

Report to: **Hub Committee**

Date: **19th September 2023**

Title: **Month 4 Revenue Budget Monitoring
2023/2024**

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**

Author: **Pauline Henstock** Role: **Head of Finance Practice
and Deputy S.151 Officer**

Lisa Buckle **Corporate Director for
Strategic Finance
(S151 Officer)**

Contact: pauline.henstock@swdevon.gov.uk
lisa.buckle@swdevon.gov.uk

RECOMMENDATION:

That the Hub Committee RESOLVES to NOTE the forecast income and expenditure variations for the 2023/24 financial year and the overall projected deficit of £37,000 (0.4% of the total Budget £8.588 million). This is very close to a break-even position.

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 £25.8 million (£8.588 million net). This report identifies a projected deficit of £37,000 which is 0.4% of the overall Budget set for 2023/24 of £8.588 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: 2023/24 BUDGET FORECAST

	2023/24 Budget expenditure /(income)	Budget variations		£000	Note
		%	£000		
	£000			£000	
APPROVED BUDGET				8,588	
Reductions in expenditure/additional income					
Customer Service & Delivery					
Salary Savings	5,400	2%	(120)		A
Garden Waste Income	(305)	9%	(26)		B
Place and Enterprise					
Car Parking Income (including payment to a third party)	(997)	12%	(120)		C
Other Comprehensive Income & Expenditure					
Investment Income	(400)	133%	(530)		D
Sub total of variations				(796)	
Increases in expenditure/ reductions in income					
Customer Service & Delivery					
Waste Contract, inflation and increased contract costs	2,665	4%	106		E

Waste Contract, increase in number of households and collections	2,665	4%	115		F
Pay Award	150	98%	147		G
ICT Software & Support Contracts	488	22%	110		H
Place and Enterprise					
Employment Estates Income	(427)	14%	60		I
Homelessness – temporary accommodation costs	298	50%	150		J
Utility costs	190	13%	25		K
Governance & Assurance					
Planning Income	(473)	25%	120		L
Sub total of variations				833	
PROJECTED OUTTURN				8,625	
PROJECTED DEFICIT FOR 2023/24				37	

There is projected to be an overall deficit of £37,000 when compared against the Revenue Budget set for 2023/24.

Notes

- A. **Salary Savings** – a saving of £120,000 (2% of the salaries budget) is currently projected for 2023/24 mainly resulting from vacancies.
- B. **Garden Waste income** – income is currently anticipated to exceed the 2023/24 target by £26,000 which equates to 9% of the annual income budget of £305,000.
- C. **Car Parking income** – additional income of £80,000 has been received as at 31 July 2023. For the purposes of the 2023/24 projection it has been assumed that income will be on budget for the remainder of the year. In addition a saving of £40,000 is anticipated on a car parking third party payment based on current income levels, generating an overall saving in respect of car parking income of £120,000 for 2023/24.
- D. **Investment income** – investment income is currently anticipated to be up by 132%, which equates to additional income of £530,000 in 2023/24. The latest forecast is projecting investment income of £930,000 in 2023/24. This follows the recent increases in interest rates as the Bank of England (base rate is currently 5.25%) looks to tackle surging inflation.
- E. **Waste Recycling and Cleansing Contract - inflation and increased contract costs** – costs are currently anticipated to exceed the contract budget by £106,000 in 2023/24. This is mainly due to additional contract inflation and an increase in the base contract price. Contract inflation is based on the latest published indices for fuel inflation, wage inflation and consumer price index (CPI).

- F. **Waste Recycling and Cleansing Contract – increase in number of households and collections** – it is anticipated that there will be an uplift in the waste collection, recycling and cleansing contract costs of £115,000 in 2023/24 to reflect the increase in the number of properties across the Borough. The 2023/24 budget was increased by £50,000 and a further £100,000 has been built into the 2024/25 budget.
- G. **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 £150,000 (3%). The proposed pay award will result in additional salary costs of approx. £147,000.
- H. **ICT Software & 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 due to an increase in the number of officers and new intake of Members in 2023/24.
- I. **Employment Estates income** – an additional income target of £50,000 built into the 2023/24 budget is unlikely to be achieved in 2023/24. There is currently a shortfall in income of £22,000 as at 31 July 2023, and this is projected to increase to £60,000 for the full financial year.
- J. **Homelessness** – significant increases 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 and property acquisition whilst ensuring any stay is kept to a minimum.
- K. **Utility costs**– due to the rise in energy costs and inflationary pressures, additional costs of £25,000 are projected in 2023/24, mainly due to the increase in utility costs for the Council’s employment estates.

- L. **Planning income** – a planning income shortfall of £120,000 is currently anticipated for 2023/24. There is a Planning Improvement Plan update on this Hub Committee agenda which sets out opportunities for efficiencies linked to the new planning software system and income opportunities.

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

- 3.1 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 A.

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. A schedule of the current level of Earmarked Reserves is part of the report on the Medium Term Financial Strategy which is also on this Hub Committee agenda.

- 4.2 The Council's level of Unearmarked Reserves currently stands at £1.569 million. The deficit of £37,000 would go into Unearmarked Reserves at the year end, in accordance with normal accounting practice. This gives a predicted year end balance at 31 March 2024 of £1.532 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 4 April 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 and Reserves

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

Service	Deficit/ (Surplus) April – July 2023 £'000	Projected Income 2023/24 £'000	Income Budget 2023/24 £'000	Deficit/ (Surplus) £'000	Deficit/ (Surplus) %
Car Parking	(80)	(1,077)	(997)	(80)	(8%)
Planning Applications & Advice	57	(353)	(473)	120	25%
Employment Estates	24	(367)	(427)	60	14%
Garden Waste	(7)	(331)	(305)	(26)	(9%)
Trade Waste	(8)	(45)	(45)	-	-
Business Rates Pooling Gain	-	(200)	(200)	-	-
Licensing	10	(114)	(114)	-	-
Interest & Investment Income	(56)	(930)	(400)	(530)	(133%)
Local Land Charges	1	(95)	(95)	-	-
Recycling Income	13	(515)	(515)	-	-
TOTAL	(46)	(4,027)	(3,571)	(456)	(13%)

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	(120)	The projected underspend will be kept under review during the year.
Garden Waste Income	(26)	An additional income target of £25,000 has been built into the 2024/25 budget.
Car Parking Income (including payment to a third party)	(120)	The level of car parking income will be kept under close review in 2023/24.
Investment Income	(530)	An additional income target of £300,000 has been built into the 2024/25 budget.
Increases in expenditure/reductions in income		
Waste Contract, inflation and increased contract costs	106	Contract inflation of £245,000 has been built into the 2024/25 budget.
Waste Contract, increase in number of households and collection	115	A budget pressure of £100,000 has been built into the 2024/25 budget.
Pay Award	147	This budget pressure has been built into the 2024/25 budget.
ICT Software & Support Contracts	110	A budget pressure of £90,000 has been built into the 2024/25 budget.
Employment Estates Income	60	Employment estates income levels will be kept under review in 2023/24.
Homelessness – temporary accommodation costs	150	Temporary accommodation costs will be kept under close review during 2023/24. 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
Utility costs	25	Inflation on goods and services of £200,000 has been built into the 2024/25 budget.

	Budget variations overspend/ (underspend) £000	Management Action
Planning Income	120	<p>This will be kept under close review in 2023/24.</p> <p>There is a Planning Improvement Plan update on this Hub Committee agenda which sets out opportunities for efficiencies linked to the new planning software system and income opportunities.</p> <p>The Government has confirmed that a 35% increase for major applications and 25% for all other applications is anticipated to apply from 1 April 2024. This is expected to generate around £60,000 to £70,000 of additional planning income.</p>

8. Options available and consideration of risk

- 8.1 At this early stage in the year it is important to note that these forecasts can change over the course of the year to 31 March 2024. 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 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 to value for money	Y	<p><i>The report identifies a projected deficit of £37,000 which is 0.4% of the overall budget set for 2023/24 of £8.588 million. This is very close to a break-even position.</i></p> <p>As part of Grant Thornton’s external audit of the Statement of Accounts for 2022/2023, 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 a future the Audit and Governance Committee meeting.</p>
Risk	Y	<ol style="list-style-type: none"> 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. 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).
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 /		A report was presented to Council on 8 th December 2020 ‘Climate Change and Biodiversity Strategy and Action Plan update’.

Biodiversity Impact		In March 2021, Council approved to set up an Earmarked Reserve for £200,000 for the Recovery Plan and Corporate Strategy. Further detail is set out in the Council's 'A Plan for West Devon' strategic vision.
<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.

Supporting Information

Appendices:

Appendix A – Savings/Additional income schedule.

Background Papers:

None