

Report to: **Executive**

Date: **7 March 2024**

Title: **Month 10 Revenue Budget Monitoring Report 2023/24**

Portfolio Area: **Finance - Cllr J Brazil**

Wards Affected: **All**

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

Date next steps can be taken: Recommendations will be considered at the Full Council meeting to be held on 21 March 2024

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RECOMMENDATION:

That the Executive:

- 1. RESOLVES to note the forecast income and expenditure variations for the 2023/24 financial year and the overall projected surplus of £46,000 (0.4% of the total Budget £11.738 million). This is very close to a break-even position and**
- 2. RECOMMENDS to Council to fund up to £170,000 of planning appeal costs from the Business Rates retention earmarked reserve, as detailed in paragraphs 3.5 to 3.7 of the report.**

1. Executive summary

- 1.1 This report enables Members to monitor income and expenditure variations against the approved budget for 2023/24 and provides a forecast for the year end position.
- 1.2 The gross service expenditure budget for 2023/24 was set at £44.3 million (£11.738 million net). This report identifies a projected surplus of £46,000 which is 0.4% of the overall budget set for 2023/24 of £11.738 million. This compares to a small surplus of

£16,000 projected in the last monitoring report as at the end of January 2024. The slightly improved position is mainly due to further Treasury Management income partly offset by an increase in anticipated Temporary Accommodation costs for 2023/24.

2. Background

2.1 Regional and national context

2.2 The Covid-19 pandemic drew 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 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: 2023/24 BUDGET FORECAST

	2023/24 Budget expenditure /(income)	Budget variations		£000	Note
	£000	%	£000		
APPROVED BUDGET				11,738	
Reductions in expenditure/additional income Customer Service & Delivery					
Salary Savings	11,425	2%	(250)		A
Place and Enterprise					
Car parking income	(3,412)	8%	(280)		B
Dartmouth Lower Ferry income	(1,077)	9%	(100)		C
Follaton House rental income	(309)	13%	(40)		D
Employment Estates income	(1,117)	20%	(220)		E
Other Comprehensive Income & Expenditure					
Investment Income	(800)	136%	(1,090)		F
Business Rates pooling gain	(300)	27%	(80)		G
Sub total of variations				(2,060)	

	2023/24 Budget expenditure /(income)	Budget variations			Note
Increases in expenditure/reductions in income					
Customer Service & Delivery					
Pay Award for all employees (incl. Waste & Cleansing manual workforce)	280	200%	559		H
ICT Software & Support Contracts	558	29%	160		I
Waste and Cleansing (see Appendix C for further detail)	7,740	3%	195		J
Strategy & Governance					
Planning income	(1,084)	19%	210		K
Planning advertising costs	111	54%	60		L
Insurance	434	32%	140		M
Place and Enterprise					
Car Parking payment collection fees	1,622	4%	70		N
Utility Costs	1,200	12%	140		O
Homelessness – temporary accommodation costs	339	103%	480		P
Sub total of variations				2,014	
PROJECTED OUTTURN				11,692	
PROJECTED SURPLUS FOR 2023/24				(46)	

There is projected to be an overall surplus of £46,000 when compared against the Revenue Budget set for 2023/24.

Notes

- A. **Salary Savings** - a saving of £250,000 (2% of the salaries budget) is currently projected for 2023/24 mainly resulting from vacancies.
- B. **Car parking income** – additional income of £246,000 has been received as at 31 January 2024 due to extra usage of the car parks. The current projection for 2023/24 is additional income of £280,000 for the year.
- C. **Dartmouth Lower Ferry income** – it is currently anticipated that additional income of £100,000 will be received in 2023/24. This equates to 9% of the annual income target for Dartmouth Lower Ferry of £1.077m.
- D. **Follaton House rental income** – it is currently anticipated that additional rental income of £40,000 will be received in 2023/24.

- E. **Employment Estates income** – employment estates income is currently projected to exceed the budget by £220,000 in 2023/24 due to high occupancy rates and regular rent reviews.
- F. **Investment income** – investment income is currently anticipated to be up by 136% in 2023/24, which equates to additional income of £1.09million. The latest forecast is projecting investment income of £1.89million in 2023/24. This follows the increases in interest rates as the Bank of England (base rate is currently 5.25%) looks to tackle surging inflation, and effective proactive management of our daily cashflows and investments. The Council has benchmarked its treasury management income and the latest report demonstrates the Council has achieved upper quartile performance with an investment return of 5.47% against benchmarked average range of between 5.03% - 5.34%.
- G. **Additional business rates pooling gain** – The Council is part of the Devonwide Business Rates Pool for 2023/24. The pooling gain for this year is predicted to be £380,000, which is £80,000 higher than the budgeted amount.
- H. **Pay award** – the impact of the proposed local government employer's pay offer for 2023/24 of £1,925 per scale point or a 3.88% increase for Scale Point 44 upwards, is significantly higher than the current budget provision of £280,000 (3%). The proposed pay award will result in additional salary costs of approx. £559,000 including £320,000 for the Waste and Cleansing staffing.
- I. **ICT Support Contracts** - there are additional costs in respect of ICT support contracts mainly due to,
- Price increases which equal or exceed the peak in the inflation rate earlier in the year
 - Additional costs for new software licenses, laptops and accessories e.g. new intake of Members in 2023/24.
- J. **Waste and Cleansing service** – There is projected overspend of £195,000 for the Waste and Cleansing service for 2023/24. This equates to 2.5% of the approved net budget of £7.74million (The net budget is before contributions from reserves). Appendix C sets out this in detail. The projected overspend has increased from £95,000 in the previous budget monitoring report to £195,000 in this latest budget monitoring report. This is due to the reduction in the price being able to be achieved in the sale of recycle due to the wider economic market of £50,000 and an inflationary rise for the cost of agency staff of £50,000. There is a separate report on this Executive agenda regarding a 'waste and recycling services update'.

- K. **Planning income** – a planning income shortfall of £210,000 is currently anticipated for 2023/24. This is a slightly worse position from the last monitoring report when a shortfall of £200,000 was projected. The income projection takes into account the recent legislative amendment to increase planning application fees with effect from 6 December 2023. Application fees have been increased by 35% for major schemes and 25% for all other applications. This is expected to generate around £150,000 to £180,000 of additional planning income in a full year. The legislative amendment also introduced an annual rise in application fees linked to inflation (and capped at 10%) every April from 2025 onwards.
- L. **Planning advertising costs** – advertising costs of £86,000 have been incurred to 31 January 2024 against an annual budget of £45,600. It is currently anticipated that advertising costs could be overspent by up to £60,000 in 2023/24. The requirements for advertising planning applications have recently been clarified in the Planning Improvement Plan Update report taken to Executive in September 2023.
- M. **Insurance** – in line with the 2022/23 outturn position additional insurance costs of £140,000 are anticipated in 2023/24. This is mainly due to inflationary pressures and bringing the waste service back in house in October 2022. These additional insurance costs have been built into the 2024/25 budget.
- N. **Car Parking payment collection fees** – additional payment collection cost of £70,000 is anticipated in 2023/24. The amount of car parking income being taken by Ringo has significantly increased since the covid pandemic. 59% of all car parking transactions are now made through Ringo and the Council has exceeded the annual limit of transactions being at no cost. The Council's transactions are now over 800,000 per annum which has triggered a cost per transaction for those over the limit where there is no charge. Ringo was procured as a Devonwide contract in October 2020 for a four year contract with an extension of one year plus a further year. Prior to the Devon wide procurement, the Council was paying 8% in banking charges, so as a result of the cashless payment provider contract, the Council is saving money on banking charges (in excess of £90,000) and is also saving collection costs of collecting physical cash from car parking machines. For example in 2019/20 the number of Ringo transactions was just over 200,000 and 80% of all car parking income was from cash payments with 20% being from Ringo. This has now changed to over 800,000 transactions through Ringo (59% of all car parking income), with 41% being from cash payments. The cost of managing the service now is lower than it was beforehand.
- O. **Utility costs** - due to the rise in energy costs and inflationary pressures, additional costs of £140,000 are projected in 2023/24, mainly due to the increase in utility costs for the Council's employment estates and public conveniences.

P. **Homelessness** - significant increases of £480,000 are anticipated in the expenditure on temporary accommodation in 2023/24 over and above what is claimable back through DWP subsidy. This is reflective of the national picture and due to a number of factors outside the Council's control including:

- The housing crisis and lack of accommodation
- High numbers of second homes and holiday lets
- Affordability of private rented accommodation and challenges facing private landlords and increases in their costs.
- More single people presenting with complex and challenging needs, requiring bespoke housing solutions.
- The increase in costs of pay nightly accommodation due to cost-of-living challenges and increases in energy costs.

The Council is actively seeking ways to reduce reliance on pay nightly accommodation by investing in its own stock of temporary accommodation through opportunities such as LAHF, LAHF 2 (Local Authority Housing Fund) and property acquisition whilst ensuring any stay is kept to a minimum.

In the Autumn Statement on 22 November 2023 the Chancellor of the Exchequer announced that the local housing allowance (LHA) rate will be increased for the first time in three years, and will cover the cheapest third (30th percentile) of local market rents from April 2024. The LHA rate is determined based on a survey of private market rents within a broad rental market area.

This higher LHA rate will increase the amount of temporary accommodation expenditure that can be claimed back through DWP subsidy which will help to address the overall position for 2024/25 onwards.

3. Other items to be considered in the 2023/24 Budget

3.1 Savings and Additional Income

This monitoring report includes an update on the position regarding the savings and additional income that were identified in the 2023/24 budget setting process, set out in Appendix B. Savings and additional income of £4.171m are projected against an income and savings target of £2.482m as shown in Appendix B.

Waste and Recycling Services

3.2 There were exceptional transitional costs of £3million for bringing the waste and recycling service back in house in October 2022, funded from the business rates retention reserve. Of this amount, £1.45million was spent in 2022/23 and the remaining £1.55million will be used in 2023/24. This was referenced in reports to Council on 12th July and 22nd September 2022 and had the support of the cross party Waste Working Group.

- 3.3 Executive in December 2023 (Minute Reference E.38/23) approved to fund the one-off cost of £450,000 of the roll out of the Devon Aligned Service (DAS), from the Business Rates Retention Reserve.
- 3.4 A breakdown of the Waste and Cleansing service costs and income for 2023/24 is attached in Appendix C. See also Note J above.

Planning Enforcement and Appeal costs

- 3.5 The Council is currently engaged in complex enforcement action and a number of high-profile planning appeals. All actions underway are considered to be vital to protect the built and natural environment and deliver development in line with the Joint Local Plan and community needs. It would be reasonable to observe that this could be considered to be an exceptional year with exceptional costs arising from these necessary actions.
- 3.6 There is an annual budget for appeal costs within the Planning budget of £54,000 a year. In addition, the Council puts an annual contribution into Planning reserves of £50,000. To date the Council has already spent £138,000 on appeal and enforcement costs and the final cost for this financial year could be as much as £220,000. There remains the potential for costs to be awarded to or against the Council pending the outcome of various actions.
- 3.7 It is recommended that the additional planning appeal and enforcement costs are funded from the Business Rates retention earmarked reserve up to a value of £170,000.

4. Earmarked Reserves

- 4.1 The Council annually undertakes a review of the level of its Earmarked Reserves as part of the budget setting process. In addition a report was presented to the Executive on 21 September 2023 regarding a review of earmarked reserves. The review identified up to £1.541m of revenue reserves which are available to support the delivery of the Council Plan. This is attached in Appendix A.
- 4.2 The Council's level of Unearmarked Reserves currently stands at £2.113 million. The surplus of £46,000 would go into Unearmarked Reserves at the year end, in accordance with normal accounting practice (the Accounting Code of Practice, which sets out that surpluses or deficits at the year end are added to Unearmarked Reserves). This gives a predicted balance at 31 March 2024 of £2.159 million for Unearmarked Reserves.
- 4.3 Appendix A shows the projected balances for both Earmarked Reserves and Unearmarked Reserves. Total Revenue Reserves (Earmarked Reserves and Unearmarked Reserves) are predicted to be £17.255m at 31.3.2024 and £17.120m at 31.3.2025.

5. Prudential Indicators

5.1 The prudential code indicators were approved in the Capital, Investment and Treasury Management Strategy report to the Council on 30 March 2023. 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

6.1 Income monitoring is an integral part of financial management. Below shows the current income (surpluses)/shortfalls already experienced for April 2023 to January 2024. The table also shows the latest 2023/24 projections for the major streams of income.

Service	Deficit/ (Surplus) April – Jan 2024 £'000	Projected Income 2023/24 £'000	Income Budget 2023/24 £'000	Deficit/ (Surplus) £'000	Deficit/ (Surplus) %
Car Parking	(246)	3,692	3,412	(280)	(8%)
Planning	155	874	1,084	210	19%
Employment Estates	(201)	1,337	1,117	(220)	(20%)
Trade Waste including CWR (see Appendix C)	38	901	958	57	6%
Garden Waste (See Appendix C)	(56)	691	635	(56)	(9%)
Dartmouth Ferry	(66)	1,177	1,077	(100)	(9%)
Business Rates Pooling Gain	-	380	300	(80)	(27%)
Investment income	(699)	1,890	800	(1,090)	(136%)
Licensing	(7)	201	201	-	-
Land Charges	-	170	170	-	-
TOTAL	(1,082)	11,313	9,754	(1,559)	(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 2023/24.

	Budget variations overspend/ (underspend) £000	Management Action
Reductions in expenditure/additional income		
Salary Savings	(250)	The projected underspend will be kept under review. A vacancy savings target of £170,000 has been built into the 2024/25 budget.
Car Parking Income	(280)	An additional income target of £250,000 has been built into the 2024/25 budget.
Dartmouth Lower Ferry Income	(100)	An additional income target of £100,000 has been built into the 2024/25 budget.
Follaton House rental income	(40)	An additional income target of £50,000 has been built into the 2024/25 budget.
Employment Estates Income	(220)	An additional income target of £50,000 has been built into the 2024/25 budget.
Investment Income	(1,090)	An additional income target of £800,000 has been built into the 2024/25 budget.
Business Rates Pooling Gain	(80)	An additional income target of £100,000 has been built into the 2024/25 budget. This increases the budgeted pooling gain from £300,000 to £400,000 for 2024/25.
Increases in expenditure/reductions in income		
Pay Award	559	A budget pressure of £550,000 has been built into the 2024/25 budget.
ICT Software & Support Contracts	160	A budget pressure of £150,000 has been built into the 2024/25 budget.
Waste and Cleansing service	195	This projected overspend will be kept under close review. Appendix C sets out this position in more detail.

	Budget variations overspend/ (underspend) £000	Management Action
Planning Income	210	<p>Planning income levels will be kept under close review.</p> <p>This projection includes the recent legislative amendment to increase planning application fees with effect from 6 December 2023. Application fees have been increased by 35% for major schemes and 25% for all other applications. This is expected to generate around £150,000 to £180,000 of additional planning income in a full year. The legislative amendment also introduced an annual rise in application fees linked to inflation (and capped at 10%) every April from 2025 onwards.</p>
Planning Advertising Costs	60	These costs will be kept under review.
Insurance	140	A budget pressure of £130,000 has been built into the 2024/25 budget.
Car Parking Payment Collection Fees	70	A budget pressure of £70,000 has been built into the 2024/25 budget.
Utility Costs	140	Inflation on goods and services of £200,000 has been built into the 2024/25 budget.
Homelessness – temporary accommodation costs	480	<p>Temporary accommodation costs will be kept under close review. The Council is actively seeking ways to reduce reliance on pay nightly accommodation by investing in its own stock of temporary accommodation through opportunities such as LAHF, LAHF 2 and property acquisition.</p> <p>In the Autumn Statement the Chancellor announced that the local housing allowance (LHA) rate will be increased for the first time in three years, and will cover the cheapest third (30th percentile) of local market rents from April 2024. This higher LHA rate will help to reduce temporary accommodation costs for 2024/25 onwards.</p>

8. Options available and consideration of risk

8.1 Even at this stage it is important to note that these forecasts can change over the remainder of the year to 31 March 2024. For example, managers can seek out opportunities to reduce any budget shortfalls, 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 Executive 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 to value for money	Y	<p>The report identifies a projected surplus of £46,000 which is 0.4% of the overall budget set for 2023/24 of £11.738 million. This is very close to a break-even position.</p> <p>The report also recommends to Council to fund up to £170,000 of planning appeal costs from the Business Rates retention earmarked reserve, as detailed in paragraphs 3.5 to 3.7 of the report.</p> <p>On 14 December 2023, the Audit and Governance Committee considered an interim Auditor's Annual Report from the Council's external auditors, Grant Thornton. This gave commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>

		The report stated that 'The Council has demonstrated an appropriate understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in arrangements.'
Risk	Y	<p>1) Budget variances – continual monthly 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. 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 Delivery Plans within the Council's strategic vision, 'Better Lives for All'. For 2024-25 the Council has approved a Council Plan.
Climate Change – Carbon / Biodiversity Impact		<p>A report was presented to Council on 17th December 2020 'Climate Change and Biodiversity Strategy and Action Plan update'. The report set out the proposed allocation of the £400,000 in the Climate Change Earmarked Reserve.</p> <p>A further £200,000 funding for the Climate Change Action Plan was approved by Council on 11th February 2021, as part of the 2021/22 Budget.</p> <p>Further detail is set out in the Council's 'Better Lives for All' strategy.</p> <p>For 2024-25 the Council has approved a Council Plan.</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

Appendix C – Waste and Cleansing Services summary

Background Papers:

None