

Report to: **Hub Committee**
Date: **28 February 2017**
Title: **Quarter 3 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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Recommendations:

It is recommended that the Hub Committee resolves:-

- i) To note the forecast income and expenditure variations for the 2016/17 financial year and the overall projected underspend of £35,000.

To recommend to Council:

- ii) To transfer the 2016-17 revenue saving of £115,000 on the Leisure budget into an Earmarked Reserve for Leisure as set out in Section 3.2.

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 under budget by £35,000 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

	2016/17 Budget expenditure	Budget variations		Note
	£000	£000	£000	
APPROVED BUDGET			7,253	
Reductions in expenditure/additional income				
Commercial Services				
Car Park Income	(837)	(20)		A
Car Park Fines	(61)	(20)		B
Car Park Repairs & Maintenance Fund	104	(60)		C
Waste Contract	1,482	(90)		D
Street Cleaning Contract	448	(15)		E
Customer First				
Planning – Equipment	25	(25)		F
Financing and Investment				
Investment Income	(45)	(10)		G
<i>Sub total of variations</i>			(240)	

	2016/17 Budget expenditure	Budget variations		Note
	£000	£000	£000	
Increases in expenditure/reductions in income				
Commercial Services				
Recycling Credits	(330)	40		H
Customer First				
Kilworthy Park - Additional Lettings Income	(156)	25		I
Planning Application Income	(383)	70		J
Land Charges Income	(110)	20		K
Salaries	1,579	35		L
Support Services				
Salaries	697	15		M
<i>Sub total of variations</i>			205	
PROJECTED OUTTURN			7,218	
PROJECTED UNDERSPEND			(35)	

Notes

- A. **Car Park Income** – Car parking income is anticipated to be above its income target by £20,000 (2.4%) on an income budget of £837,000.
- B. **Car Park Fines** – Income from car parking fines is currently higher than the target of £61,000. If this trend continues then income is predicted to be £20,000 above the target.
- C. **Car Park Repairs & Maintenance** – The car park repairs and maintenance budget of £104,000 is predicted to be underspent by £60,000. In previous years this underspend has been placed into the car parking earmarked reserve. The balance on this reserve currently stands at £408,000 so it is not recommended to transfer any underspend this year.

- D. **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 the inflation provision will not be required and the waste contract costs will be underspent by £90,000.
- E. **Street Cleaning Contract** - The Council’s street cleaning 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 predicted to be underspent by £15,000.
- F. **Planning Equipment** - Expenditure on equipment maintenance is currently lower than anticipated and is predicted to be underspent by £25,000.
- G. **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.
- 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. **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.

- J. **Planning Application Income** – There is predicted to be shortfall in income from planning applications of £70,000. 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.
 - K. **Land Charges Income** – As at the end of December, £67,000 has been received in land charges income against a budget of £110,000. At the end of the year it is estimated that there may be a shortfall in land charges income of £20,000.
 - L. **Salaries (Customer First)** - There are additional staffing and agency costs of approximately £35,000, mainly due to temporary resources being used to backfill positions, particularly within Planning.
 - M. **Salaries (Support Services)** - There are additional staffing and agency costs of approximately £15,000, mainly due to temporary resources being used to backfill positions.
- 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 of £1.5 million by utilising the saving of £115,000 that arises in the 2016/17 leisure budget. This was shown in the report to Council on 26 July 2016 (Health and Wellbeing Procurement Outcome).

It is recommended to transfer the 2016-17 revenue saving of £115,000 on the Leisure budget into an Earmarked Reserve for Leisure in the 2016-17 Accounts so that this funding is available to reduce the amount that needs to be borrowed externally from the Public Works Loan Board for the Leisure investment. There is also a Capital Budget Monitoring report for 2016/17 on the Hub Committee agenda where it is being further recommended to re-categorise the capital budget of £296,728 for investment into the Leisure Centres. Therefore the amount that needs to be borrowed externally of £1.5 million could be reduced by the £115,000 and the £296,728.

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.

	Budget variations overspend/ (underspend) £000	Management Action
Reductions in expenditure/additional income		
Car Park Income	(20)	Charges were frozen as part of the 2017/18 budget process.
Car Park Fines	(20)	This will be kept under review during 2017/18.
Car Park Repairs & Maint	(60)	The 2017/18 repairs and maintenance budget has been reduced by £45,000.
Waste Contract	(90)	A budget pressure of £510,000 has been built into the 2017/18 budget for the waste and street cleaning contract.
Street Cleaning Contract	(15)	A budget pressure of 510,000 has been built into the 2017/18 budget for the waste and street cleaning contract.
Planning Equipment	(25)	This has been identified as a saving in the 2017/18 budget.
Investment Income	(10)	Keep under review. No additional income has been built into the 2017/18 budget.
Kilworthy Park – Reduced Running Costs and Additional Lettings Income	25	The Assets team continue to maximise the best use of the lettings space. Additional rental income of £5,000 has been built into the 2017/18 budget.
Waitrose Agreement	20	This will be kept under review during 2017/18 and built into the next budget setting process if required.

	Budget variations overspend/ (underspend)	Management Action
Recycling Credits	40	This income shortfall has been built in to the 2017/18 budget.
Planning Application Income	70	The 2017/18 income budget has been reduced by £125,000.
Land Charges Income	20	This will be kept under review during 2017/18 and built into the next budget setting process if required.
Salaries	50	This will be kept under review during 2017/18.

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:

Service	Actual Income 2015/16	Income Budget 2016/17	Projected Income 2016/17	Deficit/ (Surplus)	Deficit/ (Surplus)
	£'000	£'000	£'000	£'000	%
Car Parks	853	837	857	(20)	(2.4%)
Employment Estates	238	225	225	-	-
Land Charges	86	110	90	20	18.2%
Planning Applications	338	383	313	70	18.3%
Investment Income	56	45	55	(10)	(22.2%)
Recycling Credits	297	330	290	40	12.1%
TOTAL	1,849	1,930	1,830	100	

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.

6. 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.

7. 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.

8. 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. Only Council can agree the setting up of an Earmarked Reserve.
Financial	Y	The report identifies an overall underspend of £35,000 which is 0.4% of the overall budget set for 2016/17 of £7.253 million. It is recommended to transfer the 2016-17 revenue saving of £115,000 on the Leisure budget into an Earmarked Reserve for Leisure.
Risk	Y	Budget variances – 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.

		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 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 – Council 7th February 2017.

Council 26/7/16 – Health and Wellbeing Procurement Outcome (Leisure)

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