

**ITEM**

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**Executive – 4 September 2008**

**REVENUE BUDGET MONITORING 2008/2009**

**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 a forecast deficit of £33,000 for the 2008/2009 financial year.

**Purpose**

1. This report enables Members to monitor income and expenditure variations against the approved budget for 2008/2009. 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”.

**RECOMMENDATION**

**That the Executive RESOLVES that:**

**The forecast income and expenditure variations for the 2008/2009 financial year are noted.**

**Budget overview**

2. The gross expenditure budget for 2008/2009 was set at £44m (£10.4m net). Current projections indicate that overall net expenditure is in line with the budget although the evidence to date suggests that the national economic climate is having a negative effect on the Council's income generating activities. Table 1 below provides an analysis of the projected variances against budget.

**TABLE 1: 2008/2009 BUDGET FORECAST:**

<b>Variations</b>	<b>Increase/ (decrease)</b>	<b>Note</b>
	<b>£000</b>	
<b>Reductions in expenditure/additional income</b>		
Staff salaries	(130)	<b>A</b>
Investment income	(140)	<b>B</b>
Employment Estates	(21)	<b>C</b>
<b>Increases in expenditure/reductions in income</b>		
Car Parks	129	<b>D</b>
Community Parks / Outdoor Recreation	50	<b>E</b>
Land Charges	34	<b>F</b>
Waste Management	30	<b>G</b>
Dartmouth Lower Ferry	56	<b>H</b>
Coast Protection	25	<b>I</b>
<b>ANTICIPATED (SURPLUS)/DEFICIT</b>	<b>33</b>	

**Notes**

- A. **Staff salaries**- this reduction reflects savings arising from vacant posts.
- B. **Investment Income**- the additional income reflects improved cash flow.
- C. **Employment Estates**- the increase reflects commercial rent reviews and high occupancy levels.
- D. **Car Parks** – reduction in income due to poor weather conditions over the spring/summer period and general economic climate.
- E. **Community Parks** – the Parks Service was set a target of achieving external contributions amounting to £51,000 for the 2007/08 budget. This reduction was retained in the 2008/09 budget, but is unlikely to be achieved.
- F. **Land Charges** – reflects a reduction in number of searches compared to budget. Likely, to be indicative of the current downturn in the housing market.
- G. **Waste Management** - significant additional costs have arisen from a number of long term sickness cases.
- H. **Dartmouth Lower Ferry**- a reduction in crossing numbers is currently being experienced.

- I. **Coast Protection** - approximately 25 years ago the National Rivers' Authority (now the Environment Agency) entered into an agreement with the Council by which they would make an annual contribution to the costs of a capital scheme at Dartmouth Embankment. The payment comprises a principal and interest element. A request was received from the Environment Agency asking the Council to allow them to pay off the outstanding principal of £250,000 in full (the existing agreement runs until 2025/2026) in 2007/08. This request was accepted which means that the annual contribution of approximately £25,000 will no longer be received. The budget for 2009/10 will be adjusted accordingly.

### **Prudential indicators**

3. The prudential code indicators were included in the Budget report to the Executive on 24 January 2008. 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 5.1% which is similar to the budgeted rate.

### **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.
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.

### **Efficiency Savings**

7. Attached as Appendix C is the monitoring report for the efficiency savings identified for 2008/09. 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. Although, the overall financial situation is satisfactory, the evidence to date suggests that the national economic climate is having a negative effect on the Council's income generating activities.

Michael Tithecott  
Chief Accountant

John Foxworthy  
Head of Financial Services

Executive  
4 September 2008

## Background Documents:

Working papers in Corporate Finance