

Report to: **Executive**

Date: **1 February 2018**

Title: **Quarter 3 Revenue Budget Monitoring  
2017/2018**

Portfolio Area: **Support Services – Cllr S Wright**

Wards Affected: **All**

Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

Urgent Decision: **N** Approval and clearance obtained: **Y**

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**Recommendations:**

That the Executive resolves to:-

- i) Endorse the forecast income and expenditure variations for the 2017/18 financial year and the overall projected underspend of £103,000 (1.2% of the total Budget £8.346 million).
- ii) Recommend to Council to transfer the income surplus (of up to £20,000) into a Support Services Trading Opportunities Earmarked Reserve at the end of the 2017/18 financial year. This is expected to be £20,000 and was generated by HR and Finance in providing support to other Councils on their Transformation Programmes.
- iii) Recommend to Council to transfer the underspend on the Leisure budget (of up to £87,000) into a Leisure Earmarked Reserve at the end of the 2017/18 financial year.
- iv) Recommend to Council to transfer £50,000 of the additional planning income into the Planning Policy & Major Developments Earmarked Reserve at the end of the 2017/18 financial year.

## 1. Executive summary

1.1 This report enables Members to monitor income and expenditure variations against the approved budget for 2017/18, and provides a forecast for the year end position.

1.2 The gross service expenditure budget for 2017/18 was set at £43 million (£8.346 million net). **Actual net revenue expenditure is forecast to be under budget by £103,000 when compared against the total budget set for 2017/18.** This is due to additional planning income, and equates to 1.2% of the overall net budget. At month six the actual revenue expenditure was forecast to be under budget by £123,000. The movement largely relates to £52,000 of bad debt write offs which have occurred in quarter 3, following the implementation of the Debt Recovery Action Plan.

## 2. Background

2.1 The Council's financial procedure rules require that reports must be made on budget monitoring on a regular basis to the Executive as part of the Council's arrangements for budget management.

## 3. Outcomes/outputs

### 3.1 Budget overview

Table 1 below provides an analysis of the projected variances against budget.

**TABLE 1: 2017/18 BUDGET FORECAST**

	<b>2017/18 Budget expenditure /(income) £000</b>	<b>Budget variations £000</b>	<b>£000</b>	<b>Note</b>
<b>APPROVED BUDGET</b>			<b>8,346</b>	
<b>Reductions in expenditure/additional income</b>				
<b>Customer First</b>				
Planning income	(560)	(300)		A
Homelessness prevention costs	93	(60)		B
Flexible Homelessness Support Grant	-	(49)		C
Licensing income – shellfish export certificates	-	(50)		D
Housing benefit recoveries	(205)	(40)		E
Leisure Centres	446	(87)		F
<b>Commercial Services</b>				
Beach & Water Safety running costs	102	(25)		G
Car Parking income	(2,833)	(90)		H

Dartmouth Lower Ferry review of terms and conditions	569	(46)		I
Dartmouth Lower Ferry income	(807)	(10)		J
<b>Support Services</b>				
Trading opportunities income	-	(20)		K
<b>Sub total of variations</b>			<b>(777)</b>	
<b>Increases in expenditure/reductions in income</b>				
<b>Customer First</b>				
Follaton House income	(251)	20		L
Leisure Centres legal fees	-	30		M
Salaries	3,441	115		N
Employment Estates bad debt write offs	-	28		O
<b>Commercial Services</b>				
Car Parking repairs and maintenance	43	10		P
Car Parking collection fees	34	10		Q
Car Parking rent	83	23		R
Street & Beach Cleaning – Fly Tip Collections	20	30		S
Recycling Services recycling sacks	131	30		T
Recycling Services material income	(58)	12		U
Trade Waste income – business rated properties	(75)	40		V
Salaries	4,386	45		W
Waste bad debt write offs	-	24		X
<b>Support Services</b>				
ICT Costs – support contracts	337	40		Y
<b>Sub total of variations</b>			<b>457</b>	
<b>Transfers from Earmarked Reserves</b>				
Support Services Trading Opportunities Earmarked Reserve	N/A	20	20	K
Leisure Centre Earmarked Reserve	N/A	87	87	F
Planning Policy & Major Developments Earmarked Reserve	N/A	50	50	A
Homelessness Prevention Earmarked Reserve (approved by Council 14/12/17)	N/A	60	60	B
<b>PROJECTED OUTTURN</b>			<b>8,243</b>	
<b>PROJECTED UNDERSPEND</b>			<b>(103)</b>	

## **Notes**

- A. **Planning income** – Income from planning applications is anticipated to be above its income target by £300,000 (54%) on an income budget of £560,000. £50,000 of this is requested to be set aside in the Planning Policy & Major Developments Earmarked Reserve to support the ongoing future costs of examination of the Joint Local Plan.
- B. **Homelessness Prevention** – At the Executive meeting of 7 December 2017 (E.43/17) it was recommended to transfer the balance of £60,000 into an Earmarked Reserve for Homelessness to support the ongoing costs of implementing the homelessness prevention strategy 2017-2021. This was approved by Council on 14 December 2017.
- C. **Flexible Homelessness Support Grant** – The Council has received £49,000 from the Department for Communities and Local Government in respect of a homelessness support grant. This is being used to fund additional salary costs within Customer First referred to in 'N' below.
- D. **Licensing** – Export of live crabs to China requires an export certificate issued by the Council. A fee is charged for this certificate. Due to reasons beyond the control of the Council, the trade ceased in 2015/16 and a cost pressure was built in to the 2016/17 budget. This trade has now resumed and it is anticipated that £50,000 of unbudgeted income will be received in 2017/18. However, this will be offset by 'N' below.
- E. **Housing Benefit recovery of overpayments** – Additional income of £40,000 from the recovery of overpayments is predicted for 2017/18.
- F. **Leisure Centres** – There is an underspend of £87,000 on the Leisure budget in 2017/18 due to slippage on timescales of the leisure investment. More of this investment is now scheduled to happen in 2018/19. It is recommended that the underspend is carried forward to 2018/19 to meet investment costs.
- G. **Beach and Water Safety** – Recent negotiations with the RNLI and private land owners has resulted in an in-year cost reduction of £5,000 and additional income of £3,000. The equipment budget is also predicted to be underspent by £17,000 in 2017/18.
- H. **Car park income** - Car parking income is showing an uplift of £90,000 on an overall income budget of £2.8 million. This is encouraging and includes the introduction of town/peripheral and rural permits.

- I. **Dartmouth Lower Ferry** – As part of the Councils drive to review and improve services and reduce the Councils financial contributions to the ferry an external business review of the Dartmouth Lower Ferry was commissioned in 2015. The consultant's report included a consideration for the need to review the terms and conditions relating to the ferry staff.
- J. **Dartmouth Lower Ferry income** – Members will recall that the 2016/17 income target for Dartmouth Lower Ferry was reduced by £100,000 following a downturn in income. The 2017/18 income budget of £807,000 is predicted to be exceeded by £10,000. This reflects the implementation of tariff reviews during 2016/17.
- K. **Support Services trading income** – Support Services have developed a number of small scale trading opportunities by way of providing support to other Councils transformation programmes. There is expected to be an income surplus from this of approximately £20,000 (£17,000 HR and £3,000 Finance). This is requested to be set aside in an Earmarked Reserve to support the development of similar future income generation opportunities.
- L. **Follaton House** – It is anticipated that there will be a shortfall in the letting income for Follaton House. This is likely to be in the region of £20,000 against the income target of £251,000.
- M. **Leisure Centres** – The Council externalised the legal work to facilitate negotiations over the terms of the legal agreements resulting in a cost pressure of £30,000 in 2017/18.
- N. **Salaries (Customer First)** – There are additional staffing costs of approximately £90,000 which will be funded from the Flexible Homelessness Support Grant and additional licensing income (please refer to 'C' and 'D' above). In addition £25,000 of extra staffing costs have been incurred in Customer First to obtain future savings within Facilities Management.
- O. **Employment Estates debt write offs** – Following the centralisation of debt recovery into one service from October 2017 and the implementation of the Debt Recovery Action Plan, £38,000 of uncollectable debt was identified within Employment Estates. 25% of this has been accounted for in the Council's bad debt provision as at 31 March 2017. The remaining 75% will result in a cost pressure (an expense) of £28,000 in 2017/18.
- P. **Car park repairs and maintenance** – The budget for repairs and maintenance on pay & display machines has already been fully utilised and is predicted to be overspent by £10,000.
- Q. **Car park collection fees** – The budget for collection fees on the pay & display machines is predicted to be overspent by £10,000.

- R. **Car park rent** – This additional cost of £23,000 follows the renewal of a lease for 6 years with effect from 1 June 2017.
- S. **Fly Tip Collections** – Due to a number of large fly tips this year it is anticipated that this budget will be overspent by £30,000.
- T. **Recycling sacks** – Following a recent stock take a cost pressure of £30,000 for the purchase of recycling sacks has been identified.
- U. **Recycling material income** – There is anticipated to be a shortfall in income of £12,000 from recycling of materials. This follows a national trend due to the market value of the materials.
- V. **Trade Waste income for business rated domestic properties** – Based on the uptake to date, there will be a shortfall in income of £40,000 in 2017/18. Properties which are chargeable under the Controlled Waste Regulations legislation and which can be identified from our own internal data have now all been written to and where appropriate invoiced. This is projected to achieve an income for 2017/18 of £35,000.
- W. **Salaries (Commercial Services)** – A salary overspend of approximately £45,000 is expected in Commercial Services due to agency staffing costs.
- X. **Waste debt write offs** - Following the centralisation of debt recovery into one service from October 2017 and the implementation of the Debt Recovery Action Plan, £35,000 of uncollectable debt was identified within the Waste Service. 30% of this has been accounted for in the Council's bad debt provision as at 31 March 2017. The remaining 70% will result in a cost pressure (an expense) of £24,000 in 2017/18.
- Y. **ICT costs** – There are additional costs in respect of ICT support contracts of approximately £40,000. The additional costs such as IEG4 software are offset by additional recovery of housing benefit overpayments shown in 'E' above.

#### **4. Review of Earmarked Reserves**

- 4.1 The Council annually undertakes a review of the level of its Earmarked Reserves as part of the budget setting process. A schedule of Earmarked Reserves is attached at Appendix A with their proposed use.

As the accounting entries can be identified at an early stage, a recommendation is made to Council to agree the accounting entries in 2017/18. Only Council can approve the use of Earmarked Reserves.

## 5. Prudential Indicators

5.1 The prudential code indicators were approved in the Treasury Management Strategy report to the Executive on 9 March 2017. 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.

## 6. Income and Reserves

Income monitoring is an integral part of financial management. Current income forecasts are as follows:

<b>Service</b>	<b>Actual Income 2016/17 £'000</b>	<b>Income Budget 2017/18 £'000</b>	<b>Projected Income 2017/18 £'000</b>	<b>Deficit/ (Surplus) £'000</b>	<b>Deficit/ (Surplus) %</b>
Car Parks	3,045	2,833	2,923	(90)	(3.2%)
Dartmouth Ferry	832	807	817	(10)	(1.2%)
Employment Estates	1,382	1,348	1,348	-	-
Licensing	251	200	241	(50)	(25%)
Planning Applications	709	560	860	(300)	(53.6%)
Land Charges	185	170	170	-	-
Recycling	577	645	645	-	-
<b>TOTAL</b>	<b>6,981</b>	<b>6,563</b>	<b>7,004</b>	<b>(450)</b>	

## 7. Proposed Way Forward – Management Actions

7.1 The table below sets out the relevant management actions for the revenue expenditure and income variations shown above. It is best practice for the Council to state whether there are any corrective actions that need to be taken for the variances identified in 2017/18.

	<b>Budget variations overspend/ (underspend) £000</b>	<b>Management Action</b>
<b>Reductions in expenditure/additional income</b>		
Planning income	(300)	£110,000 additional income has been built into the 2018/19 budget. This will be kept under review as it could be that some applications are being submitted earlier than normal due to customers anticipating the Government allowing Councils to increase planning fees by 20%. It is recommended that £50,000 of the additional income in 2017/18 be put into an earmarked reserve at the end of the financial year.
Homelessness Prevention costs	(60)	To be put into an earmarked reserve (approved by Council 14/12/17)
Flexible Homelessness Support Grant	(49)	No action required (3 year grant).
Licensing income – shellfish export certificates	(50)	£30,000 additional income has been built in to the 2018/19 budget. This will be kept under review.
Housing Benefit recovery of overpayments.	(40)	£40,000 has been built into the 2018/19 budget.
Leisure Centres	(87)	Recommended to be put into an earmarked reserve.
Beach and Water Safety	(25)	A saving of £40,000 has been built into the 2018/19 budget.
Car Parking income	(90)	£70,000 additional income has been built in to the 2018/19 budget. Income levels will be kept under review and monitored over a longer period to consider sustained usage trends against the profiled income target.

	<b>Budget variations overspend/ (underspend) £000</b>	<b>Management Action</b>
Dartmouth Lower Ferry – review of terms and conditions	(46)	A saving of £75,000 has been built in to the 2018/19 budget to reflect the review of terms and conditions for a full year.
Dartmouth Lower Ferry income	(10)	Keep under review. It is not proposed to build this additional income in to the 2018/19 budget.
Trading opportunities income (Support Services)	(20)	Recommended to be put into an earmarked reserve.
Follaton House income	20	£20,000 is a one off pressure in 2017/18.
Leisure Centres legal fees	30	No action required – this is a one off cost pressure.
Salaries (Customer First)	115	No change is recommended to the 2018/19 budget. £90,000 of the additional salaries are funded by grant funding and income. The remaining cost pressure of £25,000 ceases in 2018/19.
Employment Estates debt write offs	28	This follows the implementation of the Debt Recovery Action Plan. No action required.
Car park repairs and maintenance	10	Keep under review.
Car park collection fees	10	Keep under review.
Car park lease	23	This cost pressure of £23,000 has been built in to the 2018/19 budget.
Fly tip collections	30	This is a one off cost pressure. No action required.
Recycling sacks	30	Keep under review.
Recycling income – material	12	Keep under review.
Trade Waste income – business rated domestic properties	40	This shortfall in income will be addressed in the 2018/19 budget.
Salaries (Commercial Services)	45	This will be kept under review. No cost pressure has been built in to the 2018/19 budget.

	<b>Budget variations overspend/ (underspend) £000</b>	<b>Management Action</b>
Waste debt write offs	24	This follows the implementation of the Debt Recovery Action Plan. No action required.
ICT costs	40	This cost pressure has been built in to the 2018/19 budget.

### 8. Issues that may impact on the budget monitoring position in the next month/Risks

The budget monitoring position assumes that collection rates will remain at previous levels.

### 9. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Statutory Powers that apply to this report are the Local Government Act 1972 Section 151 and the Local Government Act 2003 Section 28.
Financial	Y	<p>The report identifies an overall <b>underspend of £103,000</b> which is 1.2% of the overall budget set for 2017/18 of £8.346million.</p> <p>It is recommended to Council to transfer the following:</p> <ul style="list-style-type: none"> <li>• £20,000 to the Support Services Trading Opportunities Earmarked Reserve</li> <li>• £87,000 to the Leisure Earmarked Reserve.</li> <li>• £50,000 to the Planning Policy &amp; Major Developments Earmarked Reserve</li> </ul> <p>Annually transfers are made from Earmarked Reserves to the Comprehensive Income and Expenditure Account as part of the closure of the end of year Accounts.</p> <p>As the accounting entries can be identified at an early stage, a recommendation is made to Council to agree the accounting entries in 2017/18.</p> <p>Only Council can approve the use of Earmarked Reserves.</p>

Risk	Y	<p>1) <b>Budget variances</b> – continual budget monitoring at all levels within the Council ensures early identification of variances. Reporting to the Executive provides an opportunity for Members to identify and instigate remedial action where appropriate.</p> <p>2) <b>Resource Planning</b> – the Executive takes into account any significant issues when developing the Council’s Medium Term Financial Position.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

**Supporting Information**

Appendix A – Schedule of Reserves (Earmarked Reserves and Unearmarked Reserves).

**Background Papers:**

Finance Community of Practice budget monitoring working papers.  
 Executive 15 September 2016 - Medium Term Financial Position for the five year period 2017/18 to 2021/22.

**Approval and clearance of report**

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed	<b>Yes</b>
SLT Rep briefed	<b>Yes</b>
Relevant Exec Director sign off (draft)	<b>Yes</b>
Data protection issues considered	<b>Yes</b>
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	<b>N/A</b>