
REPORT TO THE MEETING OF THE EXECUTIVE ON 3 SEPTEMBER 2008

PORTFOLIO: FINANCE AND RESOURCES

REPORT FROM HEAD OF FINANCE, AUDIT AND PERFORMANCE MANAGEMENT

SUBJECT: BUDGET MONITORING STATEMENT

1 DECISION BEING RECOMMENDED

- 1.1 To note the contents of the Budget Monitoring Statement.

2 REASON/S FOR RECOMMENDATION

- 2.1 The purpose of this report is to provide Members with a monitoring report on income and expenditure in the 2008/09 budget for the first quarter of the year.
- 2.2 A risk based methodology, previously agreed by the former Policy and 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 1 2008/09. The report includes the risks considered for each budget and a comparison of actual against original estimate as at the end of June 2008.
- 2.4 An additional report has been included as Appendix 2. This is an exceptions report showing other budgets that are currently either 25% or £150,000 over the year to date forecasted figure. It does not repeat items already reported in Appendix 1.

3 ALTERNATIVE OPTIONS CONSIDERED

- 3.1 None

4 OTHER SALIENT INFORMATION

- 4.1 The Council will be receiving a much lower amount of Planning Delivery Grant income than in previous years. For 2008/09 we are due to receive just £11,000, compared to £287,954 in 2007/08. This compares to Chelmsford Borough Council and Colchester District Council who are receiving in excess of £700,000. In particular, we are not receiving a £72,309 bonus for identifying a 5 year land supply of deliverable sites.
- 4.2 Recycling Credits Income for the first quarter is low for several reasons - it is paid in arrears from Essex County Council so the first quarter's income relates

to the last quarter of the previous year, when recycling rates are lower than the Summer period. Secondly, Essex County Council have not yet confirmed the formula arrangements for recycling credits and finally the estimate was based on the new recycling scheme starting in April 2008, but, for operational reasons, it actually started on 21 July. As at 12 August, the income received is £51,515. The next monitoring report for the period to the end of September will include an update on the forecast income for the year.

- 4.3 Total Parking income is down against year to date budget by £78,143, this compares to the same period last year where the variance was £47,714 below budget. At the end of the year, income was £117,000 over budget. These budgets will continue to be closely monitored as there may be some adverse impact from the High Street closure in Rayleigh and the national rollout of the Concessionary Fare scheme. However an area of concern was the sharp fall in both On and Off Street Penalty Charge Notice income which was in part due to staffing issues. At the end of quarter 1 income was £14,786, 24% of the quarter 1 estimate of £62,500. This has now picked up and as at 12 August 2008, the total income is £38,646, which is 42% of the estimate of £91,000 for the period 1 April 2008 to 12 August 2008.
- 4.4 As part of our continued partnership working with Rochford Housing Association (RHA) we have entered into an arrangement that allows RHA and the Council to reclaim the VAT on works done by RHA in former council homes. RHA have pledged to spend approximately £6m in 2008/09 on bringing homes up to the decent standard as laid out by central government. So far Rochford District Council has recouped £11,036 in VAT income on these works, with forecast income for the year of £787,500, to be used to fund the Capital Programme. We will receive the income on a quarterly basis as it is linked to the VAT returns that RHA submit to HM Revenues and Customs.

5 RISK IMPLICATIONS

Resource Risk

- 5.1 In year, changes to legislation and external funding. 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 there are problems with the service provided.

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.

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 Generally, there is a reduction in income streams against the year to date budget, but the major streams such as parking and recycling are seasonal. The impact of the economic situation on income will be closely monitored over the next 2 months as revised estimates are prepared for this financial year. A report on the mid year review of budgets and monitoring report for Quarter 2 will be presented to the Executive on 5 November.

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: _____

Date: 21 August 2008

HEAD OF FINANCE, AUDIT AND PERFORMANCE MANAGEMENT

Background Papers:

None

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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 JUNE 2008

Item	Risk Consideration	Lead (See Key)	Original Estimate 2008/09	Year to Date Original Estimate	Actual		Variance to year to date original		Comment
					£	As % of Original estimate 2008/09	Brackets = adverse No brackets = good		
							£	%	
Bus Passes	Demand Led. Uncertainties over demand as changes are made to the scheme. We are also reliant on 3 rd party to provide estimates and calculate costs.	HP&T	840,700	210,175	177,518	21%	32,657	-16%	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.
Taxi Voucher Scheme	Demand Led.	HP&T	120,000	30,000	9,308	8%	20,692	-69%	Demand is lower than anticipated, possible explanation is that concessionary travel scheme has taken some of the frail users from Taxis to Busses.

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Taxi Licensing Income	Demand Led.	HP&T	(80,200)	(20,050)	(18,790)	23%	(1,260)	-6%	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	Demand Led. Affected by property market	HLS	(245,000)	(61,250)	(37,989)	16%	(23,261)	-38%	Income is lower due to the slump in property market, if present situation continues, estimate will be reduced at revised setting time. Income for the same period last year was £71,000.
Cost of Elections	Legislative changes.	HICS	80,000	20,000	42,892	54%	(22,892)	114%	Expenditure is higher due to majority of expenditure taking place at the May elections. Budget will be reduced at revised time if not all needed.
Cemetery Income	Demand Led.	HLS	(95,000)	(23,750)	(24,152)	25%	402	2%	It is difficult to forecast the demand for monuments and interments.

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Parking Fees Income	Variable Budget	HP&T	(863,000)	(215,750)	(203,342)	24%	(12,408)	-6%	Actual income is down compared to budget. Tickets bought in the first quarter are 225,000 compared to 245,000 in the first quarter of 2007/08. Factors could be rising price of fuel, and an increasing use of bus passes instead of travelling by car.
Permits/ Season Tickets Income	Variable Budget. Too high a rise in ticket prices may put public off buying a ticket.	HP&T	(200,000)	(50,000)	(31,979)	16%	(18,021)	-36%	Variable budget, this is set based upon previous year's take-up.

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Penalty Charge Notices - Off St	Affected by Staffing Levels.	HP&T	(105,000)	(26,250)	(14,786)	14%	(11,464)	-44%	The department have been one member of staff down on patrol officers, additionally they are one member of staff down on the admin side. Actual notices issued are: 1,098 for On St, and 876 for Off St. This compares to 977 On St and 695 Off St in Q1 07/08, Additionally if paid within 14 days the fine is now £50, compared to £70 last year.
Penalty Charge Notices – On St.	Affected by staffing levels. Risk is that department could loose staff again.	HP&T	(145,000)	(36,250)	0	0%	(36,250)	-100%	
Planning Fees Income	Demand Led.	HP&T	(280,000)	(70,000)	(55,599)	20%	(14,401)	-21%	
Building Control income	Demand Led.	HP&T	(285,000)	(71,250)	(57,287)	20%	(13,963)	-20%	

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Housing Benefit Subsidy Income (Rent Allowances Rebates, Council Tax Benefits/ Admin Subsidy)	Variable budget, although the impact on revenue budget is reduced by Council Tax rebates & Rent Allowances paid.	HCS	(13,254,963)	(3,313,741)	(5,502,231)	42%	2,188,490	66%	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 slightly from budget. Income is higher due to prior year rent allowance subsidy being received in 08/09.

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Rent Allowances	Variable budgets - impact on the net revenue budget is reduced by Government Subsidy.	HCS	9,104,000	2,276,000	2,690,138	30%	(414,138)	18%	Demand led depending on number of claimants. Net impact on the overall budget is reduced by matching government subsidy.
Council Tax Rebates		HCS	4,243,900	1,060,975	1,102,795	26%	(41,820)	4%	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.
Salaries	Members agree staffing structure. No control over other costs like National Insurance Contributions.	HFAP M	7,467,600	1,866,900	1,660,823	22%	206,077	-11%	Variance due to delay in agreement on annual pay rise (approximately £45,000 for quarter 1). The rest is made up from vacant posts.

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Staff Advertising	Variable budget related to number of vacancies and difficulty in recruitment	HRM	70,000	17,500	44,788	64%	(27,288)	156%	Demand led budget related to vacancies. As vacancies have been higher than anticipated, advertising costs are higher reflecting this.
Net External Finance Income	Main risk areas surround timings of investments and fluctuations in interest rates	HFAP M	(725,000)	(181,250)	(174,766)	24%	(6,484)	-4%	Income to date includes interest earned on investments placed to the end of the year. 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 therefore will vary from budget.

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IT Upgrades/ Developments	Based on agreed IT Strategy.	HICS	91,100	22,775	9,958	11%	12,817	-56%	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.
Recycling Credits & Sales Income	Variable Budget	HES	(618,700)	(154,675)	(6,241)	1%	(148,434)	-96%	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. Following the start of the recycling scheme in July, recycling rates will pick up significantly. As at 12 August, income is £51,515.

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EXCEPTIONS REPORT - UNDER/OVER SPENDS BY MORE THAN 25% OR £150K OF ORIGINAL BUDGET YEAR TO DATE – AS AT END OF JUNE 2008

Item	Lead (See Key)	Original Estimate 2008/09	Year to Date Original Estimate	Actual	Variance to year to date original		Comment
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Homelessness – Removals & Storage	HCS	10,000	2,500	5,851	(3,351)	134%	There has been a significant increase in the number of homelessness applicants. One problem has been 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.
Homelessness – Contracted Accommodation	HCS	50,000	12,500	50,678	(38,178)	305%	
Homelessness – Contracted Accommodation Recharge	HCS	(18,000)	(4,500)	(25,623)	21,123	469%	
Planning Development - Planning Appeals	HLS	15,000	3,750	15,479	(11,729)	313%	Spend will be monitored. There is £8,781 in a reserve which will cover current overspend.
Public Health – Dog Kennelling	HES	9,000	2,250	3,668	(1,418)	63%	Transfer of responsibility for stray dogs from police means additional costs estimated at £7,000. This was agreed by Executive Board on 26 March 2008. Budget will be increased when the revised estimates are set.
Office Accommodation Rayleigh - Oil	HICS	6,000	1,500	3,638	(2,138)	143%	Impact of rise in oil prices.

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