

**Committee: Operations**

**Date: 22nd March 2007**

**Title: Budgetary Control 2006/07**

## Agenda Item

# 6

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Item for note

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### Summary

1. This report provides an update on the 2006/07 General Fund budget position as the Council approaches the end of the financial year.

### Recommendations

2. That the Committee notes the Council's budgetary control position.

### Background Papers

Budgetary Control working papers. Contact Philip O'Dell 01799-510670

### Impact

Communication/Consultation	None
Community Safety	None
Equalities	None
Finance	The report is about the Council's budget position for the current financial year
Human Rights	None
Legal implications	None
Ward-specific impacts	None
Workforce/Workplace	None

### Situation

3. The Council's financial year ends on 31<sup>ST</sup> March 2007. It is good practice to look at the potential budget outturn and the effect of any variation from the budgeted position on the Council's reserves. This is even more important following the significant overspend on the original budget reported as part of the budget process.
4. Based on latest information and analysis, the following are the significant variations expected in the budget outturn compared to the revised budget:  
Local Authority Business Growth Incentive Scheme (LABGI)

5. This government scheme rewards councils for encouraging economic growth through planning policies which eventually increase rateable values. The Council received £260,730 at the end of the 2005/06 financial year as the first of three planned annual payments, based on a complex set of formula. During autumn 2006 the government indicated that three times as much money would be allocated to the national scheme for the year two payment. They also indicated that the scaling factor which limited increases for individual councils that would otherwise have gained 'excessively' would be abolished. At one stage, the County Council, which examines the scheme closely regarding the 67% that they receive of the cash sum covered by the Uttlesford area, issued a prediction that the district council would receive over £1m as a year two payment, although this prediction was later withdrawn as more information was received about empty and new properties within Uttlesford and the government's formula.
6. The 2006/07 revised budget for LABGI grant was set by the Director of Resources at £600,000. This figure is 2.3 times the first payment received, so was more prudent than an assumption of the three times extra funding working through directly to benefit the Council, which would have amounted to £782,190. The government made it clear that they would not announce individual allocations until the end of February. On 27<sup>th</sup> February, after the Council's budget was set we were informed that the actual payment for year two will be £217,370. The sum to be received represents a shortfall of £382,630 on the revised budget. Of this variance £91,868 is due to the government not implementing its pledge to eliminate the 70% scaling factor in awarding grant. This is due to current Judicial Reviews brought by Corby and Slough authorities, although an email has now been received from the government saying that this additional sum may be released after all before the end of March. If this is the case the shortfall will reduce to £290,762.
7. The underlying reason for the shortfall, other than the scaling factor, is that the government has used the second year funding available to reward those councils who the previous year were limited in LABGI funding by a ceiling. This has had the effect of drawing money away from councils who have not had such large growth but would still have had a significant reward.
8. For the 2007/08 budget, a further £600,000 was assumed as a year three payment. There is no firm reason to believe that a sum of this order will not be received, as the government seems committed to putting more money into the scheme. However, following the year two disappointment it would be prudent to reduce down the assumed grant to around £350,000. This will add a new pressure of £250,000 to the 2007/08 budget. The Strategic Management Board will be looking at ways to address this in the coming weeks with a view to producing a report for the next meeting of this Committee.

## Other Budgets

9. The following has come out of an exercise looking at other General Fund budgets:

### Salaries

An examination of latest spending on salaries, temporary staff and agency staff costs indicates that outturn will be close to revised budget.

### Interest on Balances

No variation is expected, although there is a dispute about how much interest we need to add to the Stansted s106 £2.2m, which had previously been assumed to be due at the level of the Retail Price Index. This may cost us £53,000 out of the revised budget of £653,000. This issue is currently being checked via the legal agreement relating to the S106, where there is some ambiguity.

### Planning Fees

These look as though they may be down a further £50,000 compared to the revised budget of £501,000.

### Waste Recycling Credits

The revised budget for income on this may be understated based on latest figures, giving a possible increased income of £50,000 on the revised budget of £486,000.

### Vehicle Leasing

The budget for leasing vehicles looks likely to be approximately £100,000 underspent based on a revised drawdown on the leases. It has been established that the Council's initial funding of the capital sum involved in acquiring the vehicles, prior to entering into a leasing arrangement, cost a sum in lost in interest on balances that can legitimately be offset when deciding to allocate the first years leasing charge (billed in December 2006) to the revenue budgets of 2006/07 and 2007/08.

### Concessionary Fares

The expenditure on this is finalised for the year and will be £35,000 less than the £257,000 in the budget.

### Licensing Fee income

This looks likely to be £15,000 more than the revised budget.

### Corporate Furniture Budget

This £15,000 budget has not been spent.

### Organisational Re-Engineering (OR)

Approximately £100,000 of the annual savings target of £250,000 will not be achieved due to delays in the programme. The major factor is the delayed implementation of the Revenues and Benefits changes following the restructuring at Director level and the need to appoint a Head of Division.

### Summary Position

10. Based on the assumptions contained above, and assuming no other significant variations are found during the close of accounts process just about to begin, the following is the projected effect compared to the revised budget.

	Assuming LABGI Scaling Payment Not Received £000	Assuming LABGI Scaling Payment Received £000
<b>Budget Shortfalls</b>		
Shortfall on LABGI	383	291
Interest on Balances fall	53	53
Planning Fees	50	50
OR	100	100
<b>Total</b>	<b>586</b>	<b>494</b>
<b>Budget Surpluses</b>		
Waste Recycling Credits	50	50
Vehicle Leasing	100	100
Concessionary Fares	35	35
Licensing Income	15	15
Furniture	15	15
<b>Total</b>	<b>215</b>	<b>215</b>
<b>Net Budget Shortfall</b>	<b>371</b>	<b>279</b>
% of net revised budget	4.6%	3.5%

### Consequences of the Overspend

11. Any overspend at year end will need to be charged to specific reserves and the Financial Management Reserve. It is proposed that the deficit on planning fees be charged to the Planning Delivery Grant Reserve (balance at 31/3/07 projected to be £147k) and that other specific reserves be re-examined to deal with whatever the Financial Management Reserve (balance at 31/3/07 projected to be £198k) cannot finance. This will protect the integrity of the Council's General Fund Balance of £1.2m pending steps being taken to both deal with the potential effects of LABGI on the 2007/08 budget and to replenish specific reserves as planned in the Medium Term Financial Strategy.

### Risk Analysis

The following have been assessed as the potential risks associated with this issue.

Risk	Likelihood	Impact	Mitigating actions
Failure to highlight all significant budget variances	Low	Medium	Year end procedures will determine actual spending