

RISK ASSESSMENT – VOLATILE BUDGETS

APPENDIX 5

SERVICE	BUDGET 2009/10 £	RISK AND IMPACT	MITIGATION
Net Interest	(300,000)	<p>Fund Managers could under perform. Other external factors could cause investment returns to be lower than anticipated. Due to global and national economic factors anticipated investment returns are considerably lower than previous years'. The budgeted rate of return for next year is only 3% and net interest is expected to be only £100,000 in 2010/11.</p> <p>Depositors could default on loan repayments as was the case with the Icelandic banks.</p>	<p>Current Fund Manager has a track record of being a leading market performer. Regular monitoring information is provided together with half-year meetings with the Fund Manager.</p> <p>Interest rates are likely to remain relatively low and stable in the medium term so there is unlikely to be a significant variation from the budgeted assumption.</p> <p>The Council has reviewed and updated its Annual Investment Strategy</p>
Commercial Properties	(2,471,300)	<p>Budgeted rental income for 2009/10 is £3,478,640. Actual rental income for 2008/09 was £3,412,346. As at September 2009 there were 3 long term and 5 short term void properties with a rental value amounting to 2.3% of the total rental value of the commercial portfolio. Debts outstanding at 90 days (on M001 to M006) at September 2009 are £200,834, representing 6.2% of the total invoiced in the previous 4 quarters. The upheavals in the commercial market during this period have meant a number of businesses have fallen victim to the recession. The Council's commercial tenants have very largely weathered the storm but it has meant that different payment arrangements have been put in place regarding debt handling.</p>	<p>The value of current voids and bad debt provisions are to be expected for a large and varied property base and are allowed for within the budgets. Vacant properties are marketed promptly. Bad debts are chased regularly and targets have been set for debt management. Monthly stewardship meetings are held with the Head of Service to discuss variances and reported to Scrutiny – Economy Committee quarterly. Medium Term Financial Planning has been updated in view of the current/predicted economic conditions.</p>

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		The small increase in the total number of voids compared with last year indicates that the economic climate could adversely affect rental income in 2010/11	
Travel Concessions	2,882,750	With effect from 1 April 2008, the Government introduced a new national bus concessionary travel scheme. The Government also provided additional special grant funding to local authorities to meet all the additional costs of this scheme. It is now very apparent that whilst the amount of special grant may in total be sufficient to meet the costs of the new concessionary travel scheme, there are a number of authorities in a similar position to us who are now facing large shortfalls of funding. The total deficit covering the first 3 years of the travel scheme could be approaching almost £4 million.	The Council has sought support from other similarly affected Councils as well as lobbying the Government in order to try and secure additional grant funding to meet the funding shortfall of the nationwide concessionary travel scheme. Resulting from this the Government has issued a consultation paper which sets out their proposals for the funding of concessionary travel in 2010/11. If the proposals are endorsed they will give the Council an additional £1.65 million of special grant.
Car Parks	(3,200,630)	<p>Budgeted fee income for 2009/10 is £5,025,000. Actual fee income for 2008/09 was £4,721,230. Recovery of income in the financial year up to September 2009 is running below the budgeted profile. This is considered mainly due to the current economic climate, competition other car parks and the impact of free concessionary travel.</p> <p>The key factors affecting car park income in 2010/11 will be:</p> <ul style="list-style-type: none"> ▪ Continued competition from other car parks (Princesshay, Central Station, Summerland Gate, Paris Street) ▪ Competition from other towns ▪ Economic conditions 	Monthly stewardship meetings are held with the Head of Administration and Parking Services and the Car Parks Manager to discuss variances and reported to Scrutiny – Economy Committee quarterly.

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		<ul style="list-style-type: none"> ▪ Impact of concessionary travel. 	
Archaeological Field Unit	Nil	<p>Although the unit is budgeted to break even, it made a loss of £390,000 in 2008/09 and it is currently forecast to make another loss of almost £300,000 in the current financial year.</p> <p>The Field Unit operates primarily as a self-financing organisation which undertakes projects and research for a wide range of public and private sector clients. Budgeted income for 2009/10 is £1,281,350. Income levels in 2009/10 are again forecast to fall below budget which is significantly influenced by falling demand in the construction industry.</p>	<p>A restructuring of the unit to reduce headcount and costs was undertaken in spring 2009. Further proposals to reduce the operating costs of the unit were approved by members in September.</p>
Homelessness	711,340	<p>Levels of homelessness in the city can be volatile given the many causes, some of which are outside the Council's control: relationship breakdowns, fires, evictions, and repossessions. Thus, if the number of homeless households were to increase in the city in the current year the effect on the budget would be significant.</p> <p>The gross budget for accommodating the homeless for 2009/10 is £2,271,560, whilst a 5% increase in this budget would cost an additional £113,578.</p>	<p>The Service's main aim is to prevent homelessness, wherever possible. To comply with Government Targets, Service managers are aiming for a 25% reduction in homelessness acceptances between 1 January 2006 and 1 April 2010. Over the same period, a 50% reduction in the use of temporary accommodation (from 300 to 150) is also required. We are on course to meet these targets and with more effective management of the remaining stock, this will help to reduce costs further.</p>
Cleansing services – operational excluding Trade Refuse	3,704,960	<p>The budget for fuel in 2009/10 is over £268k, so any increase in fuel prices could have a large financial impact.</p>	<p>The price of fuel is outside the control of the service and there is little to be done in the short term. Long-term measures include choosing vehicles with good fuel efficiency, regular maintenance and regular reviews of the fuel suppliers.</p>

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		<p>In general, where operatives are off sick, agency cover is required to undertake their duties. The budget for 2009/10, based on an average of 11 days sickness per operative, is £69k. Higher levels of sickness can have a substantial impact on this service.</p>	<p>Sickness management has been a high priority for the service, and levels of sickness have reduced as a result to around 11 days sickness per operative. Maintenance of this management is the main tool in reducing the risks associated with sickness.</p>
<p>Recycling - operational</p>	<p>724,740</p>	<p>Income from the sale of recyclable materials in 2009/10 is estimated at £492k. Prices for the materials are currently stable after a period of extreme volatility. Materials which have little or no commercial value still earn recycling credits (which are estimated at approximately £376k in 2019/10) provided they are accepted by merchants, but if they have to be sent to landfill, this source of income could also reduce. The 2010/11 estimates are based on the best, realistic estimates of the recycling manager, a return to volatile market prices for recyclates could have a large financial impact.</p> <p>Any operational problems that could cause the MRF to cease operating can give rise to a substantial loss of income, as materials that cannot be sorted must either be sent to landfill or to another MRF, thus reducing the income generated by selling recovered materials.</p>	<p>The recycling manager’s expertise is vital in assessing the likely impact of market forces on prices, but there is no action that can be taken to control the prices.</p> <p>The Plant at the Material Reclamation Facility (MRF) continues to be upgraded to ensure that the quality of the materials is kept as high as possible to ensure the best possible prices. The plant is maintained regularly. Agency staff are brought in to cover any casual vacancies, as well as operatives who are off on leave or sick. Keeping the MRF operational at all times is a high priority.</p>