

ITEM

ITEM

Executive, 8 January 2009

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 projected surplus of £170,000 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”.

Recommendations

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 will be under budget by around £170,000. The national economic climate is having a negative effect on the Council's income generating activities, but this has been mitigated by a potential saving on Concessionary Fares. Table 1 below provides an analysis of the projected variances against budget.

TABLE 1: 2008/2009 BUDGET FORECAST

Variations	Increase/ (decrease)	Note
	£000	
Reductions in expenditure/additional income		
Concessionary Bus Fares	(300)	A
Investment income	(140)	B
Staff salaries	(110)	C
Licensing (net)	(35)	D
Employment Estates (net)	(20)	E
Increases in expenditure/reductions in income		
Car Parks (net)	105	F
Trade Waste (net)	60	G
Dartmouth Lower Ferry (net)	60	H
Land Charges (net)	60	I
Community Parks / Outdoor Recreation	51	J
Planning (net)	40	K
Housing Benefit Subsidy	34	L
Coast Protection	25	M
ANTICIPATED (SURPLUS)/DEFICIT	(170)	

Notes

A. Concessionary Bus Fares- A new national scheme was introduced from April 2008 which allows people over 60 and eligible disabled people free travel on all local buses in England. Councils in Devon were very apprehensive about the impact of the scheme on their budgets because we are a tourist area with large numbers of visitors in the summer. Details of trip information to date suggest that the rural districts costs have reduced at the expense of the urban areas. However, the Judicial Review regarding the 2007/08 reimbursement rate and an appeal against the 2008/09 reimbursement rate are still outstanding and their outcome will impact on the 2008/09 and 2009/10 costs, making predictions of costs difficult. Making a balanced judgement on the information available to us we should see a budget saving of £300,000 in this financial year. However, it is also a possibility that Government will claw back the under spend by reducing the amount of grant they pay us.

- B. **Investment Income-** the additional income reflects improved cash flow. The forecast has been adjusted to take account of the possible loss of interest from the Council's deposit with the Heritable Bank PLC and future reductions in investment returns.
- C. **Staff salaries-** this reduction reflects savings arising from vacant posts.
- D. **Licensing-** the increase reflects additional income plus savings on direct staff costs.
- E. **Employment Estates-** the reduction reflects the end of an agreement whereby the Council was required to pay 30% of the rental income from Dart Marine Park to SWRDA .
- F. **Car Parks-** due to the poor weather conditions over the spring/summer period and the general economic climate, income is forecast to be approximately £150,000 less than budget. However, this has been partly mitigated by a reduction in lease rentals payable of £45,000 (mainly in Kingsbridge).
- G. **Trade Waste-** the Council is currently experiencing a downturn in the demand for its trade waste service. The reasons are two fold in that we have seen a downturn in the tourism industry coupled with the entry to the market of a new supplier who has taken a significant number of our clients.
- H. **Dartmouth Lower Ferry-** a reduction in crossing numbers has been experienced.
- I. **Land Charges-** reflects a reduction in number of searches compared to budget which reflects the current downturn in the housing market.
- J. **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.
- K. **Planning-** a provision of £70,000 has been made in the accounts for consultancy costs arising from the Goveton wind farm public enquiry. However, this additional cost has been partly offset by additional income received from planning applications.
- L. **Housing Benefit Subsidy-** The Council is reimbursed by Government by around 99.5% of the cost of housing benefit payments. The shortfall is budgeted for each year. However, case loads and the value of payments have risen which means that the Council is incurring an increasing deficit in subsidy against the original budget.

M. **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. The average rate of interest achieved on our investments to date is 5.4% 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 national economic climate is having a negative effect on the Council's income generating activities.

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Executive
8 January 2009

Background Documents: Working papers in Corporate Finance