

PRINCIPAL SCRUTINY COMMITTEE

11 September 2006

CABINET

13 September 2006

BUDGET MONITORING & EFFICIENCIES OVERVIEW TO JULY 2006

REPORT OF DIRECTOR OF FINANCE

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RECENT REFERENCES:

CAB1270 Capital Strategy and Programme 2006 26 July 2006

CAB1291 Efficiency Strategy 26 July 2006

CAB1267 Overview of Final Accounts 2005/06 21 June 2006

EXECUTIVE SUMMARY:

This report gives a summary of the Council's revenue and capital budgets compared with its expenditure and income for the period 1 April 2006 to 31 July 2005 for General Fund and Housing Revenue Account services. The overall position for services is showing an overspend of £190,000 to the end of July (slightly less than 1% of the budget).

The report also provides a progress update on Efficiencies and a revised Efficiencies Statement for the current year.

RECOMMENDATIONS:

PRINCIPAL SCRUTINY COMMITTEE

That Principal Scrutiny Committee considers the possible supplementary estimate request of £108,000 for repairs to the Casson Block and whether it wishes to make any comments to Cabinet or the relevant portfolio holder on any matters arising from this report.

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Cabinet considers the current position and any matters raised by Principal Scrutiny Committee.

That Council be requested to approve a supplementary capital estimate of £108,000 for repairs to the Casson Block.

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BUDGET MONITORING OVERVIEW TO JULY 2006

Report of Director of Finance

1 Introduction

1.1 This is the first overview report for the current financial year and gives a summary of the Council's revenue and capital budgets compared with its expenditure and income for the period 1 April 2006 to 31 July 2006 for General Fund and Housing Revenue Account services.

1.2 All Directors receive a budget monitoring report each month. Budget and performance monitoring reports will be considered by each of the Scrutiny Panels at their scheduled meetings in October.

2 2006/07 Working Budget

2.1 Council at the meeting on 25 February 2006 approved the revenue budget for 2006/07 at £12,597,830. Cabinet on 21st June 2006 approved carry forwards of £0.459m and LABGI (local authority business growth incentive) proposals of £0.408m.

2.2 Variances of actual expenditure against working budget for the period are shown in Appendices 1 and 2. The overall position for services is showing an overspend of £190,000 to the end of July (slightly less than 1% of the budget). Significant variances are explained below.

3 Chief Executive

3.1 No significant variances.

4 City Secretary and Solicitor

4.1 Land Charges income is in excess of budget (£31,000). This reflects increased search activity compared to the reduced levels last year. Although the income level is improved, the statutory basis upon which charges are levied changes for 2007/08. This means that the level of charge may reduce and this will need to be considered in the budget process.

5 Human Resources

5.1 There is an underspend on training of about £25,000 offset by additional expenditure on advertising and agency expenses.

6 Finance

6.1 Benefit payments are currently significantly higher than budgeted for (some £340,000). This will be offset by additional subsidy. Also included in the benefit income is around £50,000 identified as fraudulent overpayments of benefits that

have been raised as amounts recoverable. A view will be taken later in the year of the extent to which these can be recovered successfully and of the bad debt provision that will be necessary.

- 6.2 Within Finance there is currently an overspend for agency staff. This is largely within Design and Print where long term sickness during a crucial period relating to the production of the local plan has necessitated bringing in additional help. There has also been a 20% increase in workload in the first quarter compared with last year.
- 6.3 Looking ahead, the final Benefit subsidy claim for 2005/06, which has just been submitted, is for £300,000 more than was included in the Accounts. There is the possibility of additional one off income once the claim has been audited and agreed.
- 6.4 Changes in accounting practice for capital charges may also affect the budget in future, with a possible reduction in the cost of office accommodation that is subsequently recharged to the HRA. There are national discussions taking place which may affect the eventual impact of the changes.

7 Communities

- 7.1 The AWC project shows as underspent currently as the collection costs have not yet been incurred. The budget profile will be adjusted to allow for spend patterns and predicted future costs.
- 7.2 Street cleansing is underspent at present as the costs for trunk road cleansing will not be incurred until later in the year. There have also been delays in the recruitment of staff to assist with Clean Neighbourhoods & Environment Act workload. The budget profile will be adjusted to allow for future expenditure.
- 7.3 Hostel rents are collected as part of new agency agreement. They are now due in third quarter and the budget will be revised to reflect this. Supporting people grant has reduced following new contract agreements with Hampshire County Council. This is partly offset by increased service charges. The net reduction in projected receipts amounts to £50,000 per annum and will be considered as part of the review of Central Control charges to the HRA to be reported to Cabinet as part of the budget review process in December.

8 Development

- 8.1 Expenditure on agency staff is ahead of budget reflecting the need to find temporary cover for staff on maternity leave (including two principal planning officers) and to deal with work on major planning applications – Silver Hill and West of Waterlooville. The additional cost is partly offset by savings in the salaries budget from unfilled vacancies and can be balanced later in the year by virement from the planning fee income which is running ahead of target (again due to major applications received).
- 8.2 Income from car parking fees is some £90,000 behind target. There is no single factor to explain this. Weekday use of the park and ride service is now running near capacity which suggests that drivers are using park and ride rather than higher cost (and therefore higher income) town centre cars. The result is a reduction in income from season ticket sales. This transfer of long term parking from town centre car parks to park and ride is an objective of the Council's car parking and air quality management policies. It is beneficial in environmental but not in financial terms. Further analysis is being carried out to determine more precise contributory

factors but it is unlikely that this income will be made up later in the year and the shortfall may increase further if income remains below profiled budget.

- 8.3 There has been a short delay in the implementation of the proposed increase in charges for resident's parking permits which was assumed in the 2006/07 whilst the proposals are reviewed by the Portfolio Holder for Planning and Transport. This will result in slightly lower income than planned in the current financial year.
- 8.4 Commercial property repairs is showing an overspend and rental income and engineering projects income are currently below target – these will need to be monitored closely over the next few months.

9 Capital Programme Budget

- 9.1 Significant variances are explained below.
- 9.2 The Budget projections assumed that right to buy receipts of £0.5m (net after pooling) would be received during the year. These would be used to fund Social Housing Grant (SHG). To date there is little sales activity and it is possible that the forecast will not be achieved. This will have an impact on the level of support that the Council can give to registered social landlords through the SHG programme.
- 9.3 The e-government budget for the current year includes £0.5M brought forward from last year in respect of ongoing projects. Good progress has been made with several projects this year the most significant being Electronic Documents & Records Management System and the Customer Service Centre although at this stage significant sums have not been committed. The budget includes provision for some projects which require further investigation before the Council's money is committed. These projects will not proceed without justification and a sound business case. The programme for the current year will be reviewed in the light of the current year's performance: it is expected that some expenditure planned for this year will not be incurred until 2007/08. A revised programme will be submitted to Members in due course.
- 9.4 Repair work has been undertaken on the Casson Block estimated at £108,000. Approximately half of the cost of the work is recoverable from tenants: the remainder will be funded from the General Fund Property Repairs Reserve. There is no capital budget for this work and Council approval to a supplementary capital estimate will be required.

10 External Interest

- 10.1 The base rate is currently 4.75% with a further rise of 0.25% a possibility. The Council is currently earning marginally above this rate and balances have been higher than expected as the capital programme spend is slower than profiled. On the basis of current balances and rate of interest it is estimated that interest will be in excess of that in the budget, possibly in the order of £0.2m.

11 Efficiencies

- 11.1 The Forward Looking Annual Efficiency Statement (AES) for 2006/07 is shown at Appendix 4. The original statement was submitted to the DCLG in April 2005. The Senior Management Group (Directors and Heads of Division) is currently reviewing the contents of the AES and the current position is shown at Appendix 5. Efficiencies are shown by Directorate rather than AES sectors at this stage for ease of reference. No values for efficiencies are shown as these are being reviewed by SMG with a target date for completion of estimates by the end of September.

- 11.2 CMT have been monitoring the savings agreed as part of the budget process on a monthly basis. There are concerns in some areas and these are referred to in the general budget monitoring information above and the variances explained in Appendices 1 and 2.
- 11.3 Some of the agreed budget savings have not been allocated to specific budget codes and are therefore not reflected in the budget monitoring figures. An update of the progress with these savings is shown in the table below.

Corporate Management Efficiencies	(40)	Simon Eden
CX progressing this item		
Customer Service Centre	(40)	Sheila Boden
Savings to be reassessed during further phases of Service Centre rollout		
Review of publications	(100)	Simon Eden
Departmental budgets have been reduced by £43,000 with a corresponding reduction in D&P of £36,000 and direct expenditure of £7,000. This leaves a shortfall of £57,000.		
Reduce insurance cost	(40)	Sheila Boden
Savings £4,000 (last year spend was £455,580, this year £451,653)		
Procurement savings	(30)	Simon Eden
Printer usage review expected to be complete by end of July. Report to Cabinet in September. Expected implementation date January 2007. (CAB1311)		
Temporary staff	(50)	Alison Gavin
Departmental staffing budgets have been reduced by £50,000 in proportion to 2005/06 spend on agency staff.		
Paper	(5)	Simon Eden
Stationery budgets not reduced but improved procurement of paper via D&P expected to generated savings of £2,000 approximately based on 2005/06 volumes.		
Leased cars	(25)	Bob Merrett
Preliminary discussions held with Unison. Formal notice to be given of the proposed changes. (Savings estimated at £17,000 for current year)		

- 11.4 There are some major projects (i.e. Flexible Working, new City Offices, Electronic Document & Records management System) underway currently that should realise efficiencies in future years. However, there is some concern that in the current year and next year the Council may struggle to achieve the efficiencies required under the Gershon Agenda.

OTHER CONSIDERATIONS:12 CORPORATE STRATEGY (RELEVANCE TO):

Monitoring of financial performance is an integral part of the corporate and financial policy to enhance performance management.

13 RESOURCE IMPLICATIONS:

It is important that income and expenditure are in line with budgets so that the objectives of the corporate strategy are being fulfilled and that there is no unexpected call on reserves. Regular monitoring should ensure that any corrective action needed is taken promptly.

BACKGROUND DOCUMENTS:

Working papers held in Finance and other departments

APPENDICES:

Appendix 1 Budget monitoring service summary

Appendix 2 Budget monitoring subjective summary

Appendix 3 Capital Programme monitoring summary

Appendix 4 Forward Looking Annual Efficiency Statement (AES) for 2006/07 – Original

Appendix 5 Forward Looking Annual Efficiency Statement (AES) for 2006/07 – Revised