

Report to: **Hub Committee**
Date: **1 November 2022**
Title: **Month 5 Revenue Budget Monitoring
2022/2023**
Portfolio Area: **Performance & Resources – Cllr C Edmonds**
Wards Affected: **All**
Urgent Decision: **N** Approval and clearance obtained: **Y**
Date next steps can be taken: **N/A**

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Recommendations:

That the Hub Committee RESOLVES to:-

- i) NOTE the forecast income and expenditure variations for the 2022/23 financial year and the overall projected deficit of £70,000 (0.9% of the total Budget £7.770 million).**

1. Executive summary

- 1.1 This report enables Members to monitor income and expenditure variations against the approved budget for 2022/23, and provides a forecast for the year end position.
- 1.2 The gross service expenditure budget for 2022/23 was set at £24 million (£7.770 million net). This report identifies a projected deficit of £70,000 which is 0.9% of the overall Budget set for 2022/23 of £7.770 million.

2. Background

2.1 Regional and national context

2.2 The Covid-19 pandemic has drawn into sharper focus the financial challenges faced by Local Authorities which have existed for some years. There remains outstanding a number of Local Authority Government reviews into Local Authority funding to reset the way local Councils are funded and the mechanism for the distribution of funding.

2.3 Financial Monitoring arrangements

2.4 The Council's financial procedure rules require that reports must be made on budget monitoring on a regular basis to the Hub Committee 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: 2022/23 BUDGET FORECAST

	2022/23 Budget expenditure /(income)	Budget variations		No te	
	£000	%	£000		£000
APPROVED BUDGET				7,770	
Reductions in expenditure/additional income					
Customer Service & Delivery					
Homelessness Prevention Grant	n/a	n/a (no budget)	(180)		A
Savings on staff and Member travel and expenses	91	33%	(30)		B
Housing benefit overpayment recoveries	n/a	n/a (no budget)	(60)		C
Governance and Assurance					
Recycling income	(325)	80%	(260)		D
Garden Waste income	(245)	12%	(30)		E
Trade Waste income	(15)	200%	(30)		F
Place and Enterprise					
Employment Estates income	(378)	8%	(30)		G
Other Comprehensive Income & Expenditure					
Investment Income	(25)	1340%	(335)		H
Sub total of variations				(955)	
Increases in expenditure/reductions in income					
Customer Service & Delivery					
Additional salary costs	4,544	1.5%	50		I
Pay award	90	267%	240		J
Planning income	(473)	16%	70		K
ICT Support Contracts	483	10%	50		L
Place and Enterprise					
Car Parking Income	(1,147)	11%	130		M
Governance & Assurance					
Waste contract inflation	80	144%	115		N
Additional waste contract costs	1,650	22%	370		O
Other Comprehensive Income & Expenditure					
Sub total of variations				1,025	
PROJECTED OUTTURN				7,840	
PROJECTED DEFICIT FOR 2022/23				70	

There is projected to be an overall deficit of £70,000 when compared against the Revenue Budget set for 2022/23.

Notes

- A. **Homelessness Prevention Grant** – as set out in the grant conditions, this grant is ring-fenced for 2022/23. This will be applied against costs (e.g. salary costs of the homelessness service) incurred in reducing temporary accommodation numbers and complying with the Homelessness Reduction Act.
- B. **Savings on staff and Member travel and expenses** – following Covid 19, it is currently anticipated that a saving of up to £30,000 could be achieved in 2022/23.
- C. **Housing Benefit overpayment recoveries** – it is currently anticipated that income from Housing Benefit overpayment recoveries of £60,000 will be achieved in 2022/23. The budget was reduced to zero in 2021/22 following the introduction of DWP Real Time Information referrals and the expectation that recovery will reduce year on year as collection becomes more difficult.
- D. **Recycling income** – income is currently anticipated to exceed the 2022/23 target by £260,000 in 2022/23, which equates to 80% of the annual income budget of £325,000.
- E. **Garden waste income** – income is currently anticipated to exceed the 2022/23 target by £30,000 which equates to 12% of the annual income budget of £245,000.
- F. **Trade waste income** - income is currently anticipated to exceed the 2022/23 target by £30,000 which equates to 200% of the annual income budget of £15,000.
- G. **Employment Estates income** – employment estates income is currently projected to be over budget by £30,000 in 2022/23 due to high occupancy rates and regular rent reviews.
- H. **Investment income** – investment income is currently anticipated to be up by 1340%, which equates to additional income of £335,000 in 2022/23. The predicted interest rate forecast is that interest rates will rise as the Bank of England looks to tackle surging inflation.
- I. **Salaries** – there are additional staffing costs of approx. £50,000. This is mainly due to new posts in relation to the Housing Delivery team, as per the report to the Hub Committee on 7th June 2022, and the additional cost of five agency staff in the Legal team.
- J. **Pay award** - the impact of the proposed employer's pay offer for 2022/23 of £1,925 on all NJC pay points, is significantly higher than the current budget provision of £90,000 (3%). The proposed pay award will result in additional salary costs of approx. £240,000.

- K. **Planning income** – a planning income shortfall of £70,000 is currently anticipated for 2022/23. However, this is a volatile area which can be very difficult to forecast given the impact of large applications so there is every likelihood that the income will fluctuate as the year progresses.
- L. **ICT Support Contracts** - There are additional costs in respect of ICT support contracts mainly due to,
- Above inflation increases, e.g. Microsoft Licensing
 - Additional costs for new licenses, laptops and accessories due to an increase in the number of users on our network
 - The acquisition of remote diagnostics software as a result of the increase in remote working
 - Disability Access legislation for the website has required the purchase of tools for monitoring compliance and enhancing access
- M. **Car Parking income** – There is a projected loss of car parking income of £130,000 out of total budgeted income of £1,147,000 (11%). Even though tariffs were increased by 4% in March 2021, Covid continues to have an impact on income. Town centre car parks have not made a full recovery as expected. We consistently see a drop in income each month compared to 2019/20 income levels. The months of April and May 2021 and January and February 2022 were particularly affected, when covid cases were high. These months saw the car parks biggest drop in income. However, it is acknowledged this figure could fluctuate during the year depending on parking levels during the winter months.
- N. **Waste contract inflation** - the impact of the current rate of inflation for 2022/23 (12.2%) is significantly higher than the current budget provision of £90,000 (3%). This will result in additional contract costs of £115,000 in 2022/23. Contract inflation is based on published indices for fuel inflation, wage inflation and consumer price index (CPI).
- O. **Waste and Recycling** – there are additional costs in 2022/23 relating to the uplift in the waste and recycling contract sum, effective from 1 July 2022. Further detail is set out in the Hub Committee report of 12 July 2022, 'Waste and recycling services contract update'.

3. Other items to be considered in the 2022/23 Budget

- 3.1 This monitoring report includes an update on the position regarding the savings and additional income that were identified in the 2022/23 budget setting process, set out in Appendix B.

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. Budgeted contributions to and from Earmarked Reserves were part of the 2022/23 Budget reports.

- 4.2 A schedule of Earmarked Reserves is attached at Appendix A, which shows Earmarked Reserves have a projected balance of £6.093 million at 31 March 2023 currently.
- 4.3 The Council's level of Unearmarked Reserves currently stands at £1.490 million. The deficit of £70,000 would go into Unearmarked Reserves at the year end, in accordance with normal accounting practice. This gives a predicted year end balance at 31.3.2023 of £1.42 million for Unearmarked Reserves.

5. Prudential Indicators

- 5.1 The prudential code indicators were approved in the Capital, Investment and Treasury Management Strategy report to the Council on 5 April 2022. The indicators are monitored during the year through the normal revenue and capital monitoring processes. 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: Income monitoring is an integral part of financial management. Below shows the current income (surpluses)/shortfalls already experienced for April 2022 to August 2022. The table also shows the latest 2022/23 projections for the major streams of income.

Service	Deficit/ (Surplus) April – August 2022 £'000	Projected Income 2022/23 £'000	Income Budget 2022/23 £'000	Deficit/ (Surplus) £'000	Deficit/ (Surplus) %
Car Parking	131	(1,017)	(1,147)	130	11%
Planning Applications & Advise	60	(403)	(473)	70	15%
Employment Estates	6	(407)	(377)	(30)	(8%)
Garden Waste	-	(275)	(245)	(30)	(12%)
Trade Waste	(33)	(45)	(15)	(30)	(200%)
Business Rates Pooling Gain	-	(200)	(200)	-	-
Licensing	10	(114)	(114)	-	-
Interest & Investment Income	(51)	(360)	(25)	(335)	(1340%)
Local Land Charges	(1)	(95)	(95)	-	-
Recycling Income	(43)	(585)	(325)	(260)	(80%)

Service	Deficit/ (Surplus) April – August 2022 £'000	Projected Income 2022/23 £'000	Income Budget 2022/23 £'000	Deficit/ (Surplus) £'000	Deficit/ (Surplus) %
TOTAL	79	(3,501)	(3,016)	(485)	(16%)

7. 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 2022/23.

	Budget variations overspend/ (underspend) £000	Management Action
Reductions in expenditure/additional income		
Homelessness Prevention Grant	(180)	Additional income of £175,000 has been built into the 2023/24 budget.
Staff and Member travel and expenses	(30)	The projected underspend will be kept under review during the year.
Housing Benefit overpayment recoveries	(60)	Income levels will be kept under review during 2022/23
Recycling income	(260)	Additional income of £190,000 has been built into the 2023/24 budget.
Garden waste	(30)	Income levels will be kept under review during 2022/23
Trade waste	(30)	Additional income of £30,000 has been built into the 2023/24 budget.
Employment Estates income	(30)	Additional income of £50,000 has been built into the 2023/24 budget.
Investment income	(335)	Additional income of £175,000 has been built into the 2023/24 budget.
Increases in expenditure/reductions in income		
Salaries	50	This will be kept under close review in 2022/23.
Pay award	240	A budget provision of £360,000 has been built into the 2023/24 budget.
Planning income	70	This will be kept under close review in 2022/23.

	Budget variations overspend/ (underspend) £000	Management Action
ICT Support Contracts	50	This will be kept under close review in 2022/23.
Car Parking Income	130	Income levels will be kept under close review in 2022/23 and the income target for 2023/24 is likely to be reduced to reflect actual current levels of usage.
Waste contract inflation	115	A cost pressure of £345,000 has been built into the 2023/24 budget.
Additional waste contract costs	370	A cost pressure of £400,000 has been built into the 2023/24 budget.

8. Options available and consideration of risk

- 8.1 At this early stage it is important to note that these forecasts can change over the course of the year. Managers can seek out opportunities to reduce any overspends, whilst considering the risk of any adverse impact on the customer experience.

9. Proposed Way Forward

- 9.1 Revenue budget monitoring will continue on a regular basis and further reports will be brought to the Hub Committee each quarter.

10. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Council is required to make arrangements for the proper administration of its financial affairs. As part of those arrangements, the Council is under a duty to monitor its budgets throughout the financial year and to take appropriate action to deal with any deterioration in the financial position revealed by the regular monitoring.
Financial implications to include reference	Y	<i>The report identifies a projected deficit of £70,000 which is 0.9% of the overall budget set for 2022/23 of £7.770 million. This is very close to a break-even position.</i>

to value for money		<p>As part of Grant Thornton's external audit of the Statement of Accounts for 2021/2022, they will assess the arrangements the Council has in place for securing economy, efficiency and effectiveness in its use of resources.</p> <p>The outcome of Grant Thornton's work in this area will be reported to Members at the Audit Committee meeting on 22nd November 2022.</p>
Risk	Y	<p>1) Budget variances – continual monthly 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>2) 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 7).</p>
Supporting Corporate Strategy		The budget monitoring process supports all of the Thematic Delivery Plans within the Council's strategic vision, 'A Plan for West Devon'.
Consultation and Engagement Strategy		External consultation and engagement has not been undertaken with regard to this report.
Climate Change – Carbon / Biodiversity Impact		<p>A report was presented to Council on 8th December 2020 'Climate Change and Biodiversity Strategy and Action Plan update'.</p> <p>In March 2021, Council approved to set up an Earmarked Reserve for £200,000 for the Recovery Plan and Corporate Strategy.</p> <p>Further detail is set out in the Council's 'A Plan for West Devon' strategic vision.</p>
<i>Comprehensive Impact Assessment Implications</i>		
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.
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Supporting Information

Appendix A – Schedule of Reserves (Earmarked Reserves and Unearmarked Reserves).

Appendix B – Savings/Additional income schedule

Background Papers:

None