

PLACE COMMITTEE

6TH MARCH 2019

REPORT OF THE DIRECTOR FOR CORPORATE SERVICES

BUDGET MONITORING APRIL TO DECEMBER 2018

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 2018 to 31st December 2018. Note this is based on the old MEEA service structure as it has been previously agreed that the financial monitoring reports for 2018/19 will be reviewed on this basis. Moving forward the 2019/20 budget setting process has been based on the new Place priorities.

2.0 RECOMMENDATION

- 2.1 **It is recommended that the financial position and year end forecast outlined in Appendix A for each of the services to 31st December 2018 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 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 services compared to the approved budget at December 2018 is as follows:

	Approved Budget @ Dec 2018	Apr to Dec 18 Budget	Apr to Dec 18 Net Expenditure	Year to date Variance (Under)/Over spend	Year End Forecast	Year End Variance (Under)/Over spend
General Expenses	2,627,830	1,650,815	1,304,557	(346,258)	2,797,490	169,660

- 3.4 Whilst it is noted that the current year to date variance is a £346,258 underspend of controllable expenditure, it is forecast that there will be a potential overspend of £169,660 against the approved budget to date for general expenses. The main reason for the shift in the predicted variances are due to a number of movements which are expected later in the year as explained in paragraph 3.6 below. One of the main reasons relates to the new waste contract where there has been a delay in the invoices coming through (2 months behind).

Key Service Areas

- 3.5 The Key Service Areas report for those services within the remit of MEEA previously is attached in Appendix B. This report is presented to the Strategic Leadership 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. The latest version is attached which is the period to the end of February 2019.

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

Car Parks and Bus Station £36,820

The budgeted income for car parking fees will not be met; the current income is showing a shortfall of £36k compared to budget. It is considered that this is due to the availability of alternative free parking in the town centre and the continued works on the Public Conveniences at St Marys Way and Wilton Road, which has led to the loss of spaces during the works. Additional income of £9.5k has been achieved by renewing the Thorpe End lease reducing the expected year end shortfall. Included in the budget was £4k relating to car parking VAT overpayments, this budget will not be met, in the past couple of years we have been able to offset the overpaid VAT on parking fees against our VAT return, which has generated additional income, however following advice from our VAT advisors, we have stopped this offset until the advisors say otherwise. Additional business rates costs of £7k have also been incurred due to phasing out of transitional relief following the 2017 revaluation.

Cattle Market £56,520

Overall the Cattle Market budget is projecting a year end surplus of £207k compared to a surplus budget of £264k. There is a underspend within the budget due to an business rates credit that has been received relating to previous years however this is being offset by the shortfall on a number of income lines.

The overspend arises due to income shortfalls in several areas of the market, the most affected areas are Animal Auctions, Poultry and Small Animals, Farmers Market, Car Boot Sales and Car Parking.

It is expected that Animal Auctions and Poultry and small animal sales will have a year-end position of £99k (shortfall of £39k). There appears to be a general downturn in the market, it is thought that this is owing to reduced requirement for meat in general due to increased vegetarianism. Fat Cattle sales have reduced during the year due to the weather, the animals were sold early and under weight due to farmers not wanting to buy feed over the hot summer. Abattoirs have increased their aggression within the market by taking stock directly rather than through the market. It is also thought that a No Deal Brexit could result in 20-30% reduction in market due to the lack of external market for export.

Negotiations continue regarding the Sunday Market, which are currently expected to have a year end position of £37k, a shortfall of £8k compared to the £45k budget.

There was also an expectation that the car park income would increase but this has not materialised which has resulted in a 2018/19 expected year end shortfall of £7k.

Development Control £112,020

The overspend is due to a shortfall of income. The current income is a shortfall of £91k, of this £85k relates solely to planning applications. Based on the current levels of income the projection for the end is expected to be £110k shortfall. It is considered that the shortfall is attributable to uncertainty within the market due to BREXIT.

Building Control £60,920

The overspend arises from a shortfall of income. The budget had been previously reduced in line with expectations at the time of budget setting. The annual income budget was set at £155k, it is expected that the year end will result in an income of £95k, a £60k shortfall.

Throughout the year various analysis has been completed and this showed a general downturn of applications and an increase in works being taken on by Approved Inspectors. A business plan is being developed around how the service can become more commercial in its approach.

Industrial Estates £10,480

There has been a vacant unit throughout the year which has result in a loss of income of £8k. There has also been additional costs relating to building maintenance works

3.6.2 Underspends

Waste Management £60,830

The Waste budget is expected to result in an overall £60k underspend. This is attributable to a number of factors.

- Contactor costs are expected to be £39k overspent at the year end due to higher Variation Orders due to increased street cleansing request and fly tipping plus an increase in contaminated loads.
- The income for the recycling materials relates to the old contract and therefore only relates to April to September, and is expected to have a year end overspend of £76k this is due to less material being recycled, the increase in contamination leading to less material being sold and the price of material being lower than budgeted. However due to less material being processed a saving of £12k is expected.
- During the year LCC redirected the green waste disposal, this resulted in MBC losing circa £30k in income, however this is offset by MBC being no longer responsible for the gate fee, this resulted in a saving of £28k.
- The new contract took effect from 1st October 2018, when the budget was set the contract price was still being negotiated, therefore the budget was set as a mid way point between the final tenders, once the contract was awarded it resulted in a £28k saving against the budget.
- Under the new contract the Green Waste collection arrangements are to produce a further saving of £104k, as MBC are no longer responsible for the collection of the bins from customers and the contractor offered a discount on the service. Due to the new contract additional advertisement costs are expected to result in a year end overspend of £9k.
- Additional income has been achieved throughout the year from bulky collections and street sweeping; this is currently expected to be £17k at the year end. Under the new replacement bin charges it is also expected that an additional £5k can be achieved.
- LCC also redirected MBC with regards to recycling to Casepak, as a result LCC offered £10 per tonne for the redirection, this is expected to result in £21.5k in additional income.

Local Plans £30,200

The budget initially included contingency costs of the plan not being adopted, and another round of consultation and legal challenges being raised, as this was not the case some costs will no longer be incurred resulting in an expected year end underspend of £30k.

Economic Development £12,260

There is an expected saving due to the vacant Economic Projects Officer post. Which is being partly offset by an overspend relating to the subscription of data analysis tools.

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 addresses within section 3.

6.0 LEGAL IMPLICATIONS/POWERS

6.1 As the report is exclusively concerned with financial matters, there are no direct legal implications arising from the report.

7.0 COMMUNITY SAFETY

7.1 Community safety issues were addresses 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 the budget monitoring meetings arranged with reference to the current budget monitoring protocols.

12.0 WARDS AFFECTED

12.1 All wards are affected.

Contact Officer: Emma Peters
Date: 7th February 2019
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:\committee\committee,council\ Place Committee\2018-19\06032019