

Report to: **Executive**
Date: **07 February 2019**
Title: **Quarter 3 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 £62,000 (0.7% of the total Budget £8.983 million).
- ii) Recommend to Council to transfer the underspend on Homelessness Prevention into the Homelessness Earmarked Reserve at the end of the 2018/19 financial year (this is currently expected to be £30,000).

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 £62,000 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	%	£000		
APPROVED BUDGET				8,983	
Reductions in expenditure/additional income					
Customer First					
Planning income	(849)	(16.5%)	(140)		A
Homelessness prevention costs	93	(32.3%)	(30)		B
Commercial Services					
Car Parking income	(3,026)	(3.3%)	(100)		C
Trade Waste income	(814)	(1.8%)	(15)		D
Dartmouth Ferry income	(807)	(3.7%)	(30)		E
Support Services					
Insurance premium	382	(2.6%)	(10)		F
Trading opportunities income (e.g. HR and Support Services)	-	-	(20)		G
Strategy & Commissioning					
Senior Leadership Team – Interim Arrangements	195	(17.4%)	(34)		H
Electoral Registration	138	(10.9%)	(15)		I
Financing and Investment					
Investment income	(123)	(56.9%)	(70)		J
Sub total of variations				(464)	
Increases in expenditure/reductions in income					
Customer First					
Follaton House income	(309)	12.9%	40		K
Housing Benefit overpayment recoveries	(245)	10.2%	25		L
Salaries	3,730	0.5%	20		M

Commercial Services					
Car Parking payment collection expenses	22	136.4%	30		N
Public Conveniences – pay on entry income & contributions	(26)	100.0%	26		O
Recycling Services – blue and clear bag processing	131	57.2%	75		P
Haulage costs - new contract	324	18.5%	60		Q
Recycling income	(645)	7.0%	45		R
Beach & Water safety	40	75.0%	30		S
Salaries	4,880	0.4%	20		T
Support Services					
ICT Costs – support contracts	391	19.2%	75		U
Legal Community of Practice	171	11.7%	20		V
Strategy & Commissioning					
Corporate Management expenses	49	61.2%	30		W
Sub total of variations				496	
Transfers to/from Earmarked Reserves					
Homelessness Prevention Earmarked Reserve	N/A		30	30	B
PROJECTED OUTTURN				9,045	
PROJECTED OVERSPEND				62	

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. **Homelessness Prevention** – The underspend on homelessness prevention costs (expected to be £30,000) is requested to be set aside in the Homelessness Earmarked Reserve to support the ongoing costs of implementing the homelessness prevention strategy 2017-2021.
- C. **Car Parking income** – income levels have been better than anticipated due to an exceptional summer resulting in a projection of additional income of £100,000 (3.3%).
- D. **Trade Waste income** – additional income of £15,000 (1.8%) is anticipated from the sale of recycling sacks and bin rentals.
- E. **Dartmouth Ferry income** – income from the Dartmouth Ferry is projected to be above target by £30,000 (3.7%) on an income budget of £807,000.

- F. **Insurance premium** – an underspend of approximately £10,000 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.
- G. **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.
- H. **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.
- I. **Electoral Registration** – salary savings of around £15,000 are anticipated in 2018/19.
- J. **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.
- K. **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 £40,000 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 in 2018/19. The space above the Council Chamber is likely to be partially let in early February 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.
- L. **Housing Benefit recovery of overpayments** – £40,000 additional income was built into the 2018/19 budget. The actual income from the recovery of overpayments is anticipated to be below target by approximately £25,000 (10.2%).
- M. **Customer First salaries** – additional salary costs of £20,000 (0.5%) are anticipated in 2018/19. This is mainly due to more expensive temporary appointments to cover vacancies.
- N. **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 'N' above.

- O. **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 this agenda, further to the report to the Executive on 22nd November 2018.
- P. **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.

- Q. **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.
- R. **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.
- S. **Beach & water safety** – Not all of the proposed changes in respect of the RNLI contract were able to be implemented in time for 2018/19 due to a change in staffing roles. This has been partly offset by other savings. A report will be presented to the Executive in March 2019.
- T. **Commercial Services salaries** – additional salary costs of £20,000 (0.4%) are anticipated for 2018/19 due to more expensive agency appointments to cover vacancies and sickness.
- U. **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

V. **Legal Community of Practice** – additional salary costs of £20,000 are anticipated for 2018/19. This is mainly due to the increased demand in Assets work and more expensive temporary agency appointments to cover sickness absence, backfill for a secondment and cover for the Senior Legal Specialist vacancy.

W. **Corporate Management 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. In addition, there is a small cost pressure for strategic pension and actuarial advice of £6,000.

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	3,126	(100)	(3.3%)
Dartmouth Ferry	841	807	837	(30)	(3.7%)
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	6,714	(225)	(3.5%)

*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.
Homelessness prevention costs	(30)	Recommended to be put into an earmarked reserve.
Car parking income	(100)	This will be kept under review during 2018/19.
Trade waste income	(15)	This will be kept under review during 2018/19.
Dartmouth Ferry income	(30)	This will be kept under review during 2018/19.
Insurance premium	(10)	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 for Corporate Consultancy 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.

	Budget variations overspend/ (underspend) £000	Management Action
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.
Follaton House rental and room hire income	40	This will be kept under review during 2018/19.
Housing Benefit recovery of overpayments	25	This will be kept under review during 2018/19.
Customer First salaries	20	This will be kept under review during 2018/19.
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. An update on the public toilet project is scheduled to be presented to the Executive on 7 th February 2019.
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	30	This is currently under review. A report will be presented to the Executive in March 2019.
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.

	Budget variations overspend/ (underspend) £000	Management Action
Legal Community of Practice	20	This is a one off pressure in 2018/19.
Corporate Management expenses	30	This will be kept under review during 2018/19 and will be mitigated in the future by the re-negotiation 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	<p>The report identifies an overall overspend of £62,000 which is 0.7% of the overall budget set for 2018/19 of £8.983million. This is a slightly improved position from quarter two where an overspend of £66,000 was reported.</p> <p>It is recommended to Council to transfer £30,000 to the Homelessness Earmarked Reserve. Annually transfers are made from Earmarked Reserves to the Comprehensive Income and Expenditure Account as part of the closure of the end of year Accounts.</p> <p>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.</p>
Risk	Y	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. 2) Resource Planning – the Executive takes into account any significant issues when developing the Council’s Medium Term Financial Strategy.
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 December 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