

**ITEM**

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**Executive – 19 NOVEMBER 2009**

**REVENUE BUDGET MONITORING 2009/10**

**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 deficit of £300,000 for the 2009/10 financial year.**

### **Purpose**

This report enables Members to monitor income and expenditure variations against the approved budget for 2009/10. 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:**

- 1. The forecast income and expenditure variations for the 2009/10 financial year are noted.**

### **Budget overview**

- 2. The gross expenditure budget for 2009/10 was set at £45m (£10.4m net). Current projections indicate that overall net expenditure could exceed the budget by around £280,000. The national economic climate is having a negative effect on the Council’s income generating activities, but this has been mitigated to an extent by falling inflation and other reductions in expenditure. Table 1 below provides an analysis of the projected variances against budget.**

**TABLE 1: 2009/10 BUDGET FORECAST**

Variations	Increase/ (decrease)	Note
	£000	
<b>Reductions in expenditure/additional income</b>		
Inflation	(300)	<b>A</b>
Concessionary Bus Fares	(90)	<b>B</b>
Staff salaries	(74)	<b>C</b>
LABGI	(38)	<b>D</b>
Benefit Administration Grant	(33)	<b>E</b>
Waste Management	(26)	<b>F</b>
<b>Increases in expenditure/reductions in income</b>		
Investment income	180	<b>G</b>
Planning (Development Control)	165	<b>H</b>
Car Parks	160	<b>I</b>
Employment Estates	93	<b>J</b>
Building Control	93	<b>K</b>
Community Parks	57	<b>L</b>
Outdoor Recreation	39	<b>M</b>
Land Charges (net)	29	<b>N</b>
Council Tax Collection	25	<b>O</b>
<b>ANTICIPATED (SURPLUS)/DEFICIT</b>	<b>280</b>	

**Notes**

- A. **Inflation** – the Council included a provision of £500,000 for inflation in this year’s budget. However, in view of low inflation and the Employers’ recent pay offer of 1-1.25% (depending on grade) it is considered appropriate to reduce this provision by £300,000.
- B. **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. Making a balanced judgement on the information available to us we should see a budget saving of £90,000 in this financial year.
- C. **Staff Salaries**- this reduction reflects savings arising from vacant posts.

- D. **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 recently announced details of proposed payments for 2009/10.
- E. **Benefit Administration Grant**- the Council has received an additional contribution from Central Government.
- F. **Waste Management** – the Environment Service has reduced its day to day operational costs, but this is being offset by an increase in trade waste tipping fees
- G. **Investment Income**- the decrease in income reflects reductions in interest rates and the risk free investment policy that the Council has adopted.
- H. **Planning**- a reduction in anticipated income of £150,000 reflects a fall in the number of planning applications received and determined (please refer to Appendix C). In addition, the service has incurred costs of £15,000 resulting from externally provided legal and professional work.
- I. **Car Parks**- increased liability for rates following a review by the Valuation Office of £34,000 and a fall in income of £126,000.
- J. **Employment Estates** – reduced income resulting from a decrease in occupancy levels (please refer to Appendix C).
- K. **Building Control** – net deficit on its trading account after allowing for a saving from vacant posts and using the balance on its reserve of £35,000.
- L. **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 2009/10 budget, but is unlikely to be achieved. In addition, the service is suffering from reduced income.
- M. **Outdoor Recreation** - increased costs for the play ground inspection function and a reduction in income from tennis.
- N. **Land Charges** - reflects a reduction in number of searches compared to budget which reflects the current downturn in the housing market.
- O. **Council Tax Collection** - reduction in number of liability orders (for non payment) issued.

### **Prudential indicators**

3. The prudential code indicators were included in the Budget report to the Executive on 28 May 2009. 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 is projected to be 2.9% compared to the budgeted rate of 3.5%.

### **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 Appendices A-C 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 D.

### **Efficiency Savings**

7. Attached as Appendix E is the monitoring report for the efficiency savings identified for 2009/10. The latest position is reflected in the overall budget monitoring report.

## Risk assessment

Opportunity	Issues/Obstacles	Benefits
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 national economic climate continues to have a negative effect on the Council's income generating activities.

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Head of Financial Services

Executive  
19 November 2009

**Background Documents: Working papers in Corporate Finance**