

Report to: **Executive**  
Date: **13 September 2018**  
Title: **Quarter 1 Revenue Budget Monitoring  
2018/2019**  
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 2018/19 financial year and the overall projected overspend of £74,000 (0.8% of the total Budget £8.983 million).

**1. Executive summary**

1.1 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.

1.2 The gross service expenditure budget for 2018/19 was set at £43 million (£8.983 million net). **Actual net revenue expenditure is forecast to be over budget by £74,000 when compared against the total budget set for 2018/19.**

## 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: 2018/19 BUDGET FORECAST**

	2018/19 Budget expenditure /(income)	Budget variations		£000	Note
		%	£000		
<b>APPROVED BUDGET</b>				<b>8,983</b>	
<b>Reductions in expenditure/additional income</b>					
<b>Customer First</b>					
Planning income	(849)	(10.6%)	(90)		A
<b>Support Services</b>					
Insurance premium	382	(5.2%)	(20)		B
Trading opportunities income (e.g. HR and Support Services)	-	-	(20)		C
<b>Strategy &amp; Commissioning</b>					
Senior Leadership Team – Interim Arrangements	195	(30.4%)	(34)		D
<b>Financing and Investment</b>					
Investment income	(123)	(32.5%)	(40)		E
<b>Sub total of variations</b>				<b>(204)</b>	
<b>Increases in expenditure/reductions in income</b>					
<b>Customer First</b>					
Follaton House income	(309)	6.5%	20		F
<b>Commercial Services</b>					
Car Parking income	(3,026)	1.3%	40		G
Public Conveniences – pay on entry income	(36)	22.2%	8		H
Recycling Services – blue and clear bag processing	-	57.2%	75		I
Haulage costs - new contract	324	18.5%	60		J
<b>Support Services</b>					
ICT Costs – support contracts	391	19.2%	75		K
<b>Sub total of variations</b>				<b>278</b>	
<b>PROJECTED OUTTURN</b>				<b>9,057</b>	
<b>PROJECTED OVERSPEND</b>				<b>74</b>	

## **Notes**

- A. **Planning income** – Income from planning applications is anticipated to be above its income target by £90,000 (10.6%) on an income budget of £849,000.
- B. **Insurance premium** – An underspend of approximately £20,000 is expected on the insurance budget (in addition to the budget reduction applied in the 2018/19 base budget of £77,000) following the procurement of the new contract.
- C. **Support Services trading income (e.g. HR and Support Services)** – 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.
- D. **Senior Leadership Team** – Following the approval of the Senior Leadership Team interim arrangements by Council in December 2017, a saving of £34,000 (SHDC's share) is anticipated in 2018/19.
- E. **Investment income** – Additional income due to the recent investment with the CCLA and higher than anticipated interest rates.
- F. **Follaton House** – It is anticipated that there will be a shortfall in letting income for Follaton House. This is likely to be in the region of £20,000 against the income target of £309,000. This was also the case in 2017/18.
- G. **Car parking income** – A shortfall in car parking income of £40,000 is currently projected. This equates to 1.3% of the income target (£3,026,000). This budget includes additional income of £123,000 for 2018/19 to reflect a 2% increase in charges, increased use and the withdrawal of weekly parking tickets. A better year end projection will be taken at the end of Q2, when actual income for the summer period will be taken into consideration.
- H. **Public Conveniences** – A shortfall on pay on entry income of £8,000 is expected. The tenders for the pay on entry systems have been returned and are currently being evaluated. This project was delayed whilst legal details on all facilities ownership and lease arrangements (including covenants) were collated.
- I. **Blue and clear bag processing (safe working practice requirement at Torr Quarry)** – A cost pressure of £75,000 has been identified for this.

Following a change to safe staff working practices and the need for an updated safe operating procedure in respect of fire within the caged area of the depot at Torr Quarry, it was necessary to change the location and handling process for the blue and clear bags at the beginning of the financial year.

This has allowed our recycling scheme to continue on our existing depot footprint, but has increased operating costs in relation to clear and blue bags. These costs are mainly in relation to the need to move recycling more frequently, to allow safe working space for staff in the transfer station.

Whilst this has increased cost, it has allowed the Council to continue to recycle, which is key objective of the Council. Due to type of recycling scheme we currently employ, our recycling reprocessors have capped our recycling at various points. In order to find short term reprocessors willing to take our material, costs have been raised for short periods in the early part of this year.

- J. **Haulage costs** – A cost pressure of £60,000 has been identified. As per the Executive report on 14 June 2018 this is primarily inflation since the contract was last awarded in 2015. This reflects national trends on haulage.
- K. **ICT support contract costs** – There are additional recurring costs in respect of ICT support contracts of approximately £75,000. 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

#### **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.

## 5. Prudential Indicators

5.1 The prudential code indicators were approved in the Treasury Management Strategy report to the Executive on 15 March 2018. 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 2017/18 £'000</b>	<b>Income Budget 2018/19 £'000</b>	<b>Projected Income 2018/19 £'000</b>	<b>Deficit/ (Surplus) £'000</b>	<b>Deficit/ (Surplus) %</b>
Car Parks	2,918	3,026	2,986	40	1.4%
Dartmouth Ferry	841	807	807	-	-
Employment Estates *	1,340	762	762	-	-
Licensing	242	230	230	-	-
Planning Applications	987	849	939	(90)	(10.6%)
Land Charges	178	170	170	-	-
Recycling	701	645	645	-	-
<b>TOTAL</b>	<b>7,207</b>	<b>6,489</b>	<b>6,539</b>	<b>(50)</b>	<b>(0.78%)</b>

\*Employment Estates income in 2017/18 included rent for Lee Mill, Ivybridge reclassified as an investment property in 2018/19.

## 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 2018/19.

	<b>Budget variations overspend/ (underspend) £000</b>	<b>Management Action</b>
<b>Reductions in expenditure/additional income</b>		
Planning income	(90)	This will be kept under review during 2018/19.
Insurance premium	(20)	This will be kept under review during 2018/19.
Trading opportunities income	(20)	The Council will continue to develop future income generation opportunities.
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.
Investment income	(40)	No change proposed at this stage to the 2018/19 income target
Car parking income	40	Income levels will be kept under review in 2018/19. A better year end projection will be taken at the end of Q2, when actual income for the summer period will be taken into consideration.
Public Conveniences – pay on entry income	8	This is a one off pressure in 2018/19. To be kept under review.
Blue and clear bag processing	75	£75,000 has been built into the 19/20 budget as a cost pressure. This will be minimised during the year if all possible by continuing to try to source more local processing options for dry recycling. These current cost pressures have been considered as part of the ongoing procurement process and will be mitigated through the introduction of the Devon aligned recycling service in 2020.

	<b>Budget variations overspend/ (underspend) £000</b>	<b>Management Action</b>
Haulage costs	60	£60,000 has been built into the 2019/20 budget as a cost pressure. The Council can maintain costs for the lifetime of the current contract and will continue to review.
ICT costs	75	£50,000 has been built into the 2019/20 budget as a cost pressure.

**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	The report identifies an overall <b>overspend of £74,000</b> which is 0.8% of the overall budget set for 2018/19 of £8.983million.
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 Strategy.</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 19 July 2018 - Medium Term Financial Position for the five year period 2019/20 onwards.

### **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>