
REPORT TO THE MEETING OF THE EXECUTIVE 29 JANUARY 2009**PORTFOLIO: PORTFOLIO HOLDER FOR FINANCE AND RESOURCES****REPORT FROM HEAD OF FINANCE, AUDIT AND PERFORMANCE MANAGEMENT****SUBJECT: BUDGET MONITORING STATEMENT QUARTER 3 2008/09****1 DECISION BEING RECOMMENDED**

- 1.1 To note the contents of the Budget Monitoring Statement for quarter three 2008/09.

2 REASON/S FOR RECOMMENDATION

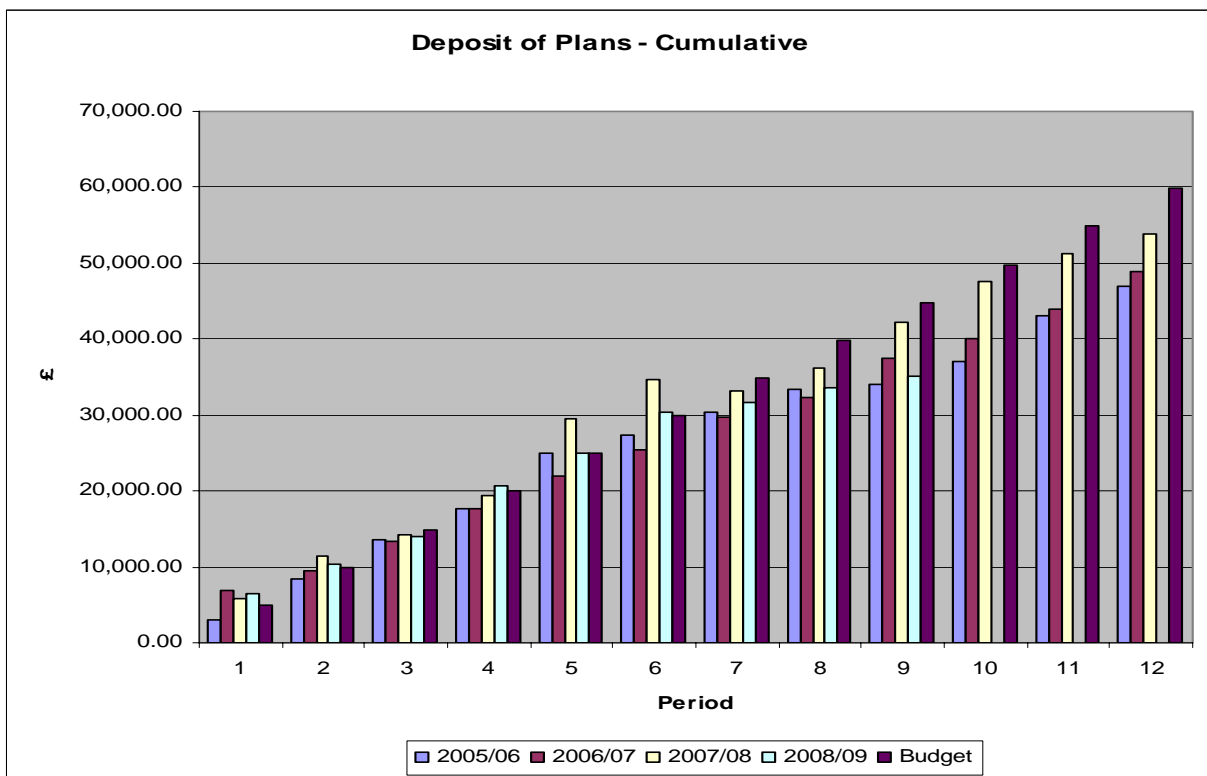
- 2.1 The purpose of this report is to provide members with an update on income and expenditure in the 2008/2009 budget for the third quarter of the year.
- 2.2 A risk based methodology, previously agreed by the Policy & Finance Committee, has been used to identify the items to be included in this report.
- 2.3 A subjective analysis approach is used to amalgamate each type of expenditure and income across the services to produce figures for the total expenditure on, for example, salaries. Appendix 1 details those budget items that are reported for Quarter 3 2008/09. To aid in identifying those budgets that may be at highest risk of not being met, the following risk analysis status coding has been applied where current forecasts based on the year to date, indicate that the final end of year position will be an adverse variance on expenditure or income. The coding has been applied to budgets set at £100,000 and over as significant adverse variances on these may have a material effect on the Council's overall end of year results.
- 2.4 If variance is forecast under 20% then considered a low risk – **Green**
If variance is forecast to be within 20.1% - 40% considered a medium risk – **Amber**
If variance is forecast over 40% then considered a high risk – **Red**
The report includes a comparison of actual against revised estimate as at the end of December 2008.
- 2.5 An additional report has been included as Appendix 2. This is an exceptions report showing other budgets that are currently either 20% or £150,000 over the year to date forecasted figure. It does not repeat items already reported in Appendix 1.

3 OTHER SALIENT INFORMATION

3.1 Planning and Building Control Income is lower than originally budgeted due to the decline in the economy affecting planning applications. Estimates have been revised down for both sources of income for 2008/09 and 2009/10. Building Control income is split into two areas, Deposit of Plans and then First Inspection. By looking at the tables and graphs below you will see that income for the same period last year was around £50,000 higher than the current position. The 5th bar on the graph shows the cumulative estimate for 2008/09 and at the end of period 9 (December 2008) income is £35,045.53 for Deposit of Plans and £115,433.22 for First Inspection. This is a total adverse variance of £22,201 against the revised estimate of £230,000.

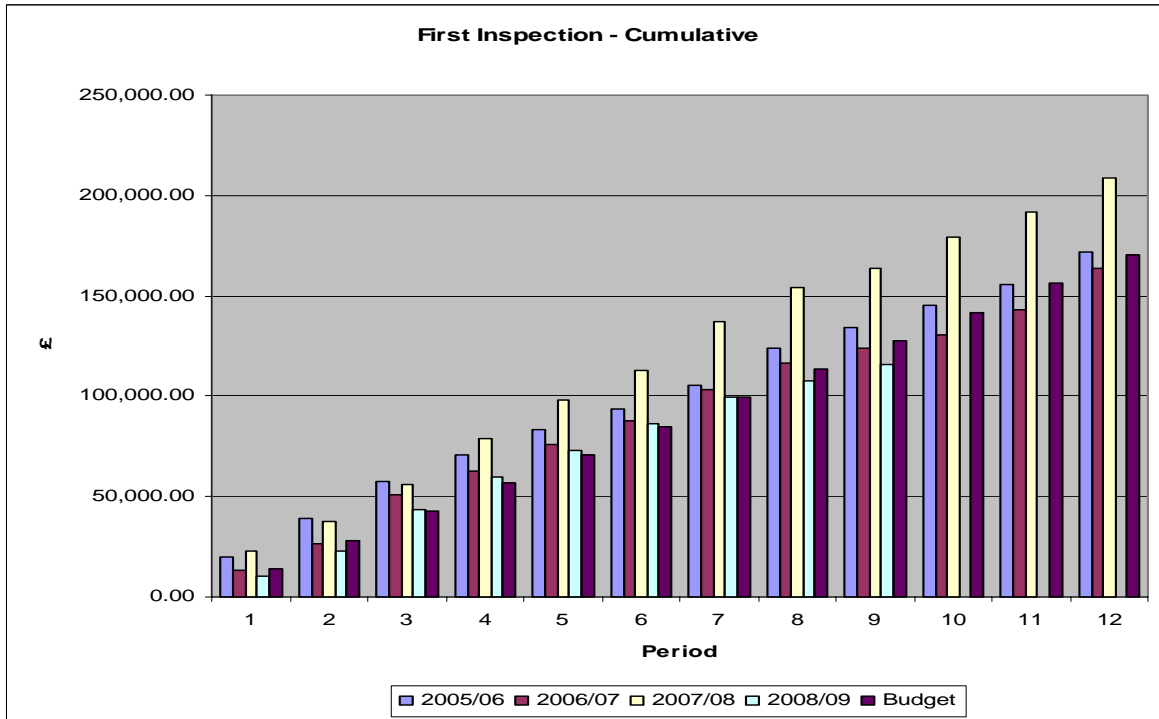
Deposit of Plans

Year	2005/06	2006/07	2007/08	2008/09 To Date
Value £	34,016.63	37,417.70	42,266.32	35,045.53



First Inspection

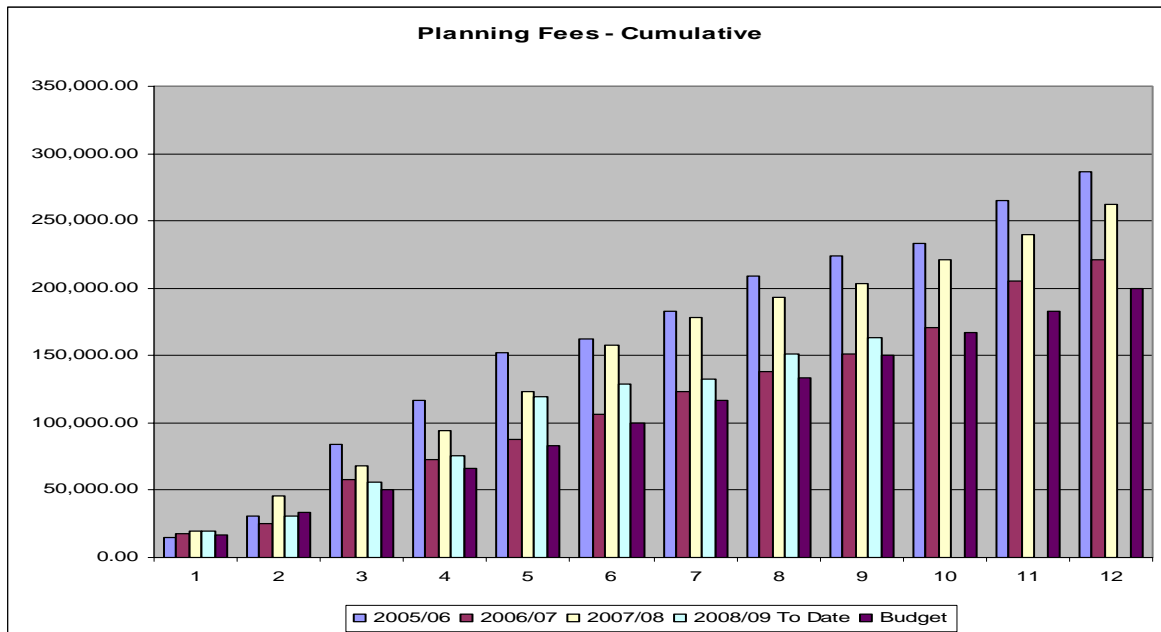
Year	2005/06	2006/07	2007/08	2008/09 To Date
Value £	134,578.91	123,547.39	163,675.45	115,433.22



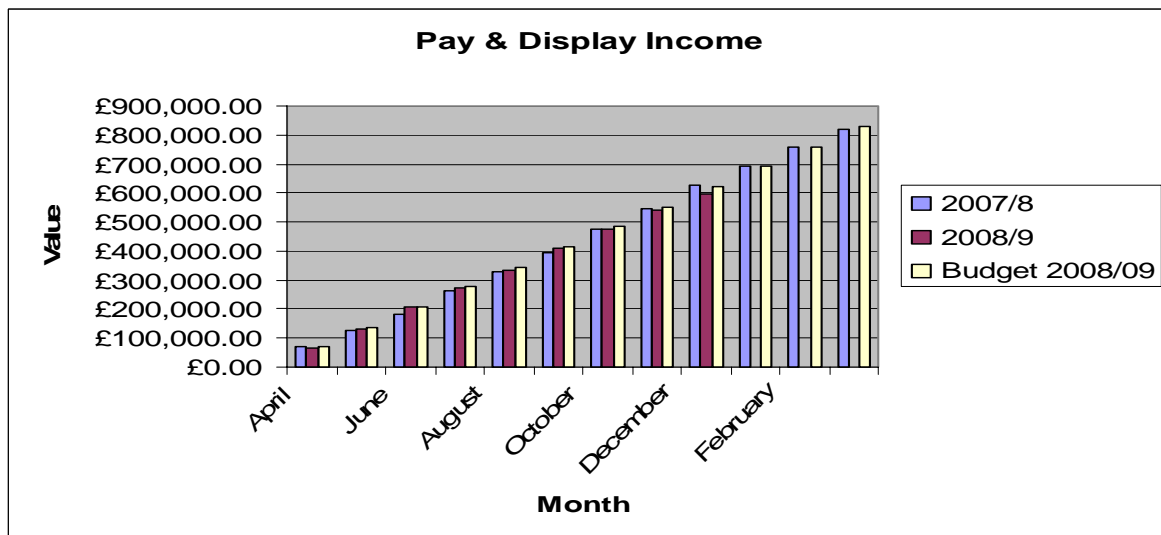
For Planning, income is down by £40,000 for the same period last year. The revised estimate for income in 2008/09 is £200,000, which is £80,000 lower than the original estimate. At the end of quarter 3, income is £13,509 above the year to date forecast of £150,000.

Planning Income

Year	2005/06	2006/07	2007/08	2008/09 To Date
Value	223,706.67	151,152.50	203,827.62	163,508.50



4.2 The graph below shows that income from Pay & Display machines is down on last year by £31,186, and down against estimate to date by £24,274.08. When comparing actual ticket sales at the end of quarter 3 this year to 2007/08, there is a decrease in tickets sold of 8% from 742,520 to 690,126. Currently, pay & display income is expected to be at least £800,000, compared to revised budget of £830,000. Part of the shortfall is due to free parking on Saturdays in the lead up to Christmas.



4.3 Income generated from Penalty charge notices for both On and Off street parking at the end of quarter 3 income was £128,234, 68% of the year to date estimate of £187,500. Actual penalty notices issued were 5,669 compared to

5,987 this time last year. Reasons for this include staff vacancies earlier in the year and the free parking on Saturdays in the lead up to Christmas.

- 4.4 Investment income is down against year to date revised estimate by £74,226. We are expecting to generate £875,000 in investment income by the end of the year. This decrease is reflected in the recent falls in the base rates. At the beginning of October the rate was 5%, dropping steadily to 2% in December. Our treasury management advisors, Sector, predict that base rate could go as low as 0.5% over the coming months. Given the current uncertain economic climate, Officers are working closely with Sector to manage our investment portfolio in the safest way possible, whilst trying to maximise our investment returns.
- 4.5 The estimate for Land charge income is expected to meet revised budget by the end of the year. This has been reduced from £245,000 to £100,000.
- 4.6 One area of income that is higher than expected is cemetery income. Currently income is £10,595 above the year to date budget, revised estimates have been increased to £109,000, an increase of £14,000 on original estimate.

5 RISK IMPLICATIONS

Resource Risk

- 5.1 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.

Operational Risk

- 5.2 Services may be affected if the budget is insufficient. Alternatively, a fall in income may indicate that the service is subject to downturn or pressures in the national economy.

Reputation Risk

- 5.3 The willingness of our customers and partners to work with us is affected by their trust in the Authority. Contractors need to know they will be paid on time and taxpayers need to know that amounts paid to the Council are properly credited to their account and safeguarded, and that there is effective financial management.

Regulatory Risk

- 5.4 The Authority has agreed a Risk Management Strategy, which encompasses the Medium Term Financial Strategy.

6 RESOURCE IMPLICATIONS

- 6.1 All the Authority's individual budgets are reported to service managers and heads of service on a weekly basis. Any actual or anticipated overspends are investigated each month, with managers asked to explain what action they will be taking to rectify the situation.
- 6.2 There has been a reduction in income streams against the original budgets, which have been revised down and reported to the Executive and Review Committee as part of the preparation of the Medium Term Financial Strategy.

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, Audit and Performance Management

Background Papers:-

None

For further information please contact Matthew Petley on:-

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If you would like this report in large print, braille or another language please contact 01702 546366

BUDGET STRATEGY MONITORING STATEMENT – AS AT END OF DECEMBER 2008

Item	Lead (See Key)	Revised Estimate 2008/2009	Year to Date Revised Estimate	Actual		Variance to year to date Revised		Risk Status	Comment
				£	As % of Revised estimate 2008/2009	Brackets = adverse No brackets = good			
						£	%		
Bus Passes	HP&T	841,800	631,350	548,460	65%	82,890	13%		The scheme became national in April 2008. Budget is set on 3 rd party calculations; if take up is higher actual could vary significantly by year end. Final cost is still subject to agreement on apportionment between the Essex authorities, who are waiting on agreement to transfer service to Essex County Council. Budget set is at the upper end of estimated cost for this year.
Taxi Voucher Scheme	HP&T	120,000	90,000	55,123	46%	34,877	39%		Demand is lower than anticipated, which may be due to increase in the use of the concessionary travel scheme.
Taxi Licensing Income	HP&T	(83,000)	(62,250)	(65,425)	79%	3,175	5%		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	(100,000)	(75,000)	(79,331)	79%	4,331	6%		Estimate has been reduced by £145,000. Income is anticipated to meet revised budget by end of year.

Key: Lead Officer

HCS – Head of Community Services
 HLS – Head of Legal Services
 HICS – Head of Information & Customer Services
 PMHM – Property Maintenance and Highways Manager
 HFAPM – Head of Finance, Audit & Performance Management

HRM – Human Resources Manager
 HES – Head of Environmental Services
 Cex – Chief Executive
 HPT – Head of Planning & Transportation

Item	Lead (See Key)	Revised Estimate 2008/2009	Year to Date Revised Estimate	Actual		Variance to year to date Revised		Risk Status	Comment
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Cost of Elections	HICS	73,000	54,750	69,989	96%	(15,239)	(28%)		Year to date expenditure appears higher as the majority of expenditure takes place at the May elections. There will not be any more significant spend on this budget this year, and it should therefore be within budget.
Cemetery Income	HLS	(109,000)	(81,750)	(92,345)	85%	10,595	13%		It is difficult to forecast the demand for monuments and interments, but currently exceeding budget.
Parking Fees Income	HP&T	(830,000)	(622,500)	(598,226)	72%	(24,274)	(4%)	G	Although the original estimate was revised down by £33,000 to £830,000, it is currently looking like the revised budget will not be met. There was a late banking of December takings of £27,911 which would take the total to £626,137.
Permits / Season Tickets Income	HP&T	(180,000)	(135,000)	(119,865)	67%	(15,135)	(11%)	G	Variable budget, this is set based upon previous year's take-up.
Penalty Charge Notices - Off St	HP&T	(105,000)	(78,750)	(56,388)	54%	(22,362)	(28%)	A	Income is down against budget which may be due to the free parking offered on Saturdays over the Christmas period.
Penalty Charge Notices – On St.	HP&T	(145,000)	(108,750)	(71,846)	50%	(36,904)	(34%)	A	
Planning Fees Income	HP&T	(200,000)	(150,000)	(163,509)	82%	13,509	9%		Income is now expected to meet the

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Building Control income	HP&T	(230,000)	(172,500)	(150,479)	65%	(22,021)	(13%)	G	reduced revised budgets.
Salaries	HFAPM	7,029,647	5,272,235	5,264,462	75%	7,773	0%		Annual pay rise has now been paid to officers. Small variance relates to vacant posts.
Staff Advertising	HRM	90,000	67,500	63,211	70%	4,289	6%		Demand led budget relating to staff vacancies. Expected to match budget at end of year.
Net External Finance Income	HFAPM	(875,000)	(656,250)	(582,024)	67%	(74,226)	(11%)	G	Income to date includes interest earned on investments placed to the end of the period. The amount invested is dependent on demands on cash flow and therefore can vary significantly one year to the next; it is also affected by interest rates and with the forecast changes in rates before the end of the year, it is now expected that income will be below budget.
IT Upgrades/ Developments	HICS	91,100	68,325	66,293	73%	2,032	3%		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.

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Recycling Credits & Sales Income	HES	(647,000)	(485,250)	(247,412)	38%	(237,838)	(49%)	R	This income is received from Essex County Council based on tonnage and is paid in arrears. Officers have received verbal assurances from Essex County Council that, if recycling rates remain high, then this income will be received.
Car Allowances	HFAPM	105,500	79,125	74,111	70%	5,014	6%		Relates to mileage claimed by officers for work related travel. Should not vary substantially from budget.
IT Contract	HICS	885,000	663,750	519,316	59%	144,434	22%		Actual includes contract costs paid up to and including October. November and December will be paid in January. There are some additional cost that might alter the contract slightly. These relate to additional software products that are purchased during the year that Sungard then support.
Grounds Maintenance Contract	HES	860,200	645,150	661,053	77%	(15,903)	(2%)	G	Additional costs relate to areas of land that require grounds work that were not part of the original contract. Not expected to vary from budget significantly.

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						£	%		
Waste Recycling Contract	HES	1,954,900	1,466,175	1,168,665	60%	297,510	20%	Actual includes contract costs paid up to and including October. November and December will be paid in January. Variations will also affect the overall cost of the contract by the end of the year. There is an additional £12,500 for waste collection to the infirm and conservation areas, where standard wheelie bins cannot be used.	
Street Cleansing Contract	HES	533,400	400,050	300,266	56%	99,784	25%	Actual includes contract costs paid up to and including October. November and December totalling £99,784 will be paid in January. Assuming similar costs as quarter 1 and 2, then not expected to vary from budget by end of year.	
Rent Allowances	HCS	12,024,329	9,237,075	9,142,594	74%	94,481	1%	Demand led depending on number of claimants. Net impact on the overall budget is reduced by matching government subsidy	

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The following items are 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)	Revised Estimate 2008/2009	Actual		Comment
			£	As % of Revised estimate 2008/2009	
Housing Benefit Subsidy Income (Rent Allowances Rebates, Council Tax Benefits/ Admin Subsidy)	HCS	(16,378,826)	(16,378,826)	75%	Subsidy payments are based on grant claims submitted at key points in the financial year. Current figures are based on a revised subsidy claim run immediately prior to this report.
Council Tax Rebates	HCS	4,422,345	4,422,345	75%	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. Currently figures are based on a revised subsidy claim run immediately prior to this report.

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**Exceptions Report - Under/Over Spends by more than 20% or £150k of Revised year to date
– as at end of December 2008**

Item	Lead (See Key)	Revised Estimate 2008/2009	Year to Date Revised Estimate	Actual	Variance to year to date Revised		Comment
				£	Brackets = adverse No brackets = good		
					£	%	
Homelessness – Contracted Accommodation	HCS	160,000	120,000	150,271	(30,271)	(25%)	There has been a significant increase in the number of homelessness applicants. There has also been a shortage of social rented units, especially 3 bed accommodation and difficulties in getting applicants into private tenancies due to both landlords' reluctance and the high rents being charged. Officers are looking at ways to address both issues. The overall position is that we have an overall cost to date of £68,938 against a net budget of £75,000.
Homelessness – Contracted Accommodation Recharge	HCS	(85,000)	(63,750)	(81,333)	17,583	28%	

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