

Report to: **Hub Committee**
Date: **01 December 2015**
Title: **Revenue Budget Monitoring 2015/2016**
Portfolio Area: **Support Services – Cllr Cann OBE**
Wards Affected: **All**
Relevant Scrutiny Committee: **Internal**

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

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Recommendations:

It is recommended that the Hub Committee resolves to:-

- i. Note the forecast income and expenditure variations for the 2015/16 financial year and the overall projected underspend of £70,000.
- ii. Recommend to Council to transfer any unspent Homelessness grant into a Homelessness Earmarked Reserve at the end of the 2015/16 financial year (this is expected to be £30,000).

1. Executive summary

- 1) This report enables Members to monitor income and expenditure variations against the approved budget for 2015/16, and provides a forecast for the year end position.

2. Background

- 1) The Council's finance procedure rules require budget monitoring reports to be made on a regular basis to the Hub Committee as part of the Council's arrangements for budget management.

3. Outcomes/outputs

1) Budget Overview

The gross service expenditure budget for 2015/16 was set at £26 million (£7.26 million net). Actual net revenue expenditure is forecast to be £7.19 million when compared to the total budget set for 2015/16. **The table below shows a predicted under spend of £70,000 for 2015/16. This would increase unearmarked revenue reserves from £1.023 million to £1.093 million.**

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

TABLE 1: 2015/16 BUDGET FORECAST

	2015/16 Budget expenditure /(income) £000	Budget variations increase/ (decrease) £000	£000	Note
APPROVED BUDGET			7,262	
Reductions in expenditure/additional income				
Car Park Income	(860)	(30)		A
Legal – Additional Income	(6)	(18)		B
Housing Benefit Recoveries	-	(45)		C
Homelessness, Aid & Advice	50	(30)		D
Revenue & Benefits – Equipment Maintenance	45	(15)		E
Waste Contract	1,402	(80)		F
Land Charges – Government Grant	-	(45)		G
Investment Income	(40)	(7)		H
Other Staffing Expenses	184	(60)		I
<i>Sub total of variations</i>			(330)	

	2015/16 Budget expenditure /(income) £000	Budget variations increase/ (decrease) £000	£000	Note
Increases in expenditure/reductions in income				
Salaries and Agency Costs	-	60		J
Kilworthy Park - Additional Lettings Income	(70)	15		K
Kilworthy Park – Reduced running costs	291	65		K
Recycling Credits	(420)	90		L
<i>Sub total of variations</i>			230	
Financing: Funding to/from Earmarked Reserves				
Homelessness Prevention Reserve	n/a	30		D
<i>Sub total of variations</i>			30	
PROJECTED OUTTURN			7,192	
PROJECTED UNDERSPEND			(70)	

Notes

- A. **Car Park Income** – Car parking income is currently higher than the target for the first seven months of 2015/16. This trend is expected to continue and income is predicted to be £30,000 above the target.
- B. **Legal Income** – Additional fees and charges income relating to S106 receipts.
- C. **Housing Benefit recovery of overpayments** – Additional income from the recovery of overpayments (budgeted expenditure for Housing Benefit in 2015/16 is £13 million).
- D. **Homelessness Aid & Advice** – The Council receives a Government grant towards the costs of homelessness prevention. The Council has predominantly funded homelessness costs through the Local Welfare Support Grant which has reduced the amount

spent against the Government grant. The balance of £30,000 is requested to be set aside in an Earmarked Reserve for Homelessness to cover additional costs in the winter months in future years.

- E. **Revenue & Benefits** – Expenditure on equipment maintenance is currently lower than anticipated and is predicted to be underspent by £15,000.
- F. **Waste Contract** – The Council’s waste contract is reviewed annually and an inflationary increase is applied based on a formula which takes into account factors such as fuel prices and the average earnings index. This year the inflationary increase is -1.72% (this is calculated after the budget setting process). Therefore the inflationary cost pressure of £80,000 which was built into the 2015/16 base budget (as a provision) is not required in 2015/16.
- G. **Land Charges** – A new burdens grant for Local Land Charges has been received from the Government of just over £45,000. This is a reimbursement from the Government for the costs of the national legal case regarding Land Charges. As the Council funded these costs in the 2014-15 financial year, the timing difference on this new burdens grant being received means that this is additional income in 2015-16 as the costs have been previously financed.
- H. **Investment Income** – The Council has secured a better rate for Money Market Fund investments that are used to manage day to day cash flows, and improved use of fixed term deals with the banks currently on the Council’s Counterparty list. An additional income of £7,000 is expected.
- I. **Other Staffing Expenses** – There is a predicted underspend of £60,000 on staff related expenditure such as travel, subscriptions and other associated costs. Following the Council’s Transformation Programme, the staffing workforce is 30% smaller with all staff roles changing to be flexible and responsible to the needs of the customer.
- J. **Salaries and agency costs** – There are additional staffing and agency costs of approximately £60,000 where temporary resources are being used to backfill positions across the Council and particularly within Planning. Part of this sum relates to the fact that the Planning Service is using 1.6 FTE (across both Councils) staff over and above the establishment.
- K. **Kilworthy Park** – The Kilworthy Park budget is projected to be £80,000 overspent due to two main factors. In the T18 Business Case it was anticipated that there would be £65,000 of reduced running costs at Kilworthy Park due to agile working, smarter use of energy and utilities and the workforce occupying less space. These savings have not yet been realised to this extent, although work has been done on re-procuring some of the utilities costs.

In addition, it was anticipated that the letting income for Kilworthy Park would increase by £15,000.

- L. **Recycling Credits** – Devon County Council has taken West Devon’s leaf sweepings and garden waste into the County contract and has ceased paying recycling credits on this material. As has been previously reported, a phasing into the DCC contract was negotiated to minimise the budgetary impact. This has resulted in a loss of income gained from recycling credits from DCC, which is largely offset by West Devon no longer having to pay gate fees for composting the materials. The net loss for 2015-16 is around £50,000. In addition to this, Devon County Council no longer pay community groups for recycling credits for certain materials. This payment was administered by West Devon and then claimed back from the County. Any fall in income due to this is therefore offset by outgoing payments to community groups. Members will be aware that prices for recycling have dropped with the market changing significantly due to external factors. The overall drop in income predicted is £90,000 in total.

4) Management Actions

The table below sets out the relevant management actions for the revenue expenditure and income variations shown above.

	Budget variations increase/ (decrease) £000	Management Action
Reductions in expenditure/additional income		
Car Park Income	(30)	On a separate report on this agenda, it is recommended that car parking charges will be frozen for 2016/17. No changes are recommended to the income target for 2016/17.
Legal – Additional Income	(18)	No management action required
Housing Benefit Recoveries	(45)	An income target of £30,000 will be built into the budget process for 2016/17.
Homelessness	(30)	Recommended to put in an earmarked reserve.
Revenue & Benefits – Equipment Maintenance	(15)	This will be kept under review.

	Budget variations increase/ (decrease)	Management Action
Waste Contract	(80)	There is a potential uplift in the cost of the waste services contract based upon the indicated requirement for an additional waste round. This has already been built into the 2016/17 budget as a cost pressure.
Land Charges – Government Grant	(45)	This is a one off grant payment.
Investment Income	(7)	No management action required
Other Staffing Expenses	(60)	The budget for 2016/17 will be reduced by £60,000 to reflect these savings
Increases in expenditure/reductions in income		
Salaries and Agency Costs	60	It is expected that this is a temporary additional cost in 2015/16 and that once the Transformation Programme has fully been embedded these temporary costs will decrease. No change is recommended to the 2016/17 budget.
Kilworthy Park - Additional Lettings Income	15	The Assets team continue to maximise the best use of the lettings space e.g. Tesco recently took up 2,500 sq ft of accommodation on a temporary basis.
Kilworthy Park – Reduced running costs	65	The budget for 2016/17 will be adjusted by £45,000 to reflect the current position.
Recycling Credits	90	The income target for 2016/17 will be reduced by £90,000 to reflect market conditions.

5) Prudential Indicators

The prudential code indicators were approved in the Treasury Management Strategy report to the Audit Committee on 24 February 2015. The indicators are monitored during the year through the normal revenue and capital monitoring processes. Any exceptions are reported

to the Audit Committee 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:

Service	Actual Income 2014/15	Income Budget 2015/16	Projected Income 2015/16	Deficit/ (Surplus)	Deficit/ (Surplus)
	£'000	£'000	£'000	£'000	%
Car Parks	876	860	890	(30)	(3.5%)
Employment Estates	273	243	243	-	-
Land Charges*	69	93	93	-	-
Planning Applications	387	388	388	-	-
Investment Income	41	40	47	(7)	(17.5%)
Recycling Credits	492	420	330	90	21.4%
TOTAL	2,138	2,044	1,991	53	

**This excludes the New Burdens grant income of £45,000.*

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 in reserves to cover future liabilities and items of expenditure and these are attached as Appendix A.

7) Issues that may impact on the budget monitoring position in the next 3 months/Risks

The budget monitoring position assumes that collection rates will remain at previous levels. The unknown area is the impact that Universal Credit may have on future collection rates and arrears levels.

Universal credit is a new single benefit payment for people out of work or on low incomes which has now been rolled out in Okehampton, with the rest of West Devon following next spring. The aim of Universal Credit is to make the welfare system simpler by replacing six benefits with one single monthly payment. Universal Credit replaces a range of benefits including Income Support, Jobseeker's Allowance and Housing Benefit.

For Business Rates, it has been assumed that the Council is still in a situation where it is paying a Business Rates levy. This is regularly monitored and any change to this position would be reported to Members.

8. Proposed Way Forward

1) Revenue budget monitoring will continue on a regular basis and further reports will be brought to the Hub Committee on a quarterly basis.

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	The report identifies an overall underspend of £70,000 which is 1% of the overall budget set for 2015/16 of £7.262million.
Risk	Y	<p>Budget variances – continual budget monitoring at all levels within the Council ensures early identification of variances. Reporting to the Hub Committee provides an opportunity for Members to identify and instigate remedial action where appropriate.</p> <p>Resource Planning – the Hub Committee takes into account any significant issues when developing the Council's Medium Term Financial Strategy. These are identified in the Management Actions section of the report (Section 4).</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 – Reserves.

Background Papers:

Finance Community of Practice budget monitoring working papers.

Approval and clearance of report

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