

Committee: Community Committee

Agenda Item

Date: 18th September 2008

5

Title: BUDGET MONITORING 2008/09

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Item for Information

Summary

- 1 This is the second Budget Monitoring report to this Committee for the financial year 2008/09. Performance Select Committee, at its meeting on 29th April 2008 agreed the process for members to separately receive monthly budget monitoring information direct. Attached as Appendix One is the Committee budget at service level.

Recommendations

- 2 Members note the content of this report.
- 3 A further Budgetary Control Monitoring report will be submitted to the November meeting of this Committee.
- 4 Heads of Division responsible for the services with budgets showing spend more than 10% in excess of profiled budget or income 10% lower than profiled budget, report to the November meeting of this Committee with explanations as to where the overspends or shortfalls in income are to be funded from.

Background Papers

- 5 The following papers were referred to by the author in the preparation of this report and are available for inspection from the authors of the report.
 - Reports from the Financial Management System
 - Members monthly budget monitoring reports

Impact

6

Communication/Consultation	None
Community Safety	None
Equalities	None
Finance	The report sets out budget monitoring information for this Committee to the end of August 2008. Further reports will be

	submitted to future meetings.
Human Rights	None
Legal implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	The report includes budgets and actual spending for employees

Situation

- 7 Members have recently received detailed budget monitoring information for all the Council's services up to the end of August.
- 8 The appendix to this report only relates to the Community Committee.
- 9 Members should note that some of the budgets will be showing only 4 months spending, (due to delays in the receipt and payment of invoices), although salaries and income received are included for 5 months.
- 10 In addition to the information being sent on services to all Councillors, a report on high profile budgets across the Council is submitted to the regular meetings between the Strategic Management Board and the political administration.
- 11 Performance Select Committee will monitor all budgets exceeding 10% of their variance from the profiled budget, and receive written explanations from HoDs.
- 12 Appendix One shows that overall, the Committee's net spending to the end of August is underspent by £165,400 against the profiled budgets for the same period.
- 13 The highest variations from profiled budgets showing spend in excess of 10% of the profiled budget, or income 10% lower than profiled budget, are set out below:
 - Port Health – An invoice was raised later than planned. The full costs of running the service are recovered from the Health Protection Agency.
 - Community Safety – The expenditure relates to the Safer Stronger Communities Fund matching income will be received in due course.
 - Pest Control – There have been no vacancies in this financial year and therefore the savings target has not been met. Income from charging for services is also slightly down on expected.

- Environmental Management – This budget head is being closed and split up this year to provide separate support to Environmental Health and Street Services. Once this is achieved the staff allocation will be met within budget.

14 Finance and Administration Committee on 25 September will be receiving an update to the Medium Term Financial Strategy (MTFS). The report highlights a number of areas of concern. For this Committee those areas are:

- The national pay award for the Council's employees for 2008/09, due in April 2008 is yet to be settled. The unions have turned down an offer of 2.45%. Although an estimated 2.5% pay award has been included in the MTFS for all 3 years, any additional cost over and above 2.5% in 2008/09 will have a direct impact on future year's employee costs, together with additional employer's National Insurance and Pension Costs.
- As referred to above, the national pay award from April 2008 has yet to be settled. In addition, inflationary increases will be included in the base budget for non pay budgets where the Council is contractually required to pay in respect of contracts, agreements or for the utilities of gas, electric and water. Fuel costs have increased substantially this year as a result of oil. It is anticipated that gas and electric costs will increase by around 25% from September 2008 as a result of new contracts currently being negotiated. Above inflation increases have been recently announced for water charges but the MTFS only includes 2.5% inflation increases for the next 3 years.
- Members will recall that, within the 2008/09 Budget, there is a vacancy/savings deduction of around £500,000. Although Strategic Management Board (SMB) is monitoring all recruitment and spending, it is too early to say whether this reduction in the Council's Budget will be achieved this financial year. This sum is retained as a deduction within the remainder of the period of the MTFS and it is the view of your officers that a 5% savings factor deduction is now too high to be achievable each year. It is essential that the Council moves towards reducing the savings factor to a more manageable % over the life of the next MTFS. This will involve finding further savings elsewhere.

15 Despite paragraph 6 showing that this Committee is underspent by £165,400 there is a requirement for Heads of Division to produce proposals to find the funding for the shortfalls in paragraph 7 from within their existing budgets. **This Council still has severe financial problems and cannot afford for budgets to be overspent or income levels not being achieved.**

Risk Analysis

16

Risk	Likelihood	Impact	Mitigating actions
Members do not carry out budget monitoring as recommended by the external auditor.	1	4	A process is now in place to ensure all members receive monthly budget monitoring reports.
No corrective action takes place to offset overspends or lower income	2	4	Members can monitor monthly reports to see if corrective action is taking place.
Further pressure is placed on reserves	2	4	Finance Committee will receive regular reports for the whole of the Council's budget
HoD's do not properly manage their budgets	2	4	HoDs will have to provide written explanations or attend Performance Select Committee to explain variances over 10% of profiled budgets.