

2006/07 BUDGET RISKS AND ASSUMPTIONS

In considering next year's budget, Members should be aware of the following points:

- The budget is based on General Fund reserves being a minimum of £1M by 31 March 2009, with any additional funds being applied in support of the revenue budget.
- No provision has been made for a general contingency.
- This report proposes additional contributions to the Access to Services and Job Evaluation Reserves.
- No budget assumptions have been made as yet regarding the termination of the existing Highways Partnership.
- Housing Benefit grants have been based on the latest available information.
- Treasury management investment income and borrowing assumptions have been based on advice received from the Councils' treasury management consultants. However, unpredictable fluctuations in the economy can have a significant impact on these assumptions. These estimates may also be affected by the timing of payments and reimbursement for major schemes such as Luneside East.
- Vehicle running costs have varied across all years as a result of delays in replacing vehicles in the current year, and assumptions made on the method of procurement.
- Licensing Act income has been based on assumptions of the numbers and timing of license applications.
- As in previous years, a staff turnover provision has been provided for, which is £210,000 for 2006/07.
- Decriminalisation of Parking estimates have been based on actual experience which is significantly different from the original model. The current off-street account position has improved, whilst the on-street account is running at a deficit with no indication of the position improving.
- Council Tax income from 2nd homes will continue to be allocated through the LSP for 2006/07.
- The extension of the Concessionary Travel scheme has increased costs by over £1M, with extra funding being provided through the finance settlement.
- In February 2006 authorities will receive the first allocation of Business Rate income due under the Local Authority Business Growth Incentive Scheme. The budget assumes that an amount of around £200K will be received in 2005/06, and a further £100K in each of the next two years. It should be noted that the exact timing of payments, and the future years amounts have not been confirmed by the Government at this point in time.
- No budget adjustments have been made regarding the current review of Service Heads.
- It has been assumed that other grant awards such as Planning Delivery Grant and any to be fed through the Local Area Agreement would be used to support new spending needs.

Detailed Areas of Risk Inherent in the 2006/07 Budget

- Car parking income – risk of factors such as bad weather next season and reduced visitor numbers could affect the level achieved, and changes in parking patterns could affect the level of enforcement activity and its spread between off-street and on-street parking.
- The accuracy of the License Act income assumptions could still fluctuate, as there is no complete historical evidence on which to base them.
- Street cleansing, refuse collection and grounds maintenance. These areas account for a significant proportion of net spending and therefore a small percentage increase in costs could have a relatively large impact. A material increase in the population/number of households could have a longer term effect, as could take up of recycling initiatives.
- Housing benefit figures are based on assumptions re caseloads, which can fluctuate. Monitoring procedures are still being strengthened to ensure that fluctuations are identified early so that their implications can be assessed.
- CTAX/NNDR recovery costs and income recovered are difficult to predict with certainty.
- Commercial property rents - obviously assume a certain level of occupancy, similarly markets income.
- Legal & Court costs - the exact liabilities cannot be accurately determined and are dependent on litigation arising.
- Land Charges Search Fees - could be affected by a change in the housing market/interest rates.
- Planning & Building Regulation fees dependent on the construction industry market and housing markets.
- The fourth phase of the three stream collection service is estimated to start in October 2006, however any slippage on the start and changes in recycling levels etc. would impact on these estimates, and also the next phase.
- The cost of plastic refuse sacks, fuel, tyre and wheeled bins are all linked to the price of oil. Fluctuations in this market will directly impact on these budgets. Also, recent events highlight that there is increasing pressure on energy costs generally.
- Festivals income could be affected by a number of factors, such as marketing, weather, etc.
- The extent to which salary costs can be charged to capital is dependent on the continuation of the relevant capital schemes at the levels of activity currently anticipated.
- The expansion of the concessionary travel scheme, coupled with the move to using Smart Card information as the basis for recharging authorities, results in there being a greater risk that actual take up (and therefore costs) for concessionary travel will differ from the budget assumptions.
- Income due from the LABGI scheme will be influenced by economic growth experienced within the district as well as other factors influencing businesses' RV's, potentially.
- There is currently much uncertainty regarding the financial outcome of Job Evaluation, Access to Services and also the termination of the Highways Partnership.