

ITEM

ITEM

Executive, 3 January 2008

REVENUE BUDGET MONITORING 2007/2008

Report of the Head of Financial Services

**Statutory Powers: Local Government Act 1972, Section 151
Local Government Act 2003, Section 28**

Financial Implications: The report identifies an estimated deficit of £320,000 for the 2007/2008 financial year.

Purpose

1. This report enables Members to monitor income and expenditure variations against the approved budget for 2007/2008. Effective budgetary control is essential to ensure priorities are delivered in accordance with plans and is directly linked to Corporate Priority 6 – “the improvement of core service performance in a cost-effective way”.

Recommendations

That the Executive RESOLVES that:

The forecast income and expenditure variations for the 2007/2008 financial year are noted.

Budget overview

2. The 2007/2008 budget was set at £10.1m (net). Current projections (based on figures at the end of October) indicate that a deficit of £320,000 may arise. Table 1 below provides an analysis of the projected variances against budget.

TABLE 1: 2007/2008 BUDGET FORECAST

Variations	Increase/ (decrease)	Note
	£000	
Reductions in expenditure/additional income		
Employment Estates	(258)	A
Investment income	(140)	B
Community Parks/ Outdoor Recreation	(82)	C
Waste Management	(69)	D
LABGI	(60)	E
Homelessness	(50)	F
Staff salaries	(40)	G
Licensing	(30)	H
Abandoned vehicles	(16)	I
Increases in expenditure/reductions in income		
Waste Management (Operations)	360	J
Redundancy Payments	210	K
Car Parks	170	L
Housing Benefits	75	M
Planning	65	N
Dartmouth Lower Ferry	60	O
Community Parks / Outdoor Recreation	51	P
Land Charges	50	Q
Trade Waste	24	R
ANTICIPATED DEFICIT	320	

Notes

- A. **Employment Estates-** the increase reflects commercial rent reviews and high occupancy levels.
- B. **Investment Income-** the additional income reflects increased improved cash flow and interest rate rises.
- C. **Community Parks/Outdoor Recreation-** a new easement has been negotiated which has generated additional income. In addition, cost reductions are being achieved across a range of public utilities.
- D. **Waste Management** – additional income has been received from the County Council in respect of the increased throughput of material at Torr Quarry.

- E. **Local Authority Business Growth Incentive Scheme (LABGI)** – LABGI is a payment made by Central Government to reward local authorities for their efforts in achieving growth in business activity and is based on increases in rateable values. The Government has announced details of an additional LABGI payment being made to qualifying local authorities in the light of a recent court judgment on the LABGI scheme.
- F. **Homelessness** – the Council is currently managing fewer units of accommodation than was originally budgeted.
- G. **Staff salaries**- this reduction reflects savings arising from vacant posts. *N.b. the total reduction is approximately £120,000. However, there is an anticipated reduction in officer time charged to the Council's capital programme of around £80,000 which means that the net impact on the council's revenue account is a saving of £40,000*
- H. **Licensing**- additional one-off income in respect of general and liquor licensing regulations.
- I. **Abandoned Vehicles** – scrap metal has experienced a sharp rise in prices due to high demand worldwide with the result that fewer abandoned vehicles are being recovered by the Council.
- J. **Waste Management** - significant additional costs have arisen from the re-organisation of refuse collection rounds (please refer to report to the Executive on 4 October 2007). The previous deficit reported to the Executive was £500,000. Since then the Operations Team have been reviewing working practices which have resulted in cost reductions. As a result, the forecast has been reduced to £360,000. It is anticipated that further savings will be made before the year end.
- K. **Redundancy Payments** – a number of redundancies have been made in recent months under the Council's Redundancy and Interests of Efficiency Policy. In each case the Council will receive ongoing revenue savings, which more than offset these costs over 5 years, but must meet one off redundancy costs in the 2007/08 financial year (PP8/07, PP12/07 ,PP13/07and PP14/07 refer).
- L. **Car Parks** – reduction in income due to poor weather conditions over the main summer period.
- M. **Housing Benefits** - reduction in subsidy recovery rate. Due to high levels of sickness the Revenue and Benefits Section has struggled to attract the incentive elements for identifying local authority errors. The Section is now fully staffed and performance is expected to return to its usual high levels for the remainder of the year.

- N. **Planning** – the increase reflects the net costs arising from the use of temporary staffing to cover the work of the Head of Planning. The cost of this support is being funded from planning applications fees associated with the Sherford development, the majority of which were received in 2006/07. In addition, the Council has incurred unbudgeted costs for the use of specialist legal advice to defend an appeal and by the granting of compensation payments in relation to other appeals.
- O. **Dartmouth Lower Ferry**- no up turn in crossing numbers has been recorded to date with the result that income is currently at similar levels to those achieved in 2006/07. Officers are currently reviewing the charging structure with the aim of increasing the competitiveness of the service.
- P. **Community Parks/Outdoor Recreation** – the Parks Service was set a target of achieving external contributions amounting to £51,000 for the 2007/08. Unfortunately, it has not been possible to achieve this. However, additional income/cost reductions have been obtained from other sources – please refer to paragraph C.
- Q. **Land Charges** - the shortfall reflects the impact of the introduction of the new charging regime in line with revised Government regulations (Council 97/06). Members may recall that local authorities were previously able to generate a surplus on the land charges function. However, fees can now only be set at a level which recovers the actual cost of providing the service. The budget for 2008/09 will be adjusted accordingly.
- R. **Trade Waste** – increased weight of material is being collected leading to a rise in tipping charges.

Prudential indicators

3. The prudential code indicators were included in the Budget report to the Executive on 27 January 2007. The indicators are monitored during the year through the normal revenue and capital monitoring processes. Any exceptions are reported to the Executive together with any remedial action or revision required. To date all Treasury Management limits have been adhered to and there are no issues to report. The average rate of interest achieved on our investments to date is 5.0% compared to the budgeted rate of 4.9%.

Lead Indicators and Reserves and Balances

4. The review of key lead indicators is integral part of budget monitoring. The key indicators that will have a material impact on our budget relate to staffing levels and demand led services, in particular our income generating services.
5. The indicators considered to have a material impact on our budget are shown in Appendix A and where appropriate the financial consequences have been included in our forecast. These may be changed as the year progresses after consultation with our auditors.
6. The decision on the level of balances and reserves is taken during the formulation of the annual budget and the medium term financial strategy. As a matter of prudence the Council has set aside various amounts to cover future liabilities and items of expenditure and these are attached as Appendix B.

Gershon Efficiency Savings

7. Attached as Appendix C is the monitoring report for the efficiency savings identified for 2007/08. The latest position is reflected in the overall budget monitoring report.

Risk assessment

Opportunity	Issues/Obstacles	Benefits
Quarterly reporting to the Executive and provides an opportunity for Members to identify and instigate remedial action where appropriate.	Members and officers do not exercise their statutory responsibilities for financial control and risk management. The financial standing of the Council is put at risk through variations in income and expenditure that are not detected at an early stage.	The Council provides value for money services within budget. Continual budget monitoring at all levels within the Council ensures early identification of variances. This facilitates the planning of the necessary action to bring the budgets back into line.

Conclusion

8. The Council faces significant budget pressures that have been identified in relation to Waste Management. Members will need to continue to monitor the management of these issues over the coming months.
9. To help minimise any net overspend, the Operations Services, together with other service managers, have been requested to reduce their expenditure by critically examining all budgets.

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John Foxworthy
Head of Financial Services

Executive
3 January 2008

Background Documents: Working papers in Corporate Finance