

Report to: **Hub Committee**  
Date: **1 November 2016**  
Title: **Quarter 2 Revenue Budget Monitoring  
2016/2017**  
Portfolio Area: **Support Services – Cllr C Edmonds**  
Wards Affected: **All**  
Relevant Scrutiny Committee: **Internal**

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

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#### **RECOMMENDATION**

**It is RECOMMENDED that the Hub Committee resolves to note the forecast income and expenditure variations for the 2016/17 financial year and the overall projected overspend of £25,000.**

#### **1. Executive summary**

1) This report enables Members to monitor income and expenditure variations against the approved budget for 2016/17, 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 2016/17 was set at £26 million (£7.25 million net). **The actual net revenue expenditure is forecast to be over budget by £25,000 when compared against the total budget set for 2016/17.**

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

**TABLE 1: 2016/17 BUDGET FORECAST**

	<b>2016/17 Budget expenditure</b>	<b>Budget variations</b>		<b>Note</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
<b>APPROVED BUDGET</b>			<b>7,253</b>	
<b>Reductions in expenditure/additional income</b>				
Car Park Income	(837)	(30)		A
Car Park Fines	(31)	(20)		B
Waste Contract	1,482	(60)		C
Investment Income	(45)	(10)		D
New Governance Arrangements	196	(15)		E
<i>Sub total of variations</i>			<b>(135)</b>	
<b>Increases in expenditure/reductions in income</b>				
Kilworthy Park - Additional Lettings Income	(156)	25		F
Car Park Permits	(38)	20		G
Recycling Credits	(330)	40		H
Planning Legal Fees	12	15		I
Planning Application Income	(383)	60		J
<i>Sub total of variations</i>			<b>160</b>	
<b>PROJECTED OUTTURN</b>			<b>7,278</b>	
<b>PROJECTED OVERSPEND</b>			<b>25</b>	

## Notes

- A. **Car Park Income** – Car parking income is anticipated to be above its income target by £30,000 (3%) on an income budget of £860,000.
- B. **Car Park Fines** – Income from car parking fines is currently higher than the target of £31,000. If this trend continues then income is predicted to be £20,000 above the target.
- C. **Waste Contract** – An additional £80,000 was built into the 2016/17 budget for inflation on the contract. The Council's waste contract is reviewed annually and an inflationary increase is applied based on a formula which takes into account factors such as fuel prices and average earnings index. The inflationary amount is calculated in December each year, but based on payments to date it is anticipated that £60,000 of the inflation provision will not be required.
- D. **Investment Income** – The Council has secured a better rate for Money Market Fund investments that are used to manage day to day cash flows, and improved use of fixed term deals with the banks currently on the Council's Counterparty list. An additional income of £10,000 is expected.
- E. **New Governance Arrangements** – A cost pressure of £28,000 was built into the budget for 2015/16 to reflect the need for a review in 2015 into the Scheme of Members Allowances. This was a precautionary estimate and has not been fully utilised, resulting in a saving of £15,000. A further review is taking place in 2016.
- F. **Kilworthy Park** – The Kilworthy Park budget is projected to be £25,000 overspent due to two main factors. In the T18 Business Case it was anticipated that there would be reduced running costs at Kilworthy Park due to agile working, smarter use of energy and utilities and the workforce occupying less space. These savings have not yet been realised fully, although work has been done on re-procuring some of the utilities costs. Work is currently ongoing to maximise the income at Kilworthy Park. Redeemer Church (Plymouth based) are due to use parts of the building starting in January and negotiations are ongoing with the CAB.
- G. **Car Park Permits** – There is predicted to be a shortfall in income from Residents Permits of £20,000. This continues the trend from 2015/16 and the budget will need to be adjusted in 2017/18.
- H. **Recycling Credits** – Devon County Council has taken West Devon's leaf sweepings and garden waste into the County contract and has ceased paying recycling credits on this material. As has been previously reported, a phasing into the DCC contract was negotiated to minimise the budgetary impact. This has resulted in

a loss of income gained from recycling credits from DCC, which is largely offset by West Devon no longer having to pay gate fees for composting the materials. Members will be aware that prices for recycling have dropped with the market changing significantly due to external factors. The income target in 2016/17 was reduced by £90,000 but the current monitoring position is showing that the budget needs to be further reduced by £40,000.

- I. **Planning Legal Fees** – The Professional Fees budget of £12,000 has already been fully utilised and is predicted to be overspent by £15,000.
- J. **Planning Application Income** – There is predicted to be shortfall in income from planning applications of £60,000. Although the number of applications has increased, their individual value has reduced. In previous years additional income has been generated from a number of one off large applications for renewable energy.

3.2 **Leisure contract** – A future report will be presented to Members at the Hub Committee and then the Council, regarding borrowing options for the investment into the Council’s Leisure Centres. The report will present various options open to the Council, which will include an option for the Council to reduce its external borrowing by utilising some of its own funding such as the saving that would arise in 2016/17 from the new contract terms.

#### 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 2016/17.

	<b>Budget variations overspend/ (underspend) £000</b>	<b>Management Action</b>
<b>Reductions in expenditure/additional income</b>		
Car Park Income	(30)	Keep under review. It is not proposed to build this additional income in to the 2017/18 budget as income levels can vary due to a number of external factors.
Car Park Fines	(20)	This will be kept under review.
Waste Contract	(60)	No management action is being proposed as the Council is

	<b>Budget variations overspend/ (underspend)</b>	<b>Management Action</b>
		currently at the end of a seven year contract period which expires in March 2017. Service delivery options are being progressed.
Investment Income	(10)	Keep under review. It is not proposed to build any additional income in to the 2017/18 budget.
New Governance Arrangements	(15)	Review following the Independent Panel's recommendations and the Council decision.
Kilworthy Park – Reduced Running Costs and Additional Lettings Income	25	The Assets team continue to maximise the best use of the lettings space. To be kept under review.
Car Park Permits	20	It is proposed that this recurring income shortfall is built in to the 2017/18 budget.
Waste – Purchase of Equipment	15	This will be kept under review.
Recycling Credits	40	It is proposed that this recurring income shortfall is built in to the 2017/18 budget.
Planning Legal Fees	15	No management action required. One off cost pressure.
Planning Application Income	60	It is recommended that the 2017/18 planning income budget is reduced by £60,000. However this will be kept under close review over the next few months before the budget is set.

#### **4) Prudential Indicators**

The prudential code indicators were approved in the Treasury Management Strategy report to the Audit Committee on 15 March 2016. 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.

## 5) Income and Reserves

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

<b>Service</b>	<b>Actual Income 2015/16</b>	<b>Income Budget 2016/17</b>	<b>Projected Income 2016/17</b>	<b>Deficit/ (Surplus)</b>	<b>Deficit/ (Surplus)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
Car Parks	853	837	867	(30)	(3.6%)
Employment Estates	238	225	225	-	-
Land Charges	67	92	92	-	-
Planning Applications	338	383	323	60	15.7%
Investment Income	56	45	55	(10)	(22.2%)
Recycling Credits	297	330	290	40	12.1%
<b>TOTAL</b>	<b>1,849</b>	<b>1,912</b>	<b>1,852</b>	<b>60</b>	

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.

## 7. 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.

For Business Rates, it has been assumed that the Council is still in a situation where it is paying a Business Rates levy. This is regularly monitored and any change to this position would be reported to Members.

## 8. 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.

## 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 £25,000 which is 0.3% of the overall budget set for 2016/17 of £7.253 million.  It is envisaged that the Budget Scouring exercise (where all 16/17 base budgets will be challenged by the Senior Leadership Team) will assist in identifying further underspends.
Risk	Y	<b>Budget variances</b> – 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.  <b>Resource Planning</b> – 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).
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 Strategy for the five year period 2017/18 to 2021/22 – HUB 20 September 2016