corporate areas | | | | | | |
| Salary costs | (228.8) | (114.4) | (138.3) | (23.9) | The ongoing policy of not immediately replacing vacancies continues to generate savings. | (40) |
| Staff training | 196.8 | 98.2 | 85.9 | (12.3) | The budget includes a carry forward from 2004/05 of £36.4k. Position being reviewed as part of Service & Financial Planning process. | - |
| Recruitment costs | 94.4 | 47.2 | 28.2 | (19.0) | Current position is favourable, though pattern of vacancies and related recruitment costs is difficult to predict. The position for 06/07 to be reviewed. | - |
| Investment income | (147.0) | (73.5) | (248.6) | (175.1) | As was reported to members in July (as part of the review of 2004/05 final accounts) 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 £297k). | (250) |
| Legal expenses | 12.0 | 6.0 | 9.0 | 3.0 | Costs previously highlighted as 'potential' will now materialise for certain. Additional spend being incurred on investigating joint working across Suffolk, which is due to continue into 06/07. | 15 |
| Total variations | | | | | | (278) |

| Service Area | Budget for year £'000 | Year-to-date budget £'000 | Year-to-date actual £'000 | Q1 Variation £'000 | Comments | Projected Year-end outturn £'000 |
|---|--------------------------|------------------------------|------------------------------|-----------------------|---|-------------------------------------|
| Housing Revenue Account | | | | | | |
| Repairs and maintenance of council properties | 1,772.0 | 819.6 | 926.4 | 106.8 | <ul style="list-style-type: none"> • Tenant responsive repairs are £20k overspent at this stage although are currently expected to break-even by the year-end. • Void repairs are overspent by £30k due to the average current running cost at around £1180 per property, compared to a historical target of £800. This historical target of £800 needs increasing to reflect the current position. It is envisaged that costs could exceed the budget by around £50k, similar to the outcome in 2004/0. • Electrical repairs are £23k more than the budget due to new Electrical regulations introduced this year. • Repairs administration costs are £22.5k overspent due to more Council housing work than anticipated in the first half of the year. • The Head of Technical Services believes that some of these increased costs can be offset by savings elsewhere and efforts will be made to reduce the overall projected increased costs. | 75? |
| | | | | | | |