

---

**REPORT TO THE MEETING OF THE EXECUTIVE 5 NOVEMBER 2008**

**PORTFOLIO: FINANCE & RESOURCES**

**REPORT FROM: HEAD OF FINANCE, AUDIT & PERFORMANCE  
MANAGEMENT**

**SUBJECT: MEDIUM TERM FINANCIAL STRATEGY 2008/09-2013/14**

**1 DECISION BEING RECOMMENDED**

- 1.1 To note the mid year review of the 2008/09 budget which sets the context for the 2009/10 budget process.
- 1.2 To indicate to officers any specific issues that need to be picked up as part of the budget process for discussion and consideration as part of the November Budget Awayday.
- 1.3 To seek the Executive's views on whether there are any particular actions, other than those outlined in the report, that should now be taken in response to the current financial climate.

**2 REASON/S FOR RECOMMENDATION**

- 2.1 To provide the Council with a starting point for the preparation of the Medium Term Financial Strategy (MTFS) for 2009/10 onwards and the framework within which the Council's budget and Council tax for 2009/10 will be set. It provides a context for those deliberations and provides a range of background information. It also gives Members the opportunity to consider any particular actions at this point in time.
- 2.2 The report is structured to consider the following:-
  - Current MTFS agreed for 2008/09 onwards
  - Update on the changes made to the current MTFS
  - Discussion of the assumptions underlying the MTFS
  - Mid year review of 2008/09 budgets
  - Possible Council Tax increases
  - Income
  - Current Savings Target

**3 CURRENT MTFS AGREED FOR 2008/09 ONWARDS**

- 3.1 The aim of the MTFS is to demonstrate that the Council can set a balanced budget over the medium term to fund its spending plans. The aim is to

achieve general fund balance level above a target level by the end of the 5 years. The target level is a Minimum Recommended Level of General Fund balance based on a risk assessment to ensure that the Council has sufficient balances to provide a safety net against future uncertainties in expenditure and income.

- 3.2 In the following discussions, when the impact on the MTFS is identified, it is the cumulative impact on the final figure for balances carried forward. This is because annual increases in costs or reductions in income will have a cumulative effect over the 5 years on general fund balances.
- 3.3 The Council has a core budget of estimates and the MTFS identifies the significant changes to these core estimates over the 5 year period.
- 3.4 MTFS agreed in January 2008 was:-

		2007/08	2008/09	2009/10	20010/11	2011/12	2012/13
<b>1</b>	<b>Projected permitted expenditure</b>	<b>10,360</b>	<b>10,868</b>	<b>11,227</b>	<b>11,660</b>	<b>12,114</b>	<b>12,588</b>
<b>2</b>	<b>Opening draft budget</b>	<b>10,139</b>	<b>10,576</b>	<b>12,344</b>	<b>12,274</b>	<b>12,303</b>	<b>12,479</b>
<b>24</b>	<b>Total changes</b>	<b>552</b>	<b>2,148</b>	<b>410</b>	<b>409</b>	<b>656</b>	<b>383</b>
<b>26</b>	<b>Savings to be achieved</b>	(250)	(380)	(380)	(380)	(380)	(380)
<b>27</b>	<b>Additional income review</b>	<b>0</b>	<b>0</b>	<b>(100)</b>	<b>0</b>	<b>(100)</b>	<b>0</b>
<b>30</b>	<b>Total budget</b>	<b>10,441</b>	<b>12,344</b>	<b>12,274</b>	<b>12,303</b>	<b>12,479</b>	<b>12,482</b>
<b>33</b>	<u>Balance Bought Forward</u>	1,777	2,829	1,353	2,006	1,363	997
	HRA Balances/set up costs	1,134	-	1,700	-	-	-
<b>34</b>	Change in fund Contribution to / (from)	(82)	(1,476)	(1,047)	(643)	(366)	106
<b>35</b>	<u>Balance Carried Forward</u>	2,829	1,353	2,006	1,363	997	<b>1,103</b>
<b>36</b>	Target Level of Balances	1,040	1,338	1,338	1,338	1,338	1,338

#### **4 UPDATE ON THE CURRENT CHANGES MADE TO THE CURRENT MTFS**

- 4.1 Since January's meeting a number of changes have been made to the MTFS as work on drafting the MTFS for 2009/10 to 2013/14 progresses. These are summarised below:-

- Energy prices have been increasing in line with increases in oil prices. £20,000 has now been included in the MTFS in 2009/10. The Council

buys its energy through a partnership contract arrangement managed by the Office of Government Commerce and final prices for 2009/10 will be announced towards the end of November.

- Members' Allowances were increased during 2008/09 by £47,000. For the purposes of budgeting, we are assuming a 3.5% increase for 2009/10.
- Following closure of accounts for 2007/08, the change in General Fund balances was an improvement with a contribution of £169,000, instead of the forecast use of balances of £82,000. A detailed report on the 2007/08 spend compared to budget was considered by the Audit Committee in June 2008.
- The current MTFS agreed in January 2008 assumed that the majority of the reimbursement of set up costs from the Housing Transfer could be bought into the General Fund during 2007/08 – ie at the time of the transfer. As part of the transfer, the only receipt that the Council received was an amount equal to the costs incurred in completing the transfer. There is no guidance on how set up costs covered by a capital receipt from Large Scale Voluntary Transfer should be treated. During closure of the accounts, the proper treatment of these costs was agreed with external audit and the majority has had to be credited to the HRA balance. The effect on the MTFS is that general fund balances as at 31 March 2009 will be around £630,000 compared to an original estimate of £1.3m. The £1.1m of set-up costs then goes into general fund balances with effect from 1 April 2009. This has no overall effect on the 5 year MTFS.
- In line with estimates, recycling rates have increased as a result of the new contract introduced in 2008/09. An increase in recycling credits income has been included in the MTFS for 2009/10 based on current forecasts for recycling rates. The amount of income is based on a formula which is yet to be agreed by Essex County Council and is part of negotiations for an Interauthority agreement. At this time, a prudent estimate for the additional income from increased recycling in 2009/10 is around £200,000 but as details are firmed up, this estimate will be amended. Any material change to the estimate will be reported to Members.
- The Council has achieved Level 3 of the Equalities Standard and is committed to achieving Level 4. This will require external expertise and a budget of £20,000 has been included in the draft MTFS as a one-off item.
- Local Area Business Growth Incentive (LABGI) grant of £254,000 received in 2007/08 has been included in General Fund balances for 2008/09 on the assumption that decisions regarding use of this will be made later in the year and actual expenditure will not be incurred until

2009/10. The £254,000 is then assumed to be spent in 2009/10 as a one off item. However, proposals for how the grant will be spent will be brought forward in due course and it may be that the expenditure will be over a number of years. A government paper on how the grant will be allocated in future years from 2009/10 is currently out for consultation. A key thrust is for the majority of future monies to be allocated to counties rather than districts.

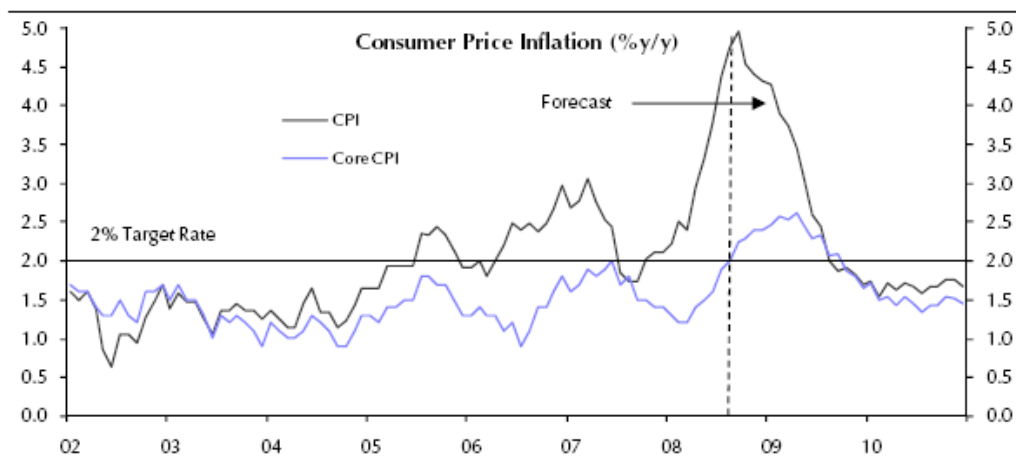
## 5 DISCUSSION OF THE ASSUMPTIONS UNDERLYING THE MTF5

### 5.1 Inflation

5.2 One impact of the economic situation is the increase in inflation. The Council has outsourced a number of services which means that about £4.8m of expenditure is contracted out and the terms of the contracts allow for an annual increase based on retail price indices.

5.3 Salaries account for £7m of the Council's expenditure and the current cost of living rise for 2008/09 has been agreed at a minimum of 2.45%, which is the Employer's Organisation's current offer. Although the Government had made clear their expectation that rises would be around 2%, this was before the increase to inflation.

5.4 Capital Economics provide a quarterly review and an extract of their analysis is that inflation is thought to be close to a peak and set to fall sharply next year. The rise in headline Consumer Price Index inflation from 4.7% to 5.2% was primarily driven by household services due to the rises in average gas and electricity bills. Inflation pressures in the UK economy are expected to subside rapidly over the coming quarters and the sharp downturn in the economy keeps core prices contained. Recent falls in oil prices suggest that petrol prices should drop by another 10% to 15% in the next month or two, enough to knock about 1% off inflation by the end of the year. Falling food and energy inflation will bring the headline inflation rate down sharply. It is anticipated inflation should be back below its 2% target by the end of 2009 and could be much lower if oil prices keep tumbling.



- 5.4 The current MTFS assumed inflation of 3% each year. As the increase in inflation to 5% will affect some expenditure items in 2008/09, an amendment has been made to the MTFS for 2008/09. As we do not know when inflation will start to fall, an allowance has also been included as a one off for 2009/10. This is because a number of contracts will have their annual rise based on current inflation indices. This will be monitored through the current budget process.
- 5.5 Further analysis of inflation changes will be included in the draft MTFS and the risk of inflation remaining above 3% from 2010/11 onwards will be managed through the Minimum Recommended Level of General Fund balance.
- 5.6 Pensions
- 5.7 The Council belongs to the Essex Local Government Pension Scheme which is revalued every 3 years, with the last revaluation coming into effect in April 2008. The contribution to the Pension Fund only changes at the time of these triennial revaluations. The last revaluation resulted in only a minor overall change as the increase in employer's contributions was set off against a reduction in the contribution to the pension fund deficiency. However, the recent economic situation is likely to have a major impact on pension funds because of the fall in value of investments, including property and the drop in dividend payments, particularly from banking shares.
- 5.8 Essex County Pensions are currently working on an interim valuation which will give some indications of the changes in income and liabilities and the effect this will have on the 2011 revaluation. We are expecting this interim revaluation round mid November. Once this is available, the current assumption of additional £50,000 in 2011/12 will be amended. Because of the complexity of the assumptions and actuarial methods used in the revaluations, it is impossible to give any accurate estimates at this stage. Although the impact will not be until 2011/12, if the interim revaluation indicates a material increase in our pension deficits contributions, the Council needs to start planning as to how it will meet these costs.
- 5.9 Government Funding
- 5.10 Government grant funding is fixed for 2008/09 to 2010/11 with increases of 3.12%, 2.17% and 2.15% each year. The current MTFS assumed grant funding after 2010/11 of 2.2%. This assumption was based on the current 3 year grant allocation and also medium term inflation forecasts at the time. It is not clear how Government will respond to the current economic climate and in particular any implications on public spending. Although current indications are that they are considering increased public spending, the main areas being discussed are capital projects. It is therefore considered prudent to reduce the assumptions on government grant after 2010/11 and these have been reduced to 1% per annum.

The effect on the MTFS will be a reduction in income for 20011/12 onwards of £60,000 per annum and a reduction in General Fund balance as at 31 March 2014 of approximately £380,000.

#### 5.11 Council Tax Base

- 5.12 The level of council tax is related to the Council's tax base, ie. the total amount required to be funded by the Council Tax is divided by the Council Tax base (which is the equivalent to the number of band D properties). The current MTFS assumes an annual rise of 100 units per year. The council tax base rise over the last few years has been as follows:

Year	Council Tax Base	Rise over previous year
1999/00	29,786	441
2000/01	29,952	166
2002/03	30,240	287
2003/04	30,458	218
2004/05	30,521	63
2005/06	30,592	71
2006/07	30,707	115
2007/08	30,852	144
2008/09	31,324	472

- 5.13 The latest forecast for 2009/10 is a council tax base of 31,584, an increase of 260. This equates to approximately an additional £30,000 income in 2009/10 based on the current level of council tax rises. Because of the current economic climate and the change this might have on housing developments in the medium term, no change has been made to the assumption of 100 units per year.

#### 5.14 Contract Renewals

- 5.15 The next major contract renewal is for the ICT contract which expires March 2011. At this stage, it is impossible to say with any degree of certainty what the likely additional costs are going to be. However, with the increasing use of technology in order to deliver efficiencies and improve service delivery, it is considered prudent that if we want to achieve an ICT service that supports a 21<sup>st</sup> century council, then additional costs of about £500,000 may need to be factored into the Council's medium term financial planning as was done with the recent environmental contracts.

5.16 Concessionary Fares

5.17 This remains an extremely volatile, demand led issue. For 2009/10 we are currently factoring in an increase of 4% but this could be as high as 10% which is equivalent to £80,000. The final costs for 2008/09 are still subject to agreement over apportionment between the Essex authorities.

**6 MID YEAR REVIEW OF 2008/9 BUDGETS**

6.1 The last few months have seen some dramatic changes in the global economy which make accurate forecasting difficult. The impact on the Council's income and expenditure has been closely monitored and the following list shows the revisions made to estimates where the revision is adverse by more than £10,000.

Figures in brackets denote Income items.	<u>08/09 Original</u>	<u>08/09 Revised</u>	<u>Change</u>
<b><u>Service Area - Budget</u></b>			
Corporate Management - Bank Charges	21,900	39,300	17,400
Building Control - Inspections	(230,000)	(170,200)	59,800
Development Control - Planning Appeals	15,000	35,000	20,000
Development Control - Planning Fees	(280,000)	(200,000)	80,000
Off Street Parking - Permits & Season Tickets	(200,000)	(180,000)	20,000
Homelessness - Removals & Storage	10,000	20,000	10,000
Homelessness - Contracted Accommodation (Net cost)	32,000	75,000	43,000
Human Resources - Staff Advertising	70,000	90,000	20,000
Land Charges – income	(245,000)	(100,000)	145,000
Off street parking – parking fees	(863,000)	(830,000)	33,000
Housing Benefit Payments – Benefits granted (Rent Rebates and Rent Allowances) net of subsidy	119,100	153,819	34,719
Housing Benefit Payments – Recoveries	(350,000)	(300,000)	50,000

- 6.3 Investment income has been higher than expected as the rates paid have risen due to the reduction in inter-bank lending, which has made our investment income attractive to institutions. Unfortunately, a downside to this is that the credit ratings for a number of the institutions have reduced and our counterparty list (listing of those institutions we will invest with) has been reduced. This situation is under review but the recent experience with the Icelandic banks demonstrates the importance of balancing both risk against investment return.
- 6.4 Appendix A is the quarterly budget monitoring report showing the mid-year position on the key budget items.
- 6.5 Summary for 2008/09
- 6.6 At the mid-year point it is clear that some income streams are under pressure due to the credit crunch and an early turnaround does not appear likely. As a first step, officers will be reviewing closely replacement of staff in those critical areas where income is falling back. Officers will also be reviewing the existing estimates to see whether items of expenditure can be reduced and/or re-profiled.
- 6.7 Council Tax rises
- 6.8 The current MTFs assumes annual council tax rises of around 4.7% per year.
- 6.9 The following table summarises the reduction in income for various scenarios for different annual council tax rises. The reduction in income would have to be met by a corresponding reduction in expenditure or use of balances.

£	INCREASE IS MAINTAINED OVER 5 YEARS				REDUCTION IN INCREASE FOR 2009/10 AND THEN BACK UP TO 4.7% PER ANNUM		
	Council Tax 3.5% Per year	Council Tax 2.5% Per year	Council Tax 1% Per year	Council Tax zero Per year	Council Tax 2009/10=1% then 4.7%	Council Tax 2009/10=2.5% then 4.7%	Council Tax 2009/10=3.5% then 4.7%
	<b>REDUCTION IN INCOME</b>						
<b>Year 2009/10</b>	71,258	130,639	219,711	279,092	219,711	130,639	71,258
<b>Year 2010/11</b>	148,828	271,541	453,376	573,110	230,765	137,212	74,843
<b>Year 2011/12</b>	233,131	423,322	701,729	882,800	242,374	144,114	78,608
<b>Year 2012/13</b>	324,611	586,633	965,540	1,208,942	254,564	151,362	82,561
<b>Year 2013/14</b>	423,739	762,158	1,245,619	1,552,359	267,364	158,973	86,713
<b>Reduction in final balances</b>	1,201,566	2,174,292	3,585,974	4,496,303	1,214,779	722,301	393,982



6.10 The following table illustrates by way of example, how a one off reduced increase in 2009/10 to 2.5% would costs £722,301 over 5 years.

	2008/09 £	2009/10 £	2010/11 £	2011/12 £	2012/13 £	2013/14 £
Prior year council tax		188.01	192.71	201.77	211.25	221.18
Rise		2.50%	4.70%	4.70%	4.70%	4.70%
New council tax		192.71	201.77	211.25	221.18	231.57
X council tax base	31324.11	31,584	31,684	31,784	31,884	31,984
Council tax Income	5,889,246	6,086,582	6,392,828	6,714,416	7,052,111	7,406,718
Current projected annual income (based on 4.7% pa increase)	5,889,246	6,217,221	6,530,040	6,858,530	7,203,474	7,565,691
Reduction in income from council tax, compared to 4.7% pa rise from 2009/10 onwards	-	130,639	137,212	144,114	151,362	158,973

	Annual Reduction in income £
2009/10	130,639
2010/11	137,212
2011/12	144,114
2012/13	151,362
2013/14	158,973
Reduction in General Fund balances as at 31 March 2014	722,301

6.11 To make up the lost income from having a 2.5% increase in council tax, a reduction in costs or increase in income of £130,000 would have to be identified for 2009/10 and maintained. Alternatively, additional savings of £50,000 identified each year and built up cumulatively, ie. £50,000 in 2009/10, £100,000 in 2010/11 etc. would make up the lost income by the end of the 5 years.

**7 INCOME**

- 7.1 The MTFs assumes a biennial review of income which is linked to the Council's Car Parking Strategy to review car park charges every 2 years, with a review due for 2009/10. The last increase in parking charges was July 2007 and this is forecast to generate approximately £90,000 in additional income for the Council in 2008/09. The MTFs assumes additional income in 2009/10 of £100,000 and further increases of the same amount every 2 years.
- 7.2 If any decision is eventually made not to increase parking charges then the shortfall in income projection will need to met by either alternative income generation or a reduction in expenditure of £100,000 in 2009/10.

**8 SAVINGS**

- 8.1 The MTFs assumes ongoing savings of £380,000 per annum. For 2008/9, approximately £208,000 worth of savings have been identified as at the mid year point. The target is not just linked to efficiency savings, as defined under the Gershon regime, with no loss in quality or volume of service, but can also include a reduction in expenditure if the decision is made not to carry on with a particular item of expenditure. For the purposes of the MTFs, this target can also include a reduction in expenditure if the decision is made not to carry on with a particular item of expenditure.

**9 SUMMARY**

- 9.1 To meet the changes in income and expenditure expectations, the following additional savings or increases in income for 2009/10 onwards may be required to be factored into our budget making process:-

Reason for requirement	Additional income or reduction in expenditure required each year from 2009/10 onwards
Reduction in income streams	£300,000
Reduction in assumption on Government grant	£70,000
Inflation	£30,000
IT contract	£200,000
Possible reduction in council tax rise (assume 2.5% in 2009/10 for example)	£130,000
No increase in parking charges	£100,000

- 9.2 It is clear that the 2009/10 budget process is going to be a challenging one particularly given the current economic situation we find ourselves in. As we go through the 2009/10 budget process, members will need to make some difficult choices in order to deliver services within the financial constraints but also still reflecting the aims and aspirations of our community. We will still need to maintain the appropriate level of service provision but, at the same time, meet a number of competing demands with little room for manoeuvre. In a Rochford context, it is a situation we have been in before but which needs careful management.

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

SMT Lead Officer Signature: \_\_\_\_\_

### **Head of Finance, Audit & Performance Management**

---

#### **Background Papers:-**

None

For further information please contact Yvonne Woodward on:-

Tel:- 01702 318029

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.

BUDGET MONITORING STATEMENT – AS AT END OF SEPTEMBER 2008

Item	Lead (See Key)	Original Estimate 2008/2009	Year to Date Original Estimate	Actual		Variance to year to date original		Comment
				£	As % of Original estimate 2008/2009	Brackets = adverse No brackets = good		
						£	%	
Net External Finance Income	HFAPM	(725,000)	(362,500)	(389,432)	54%	26,932	7%	Income to date includes interest earned on investments placed to the end of the year, where the actual interest income will not be received until the investment is returned. Total interest earned including interest on investments placed from now until 31/3/09 is £630,202. We are achieving higher returns than the national benchmark (LIBOR rate).
Taxi Licensing Income	HP&T	(80,200)	(40,100)	(37,442)	47%	(2,658)	(7%)	Renewing of licenses is seasonal, so although not quite in line with the year to date estimate, it is still anticipated that income will be on target.
Local Land charges Fee Income	HLS	(245,000)	(122,500)	(59,770)	24%	(62,730)	(51%)	Income is lower due to the decline in the property market. Proposed revised estimate has been reduced to £100,000. Income for the same period last year was £138,600.
Cemetery Income	HLS	(95,000)	(47,500)	(59,065)	62%	11,565	24%	It is difficult to forecast the demand for monuments and interments.

Key  
 HP&T Head of Planning & Transportation  
 HLS Head of Legal Services  
 HCS Head of Community Services  
 HFAPM Head of Finance, Audit & Performance Management

HRM HR Manager  
 HICS Head of Information & Customer Services  
 HES Head of Environmental Services

Item	Lead (See Key)	Original Estimate 2008/2009	Year to Date Original Estimate	Actual		Variance to year to date original		Comment
				£	As % of Original estimate 2008/2009	Brackets = adverse No brackets = good		
						£	%	
Parking Fees Income	HP&T	(863,000)	(431,500)	(411,108)	95%	(20,392)	(4.7%)	Actual income is down compared to budget, parking income is seasonal and is expected to increase during the build up to Christmas. Current forecasts indicate that we should meet the budget target.
Permits / Season Tickets Income	HP&T	(200,000)	(100,000)	(83,981)	42%	(16,019)	(16%)	Variable budget, this is set based upon previous year's take-up.
Penalty Charge Notices - Off St	HP&T	(105,000)	(52,500)	(33,560)	32%	(18,940)	(36%)	Actual notices issued are: 1,329 for On St, and 1,092 for Off St. This compares to 1,003 On St and 774 Off St in Q1 07/08. At the mid-year point, 3,682 penalty charge notices have been issued in this district for both off and on street parking compared to 4,009 for the same period last year. The estimates have therefore been left unchanged.
Penalty Charge Notices – On St.	HP&T	(145,000)	(72,500)	(33,537)	23%	(38,963)	(54%)	
Planning Fees Income	HP&T	(280,000)	(140,000)	(128,794)	46%	(11,206)	(8%)	Income is lower than budgeted due to the decline in the economy affecting planning applications. Estimates have been revised down for both income streams. For the same period last year, income was 13% above budget for Planning and 40% above for Building Control.
Building Control income	HP&T	(285,000)	(142,500)	(116,620)	41%	(25,880)	(18%)	

Key      HP&T      Head of Planning & Transportation  
           HLS      Head of Legal Services  
           HCS      Head of Community Services  
           HFAPM    Head of Finance, Audit & Performance Management

HRM      HR Manager  
 HICS     Head of Information & Customer Services  
 HES      Head of Environmental Services

Item	Lead (See Key)	Original Estimate 2008/2009	Year to Date Original Estimate	Actual		Variance to year to date original		Comment
				£	As % of Original estimate 2008/2009	Brackets = adverse No brackets = good		
						£	%	
Recycling Credits & Sales Income	HES	(618,700)	(309,350)	(51,515)	8%	(257,835)	(83%)	This income is received from Essex County Council based on tonnage and is therefore paid in arrears. The actual figure relates to bring bank recycling income. £53,806 actually represents income up to the end of August.
Recycling expenditure gate fees	HES	371,800	185,900	31,980	9%	153,920	8%	With the introduction of the new recycling scheme and early results on recycling, this is expected to meet the budget by the end of the year. Recycling credits and gate fees are directly linked to recycling achieved.  The net income to the Authority was originally estimated at £246,900, the current estimate is £263,900 based on 35% recycling for the whole year.
Housing Benefit Subsidy Income (Rent Allowances Rebates, Council Tax Benefits/ Admin Subsidy)	HCS	(13,254,963)	(6,627,482)	(7,575,027)	57%	947,546	23%	Subsidy payments are based on grant claims submitted at key points in the financial year. Case numbers constantly vary so actual at year end will vary from budget

Key  
 HP&T Head of Planning & Transportation  
 HLS Head of Legal Services  
 HCS Head of Community Services  
 HFAPM Head of Finance, Audit & Performance Management

HRM HR Manager  
 HICS Head of Information & Customer Services  
 HES Head of Environmental Services

Item	Lead (See Key)	Original Estimate 2008/2009	Year to Date Original Estimate	Actual		Variance to year to date original		Comment
				£	As % of Original estimate 2008/2009	Brackets = adverse No brackets = good		
						£	%	
Rent Allowances	HCS	9,104,000	4,552,000	5,580,210	61%	(1,028,210)	23%	Demand led depending on number of claimants. . Original budget was set based on prior year. This incorporated part year of Council tenants so this years actual will be around £12m. Net impact on the overall budget is reduced by matching government subsidy
Salaries	HFAPM	7,467,600	3,733,800	3,382,226	45%	351,754	(9%)	Variance due to delay in agreement on annual pay rise (approximately £90,000 for quarter 1 & 2). Annual pay rise has now been agreed to be paid in November, quarters 3's report will reflect this. The rest is made up from vacant posts.
Staff Advertising	HRM	70,000	35,000	62,552	89%	(27,552)	79%	Demand led budget related to vacancies. As vacancies have been higher than anticipated, advertising costs are higher reflecting this.
IT Upgrades/ Developments	HICS	91,100	45,550	24,589	27%	20,961	(46%)	The expenditure on this budget is related to projects that are not evenly spread through the year and the total budget is planned to be used in this financial year.
Bus Passes	HP&T	840,700	420,350	346,652	41%	73,698	(18%)	The scheme became national in April 2008. Budget is set on 3 <sup>rd</sup> party calculations; if take up is higher actual could vary significantly by year end.

Key      HP&T    Head of Planning & Transportation  
           HLS      Head of Legal Services  
           HCS      Head of Community Services  
           HFAPM    Head of Finance, Audit & Performance Management

HRM    HR Manager  
 HICS    Head of Information & Customer Services  
 HES    Head of Environmental Services

Item	Lead (See Key)	Original Estimate 2008/2009	Year to Date Original Estimate	Actual		Variance to year to date original		Comment
				£	As % of Original estimate 2008/2009	Brackets = adverse No brackets = good		
						£	%	
Taxi Voucher Scheme	HP&T	120,000	60,000	32,798	27%	27,202	(45%)	Demand is lower than anticipated, possible explanation is that concessionary travel scheme has taken some of the frail users from Taxis to Busses.
Cost of Elections	HICS	80,000	40,000	64,989	81%	(24,989)	62%	Expenditure is higher due to majority of expenditure taking place at the May elections. Revised budget has been proposed at £73,000.

The following item is calculated at the start of the year with only amendments to claims happening during the year. Therefore, it is not possible to give accurate quarterly figures.

Item	Lead (See Key)	Original Estimate 2008/2009		Actual		Variance to year to date original		Comment
						Brackets = adverse No brackets = good		
Council Tax Rebates	HCS	4,243,900	2,121,950	4,439,698	105%	(195,798)	5%	Council Tax is billed at the start of the year and therefore rebates are billed for 12 months. There will then be variations through the year as a result of changes in individual's circumstances.

Key  
 HP&T Head of Planning & Transportation  
 HLS Head of Legal Services  
 HCS Head of Community Services  
 HFAPM Head of Finance, Audit & Performance Management

HRM HR Manager  
 HICS Head of Information & Customer Services  
 HES Head of Environmental Services