

NAME OF COMMITTEE	Resources
DATE	28th January 2014
REPORT TITLE	Revenue and Capital Budget Monitoring 2013/14 – Quarter 3 – 31st December 2013
Report of	Chief Accountant
WARDS AFFECTED	All

Summary of report:

To give Members an indication of the potential year end financial position of West Devon Borough Council for the revenue and capital budgets for 2013/14 and to bring to Members' attention any significant variance from the revenue and capital budgets set. This report enables Members to monitor income and expenditure variations against the approved budgets for 2013/14.

Financial implications:

This report details the latest financial position of the Council's revenue and capital budgets for 2013/14, as at the end of December 2013.

Currently there is predicted to be a revenue underspend of £140,000 at the year end. This is comparing the predicted revenue outturn of £7,640,000 against the net budget set of £7,780,000.

RECOMMENDATION:

1. Members are asked to note the forecast income and expenditure variations for the 2013/14 financial year for the revenue budget.
2. Members are asked to note the progress on the capital programme to 31st December 2013.

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1. REVENUE BUDGET OVERVIEW

- 1.1 The gross service expenditure budget for 2013/14 was set at £27 million (£7.8 million net).

Actual revenue expenditure and income is expected to be under budget by £140,000 when compared against the total budget set for 2013/14.

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

TABLE 1: 2013/14 BUDGET FORECAST

	Budget 2013/14	Budget variations increase/ (decrease)		Note
	£000	£000	£000	
APPROVED BUDGET			7,780	
Reduced expenditure/additional income				
Business Rates	1,493	(25)		A
Discretionary Rate Relief	50	(50)		B
Budget Scoured Savings (Appendix B)	n/a	(200)		C
Swimming Pool	373	(22)		D
Other small underspends		(20)		E
<i>Sub total</i>			(317)	
Increased expenditure/reduced income				
Homelessness	75	15		F
Reserve Bids in year	n/a	10		G
Reserve spend in the 13/14 financial year (report to resources Sept 2012)	0	12		H
Planning Income and Agency Staff (including Land Charges)	500	30		I
Investment income	45	20		J
Potential additional pension cost	140	20		K
Street cleaning contract inflation	435	20		L
Parish Funding – Public Conveniences	45	25		M
Travel over spend on all services	56	15		N
TIC additional income not achievable	30	10		O
<i>Sub total</i>			177	
PROJECTED OUTTURN			7,640	
PROJECTED UNDERSPEND			(140)	

Notes

- A. **Business Rates** – The Government introduced the Business Rates Retention Scheme on the 1 April 2013. This system enables the retention of a proportion of the business rates revenue generated in a local area by the relevant local authorities. Business rates now form a major element of the local government finance funding. Current indications are that the income from business rates may exceed the Government “baseline” grant figure. Although the system carries with it a significant risk of volatility, it is considered appropriate to include an additional £25,000 in the forecast. These figures are constantly changing and regular monitoring of the position will be undertaken.

- B. **Discretionary Rate Relief (DRR)** – New accounting arrangements have been introduced which mean that the charge previously made to the General Fund is no longer required. The costs of DRR will now be met from the Business Rates Retention Scheme (see note A above).
- C. **Budget Scoured Savings** - The Council is predicting to have saved all of the scoured savings in the year, amounting to £200,000. Please see Appendix B for details.
- D. **Swimming Pool** – The Council is still on track to make the anticipated budget savings of £22,000.
- E. **Small Underspends** – Through thorough budget monitoring at the end of December, it is anticipated that small under spends will occur on a few cost centres resulting in a £20,000 year end underspend.
- F. **Homelessness** – The increase in temporary accommodation is a result of a combination of factors. Namely that a local, cheaper supplier went into administration, meaning alternative, more expensive accommodation had to be sourced. More people are being accommodated under the Government's No Second Night Out initiative to bring Rough Sleepers indoors and there has been a small decline in the numbers of social housing lets which has meant longer stays in temporary accommodation. There have also been staff shortages and issues with continuity of officers in the team which meant that the level of early intervention and prevention work was temporarily reduced.
- G. **Reserve Bids in the year** – A bid to reserves in the year totals approximately £10,000. This is for work in Planning with respect to a specialist viability appraisal.
- H. **Reserve spend in the year** – Members agreed to reserve bids in September 2012. Some of these reserves were not fully spent in the financial year 12/13 and the result is a spend of £12,000 in the financial year 13/14.
- I. **Planning and local land charges income** – It is anticipated that the combined reduction in income and the higher cost of temporary agency staff, will result in an over spend of £30,000 by the end of the financial year.
- J. **Investment Income** – As with last year due to the low interest rates, investment income is expected to be under target. However the return on the investments is 0.64%, still higher than the benchmark of 0.39%.
- K. **Additional pension cost** – Due to the reduction in staff in the past few years the additional amount required to fund the scheme has increased.
- L. **Street Cleaning Contract** – There is a small overspend predicted on the contract in relation to Street Cleaning and Fly Tipping.

M. **Parish Funding** – The income budget for contributions from Parishes towards Public Conveniences has historically been set at £45,000 whereas actual levels achieved are around £20,000. A cost pressure of £25,000 has been built into the budget process for 2014-5 to realign the income budget with actual income achievable.

N. **Travel expenses** – The budget for travel was reduced by half from £116,000 in 2012/13 to £56,000 in 2013/14. This was following a proposal to amend the Council's approach to essential car user allowance which was restricted to those staff for which a car was absolutely essential. The reimbursement of mileage expenditure was reduced to introduce the HMRC mileage rates (currently 45p per mile) from April 2013. The proposals for the removal or reduction in the lump sum allowance were phased in over the financial year, following negotiations with the Union. The budget of £56,000 is currently predicted to be overspent by £15,000 to reflect the transitional period and also that the budget was overspent by 15% in 2012/13 before the budget reduction was implemented.

O. **TIC** – The total budget increase predicted for TIC income was £30,000. The TIC's expect to achieve £20,000 of this leaving a short fall of £10,000 which is not expected to be achieved. See Appendix C.

2. Savings expected to be achieved to balance the budget for the financial year 2013/2014 totalled £304,310, (Report to Resources 29th January and February 2013). **Appendix C** shows if these will all be achieved by the end of the year.

3. **INCOME AND RESERVES**

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

Service	Budgeted Income for 2013/2014 to Dec 2013 £'000	Actual Income for 2013/2014 to Dec 2013 £'000	Budgeted Income for 2013/14 £'000	Projected income for 2013/14 £'000
Car Parks	572	660	858	858
Employment Estates	160	170	240	240
Land Charges	62	54	93	93
Planning	259	283	389	389
Investment Income – see note J in Table 1 above	30	16	45	25
TOTAL	1,083	1,183	1,625	1,605

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**.

4. CAPITAL BUDGET OVERVIEW

- 4.1 The Chief Accountant has consulted with officers and has used the financial position at 31st December 2013 to establish the position at the end of the third quarter. The Capital Programme was set at £1.4 million as at 1st April 2013 and the spend to 31st December 2013 was £317,000 as shown in **Appendix D**.

PROJECT PROGRESS

- 4.2 **Tamar Valley Mining Heritage Project** was completed on 31st March 2013. There is a small balance of just over £30K of external funding to be spent in 2013/2014 which has all been committed. The spend to 31st December 2013 is £15,410.
- 4.3 **Leisure Contract** - At Council on 16th April 2013, Members agreed to an extension of the Leisure Contract. In line with this report, at this stage it is felt prudent to retain the existing budget. As at 31st December 2013 no monies have been spent.
- 4.4 **Disabled Facility Grant (DFG)** has a statutory duty under the Housing Grants, Construction and Regeneration Act 1996 (as amended) to fund adaptations to properties to enable people to live independently within their home. To 31st December 2013 £276K has been spent on DFG's against a total budget for 2013/14 of £480K of which £178K is funded through a government grant. As a statutory requirement for the Council it continues to be a large part of the capital programme resource requirement.
- 4.5 **Affordable Housing** funding of £350K has not yet been spent. This budget is required to support the development of a pipeline of affordable housing schemes. Significant progress has been made and the financial support required by each scheme is now being quantified. In addition to investing in development projects, the money will also be used to support other strategic housing priorities. A report will come to Members setting out in detail how the Affordable Housing budget should be allocated to schemes and other strategic projects.
- 4.6 **Private Sector Renewal Grants (PSRG)** no longer receive any Regional Housing Pot funding (Decent Homes Grant). The money provides funding to support the delivery of the Homes Strategy through the provision of recyclable loans aimed at reducing fuel poverty, bringing empty properties back into use and securing safe and healthy homes in line with the Council's duties under the Housing Acts. It was recommended that any under spends be rolled forward to deal with fluctuations in demand and build up a sustainable loan fund. It was also recommended that repaid grant money from historical PSRG activity are recycled into the budget for future use. In light of this it was recommended that the capital budget for PSRG be reduced by £100,000 to a budget of £127,341 for 2013/14.
- 4.7 **Village Hall and Community Project grants** – The budget for these two grants total £60,539 (being £31,008 for village halls and £29,531 for community projects). Against these total budgets, current applications total £51,500 and £10,000 has been spent. Both budgets totalling £60,539 are expected to be fully committed at the end of the financial year.

4.8 The progress on the Strategic Asset Review will be monitored quarterly along with the current capital programme.

5. PRUDENTIAL INDICATORS

5.1 The prudential code indicators are included in the Third Quarter Treasury Management Monitoring Report (this will be presented to members of the Audit Committee on 11th February). The indicators are monitored during the year through the normal revenue and capital monitoring processes. Any exceptions are reported to the Resources Committee together with any remedial action or revision required. To date all Treasury Management limits have been adhered to.

6. LEGAL IMPLICATIONS

6.1 There are no legal implications arising from this report.

7. RISK MANAGEMENT

7.1 The Risk Management implications are shown at the end of this report in the Strategic Risks Template.

8. OTHER CONSIDERATIONS

Corporate priorities engaged:	Sound financial management underpins all of the Council's corporate priorities.
Statutory powers:	Local Government Act 1972, Section 151 Local Government Act 2003, Section 28
Considerations of equality and human rights:	There are no implications arising from this report.
Biodiversity considerations:	There are no implications arising from this report.
Sustainability considerations:	There are no implications arising from this report.
Crime and disorder implications:	There are no implications arising from this report.
Background papers:	Resources Committee 17 th September 2013 Resources Committee 10 th December 2013
Appendices attached:	Appendix A - Reserves Appendix B – Budget Scouring Savings Appendix C – Budget Savings Appendix D – Capital Programme – spend as at 31 st December 2013

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Budget Variances	The financial standing of the Council is put at risk through variations in income and expenditure that are not detected at an early stage.	4	2	8	↔	Continual budget monitoring at all levels within the Council ensures early identification of variances. Reporting to the Resources Committee provides an opportunity for Members to identify and instigate remedial action where appropriate.	Heads of Service
2	Resource Planning	The Council must demonstrate that it sets budgets in line with corporate priorities and provides value for money.	4	2	8	↔	Consideration of revenue budget variances provides a mechanism for the identification of cost pressures and income opportunities that can be reflected in the Council's Medium Term Financial Strategy.	Head of Finance and Audit
3	Capital Budget Variances	To update Members on the current progress with each Capital Project and allow funding to be carried forward into the new financial year.	3	1	3	↔	When projects are completed the remaining balances can be released back into the Council's capital programme for future projects.	The Head of Finance and Audit
4	Capital Resource Planning	The main operational risk faced by the Council is the financial planning and control of the Council's capital resources.	4	1	4	↔	The accounts are drawn up in strict accordance with the Code of Practice on Local Authority Accounting in the UK 2013/14 which is recognised by statute as representing proper accounting practice.	The Head of Finance and Audit

Direction of travel symbols ↓ ↑ ↔