

RISK ASSESSMENT – VOLATILE BUDGETS

APPENDIX 4

SERVICE	BUDGET 2007/08 £	RISK AND IMPACT	MITIGATION
Net Interest	(1,380,000)	Fund Managers could under perform. Other external factors could cause investment returns to be lower than anticipated. Assumed budgeted rate of return is 5.75%. A variance of just 0.1% against this rate of return is equivalent to £23,000.	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. The Council also has an Annual Investment Strategy that clearly sets out the overriding principles and best practice with regard to investment of surplus cash amounts. The Council now manages some of its investments by using its own in-house team.
Commercial Properties	(2,176,540)	Budgeted rental income for 2007/08 is £3,186,470. Actual rental income for 2006/07 was £3,071,919. As at September 2007 there were only 4 void properties with a rental value amounting to 2.2% of the total rental value of the commercial portfolio. Debts outstanding at 90 days on M01 to M05 at September 2007 are £95,688, representing 3.40% of the total invoiced in the previous 4 quarters. The retail property market continues to be generally strong with no difficulty in letting well-placed units. Units in poorer locations are proving more difficult to let.	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.

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<p>Travel Concessions</p>	<p>1,575,970</p>	<p>Free off-peak concessionary travel was introduced on local bus services in England for people aged 60 and over and disabled people on 1st April 2006. This is the second year of budgeting for this scheme, so 07/08 budget benefits from 06/07 actual out-turn. Still some uncertainty because of a) continued discussions over apportionment and Teignbridge concerns over which survey source to use to inform apportionment level and b) the outstanding bus operator appeal to DfT over the decision to reduce the rate of reimbursement and c) the continued growth of the scheme. The DCLG have announced that free travel will be extended to national bus services from April 2008, and options to distribute the special grant funding linked to the national extension are out for consultation (decision expected in Dec 07). Sub-regional travel patterns are expected to increase costs to Exeter under the nationwide scheme by about £390k. The scale of people flows from beyond the region using Exeter’s buses is much harder to predict.</p>	<p>The Chancellor is allocating an extra £212m to England authorities to fund the nationwide extension. This will be paid by special grant, which adds clarity. Local authorities have been invited to respond to the consultation on the method for payment of the grant. ECC has responded, arguing on methodological grounds that Option 4 is inappropriate. City Council has shared analysis with authorities in a similar situation to encourage a collective approach. City Council has asked local MP to lobby on this issue to DfT colleagues.</p> <p>For 2007/08: Devonwide scheme administrators provide ECC with regular updates of the estimated contribution for 2007/08 (and will do similar in 08/09).</p>
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<p>Car Parks</p>	<p>(2,908,990)</p>	<p>Budgeted fee income for 2007/08 is £4,645,030. Actual fee income for 2006/07 was £4,608,692. Recovery of income in the financial year up to September 2007 is running slightly above profile and it is hoped that the stimulus to the City centre economy provided by the opening of Princesshay will enable this trend to continue until the end of March 2008.</p> <p>The key factors affecting car park income in 2008/09 will be:</p> <ul style="list-style-type: none"> ▪ Competition from other car parks (Central Station, Summerland Gate, Paris Street) ▪ Competition from other towns ▪ Economic conditions ▪ The sustainability of the ‘Princesshay effect’ in boosting the City Centre retail economy ▪ Bid to operate Summerland Gate ▪ The impact of the tariff increases in January 2008 	<p>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.</p>
<p>Summer Festival</p>	<p>80,000</p>	<p>Budgeted income for the Summer Festival varies from year to year. There are difficulties predicting the level of ticket sales which have led to problems in the past particularly with large events which are reliant on high ticket sales to cover the high costs.</p> <p>2007/08 income was slightly better than expected.</p>	<p>Procedures are in place to ensure realistic budgets are set well in advance and adhered to. Only 60% occupancy for each event is assumed for budget purposes even though this is usually exceeded. Actual income and expenditure is monitored and reported regularly from May to September. Regular meetings are held with the Festival and Events Manager and any variances/issued discussed and reported as necessary.</p>

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<p>Homelessness</p>	<p>449,380</p>	<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 the accommodating the homeless for 2007/08 is £1,164,530, whilst a 5% increase in this budget would cost an additional £58,230.</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>
<p>Trade Refuse</p>	<p>(32,680)</p>	<p>The budget for the gross income from this service in 2007/08 is £559k. Income has been affected in recent years by increased competition and the Princesshay development. In addition, a profitable contract with the University ended on 31st March 2007.</p>	<p>Some reduction in costs can be achieved but the fixed costs in running the service mean that it will not be sufficient to fully offset the lost income. The levels of competition mean that prices cannot be increased without risking the loss of customers. If the service continues to contract, it could become non-viable. From 29th October 2007, a new trade recycling service has been operating, and it is hoped that this will improve the profitability of the service. The service is to be reviewed after six months.</p>

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<p>Cleansing services – operational excluding Trade Refuse</p>	<p>3,543,470</p>	<p>The budget for fuel in 2007-08 is over £240k, so any increase in fuel prices could have a large financial impact.</p> <p>In general, where operatives are off sick, agency cover is required to undertake their duties. The budget for 2007/08, based on an average of 10 days sickness per operative, is £75k. Higher levels of sickness can have a substantial impact on this service.</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> <p>Sickness management has been a high priority for the service, and levels of sickness have been reduced dramatically in recent years. Maintenance of this management is the main tool in reducing the risks associated with sickness.</p>
<p>Recycling - operational</p>	<p>451,430</p>	<p>Income from the sale of recyclable materials in 2007/08 is estimated at £420k. Prices for the materials sold can be volatile. With the increased recycling rates, this is a significant source of income, but the service has no control over the market prices.</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>A £20k contingency was built into the 2007/08 budgets, and 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) is being upgraded to ensure that the quality of the materials is kept as high as possible to ensure the best possible prices.</p> <p>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>