

## **2013/14 Budget Monitoring - Quarter 3**

### **Report of the Head of Finance, Revenues and Benefits FIN/ 325**

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#### **1. Purpose**

- 1.1 The report sets out a summary of the Council's projected year end revenue position and actual and projected capital spending at the third quarter ending December 2013

#### **2. Recommendations**

- 2.1 The Cabinet is recommended to:

- (i) **Note the projected outturn for the year 2013/2014 as summarised in this report.**
- (ii) **Recommends that Council approve a supplementary capital estimate of £220,000 for the enhanced design of the new build Brunel Place scheme which now includes provision for two additional flats, funded from HRA resources.**

#### **3. Reasons for the Recommendations**

To report to Members on the projected outturn for the year compared to the approved budget

#### **4. Background**

- 4.1 As part of the Budget Strategy, the Council has in place robust budget monitoring systems to ensure that unapproved overspends are avoided. The Council also manages and analyses underspending to identify potential savings that could help meet current and future years' priorities.
- 4.2 Budget monitoring is undertaken on a monthly basis with budget holders. There are quarterly budget monitoring reports to Cabinet with the Corporate Management Team receiving monthly update reports on key areas or 'hot spots'. The Performance Monitoring Scrutiny Panel also receives a budget monitoring report.
- 4.3 This report outlines the projected outturn for 2013/2014.

#### **5. Budget Monitoring Variations**

##### **5.1 General Fund**

The table below summarises the projected variances in the relevant Portfolio at Quarter 3.

	£000's	
Chair of Cabinet	(123)	F
Community Engagement	-	
Customer and Corporate Services	122	U
Environment	(150)	F
Housing Services	165	U
Leisure & Cultural	(101)	F
Planning & Economic Development	(115)	F
Investment Interest	210	U
Total Projected Variances	8	U

[F indicates that the variation is favourable, U that it is unfavourable]

Further details of these projected variances are provided in Appendix 1 (i) & (ii).

## 5.2 Significant variances since the previous quarter

The majority of variances are savings that have been achieved through close budget management including and savings measures that will be incorporated into the 2014/15 budget. Significant variances are set out below:

### 5.2.1 Chair of the Cabinet

Within the Legal Services team there are various running costs savings and additional income from fees for work undertaken for such services as Section 106 agreements where the Council receives income from Developers.

The budget was based on the assumption that the total cost of the local council tax reduction scheme would be £8,160,000. As was reported to Cabinet in December, the latest estimate is £8,000,000. The Council's share of the reduced cost is £20,000. This will not feed through to the 2013/14 outturn figures. Instead it will result in a surplus on the collection fund which will be reflected in the 2014/15 budget.

### 5.2.3 Customer and Corporate Services

Oracle carried out a licensing audit of the Council's IT systems in 2013 and proposed a significant increase in licensing requirements. With the assistance of The Knowledge Practice consultancy, the Council strongly challenged this requirement and following protracted negotiations agreed the purchase of a number of licences at very heavily discounted prices. This has resulted in an overspend of £161,000 on the one off payment of licences together with £50,000 for the Consultants services. This arrangement gives the Council flexibility to continue to develop its IT systems effectively.

There has been an underspend on the IT hardware budget this year as the service has prioritised meeting Cabinet Office requirements for the Public Service Network over the rollout of Windows 7.

The budget was based on an estimate that the Council would collect £105,045,326 in business rates. The Council's share, after paying the tariff of £40,106,121 was £1,912,009. Because this put the Council in the safety net, a Government payment of £1,031,873 was included in the estimates, giving total funding of £2,943,882.

The latest estimate of the total rates collected is £100,841,897. The resulting amount by the Council after the tariff payment will be £230,638. The net impact is nil as the

increased amount retained will reduce the payment from the Government. Thus the total funding will remain at £2,943,882.

#### **5.2.4 Environment**

There are continued staffing vacancies across several sections including Community Enforcement Officers, street cleansing and administrative support which are generating savings.

The new Refuse & Recycling contract commences on the 1<sup>st</sup> February 2014 and consequently there is a saving compared to the Original Budget of £100,000 for the final two months in the last quarter of this financial year.

The introduction of new emission control regulations (Euro VI) for Large Goods Vehicles, which came into force in December 2013, has created a shortage in supply of Refuse Collection Vehicles of the appropriate specification.

This delay has created the need to hire in a temporary fleet from the start of the new collection contract until the delivery of our new fleet which is anticipated at the end of April 2014 at a cost of £80,000 within the current financial year.

#### **5.2.5 Housing Services**

The improvement between the projected Qtr 2 and Qtr 3 overspend on Temporary Accommodation is due to the reduction in the numbers placed into nightly paid accommodation. This has been achieved through the re-organisation of temporary accommodation occupation, maximising the use of Discretionary Hardship payments and payments from the homeless prevention fund. Together with clearing the backlog of homeless applications resulting in placements ending where the Council has no further duty, utilising Crawley Deposit Service properties and reviewing and amending the Council's allocations policy to create throughput.

The Rent Deposit Scheme has been operating since 2006, and has proved a cost effective way of avoiding homelessness costs by providing a route to private sector housing. Since 2006 a significant amount of debts have been incurred.

Work has been carried out looking at reducing the level of claims under the scheme, and some actions put in place to achieve this. At the same time the outstanding debts are being reviewed. As a result of the work done to date, it is clear that amount of debts that will be written off will exceed the amount put aside as a bad debt provision. The work needs to be completed to quantify the additional provision that will be required, but it will be at least £100,000. The cost of that increased provision has been included in the projections.

#### **5.2.6 Planning & Economic Development**

Planning income is projected to exceed the increase reported in Quarter 2 by a further £30,000 due to a further increase in receipt of Planning Applications from Developers including the first stage of the Forge Wood development. .

#### **5.2.7 Investment Income**

The forecast projections are for an average investment rate of 1.03% compared to the original budget projection of 1.30%, resulting in a projected shortfall in the region of £210,000 as advised at Quarter 2.

## 7. Council Housing Service – Revenue

7.1 The table below provides details of the 2013/2014 HRA budget and the variances.

	Latest Estimate	Projected Outturn	Variance	
	£000's	£000's	£000's	
Employees	3,388	3,298	(90)	F
Repairs and premises costs	8,056	8,456	400	U
Under occupation compensation	50	200	150	U
Other Expenses	5,759	5,609	(150)	F
<b>Total Expenditure</b>	<b>17,254</b>	<b>17,564</b>	<b>310</b>	<b>F</b>
Rental Income	(43,369)	(42,969)	400	U
Other Income	(1,854)	(1,854)	0	
Interest on HRA Balances	(51)	(51)	0	
<b>Total Income</b>	<b>(45,274)</b>	<b>(44,874)</b>	<b>400</b>	<b>U</b>
<b>Net surplus ( ) / deficit</b>	<b>(28,020)</b>	<b>(27,310)</b>	<b>710</b>	<b>U</b>

Use of Reserves				
Available to finance HRA Capital Programme and future HRA investment	19,711	19,001	(710)	
Debt Interest Payments	8,309	8,309	0	
<b>Total</b>	<b>28,020</b>	<b>27,310</b>	<b>(710)</b>	

( F = Favourable, U = Unfavourable )

7.2 The staffing related savings are mainly due to vacancies and associated employee costs.

7.3 The Repairs & responsive maintenance budget is anticipated to overspend by £400,000 which is mainly as a result of storm damage incurred in October and in recent weeks. A review of the type of work undertaken is being undertaken and may result in some of this work being capitalised, along with some high cost voids including those arising from the numbers of people downsizing following the benefit changes. In the three quarters of the financial year to date we have already processed as many voids as we did in the whole year previously.

7.4 The other major expenditure variation is the Under Occupation Payment Scheme. The projected increase in expenditure is due to a higher uptake of the scheme than was originally anticipated. In nine months of this financial year 113 households have taken up the scheme.

7.5 On the income side, there are more properties being sold than anticipated under the Right to Buy Scheme. As a result the rental income is projected to be lower than budgeted.

7.6 After the current year's budget was compiled in December/January, there was a surge in interest in the right to buy scheme for those people who qualified for the larger discount.

This resulted in more dwellings being sold in the final quarter of last year (31 compared with 8 projected), thereby reducing the base rental income for this financial year.

- 7.7 This trend has continued, albeit at a lower pace, with 70 dwellings being sold in nine months of this financial year compared with the 30 anticipated.

## 8. Capital

- 8.1 The table below shows the 2013/14 projected capital outturn and proposed carry forward into 2014/15. Further details on the Capital Programme are provided in Appendix 2.

	Original Budget 2013/14	Revised Budget 2013/14	Estimated Outturn 2013/14	Spend to Qtr 3	Re-profiled to/(from) future years
	£000's	£000's	£000's	£000's	£000's
Chair of Cabinet	585	518	362	101	156
Customer and Corporate Services	650	630	203	49	427
Environment	1,902	2,019	2,182	923	(164)
Housing Services	1,448	2,199	1,799	1,121	400
Leisure & Cultural	2,891	2,577	1,867	935	710
<b>Total General Fund</b>	<b>7,476</b>	<b>7,942</b>	<b>6,413</b>	<b>3,129</b>	<b>1,529</b>
Council Housing	12,498	10,592	11,012	5,929	(200)
<b>Total Capital</b>	<b>19,974</b>	<b>18,534</b>	<b>17,425</b>	<b>9,058</b>	<b>1,329</b>

- 8.2 The Gales Drive Parade scheme for environmental improvement works will now not be completed until the spring of 2014; this will result in £70,000 being carried forward to next year.
- 8.3 The roll out of the Windows 7 Upgrade has been delayed while work in relation to Public Sector Network compliance is carried out, as a result £280,000 will be carried forward to next year for anticipated re-start in quarter one of 2014/15.
- 8.4 Work is currently being carried out on more detailed specification for the Online Self service ICT project, with completion of the project now anticipated to take place next year as a result £100,000 will be carried forward to next year.
- 8.5 Works have been brought forward at Ifield Mill Pond as advanced tree works and some initial detailed design in order to maintain the start on site date if planning is successful in February 2014.
- 8.6 Tilgate Environment Agency Flood Alleviation works has been delayed due to ongoing negotiations with the EA; as a result £20,000 will be carried forward to next year.
- 8.7 Three approved Disabled Facilities Grants have subsequently been withdrawn as a result of the applicants being unable to raise their element of the funding therefore £110,000 will be carried forward to next year.
- 8.8 Work at Worth Park's, Ridley's Court is starting later than anticipated due to on going negotiations with a party wall agreement relating to asbestos removal; as a result £600,000 will be carried forward to 2014/15.

- 8.9 Within the Ifield Community Facilities scheme, the lake silt removal has been delayed due to continuing level investigations as a result £110,000 will be carried forward to next year.
- 8.10 The Town Hall PV Installation is now complete; however the car park roof element of the scheme was unable to proceed because of structural issues with the building. Therefore other options are currently being investigated which has resulted in slippage of the scheme.
- 8.11 The enhanced design of the new build Brunel Place scheme now includes provision for two additional flats over what was originally estimated and based on the average cost per flat of £110,000, **this will result in an additional costs of £220,000. The additional cost can be funded from HRA reserves. In order to accommodate this, it is recommended that Council be asked to agree a supplementary estimate of £220,000.**
- 8.12 Up to the end of the third Quarter 70 council dwellings with a sales value of £6,774,375 have been sold compared to 41 for the same period last year.
- 8.13 The total cumulative 1-4-1 receipts retained is £5,950,435 which can be used to fund 30% of any expenditure on new affordable housing. It cannot be used on schemes supported by HCA Funding.
- 8.14 To date, £159,510 of 1-4-1 receipts has been used to partially fund the purchase properties. Any unused 1-4-1 receipts that are unspent within 3 years are to be returned to the Government with interest.
- 8.15 General Fund capital receipts included sale of land of £907,350 and other miscellaneous receipts of £20,821

## **9. Background Papers**

Budget and Council Tax 2013/14 Cabinet 13 February 2013 fin/293

Quarter 2 Budget Monitoring Report Cabinet 13 November 2013 fin/314

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**Quarter 3 GRF Projected Outturn**

	Original Budget £000's	Latest Budget £000's	Projected Outturn £000's	Variance £000's	
<b>Portfolio</b>					
Chair of Cabinet	(569)	(560)	(683)	<b>(123)</b>	F
Community Engagement	1,669	1,611	1,611	<b>0</b>	
Customer and Corporate Services	65	75	197	<b>122</b>	U
Environment	6,219	6,226	6,076	<b>(150)</b>	F
Housing Services	2,871	3,242	3,407	<b>165</b>	U
Leisure & Cultural	7,191	7,224	7,123	<b>(101)</b>	F
Planning & Economic Development	1,472	1,501	1,386	<b>(115)</b>	F
<b>Total</b>	<b>18,918</b>	<b>19,319</b>	<b>19,117</b>	<b>(202)</b>	<b>F</b>

<b>Broken down by Directorate</b>					
Community Services	12,858	12,727	12,571	<b>(156)</b>	F
Transformation & Housing	(2,351)	(2,272)	(2,225)	<b>47</b>	U
Development & Resources	6,129	6,527	6,562	<b>35</b>	U
Chief Executive	2,282	2,337	2,209	<b>(128)</b>	F
<b>Total</b>	<b>18,918</b>	<b>19,319</b>	<b>19,117</b>	<b>(202)</b>	<b>F</b>

Depreciation	(3,028)	(3,028)	(3,028)	<b>0</b>	
Renewals/Replacement Funds	200	200	200	<b>0</b>	
<b>NET COST OF SERVICES</b>	<b>16,090</b>	<b>16,491</b>	<b>16,289</b>	<b>(202)</b>	<b>F</b>

Grant funding	0	(401)	(401)	<b>0</b>	
Investment Interest	(1,105)	(1,105)	(895)	<b>210</b>	U
Council Tax/RSG/NNDR	(14,985)	(14,985)	(14,985)	<b>0</b>	

Net contribution from / (to) Reserves	<b>0</b>	<b>0</b>	<b>8</b>	<b>8</b>	<b>U</b>
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**Main Variations Identified for 2013/14 - General Fund**

	Q3 Variation £000's	Q2 Variation £000's
<b>1 Chair of Cabinet</b>		
Legal Services – vacant post in anticipation of restructure	(60 )	(50 )
Increased Income in Commercial rental forecast	(50 )	(50 )
Sundry Debtors Court costs & income received	(10 )	(10 )
Finance Salaries costs (4% vacancy provision not achieved)	45	45
Property Team vacancies	(50 )	(50 )
Built Environment Team underachievement of capital charges	60	50
Court cost income projected shortfall	20	20
Property - Admin Team staf savings	(10 )	
Legal Services - various savings / additional income	(28 )	
Democratic - Committee Admin staff savings	(10 )	
Democratic - member services - various underspends	(10 )	
Policy operational costs	(10 )	
Policy staff vacancy	(10 )	
	<b>(123)</b>	<b>(45)</b>
<b>2 Community Engagement</b>	<b>0</b>	<b>0</b>
<b>3 Customer and Corporate Services</b>		
People & Technology staff savings - mainly part-year effect of restructure	(80)	(80)
IT costs in respect of Cabinet Office security requirements	10	10
Oracle Software licensing payment (following Oracle audit)	161	
Consultancy support (re Oracle audit)	50	
Corporate Training Budget	(10 )	
Property - Facilities Increased Postage cost	16	
Hardware purchase - saving due to sufficient budget in the capital programme for IT upgrade rollout	(25 )	
	<b>122</b>	<b>(70)</b>
<b>4 Environment</b>		
Vacancy Savings - Street Cleansing Services	(15 )	(10)
Recycling Support payments above budget	(10 )	(10)
Increased Green Bins income from higher take up of service	(10 )	(10)
Vacancy Savings - Business Support Unit	(25 )	(20)
Vacancy Savings - Across Environmental Services	(70 )	(40)
Savings on new Refuse & Recycling contract for Feb & March	(100 )	
Cost of hired refuse & recycling vehicles for Feb & March	80	
	<b>(150)</b>	<b>(90)</b>
<b>5 Housing Services</b>		
Temporary Accommodation costs	100	150
Consultancy/Housing survey budget not required this year	(15 )	(15)
Vacancy savings - Benefits, Business Admin Support team & Fraud & Inspections	(20 )	(20)
Increase in Provision for Bad Debts for the Rent Deposit scheme	100	
	<b>165</b>	<b>115</b>



<b>6 Leisure &amp; Cultural</b>		
Additional community centres income	(30)	(30)
Adventure Playgrounds private hire income	(16)	(16)
Adventure Playgrounds staff savings	(30)	(30)
Support Services vacancy	(25)	(25)
	<b>(101)</b>	<b>(101)</b>
<b>7 Planning &amp; Economic Development</b>		
Vacancy Savings - Forward Planning	(15 )	(10)
Planning Application Income	(100 )	(70)
	<b>(115)</b>	<b>(80)</b>
<b>8 INVESTMENT INTEREST</b>	<b>210</b>	<b>210</b>
<b>TOTAL VARIANCES</b>	<b>8</b>	<b>(61)</b>

**Main Variations Identified for 2013/14 - Housing Revenue Account**

	Q3 Variations £000's	Q2 Variations £000's
<b>Employees</b>		
Policy Engagement Manager Vacancy	(15)	(15)
Housing Vacancies and reduced hours	(41)	(41)
Gas maintenance administrator vacancy	(20)	(17)
Mobile Cleaners Vacancies	(14)	(14)
	<b>(90)</b>	<b>(87)</b>
<b>Repairs &amp; Premises costs</b>		
Repairs & responsive maintenance	<b>400</b>	<b>0</b>
<b>Compensation payments</b>		
Under Occupation Compensation Payments	<b>150</b>	<b>150</b>
<b>Other Expenses</b>		
Increased costs of Vehicle Maintenance/Depreciation	7	7
Reduction in IT Associated Costs	(55)	(55)
Reduction in Purchase of Furniture and Equipment	(67)	(67)
Other	(35)	(35)
	<b>(150)</b>	<b>(150)</b>
<b>Income</b>		
Reduced rental income due to property sales	400	300
Other Minor	0	0
	<b>400</b>	<b>300</b>
<b>TOTAL VARIANCES</b>	<b>710</b>	<b>213</b>