

Report of	Meeting	Date
Director of Finance (Introduced by the Executive Member for Resources, Councillor G Morgan)	Executive Cabinet	5 <sup>th</sup> October 2006

## REVENUE BUDGET MONITORING 2006/07 - REPORT 3 (END OF AUGUST 2006)

### PURPOSE OF REPORT

1. This paper sets out the current financial position of the Council as compared against the budgets and efficiency savings targets it set itself for 2006/07 for the General Fund and the Housing Revenue Account.

### CORPORATE PRIORITIES

2. This report does not directly relate to the corporate priorities.

### RISK ISSUES

3. The issue raised and recommendations made in this report involve risk considerations in the following categories:

Strategy	✓	Information	
Reputation	✓	Regulatory/Legal	
Financial	✓	Operational	✓
People		Other	

4. Actions to manage the budget have the potential to impact on all of the above risk categories.

### BACKGROUND

5. The Council's budget for 2006/07 included real cash savings targets of £278,000 from the management of the establishment and a further £60,000 of savings to come from efficiency and procurement related activities.

### CURRENT FORECAST POSITION

6. The appendix 1 shows the summary forecast position for the Council based upon actual spending to the end of August, adjusted for future spending based upon assumptions regarding vacancies and service delivery. No individual service unit figures are attached. These are available for inspection in the Members Room.
7. In my last report I advised on the projected outturn which forecast an overspend of £66,000, This position has since changed and the current projection is now for an overspend of £170,000.

8. The latest forecast shows how the position has changed. The significant movements since my last report are shown in the table below, further details are contained in the service unit analysis available in the members room:

**Table 1 – Significant Variations since the last monitoring report**

	<b>£'000</b>
Additional salary savings in forecast	(27)
Impact of revised start date for transfer of Duxbury Jubilee Golf Course	27
Building Control Fee income	27
Planning Application Fee income	(17)
Recruitment Costs	44
Training Costs	(12)
Benefits payments	25
Net Financing Costs	13
Other minor forecasts	24
Net change since June report	104

9. As part of our continuing drive to identify savings that contribute towards our annual targets, a further £12,000 has been identified relating to the management of our establishment. These savings have arisen in a number of directorates, and further savings should be identified over the coming months. This now brings the total savings identified to £235k against a target for the year of £278k.
10. One of the changes being reported this month is the impact of the revised start date for the transfer of Duxbury Jubilee Golf Course to Glendale Managed Services Ltd. The original budget for 2006/07 was based on an assumption that the transfer would take effect from 1 July 2006 and therefore included a provision for golf fees income for the first quarter of the year. As the actual date of transfer was in March of this year, the anticipated income for quarter one will not be realised leaving a shortfall against the 2006/07 budget.
11. In the previous report to Cabinet the reduction in income within the Development & Regeneration directorate was identified as a cause for concern. In response to this, the Director for Development & Regeneration is undertaking a study to determine how this can be balanced with cost savings.
12. The forecast position for Building Control fees within Development & Regeneration has not improved since the last report, but with an increase in Planning Application Fees income together with a contribution from reduced staffing costs, indications are that the service can recover the position.
13. The current forecast overspend on recruitment costs is a result of the new Director level posts created in the new management structure together with agency introduction and consultancy fees to fill posts within Human Resources.
14. In previous reports to the Executive Cabinet I have advised of the volatility of a number of budgets. One such budget that has the potential to impact significantly on our year-end position is the budget for housing benefit payments. At this stage in the year it is impossible to accurately predict the level of overspend on the budget, as the very nature of the expenditure is that it is demand driven. That said based on previous years experience I feel it is prudent at this stage to advise members of a potential overspend of approximately £50k.

15. There are some steps that can be taken to reduce this level of overspend including reviewing the level of the provision for bad debts on overpayments. This review is normally conducted at the end of each financial year and takes into account the success of our recovery procedures in ensuring overpayments are repaid to the council. Taking into account such factors I have currently included an estimate of £50k as an overspend, but should information come to light that requires this figure to be amended, I will report back to the cabinet at that time.
16. Another area previously reported to members as requiring close monitoring has been the concessionary travel budget. Following changes in the statutory requirements placed on the council, the cash budget this year has increased to £514k from £217k in 2005/06. At the moment there has been insufficient information received to determine if the increased budget will adequately cover the increased costs arising from the enhanced scheme. The County Council has provided an initial estimate, but there are a number of areas that require clarification. The budget will be kept under constant review, and members informed as soon as any significant variations from budget are known.

## **HOUSING REVENUE ACCOUNT**

17. The forecast for the HRA at the end of 2005/06 was for balances to be at £534k, however the actual outturn position resulted in a higher than expected contribution to balances taking them to £592k.
18. In the last report balances were forecast to be in the region of £683k at the end of the year. At the Executive Cabinet on the 24<sup>th</sup> August approval was given to utilise £150k of the regional Housing Capital Grant to replace the HRA contribution to capital, this increases the expected balances to £833k.

## **SUMMARY**

19. Progress continues to be made towards the Corporate Savings Target of £278,000 for the year. Further savings will be made as the year progresses and more vacancies occur. However there appear to be a number of cost pressures building that indicate that limited action is now required.
20. I suggest a review of all budget heads is undertaken and potential savings be identified so that should the position not improve the Council is in a position to take immediate steps to bring the budget back into balance. Accordingly Directors will now be asked to identify cost reductions to meet the cash target set out in the original budget.
21. There are a number of areas that will be monitored closely as the year progresses, these are:
  - Contribution to Corporate Savings and Efficiency Targets
  - Agency Staff costs
  - Income streams from Development & Regeneration and associated recovery plan
  - Increased refuse collection costs
  - Concessionary travel and benefit costs

## **RECOMMENDATIONS**

22. Executive Cabinet are asked to:
  - a) Note the contents of the report and the actions in progress.

**REASONS FOR RECOMMENDATIONS**  
**(If the recommendations are accepted)**

23. To ensure the Council's budgetary targets are achieved.

**ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

24. None

GARY HALL  
DIRECTOR OF FINANCE

There are no background papers to this report.

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Dave Bond	5488	Sept 2006	ADMINREP/REPORT

# General Fund Revenue Budget Monitoring 2006/07

# APPENDIX 1

Forecast Outturn as at August 2006

	(1) Original Budget £	(2) Agreed Changes £	(3) Original Cash Budget £	(4) Contribution to Corp. Savings (Staffing) £	(4) Contribution to Corp. Savings (Other) £	(5) Current Cash Budget £	(6) Forecast Outturn £	(7) Variance £	(8) Variance %
Chief Executive's Office	966,090	32,130	998,220	(85,120)	(1,370)	911,730	897,730	(14,000)	-1.54%
Customer, Democratic & Legal Services	2,105,500	(8,430)	2,097,070	(740)	(5,000)	2,091,330	2,145,330	54,000	2.58%
Development & Regeneration	890,980	5,000	895,980	(30,000)		865,980	876,170	10,190	1.18%
Finance	1,481,380	(23,440)	1,457,940	(37,030)	(72,110)	1,348,800	1,348,800	-	0.00%
Human Resources	697,140		697,140		(250)	696,890	730,890	34,000	4.88%
Information & Communication Technology Services	939,560	19,000	958,560	(9,000)		949,560	951,560	2,000	0.21%
Leisure & Cultural Services	1,197,010	32,250	1,229,260		(370)	1,228,890	1,255,890	27,000	2.20%
Policy & Performance	534,680	17,090	551,770	(21,590)		530,180	530,180	-	0.00%
Property Services	35,010	(24,750)	10,260			10,260	19,260	9,000	87.72%
Streetscene, Neighbourhoods & Environment	4,696,680	54,550	4,751,230	(51,480)	(220)	4,699,530	4,761,530	62,000	1.32%
Budgets Excluded from Finance Unit Monitoring:									
Benefit Payments	(381,050)		(381,050)			(381,050)	(331,050)	50,000	-13.12%
Concessionary Fares	513,250		513,250			513,250	513,250	-	0.00%
Pensions Account	212,730		212,730			212,730	212,730	-	0.00%
Less									
<b>Corporate Savings Targets</b>									
Efficiency/Other Savings	(60,000)	(278,050)	(60,000)		79,320	19,320	-	(19,320)	-100.00%
Management of Establishment	(278,050)		(278,050)	234,960		(43,090)	-	43,090	-100.00%
<b>Total Service Expenditure</b>	<b>13,888,960</b>	<b>(234,650)</b>	<b>13,654,310</b>	<b>-</b>	<b>-</b>	<b>13,654,310</b>	<b>13,912,270</b>	<b>257,960</b>	<b>1.9%</b>
<b>Non Service Expenditure</b>									
Contingency Fund	100,000		100,000			100,000	-	(100,000)	0.0%
Contingency - Salary Related Savings	(278,050)	278,050	-			-	-	-	0.0%
Contingency - Procurement Savings	(35,000)		-			-	-	-	0.0%
Contingency - Gershon Savings	(25,000)		-			-	-	-	0.0%
Notional Capital Charges	1,168,670		1,168,670			1,168,670	1,168,670	-	0.0%
Revenue Contribution to Capital	-	166,670	166,670			166,670	166,670	-	0.0%
Net Financing Transactions	219,210		219,210			219,210	271,970	52,760	24.1%
Parish Precepts	535,399		535,399			535,399	535,399	-	0.0%
<b>Total Non Service Expenditure</b>	<b>1,685,229</b>	<b>504,720</b>	<b>2,189,949</b>	<b>-</b>	<b>-</b>	<b>2,189,949</b>	<b>2,142,709</b>	<b>(47,240)</b>	<b>-2.2%</b>
<b>Financed By</b>									
Council Tax	(6,495,201)		(6,495,201)			(6,495,201)	(6,495,201)	-	0.0%
Aggregate External Finance	(7,743,127)		(7,743,127)			(7,743,127)	(7,743,127)	-	0.0%
Collection Fund Surplus	(48,561)		(48,561)			(48,561)	(48,561)	-	0.0%
Use of Earmarked Reserves - deferred charges	(1,167,670)		(1,167,670)			(1,167,670)	(1,167,670)	-	0.0%
Use of Earmarked Reserves - capital financing	(166,670)		(166,670)			(166,670)	(166,670)	-	0.0%
Use of Earmarked Reserves - revenue expenditure	(120,000)		(223,400)			(223,400)	(263,400)	(40,000)	0.0%
Use of General Balances	370		370			370	-	(370)	0.0%
<b>Total Financing</b>	<b>(15,574,189)</b>	<b>(270,070)</b>	<b>(15,844,259)</b>	<b>-</b>	<b>-</b>	<b>(15,844,259)</b>	<b>(15,884,629)</b>	<b>(40,370)</b>	<b>-0.3%</b>
<b>Net Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>170,350</b>	<b>170,350</b>	<b>1.25%</b>

<b>General Balances Summary Position</b>	<b>Budget</b> £	<b>Forecast</b> £
General Fund Balance at 1.4.05	750,000	1,000,000
Variations agreed utilising General Fund Balance	-	(370)
Forecast (Over)/Under Spend	-	(170,350)
<b>Forecast General Fund Balance at 31.3.06</b>	<b>750,000</b>	<b>829,280</b>

**SERVICE LEVEL BUDGET MONITORING 2006/2007****HOUSING REVENUE ACCOUNT**

AUGUST 2006

£'000

**ORIGINAL SURPLUS (-) / DEFICIT (+) FOR YEAR****(75)****BALANCE AS AT 1.4.06****(592)****Add Adjustments for In year cash movements**

Slippage from 2005/2006

Virements for other Services

Transfer from contingency

Cabinet approved decisions

Delegated Authority decisions

**ADJUSTED HRA BALANCES EXPECTED at 31.3.07****(667)****FORECAST****EXPENDITURE**

Revenue Contribution to Capital

(150)

Job Evaluation Costs

53

Expenditure under(-) or over (+) current cash budget

(97)

**INCOME**

Rents

(40)

Garages

(4)

Other Charges

(25)

Income under (+)/ over (-) achieved

(69)

**FORECAST BALANCES AS AT 31.3.07****(833)****Key Assumptions****Key Issues/Variables**

Repairs and Maint expenditure

Management and Maint Expenditure

**Key Actions**

Control of above