

Report to: **Hub Committee**

Date: **11 September 2018**

Title: **Quarter 1 Revenue Budget Monitoring
2018/2019**

Portfolio Area: **Support Services – Cllr C Edmonds**

Wards Affected: **All**

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

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

Author: **Alex Walker** Role: **Finance Business Partner**

Contact: **Tel. 01803 861345**
E-mail: alexandra.walker@swdevon.gov.uk

Recommendations:

It is recommended that the Hub Committee resolves:-

To note the forecast income and expenditure variations for the 2018/19 financial year and the overall projected underspend of £19,000.

1. Executive summary

- 1) This report enables Members to monitor income and expenditure variations against the approved budget for 2018/19, 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 2018/19 was set at £25.2 million (£7.31 million net). **The actual net revenue expenditure is forecast to be under budget by £19,000 when compared against the total budget set for 2018/19.**

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

TABLE 1: 2018/19 BUDGET FORECAST

	2018/19 Budget expenditure /(Income)	Budget variations			Note
	£000	%	£000	£000	
APPROVED BUDGET				7,314	
Reductions in expenditure/additional income					
Customer First					
Planning income	(333)	(10.5%)	(35)		A
Strategy & Commissioning					
Senior Leadership Team – Interim Arrangements	195	(17.4%)	(34)		B
Financing and Investment					
Commercial Property net investment income	(100)	(90.0%)	(90)		C
Sub total of variations				(159)	
Increases in expenditure/reductions in income					
Commercial Services					
Car Parking income	(1,006)	4.0%	40		D
Support Services					
ICT costs – support contracts	300	28.3%	85		E
Financing and Investment					
Investment income	(90)	16.7%	15		F
Sub total of variations				140	
PROJECTED OUTTURN				7,295	
PROJECTED UNDERSPEND				(19)	

Notes

- A. **Planning income** – additional planning income of £35,000 is currently anticipated for 2018/19 which equates to 10.5% of the income target of £333,000.

- B. **Senior Leadership Team** – following the approval of the Senior Leadership Team interim arrangements by Council in December 2017 a saving of £34,000 (WDBC's share) is anticipated in 2018/19.
- C. **Commercial Property net investment income** – the commercial property strategy was implemented in April 2018 and three commercial properties have been purchased to date in 2018/19. This is anticipated to generate an additional £90,000 net income in 2018/19 (in addition to the £100,000 budgeted). The Council is formulating a comprehensive portfolio monitoring report on the Council's commercial investments and this is currently being developed in consultation with Members of the Invest to Earn Group.
- D. **Car parking income** – a shortfall in car parking income of £40,000 is currently projected. This equates to 4% of the income target (£1,006,000). This budget includes additional income for 2018/19 to reflect an increase in the all day long stay tariff from £2.00 to £2.50. As the new charges were not implemented until 2 July 2018, following the consultation period, a small income shortfall is anticipated in 2018/19.
- E. **ICT support contract costs** – There are additional recurring costs in respect of ICT support contracts of approximately £85,000. The ICT budget was set assuming that the Civica solutions introduced by the T18 Transformation Programme would perform as required. In practice, additional solutions were procured in order to maintain services where using the Civica solution was not practical. Purchase of the following systems, which were previously unbudgeted for, was required:
- Northgate Land Charges
 - Clear Core Clear Core (enables single customer record)
 - IEG4 Revenues and Benefits to facilitate "My Account" for customers
 - Northgate Gazeteer – address database
 - IEG4 software – Automatic processing of changes of circumstances for revenues
- F. **Investment income** – a shortfall in investment income of £15,000 is currently anticipated for 2018/19.

2) **Savings/Additional Income identified in the 2018/19 Budget**

Future monitoring reports will include an updated schedule of the savings and additional income that were identified in the 2018/19 budget setting process, confirming further details on their delivery. This schedule was presented as part of the Medium Term Financial Position for 2019/20 onwards (Appendix F) at Hub Committee on 17 July 2018.

4. Management Actions

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 2018/19.

	Budget variations overspend/ (underspend) £000	Management Action
Reductions in expenditure/additional income		
Planning income	(35)	£25,000 additional income has been built into the 2019/20 budget.
Senior Leadership Team – Interim Arrangements	(34)	During 2019/20 the Council will be reviewing its senior leadership team structure across both Councils and presenting options to Members for a decision within the first six months of the new Council.
Commercial Property net investment income	(90)	The Council is formulating a comprehensive portfolio monitoring report on the Council's commercial investments and this is currently being developed in consultation with Members of the Invest to Earn Group.
Car parking income	40	Income levels will be kept under review in 2018/19.
ICT costs	85	£95,000 has been built into the 2019/20 budget as a cost pressure.
Investment income	15	This will be kept under review during 2018/19.

5. Prudential Indicators

The prudential code indicators were approved in the Treasury Management Strategy report to the Audit Committee on 20 March 2018. The indicators are monitored during the year through the normal revenue and capital monitoring processes. Any exceptions are

reported to the Audit Committee. To date all Treasury Management limits have been adhered to. The Treasury Management Indicators set out the level of predicted capital expenditure and borrowing requirements.

6. Review of Earmarked Reserves

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 2018/19. Only Council can approve the use of Earmarked Reserves.

7. Income and Reserves

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

Service	Actual Income 2017/18 £'000	Income Budget 2018/19 £'000	Projected Income 2018/19 £'000	Deficit/ (Surplus) £'000	Deficit/ (Surplus) %
Car Parks	860	1,006	966	40	4.0%
Employment Estates	343	290	290	-	-
Land Charges	95	110	110	-	-
Planning Applications	314	333	368	(35)	(10.5%)
Recycling Credits	260	265	265	-	-
Investment Income	58	90	75	15	16.7%
Commercial Property gross rental income – Note A	-	480	910	(430)	(89.6%)
TOTAL	1,930	2,574	2,984	(410)	

Note A

The commercial property income figures above relate to the gross rental income for 2018/19. The favourable income variance included in the monitoring report of £90,000 is a net figure anticipated for 2018/19 after deducting all relevant costs from the rental income.

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.

8. 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.

9. 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.

10. 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 £19,000 which equates to 0.3% of the overall budget set for 2018/19 of £7.314 million.
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
Medium Term Financial Position 2019/20 onwards – HUB Committee 17 July 2018.

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