

BABERGH DISTRICT COUNCIL

To: Overview and Scrutiny (Stewardship) Committee	Report Number: M176
From: Head of Corporate Resources	Date of meeting: 19 March 2013

BUDGET MONITORING REPORT – QUARTER 3 2012/13

1. Purpose of Report

- 1.1 To inform members of key variations that are anticipated in relation to the current year's Revenue Budgets and Capital Programme
- 1.2 To advise on actions and further consideration that is being given to these.

2. Recommendations

- 2.1 That the anticipated or likely budget variations on the current year's Revenue Budgets and Capital Programmes are noted and considered by the Committee.
- 2.2 That the Committee raise any issues, including further information or action that is considered necessary.

The Committee is able to resolve this matter.

3. Financial Implications

- 3.1 A net overall variation in income and/or expenditure will obviously affect the 2012/13 financial outturn for the year and it is important that these variations are carefully monitored and managed throughout the year.
- 3.2 Specifically, on the General Fund, monitoring cost pressures and achieving the very significant savings and efficiencies of £1.1m built into the 2012/13 Revenue Budget will impact on the overall position.

4. Risk Management

- 4.1 This report is most closely linked with a number of the Council's Corporate / Significant Business Risks including No.6. Performance and Cost Management and No. 2 – Efficiencies and Savings. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Forecast savings and efficiencies are not delivered	Low	Significant	Monitoring by Finance teams officers, although moving towards the new Operational Delivery Teams creates some uncertainties.

Risk Description	Likelihood	Impact	Mitigation Measures
Economic conditions and other external factors	Low/ Medium	Marginal	There is a strong focus on monitoring key income and expenditure streams but economic conditions continue to affect some services.
Capital Programme delivery not on target	Medium	Marginal / Significant	Regular monitoring through Capital Asset Strategy Officer Group and with other key officers.

5. Consultations

5.1 With Corporate / Budget managers

6. Equality and Diversity Impact

6.1 None for the issues covered by this report.

7. Shared Service / Partnership Implications

Mid Suffolk District Council's Executive Committee considered a similar report on 11 March 2013

8. Key Information

8.1 The report provides details on key variations that are known or likely to arise, based on the latest information that is available at the end of December 2012, Quarter 3 of the financial year.

8.2 The following table summarises and comments on the key potential variations for the year, and covers the position on significant cost pressures and planned savings for the year on the General Fund Budget. Some of these were identified in Q2 but other are new or amended items:

Area/Activity	£000	Comments
Cost Pressures		
Housing Benefits – welfare reforms	-25	Review at year end to assess whether this provision for the significant changes in welfare reforms from April 2013 is still required
Reduced borrowing costs	-40	Depends on capital programme delivery, extent of external borrowing and interest rates
Increased Insurance Premiums	+15	Required by insurers as part of 2012 renewals. Tender/market testing in 2013

Area/Activity	£000	Comments
Reduction in Members Allowances	-20	Not all members make claims
Reduced Car Parking income	+20	Delays in implementing increases in excess notices and long stay parking charges
Reduced Rent Allowance and Council Tax Rebate Admin Grant income	+46	Change in grant allocation
Increased External Audit Fees	+25	Additional work on grant claims but may be met by the SRP
Additional Planning Resources	+75	This was approved by Strategy Committee, to be funded from reserves.
Reduced SSL management fee	-30	Savings on utility budget
Total - additional cost Pressures	+66	
Savings/Income -		
Additional Savings in Staffing / salary costs	+115	See para. 8.3 below
Reduced Land Charges Income	-28	Demand has reduced during year
Lower spending on Specialist training	+60	Demand for professional and specialist training has been lower this year, but some of this budget may need to be carried forward
Reduced Building Control Income	-127	Activity has reduced although loss of income is offset by additional income from one member of staff working at another local authority
Reduced Trade and Green Waste income	-26	These services are demand led. Trade waste has reduced customers and income is down but there are increased Green waste customers
Increased MRF income	+24	Additional surplus achieved above expectations
Reduced income from Pre-applications planning advice	-12	Charges not e introduced in 2012/13
Reduced income from Babergh Response	-20	This service is being phased out
Savings from the Waste Contract	+100	Contract being closely monitored
Total - Increased Savings / Income	+86	
Overall total – net saving	+20	

- 8.3 In relation to staffing, salary and other cost savings as part of integration and transformation, a sum of £550k was included in the budget. Based on savings at the end of Quarter 3, including those from voluntary redundancies and vacancy management, it is anticipated that the saving for the full year will be more than this.
- 8.4 In the Quarter 2 report, Members were advised of a total potential cost pressure of £7k (but this was excluding the additional salary savings of £115k, which are now included in the table above). Additional variations have, therefore, been identified in Quarter 3.
- 8.5 However, although the estimated net saving of £20k appears favourable, it should be noted that the Budget includes an allowance for general savings and underspends of £75k. Overall, therefore, a shortfall for the year of £55k could arise. However, there may be other variations in income and expenditure before the end of the year and it would be hoped that this would not be the case.
- 8.6 Members are reminded about the successful MMI claim and the recovery of around £230k legal and other costs. A proportion is to be aside for potential liabilities on the Scheme of Arrangement for the insolvency of MMI. Although some of the costs will be recovered in 2012/13, it has been agreed that this will be carried forward and used to support next year's Budget.
- 8.7 In relation to the HRA Revenue Budget, the following matters are drawn to Members attention:
- Repairs and maintenance – There are no areas of major concern within the HRA revenue budgets at the end of Quarter 3. There is a potential overspend on sheltered and homeless repairs of £20k, where this will be compensated by under spends in other areas, e.g. Pre-painting repairs.
 - Integration and transformation – as with the General Fund, the HRA will benefit from staff savings in relation to this and the amount saved is likely to be slightly higher than what was allowed for in the Budget.
 - Borrowing costs – there is likely to be a saving of £124k due to more favourable interest rates.
- 8.8 In relation to the Capital Programme, the following matters are drawn to Members attention. Again, a number of these were reported in Q2:

General Fund

(a) Overall, £2.6m or 61% of the total £4.2m Capital Budget has been spent at the end of Q3. Hadleigh Community Facilities accounts for £1.8m of this.

(b) The main areas of variance predicted for the year are :

- The affordable housing scheme budget of £327k will be partially spent. The schemes at The Marvens, Copdock, Elm estate, East Bergholt and Back Lane, Monks Eleigh totalling £219k are now expected to be completed in 2013/14.

- Community Development Grants – It is anticipated that £186k of the total budget of £256k will be carried forward into 2013/14.
- Asset Management (excluding Hadleigh Community Facilities) – It has been agreed that some of the budget for the replacement of refuse vehicles (approximately £260k) will be deferred until 2013/14 and 2014/15.
- ICT/Information Management – The integration budget is £214k, of this only £48k has been spent at Quarter 3. Expenditure against this budget depends on the integration plans and the formation of the Operational Delivery Teams which is ongoing and will affect the level of expenditure this year. The budget of £50k for Broadband Development will be carried forward to 2013/14.

HRA

- (a) At the end of Q3 £2.1m of the total budget of £5.7m had been spent. The total projected expenditure for the year is £5.2m although that would require a very significant level of expenditure in the final quarter.
- (b) Comments on key areas that are expected to vary from the budget are provided below:
- Kitchens & Bathrooms – It is anticipated that £1m of the budget will be spent in the year, projecting an underspend of £600k.
 - Disabled Adaptations – This is a reactive budget and there may be an under spend of £100k on a total budget of £515k due to a lack of demand.
 - Roofing – an accelerated roofing programme means that total expenditure in the year will be almost £400k higher than the budget of £191k. This will be funded from the under spends on other schemes.
 - Sheltered Units General Improvements – a scheme to introduce solar / PV panels with a budget of £308k will be committed in 2012/13 (the work may not all be completed in the year). This money has been transferred from other budgets.
 - Insulation Improvements – Babergh Standard – this scheme was delayed due to planning issues and only £21k is likely to be spent in 2012/13. The balance of £378k is expected to be fully utilised in 2013/14.
 - Smoke Alarms - There has been limited demand for smoke alarms and there is a forecast under spend £80k on the total budget of £108k.

9. Appendices

Title	Location
None	N/A

10. Background Documents

None

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