

Report to: **Executive**  
Date: **10 March 2016**  
Title: **Revenue Budget Monitoring 2015/2016**  
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 :-

Note the forecast income and expenditure variations for the 2015/16 financial year and the overall projected overspend of £45,000 (0.5% of the total Budget £8.839 million).

**1. Executive summary**

1.1 This report enables Members to monitor income and expenditure variations against the approved budget for 2015/16, and provides a forecast for the year end position.

1.2 The gross service expenditure budget for 2015/16 was set at £42 million (£8.839 million net). **Actual net revenue expenditure is forecast to be over budget by £45,000 when compared against the total budget set for 2015/16.** This equates to 0.5% of the overall net budget. (The previous revenue budget monitoring position reported in December 2015 was a projected overspend of £70,000.)

1.3 The £45,000 could be met by unearmarked (general fund) revenue reserves and would reduce the balance on the reserve from £1.741 million (at 31/3/15) to £1.696 million (at 31/3/16) as shown in Appendix A.

## 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: 2015/16 BUDGET FORECAST**

	<b>2015/16 Budget expenditure /(income) £000</b>	<b>Budget variations increase/ (decrease) £000</b>	<b>£000</b>	<b>Note</b>
<b>APPROVED BUDGET</b>			<b>8,839</b>	
<b>Reductions in expenditure/additional income</b>				
Planning Applications (income)	(700)	(180)		A
Local Land Charges property search new burdens grant	-	(95)		B
Land and Investment Properties – Easement Income	-	(85)		C
Heritable dividend	-	(50)		D
Housing Benefit recoveries	(175)	(50)		E
Homelessness Prevention	83	(35)		F
Elections income	-	(25)		G
Investment income	(123)	(25)		H
Employment Estates income	(1,342)	(30)		I
Staff travel expenses	184	(30)		J
Private Sector Housing Renewal – professional fees	16	(15)		K
Members' allowances and travel expenses	287	(55)		L
Small underspends	-	(20)		M
<b>Sub total of variations</b>			<b>(695)</b>	

<b>Increases in expenditure/reductions in income</b>				
T18 Transition costs (Temporary short term staffing and agency costs) within Environmental Services, Customer First and Support Services	6,115	205		N
Vacancy provision of £100,000 not met in 15/16		100		
Trade Waste	359	160		O
Recycling income	(925)	160		P
Environmental Services – Manual workers’ salary costs	2,100	100		Q
Dartmouth Lower Ferry income	(907)	80		R
Follaton House	(231)	90		S
Waste Transfer Station	147	50		T
Car Parks Income	(2,922)	30		U
Planning legal fees	4	30		V
Licensing income	(230)	30		W
Pannier Markets income	(120)	10		X
<b>Sub total of variations</b>			<b>1,045</b>	
<b>Financing: Funding from Earmarked Reserves</b>				
Strategic Issues Reserve	n/a	(50)		4.2
Planning Policy and Major Development Reserve	n/a	(150)		4.2
T18 Investment Reserve	n/a	(55)		4.2
Print Room Equipment Reserve		(50)		4.2
<b>Sub total of funding from Earmarked Reserves</b>			<b>(305)</b>	
<b>PROJECTED OUTTURN</b>			<b>8,884</b>	
<b>PROJECTED OVERSPEND (Net impact on the Comprehensive Income and Expenditure account for 2015-16)</b>			<b>45</b>	

## Notes

- A. **Planning** – There is predicted to be additional income from planning applications of £180,000 (in excess of the budget of £700,000), mainly due to a number of large applications for renewable energy.
- B. **Local Land Charges** – A new burdens grant for Local Land Charges has been received from the Government of just over £95,000. This is a reimbursement from the Government for the costs of the national legal case regarding Land Charges. As the Council funded this cost in the 2014-15 financial year, the timing difference on this new burdens grant being received means that this is additional income in 2015-16 as the costs have been previously financed.
- C. **Land & Investment Properties** – Unbudgeted income in the sum of £85,000 has been received this financial year. This income is made up of one off receipts in respect of easements over Council land.
- D. **Heritable Dividend** – The Council placed a deposit of £1,250,000 on 25th September 2008 with the Heritable Bank which is a subsidiary of Landsbanki, one of the Icelandic Banks that were affected by the world economic crisis. Of this amount £1,177,632 (94%) has already been repaid to the Council by the Administrators. On 7 September 2015 the Council received a further dividend of £49,885 (increasing the amount recovered to 98%). In 2013/14 the balance remaining was impaired (written out of the Balance Sheet), therefore this extra dividend of £49,885 is additional income for 2015/16.
- E. **Housing Benefit recovery of overpayments** – Additional income of £50,000 from the recovery of overpayments is predicted (budgeted expenditure for Housing Benefit in 2015/16 is £21 million).
- F. **Homelessness Prevention** – The Council receives a Government grant towards the costs of homelessness prevention. The Council has predominantly funded homelessness costs through the Local Welfare Support Grant which has reduced the amount spent against the Government grant. £25,000 is requested to be set aside in an Earmarked Reserve for homelessness to cover additional costs in the winter months. The balance of £35,000 will be additional income for 2015-16 as shown in Section 3.1.
- G. **Elections income** – Grant income of £25,000 for the 2014-15 European election grant claim which will be received in 2015-16 and for which the costs have already been incurred in 2014-15.
- H. **Investment income** – The Council has secured a better rate for Money Market Fund investments that are used to manage day to day cashflows, and improved the use of fixed term deals with the

Banks available to lend to on the Council's current agreed Counterparty list. An additional income of £25,000 is expected.

- I. **Employment Estates income** – There is predicted to be additional income in the region of £30,000 mainly in respect of boat launch fees, landing charges and rents.
- J. **Staff travel expenses** – it is anticipated that there will be a saving on staff travel of £30,000. The more flexible way of working has encouraged staff to only make a journey where it is absolutely necessary, making use of new technology and car sharing wherever possible.
- K. **Private Sector Housing Renewal – professional fees** – only a small element of the budget has been required in 2015/16 leading to a projected underspend of £15,000.
- L. **Members' allowances and travel expenses** – In May 2015 the number of Members reduced from 40 to 31 resulting in a saving on Member Allowances and travel expenses.
- M. **Small underspends** – A total of £20,000 of small underspends has been identified.
- N. **Transition costs for the Transformation Programme and the Vacancy Provision not being met**

There have been short term temporary transition (staffing and agency) costs within Environmental Services, Customer First and Support Services, totalling £205,000. In addition, the budget for the vacancy provision of £100,000 in 15/16 has not been met due to the transformation programme, as staff have been newly appointed into posts.

**Environmental Services** – There have been overtime costs for various services within Environmental Services. This has allowed the Council to continue to provide front line services at non-reduced levels throughout the period of the transformation programme.

**Customer First** - Temporary resources are being used to backfill positions within planning.

Part of the additional costs have arisen due to the additional workload and the additional income of £180,000 which the planning service has brought in (see A). Some of the costs have also arisen due to this being a transition cost for the service of migrating from the old planning system to the new planning system (W2).

**Support Services** - There are additional staffing and agency costs within Support Services. This is mainly for T18 transition costs for legal, finance and service processing where temporary resources are currently being used in support services until the full functionality of the new workflow system (W2) can be utilised by Support Services.

O. **Trade Waste** – This reflects the increase in disposal costs and tipping charges, which occurred after the fees and charges for the service were set. There have also been legislative changes adversely affecting the service. Therefore Trade Waste is currently projected to be £160,000 overspent in 2015/16. A review of the fees and charges of the service is being carried out for the 2016/17 financial year.

P. **Recycling Income** – A proportion of the strategic waste review savings were linked to recycling income increases. Members should be aware that prices were based on the recycling market prices indexes at the time of the service review. In the interim period, the market has changed significantly due to external factors, including the closure of a major paper mill and a change in oil prices. Our material prices are tracked according to market values, so these may increase but they are currently producing a lower yield than that profiled in the market at the time of the waste review. It is projected that recycling income will be £160,000 (17%) under the budgeted income target of £925,000.

Q. **Environmental Services – manual workers’ salary costs** – It is projected that manual staffing and agency costs for waste and recycling, street and beach cleaning and public conveniences will be overspent by £100,000 (4.8%) against the budget of £2.1 million. This has been for the following reasons:-

Costs to cover long term sickness and holiday within the manual workforce.

The conversion to a living wage, which has included a bonus consolidation for the manual workforce.

It has been necessary to increase agency drivers’ rates. This increase has been linked to national pricing pressures due to the increasing number of driving posts available in the marketplace due to the increase in internet shopping/supermarket delivery.

There has been a need to use, on occasion, permanent manual labour to support the operational management of the service delivery during the transition period of the transformation programme.

- R. **Dartmouth Lower Ferry-** Members will recall that the Ferry was out of action until 20<sup>th</sup> May 2013 for essential slipway maintenance (Minute E.15/12 refers). The indications are that not all the business lost during this period has returned and a shortfall in income of £80,000 (9%) is forecast (budgeted income for 2015-16 is £907,000).
  
- S. **Follaton House** – The Follaton House budget is projected to be £90,000 overspent due to two main factors. In the T18 Business Case it was anticipated that there would be £60,000 of reduced running costs at Follaton House due to agile working, smarter use of energy and utilities and the workforce occupying less space. These savings have not yet been realised to this extent, although work has commenced on re-procuring some of the utilities costs. In addition, it was anticipated that the letting income for Follaton House could be increased by £50,000 in 15/16. There have been delays in tenants moving in so only around £20,000 additional rent will be received in this financial year.
  
- T. **Waste Transfer station** - Haulage of organic and residual waste from both Torbay Transfer station and Torr Quarry Transfer Station to Heathfield IVC and MVV continue to rise causing a cost pressure of £50,000.
  
- U. **Car parks** - Car parking income is anticipated to be below its income target by £30,000 (1%) on an income budget of £2.9 million. The Council has been addressing budget under-performances through a realignment exercise over a period of time. The income target from car parking was reduced by £50,000 per annum for 2014/15, 2015/16 and 2016/17.
  
- V. **Planning legal fees** – There have been legal fees for planning of £30,000 in 2015/16.
  
- W. **Licensing income** - Export of live crabs to China requires an export certificate issued by the Council. A fee is charged for this certificate. Due to reasons beyond the control of the Council, this trade has now ceased. This £30,000 cost pressure has been built in to the 2016/17 Budget. The Council is hopeful that this trade will resume but are unable to predict when this may happen.
  
- X. **Pannier Markets** – A shortfall in income of £10,000 is anticipated.

#### 4. Review of Earmarked Reserves

- 4.1 The Council annually undertakes a review of the level of its Earmarked Reserves. A schedule of Earmarked Reserves is attached at Appendix A with their proposed use.
- 4.2 In February 2016, Council approved the use of £50,000 from the Strategic Issues Reserve, £150,000 from the Planning Policy and Major Developments Reserve and £55,000 from the T18 Investment Reserve to fund T18 transition costs, the vacancy provision which has not been met and the planning legal fees.

#### 5. Prudential Indicators

- 5.1 The prudential code indicators were approved in the Treasury Management Strategy report to the Executive on 5 March 2015. 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:

<b>Service</b>	<b>Actual Income 2014/15 £'000</b>	<b>Income Budget 2015/16 £'000</b>	<b>Projected Income 2015/16 £'000</b>	<b>Deficit/ (Surplus) £'000</b>	<b>Deficit/ (Surplus) %</b>
Car Parks	2,978	2,922	2,892	30	1.0%
Dartmouth Ferry	813	907	827	80	8.8%
Employment Estates	1,390	1,342	1,372	(30)	(2.2%)
Licensing	235	230	200	30	13.0%
Planning Applications	1,190	700	880	(180)	(25.7%)
Land Charges	208	170	170	-	-
Recycling credits	701	925	765	160	17.3%
<b>TOTAL</b>	<b>7,515</b>	<b>7,196</b>	<b>7,106</b>	<b>90</b>	

## 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 2015-16.

	<b>Budget variations overspend/ (underspend) £000</b>	<b>Management Action</b>
<b>Reductions in expenditure/additional income</b>		
Planning Applications (income)	(180)	It is not recommended to increase the planning income target for 2016/17, as the additional income in 2015/16 is mainly due to one off renewable energy applications.
Local Land Charges property search new burdens grant	(95)	No action - This is a one off grant payment.
Land and Investment Properties – Easement Income	(85)	No action - This is one off income.
Heritable dividend	(50)	No action - This is a one off dividend payment.
Housing Benefit recoveries	(50)	A savings figure of £30,000 has been built in to the 2016/17 budget to reflect the likely income from housing benefit recoveries in 2016/17.
Homelessness Prevention	(35)	This will be kept under review.
Elections income	(25)	No action, One off grant payment.
Investment income	(25)	Due to the anticipated rise in interest rates in the future, an additional £25,000 has been built in to the 2016/17 Budget for additional investment income.
Employment Estates income	(30)	No management action required.
Staff travel expenses	(30)	A saving has been built into the T18 Budget profile for travel.
Private Sector Housing Renewal – professional fees	(15)	No management action required.
Members' Allowances and travel expenses	(55)	A saving of £31,800 has been built in to the 2016/17 Budget following a full review of Members' Allowances.
Small underspends	(20)	No management action required.

	<b>Budget variations overspend/ (underspend) £000</b>	<b>Management Action</b>
<b>Increases in expenditure/reductions in income</b>		
Transition costs (Temporary short term staffing and agency costs) within Environmental Services, Customer First and Support Services	205	It is expected that this is a temporary additional cost whilst the Transformation Programme (T18) is being embedded.
Vacancy provision of £100,000 not met in 15/16	100	The budget for the vacancy provision has been removed for 2016/17.
Trade Waste	160	A budget pressure of £160,000 has been built in to the 2016/17 budget.
Recycling income	160	This recurring income shortfall has been built in to the 2016/17 budget to reflect market conditions.
Environmental Services – Manual workers’ salary costs	100	This recurring cost pressure has been built in to the 2016/17 budget.
Dartmouth Lower Ferry income	80	A reduction in the income target of £100,000 has been built in to the budget for 2016/17.
Follaton House	90	The Assets team continue to maximise the best use of the lettings space. However, it was felt prudent to reduce the budget for 2016/17 by £23,000.
Waste Transfer Station	50	This recurring cost pressure has been built in to the 2016/17 budget.
Car Parks income	30	A reduction in the income target of £50,000 has been built in to the budget for 2016/17.
Planning legal fees	30	This cost pressure has been built in to the 2016/17 budget.

	<b>Budget variations overspend/ (underspend) £000</b>	<b>Management Action</b>
Licensing income	30	The cessation of crab export licensing fee income has been built in to the 2016/17 budget.
Pannier Markets income	10	No management action required.

### **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. The unknown area is the impact that Universal Credit may have on future collection rates and arrears levels. Universal credit is a new single benefit payment for people out of work or on low incomes. The aim of Universal Credit is to make the welfare system simpler by replacing six benefits with one single monthly payment. Universal Credit replaces a range of benefits including Income Support, Jobseeker's Allowance and Housing Benefit.

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 will be reported to Members.

### **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 <b>overspend of £45,000</b> which is 0.5% of the overall budget set for 2015/16 of £8.839million.

Risk	Y	<p>1) <b>Budget variances</b> – 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.</p> <p>2) <b>Resource Planning</b> – the Executive takes into account any significant issues when developing the Council’s Medium Term Financial Strategy.</p>
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).

### **Background Papers:**

Finance Community of Practice budget monitoring working papers.  
 Executive 15 October 2015 - Medium Term Financial Strategy for the five year period 2016/17 to 2020/21.  
 Executive 10 December 2015 – Revenue Budget Monitoring 2015/16

### **Approval and clearance of report**

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed	<b>Yes</b>
SLT Rep briefed	<b>Yes</b>
Relevant Exec Director sign off (draft)	<b>Yes</b>
Data protection issues considered	<b>Yes</b>
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	<b>N/A</b>