

PERFORMANCE AND GOVERNANCE COMMITTEE – 10 JANUARY 2012

BUDGET MONITORING – NOVEMBER 2011

Report of the: Deputy Chief Executive and Corporate Resources Director

Status: For Information

This report supports all the Council's key themes and objectives

Portfolio Holder Cllr Ramsay

Head of Service Head of Finance and Human Resources -Tricia Marshall

Recommendation: That the report be noted.

Overall Financial Position

- 1 Eight months into the year the results to date show an overall favourable variance of £226,000, an improvement when compared with the previous month.
- 2 The year-end position is forecast to be £57,000 better than budget; similar to the previous month.

Key Issues for the year to date

- 3 *Income* – investment income is performing above target and is forecast to be better than budgeted at the year-end. This is due to higher than estimated balances and slightly higher rates being achieved during the year so far, and a favourable forecast is shown to reflect this improved position. However, looking forward the current rates being achieved are lower, with a consequent impact on returns.
- 4 Looking at the other main income sources, the position remains difficult. Car Park, Building Control, Land Charges, Development Control and On-street Parking income all continue to show adverse variances for the year to date.
- 5 Community Development external funding is ahead of profile, contributing to the favourable variance at present, but this will not have any impact on the year-end results.
- 6 *Pay costs* – the favourable trend has continued and the underspend for the year to date is now £279,000. Almost all services are showing a small underspend; in some cases these are offset by agency staff costs (particularly Direct Services), but there are a number of favourable variances forecast for year-end.

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- 7 *Other* – Direct Services' results show an adverse variance of £101,000, due to increased fuel and waste disposal costs as well as a shortfall in income.

Year End Forecast

- 8 The year-end position is forecast to be £57,000 better than budget, similar to the previous month. Adverse variances have been forecast to reflect the adverse position for Direct Services to date, and the fact that some savings from partnership working will be achieved later than originally planned. Adverse forecasts are also shown for variable income sources such as Building Control and On-street parking. Favourable variances has been forecast for investment income and against some salary budgets.

Risk areas

- 9 The current economic situation continues to have a real and potential impact on the Council's finances:
- The number of institutions meeting the Council's credit rating criteria of 'AA-' or better has reduced and the alternatives for placing funds will produce lower investment returns;
 - property related income such as Development Control, Building Control, Land Charges and Capital Receipts remain vulnerable and parking income is also struggling ;
 - the Benefits workload is continuing at a higher level than before the recession, which is having an impact on processing times (though an action plan is in place to improve performance);
 - the Housing Team has a higher number of homeless people in bed and breakfast accommodation; whilst every effort is being made to contain these costs, there is a risk that there will be an impact on the year-end result;
 - Council Tax collection rates, though currently in line with the previous year, could be affected by increased unemployment and squeezed household incomes; and
 - diesel prices continue at a high level and the financial impact seen in the last financial year is continuing.
- 10 Staff turnover remains relatively low. This has a positive impact on service delivery but puts at risk the achievement of the vacant post saving in future years. Conversely, in some specialist areas, experienced staff are proving difficult to recruit and so temporary staff are being used to cover vacancies. Where appropriate, apprenticeships are being considered to increase the pool of trained staff.
- 11 Planned savings through the generation of income, particularly from new partnership working, remain risk areas for the current and for future years. However, on a positive note, the Building Control Manager partnership with

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Tonbridge and Malling Borough Council is now in place and the business case for the Environmental Health partnership with Dartford Borough Council has been approved by Members at both authorities and is now progressing to implementation.

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**DEPUTY CHIEF EXECUTIVE AND
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