

AGENDA ITEM 8

RURAL, ECONOMIC & ENVIRONMENTAL AFFAIRS COMMITTEE

3RD SEPTEMBER 2014

REPORT OF HEAD OF CENTRAL SERVICES

BUDGET MONITORING APRIL TO JUNE 2014

1.0 PURPOSE OF THE REPORT

- 1.1 To provide information on actual expenditure and income incurred on this Committee's services compared to the latest approved budget for the period 1st April 2014 to 30th June 2014

2.0 RECOMMENDATION

- 2.1 *It is recommended that the financial position on each of this Committee's services to 30th June be noted.*

3.0 KEY ISSUES

- 3.1 As part of the Council's budget monitoring procedures all budget holders are asked on a quarterly basis to provide details of service and financial performance. Copies of the budget holders' returns are available for further information.

Overall Position

- 3.2 A summary of income and expenditure for all of this Committee's services is attached at Appendix A. This information has previously been circulated to Members as part of the Members' Newsletter.
- 3.3 A summary of the income and expenditure for this Committee's services compared to the approved budget at June 2014 is as follows:

	Approved Budget @ June 14	April to June 14 Budget	April to June 14 Net Expenditure	Variance Underspend (-)	Year End Forecast	Year End Variance Underspend (-)
	£	£	£	£	£	£
General Expenses	2,986,330	660,110	706,195	46,085	3,020,128	33,798

- 3.4 The above figures show a current year end potential overspend of £33,798 against the budget to-date for general expenses; reasons being explained in paragraph 3.6 below.

Key Service Areas

- 3.5 The Key Service Areas report up to July 2014 is attached at Appendix B with the REEA service areas highlighted. This report is presented to the Management Team on a monthly basis and highlights the high risk budgets that were identified as part of the Council's budget protocols. These budgets are reviewed with budget holders monthly. Those budgets which are more complex in nature are supported by more detailed analysis of the service usage that drives the costs.

Budget Variance Exception Reporting +/- £10k

3.6 As part of the budget monitoring process, variances are being promptly and proactively managed, facilitating more detailed reporting. Details of the more significant year end forecast variations +/-£10k (as shown in Appendix A) are also set out below:

3.6.1 Overspends

Cattle Market £28,540

Income from the cattle market continues to decline, particularly in relation to animal auctions for which income in quarter 1 is 6% below that received in the same period of 2013/14. A review of the numbers sold has determined that sheep sales are down 25%, pig sales down 15% and cattle sales up 6% compared to the same period in 2013/14. The cattle market partners have provided reasons for the decline which include: increasing pressure from Newark Market; cattle prices have decreased by 25% over the last year; sheep prices have been declining over the last 8 weeks as beef is cheaper and is therefore preferable; and the strength of the euro is impacting on across channel sales. A decline can also be seen in car boot sales of around 9.5% compared to quarter 1 of 2013/14.

An additional contributor is that the budget for the tavern and exhibition hall was set based on receiving 8% as a reduced fee arrangement before final negotiations took place resulting in a reduced fee arrangement of 6%. Projected year end variance is based on the current trends continuing throughout the year.

Waste Management £21,000

Contractor costs: Baxter's index is yet to be finalised, but 0.38% has been submitted to Biffa for agreement (against 2% budgeted for). This and less than anticipated increase in new houses being served provide an anticipated underspend of £42,000 against contractor costs.

Income: The split of co-mingled recycling materials which determine the value per tonne has been finalised leading to a drop in the value per tonne due to the composition of waste collected, i.e more glass has been collected which has a lower value. The current value per tonne for quarter 1 is agreed at £66.14 and £60.04 for quarter 2 against budgeted £75/tonne. Current processing costs are £69.87 and therefore the drop in value has led to a negative position against processing costs and thus an overspend. The split of materials has also provided a higher contamination rate (6.7% against budgeted 5.3717% budgeted for) in relation to dry recycling credits received which leads to a further anticipated overspend.

Green waste continues to perform well with tonnages currently 22.65% higher than quarter 1 of 2013/14. Some of this additional income will be vired to offset increased processing costs as a result, but it is hoped that should tonnages continue to perform well, the remaining additional income will help towards the shortfalls identified above.

Overall, the anticipated shortfall in income is approximately £51,000 and anticipated overspend on processing costs is approximately £12,000, of which £42,000 is hoped to be mitigated by the savings in contractor costs.

All of the above forecasts are based on a number of complex factors and based on the assumption that the same tonnages will be achieved as that in 2013/14 as opposed to the budget figures. This is based on monitoring to date indicating the current year is very close to 2013/14 (as closer than the figures used to calculate the budget) and that the value per tonne of commingled waste (which changes quarterly) will continue the

same as quarter 2. All assumptions are therefore subject to change and will be monitored closely each month, with updates to Management Team on the same basis.

3.6.2 Underspends

Development Control £30,000

Development control is subject to volatile fluctuations in applications and income which makes it difficult to make accurate forecasts. In quarter 1 there has already been one poorly performing month (ie less than 50% of monthly income targets) and two months in surplus. There are a number of larger applications expected which will attract a larger income and this may increase the expected end of year variance as we progress through the year. This is being monitored closely. However, with these larger applications comes a greater demand on resources, increased likelihood of appeals and these will need to be supported from within the existing budget (i.e. the surplus income). At this early stage we would predict a modest net surplus and will continue to closely monitor throughout the year.

4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 Policy and corporate implications were addressed in setting the current year's budget. There are no further policy and corporate implications arising from this report.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 All financial and resource implications have been addressed within section 3.

6.0 LEGAL IMPLICATIONS/POWERS

6.1 Legal implications/powers were addressed in setting the current year's budget. There are no further legal implications arising from this report.

7.0 COMMUNITY SAFETY

7.1 Community safety issues were addressed in setting the current year's budget. There are no further community safety issues arising from this report.

8.0 EQUALITIES

8.1 Equalities issues were addressed in setting the current year's budget. There are no further equalities issues arising from this report.

9.0 RISKS

9.1 The regularity of budget monitoring for each specific budget is based on the level of risk attributed to that budget. This is determined at the start of the financial year and is reported to members as part of the Council Tax setting report.

10.0 CLIMATE CHANGE

10.1 There are no climate change issues arising from this report.

11.0 CONSULTATION

11.1 Budget Holders and the Service Accountant discuss the financial performance of the service accounts at budget monitoring meetings arranged with reference to current budget monitoring protocols.

12.0 WARDS AFFECTED

12.1 All wards are affected.

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Date: 31.07.14

Appendices: Appendix A – Summary of Income & Expenditure
Appendix B – Budget Monitoring – Key Services Areas

Background Papers: Oracle Financial Reports
Budget Holder Comments on Performance

Reference: X:/Cttee, Council & Sub Cttees/REEA/2014-15/03 09 14/Budget Monitoring April to June 2014