

Report to: **Executive**
Date: **13 December 2018**
Title: **Quarter 2 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 £66,000 (0.7% 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 £66,000 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		Note
		£000	%	
APPROVED BUDGET				8,983
Reductions in expenditure/additional income				
Customer First				
Planning income	(849)	(16.5%)	(140)	A
Commercial Services				
Car Parking income	(3,026)	(2.3%)	(70)	B
Trade Waste income	(814)	(1.2%)	(10)	C
Dartmouth Ferry income	(807)	(2.5%)	(20)	D
Support Services				
Insurance premium	382	(5.2%)	(20)	E
Trading opportunities income (e.g. HR and Support Services)	-	-	(20)	F
Strategy & Commissioning				
Senior Leadership Team – Interim Arrangements	195	(30.4%)	(34)	G
Electoral Registration	138	(10.9%)	(15)	H
Financing and Investment				
Investment income	(123)	(56.9%)	(70)	I
<i>Sub total of variations</i>				(399)
Increases in expenditure/reductions in income				
Customer First				
Follaton House income	(309)	16.2%	50	J
Commercial Services				
Car Parking payment collection expenses	22	136.4%	30	K
Public Conveniences – pay on entry income & contributions	(26)	100.0%	26	L
Recycling Services – blue and clear bag processing	-	57.2%	75	M
Haulage costs - new contract	324	18.5%	60	N
Recycling income	(645)	7.0%	45	O
Beach & Water safety	40	100.0%	40	P
Salaries	4,880	0.4%	20	Q

Support Services					
ICT Costs – support contracts	391	19.2%	75		R
Legal Community of Practice	171	11.7%	20		S
Strategy & Commissioning					
Corporate Management – payment collection expenses	49	49.0%	24		T
<i>Sub total of variations</i>				465	
PROJECTED OUTTURN				9,049	
PROJECTED OVERSPEND				66	

Notes

- A. **Planning income** – income from planning applications is anticipated to be above target by £140,000 (16.5%) on an income budget of £849,000.
- B. **Car Parking income** – income levels have been better than anticipated in the second quarter due to an exceptional summer resulting in a projection of additional income of £70,000 (2.3%).
- C. **Trade Waste income** – additional income of £10,000 is anticipated from the sale of recycling sacks and bin rentals.
- D. **Dartmouth Ferry income** – income from the Dartmouth Ferry is projected to be above target by £20,000 (2.5%) on an income budget of £807,000.
- E. **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.
- F. **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.
- G. **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.
- H. **Electoral Registration** – salary savings of around £15,000 are anticipated in 2018/19.

- I. **Investment income** – investment income is anticipated to be above target by £70,000 (56.9%). Additional income is expected due to a number of factors; the recent investment with the CCLA (£30,000), higher than anticipated interest rates, and improved use of fixed term deals with the banks currently on the Council's counterparty list. The Council widened its Counterparty list in the Treasury Management strategy for 2018/19 after taking into account credit rating criteria. This has allowed the Council to make investments with a larger number of banks and building societies.
- J. **Follaton House** –It is anticipated that there will be a shortfall in letting income and room hire income for Follaton House. This is likely to be in the region of £50,000 against the income target of £322,000. Rent free periods have now ceased and on review it would appear that the income target is not fully achievable. The space above the Council Chamber is likely to be partially let by the New Year and may be fully let shortly after. There is also some space available in the Old House and the Cottage. If tenants were secured for that space, the building would effectively be fully let.
- K. **Car parking payment collection expenses** – A pressure of £30,000 is anticipated in respect of RingGo payment collection expenses. This is offset by additional income anticipated in 'B' above.
- L. **Public Conveniences** – A shortfall on pay on entry income of £16,000 and café contributions of £10,000 is expected. The public toilet project was delayed whilst legal details on all facility ownership and lease arrangements (including covenants) were researched and collated. At the time of writing an update is scheduled to be presented to the Executive on 22nd November.
- M. **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 a 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.

- N. **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. Costs are expected to increase and the Council is currently in negotiation with third parties regarding this.
- O. **Recycling income** – A shortfall in income of £45,000 is anticipated from the recycling of materials and paper due to a fall in market prices.
- P. **Beach & water safety** – A cost pressure of £40,000 has been identified in respect of the RNLI contract. The proposed changes were not able to be implemented in time for 2018/19 due to a change in staffing roles. An update will be provided to Members through the January 2019 budget report.
- Q. **Commercial Services salaries** – additional salary costs of £20,000 (0.4%) are anticipated for 2018/19.
- R. **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 Gazetteer – address database
 - IEG4 software – automatic processing of changes of circumstances for revenues
- S. **Legal Community of Practice** – additional salary costs of £20,000 are anticipated for 2018/19. This is mainly due to the increased demand from Assets work, a temporary appointment made to cover sickness absence and agency staffing backfilling a secondment opportunity.
- T. **Payment collection expenses** – the budget for bank processing fees and internet/card processing fees is anticipated to be exceeded by £24,000 in 2018/19. This budget has not been reviewed for a number of years to reflect the changes in methods of payment. However, the credit card contract is currently being re-negotiated so it is anticipated that these costs will reduce in 2019/20.

Savings/Additional Income identified in the 2018/19 Budget

- 3.2 This monitoring report includes an update on the position regarding the savings and additional income that were identified in the 2018/19 budget setting process. Please see Appendix B for further information.

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:

Service	Actual Income 2017/18 £'000	Income Budget 2018/19 £'000	Projected Income 2018/19 £'000	Deficit/ (Surplus) £'000	Deficit/ (Surplus) %
Car Parks	2,918	3,026	3,096	(70)	(2.3%)
Dartmouth Ferry	841	807	827	(20)	(2.5%)
Employment Estates *	1,340	762	762	-	-
Licensing	242	230	230	-	-
Planning Applications	987	849	989	(140)	(16.5%)
Land Charges	178	170	170	-	-
Recycling	701	645	600	45	7.0%
TOTAL	7,207	6,489	6,674	(185)	(2.85%)

*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.

	Budget variations overspend/ (underspend) £000	Management Action
Reductions in expenditure/additional income		
Planning income	(140)	This will be kept under review during 2018/19. £40,000 additional income has been built into the 2019/20 budget proposals.
Car parking income	(70)	This will be kept under review during 2018/19.
Trade waste income	(10)	This will be kept under review during 2018/19.
Dartmouth Ferry income	(20)	This will be kept under review during 2018/19.
Insurance premium	(20)	This will be kept under review during 2018/19. Elements of the specialist insurance contract e.g. Marine will be renegotiated for 2019/20 and therefore no change is recommended to the budget at this stage.
Trading opportunities income	(20)	The Council will continue to develop future income generation opportunities. An income target of £20,000 has been built into the 2019/20 budget proposals.
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. The saving of £34,000 has been built into the 2019/20 budget proposals.
Electoral Registration	(15)	This is a one off saving in 2018/19.
Investment income	(70)	This will be kept under review during 2018/19. £60,000 additional income has been modelled into the 2019/20 budget proposals for the CCLA investment.

	Budget variations overspend/ (underspend) £000	Management Action
Follaton House rental and room hire income	50	The income target will be reduced by £35,000 in the 2019/20 updated budget proposals in January 19.
Car parking payment collection expenses	30	A cost pressure of £25,000 has been built into the 2019/20 budget.
Public Conveniences – pay on entry income	26	This is a one off pressure in 2018/19. At the time of writing an update is scheduled to be presented to the Executive on 22 nd November.
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.
Haulage costs	60	£60,000 has been built into the 2019/20 budget as a cost pressure. Costs are expected to increase and the Council is currently in negotiation with third parties regarding this.
Recycling income	45	This will be kept under review during 2018/19.
Beach & water safety	40	This is currently under review. An update will be provided to Members through the January 2019 budget report.
Commercial Services salaries	20	This will be kept under review during 2018/19.
ICT costs	75	£50,000 has been built into the 2019/20 budget as a cost pressure.
Legal Community of Practice	20	This is a one off pressure in 2018/19.
Payment collection expenses	24	This will be kept under review during 2018/19 and will be mitigated in the future by the renegotiation of the credit card contract.

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 overspend of £66,000 which is 0.7% of the overall budget set for 2018/19 of £8.983million. This is a slightly improved position from quarter one where an overspend of £74,000 was reported.
Risk	Y	<p>1) Budget variances – 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) Resource Planning – 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).

Appendix B – Savings/Additional income schedule

Background Papers:

Finance Community of Practice budget monitoring working papers.
Executive 13 September 2018 - Medium Term Financial Position for the five year period 2019/20 onwards.

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