

Report to: **Hub Committee**

Date: **10 September 2019**

Title: **Quarter 1 Revenue Monitoring 2019/20**

Portfolio Area: **Performance & Resources – Cllr C Edmonds**

Wards Affected: **All**

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

Date next steps can be taken: **Recommendation 1 after Call In 18 September 2019; Recommendation 2 after Council 17 September 2019**

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Recommendations:

It is recommended that the Hub Committee resolves:-

- i. To note the forecast income and expenditure variations for the 2019/20 financial year and the overall projected underspend of £16,000.
- ii. To consider and make recommendation to Council regarding the proposals set out in the report to the Overview & Scrutiny Committee on 3 September 2019, for two additional planning enforcement level 6 case managers which will cost an additional £21,460 per annum (WDBC share). The two posts are recommended to be funded from the Planning Earmarked Reserve in 2019/20 at a maximum cost of £7,200 (WDBC share).

1. Executive summary

- 1.1 The report enables Members to monitor income and expenditure variations against the approved budget for 2019/20, and provides a forecast for the year end position.

2. Background

- 2.1 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

Budget Overview

- 3.1 The gross service expenditure budget for 2019/20 was set at £20.5 million (£7.08 million net). **The actual net revenue expenditure is forecast to be underspent by £16,000 when compared against the total budget set for 2019/20.** The largest variance relates to the strong performance of the Council's Commercial Property Investments.

Variances against budget

- 3.2 Table 1 below provides an analysis of the projected variances against budget.

TABLE 1: 2019/20 BUDGET FORECAST

	2019/20 Budget expenditure /(Income) £'000	Budget variations		£'000	Note
		%	£'000		
APPROVED BUDGET				7,079	
Reductions in expenditure/additional income					
Customer First					
Planning income	(387)	(2.6%)	(10)		A
Housing Benefit admin subsidy	(106)	(17.0%)	(18)		B
Financing and Investment					
Commercial Property net investment income	(200)	(25.0%)	(50)		C
Sub total of variations				(78)	
Increases in expenditure/reductions in income					
Commercial Services					
Car Parking income	(1,006)	2.1%	21		D
Customer First					
St James, Okehampton	-	-	10		E
Local Land Charges income	(110)	13.6%	15		F
Strategy & Commissioning					

	2019/20 Budget expenditure /(Income)	Budget variations			Note
Corporate Management – payment collection expenses	7	228.6%	16		G
Sub total of variations				62	
PROJECTED OUTTURN				7,063	
PROJECTED UNDERSPEND				(16)	

Notes

- A. **Planning income** – additional planning income of £10,000 is currently anticipated for 2019/20. 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.
- B. **Housing Benefit administration subsidy** – it is anticipated that the subsidy grant for Housing Benefit administration is likely to exceed the income budget by £18,000.
- C. **Commercial Property net investment income** – Commercial Property Investments continue to perform well and as such are giving rise to a forecast surplus of £50,000 in 2019/20.
- D. **Car Parking income** – a shortfall in car parking income of £21,000 is currently projected from the first three months of data. However, it is acknowledged that this is the first quarter's monitor so this figure could fluctuate in the coming months as this is a seasonal income stream.
- E. **St James, Okehampton** – this variance of £10,000 relates to the business rates and utility costs in respect of St James, Okehampton for which the Council is still liable.
- F. **Local Land Charges income** – income for Local land Charges is expected to be short of target by approximately £15,000 in 2019/20.
- G. **Payment collection expenses** – in line with 2018/19, the budget for bank processing fees and internet/card processing fees is anticipated to be exceeded. The current projection is an overspend of £16,000 in 2019/20.

3.3 **Savings/Additional Income identified in the 2019/20 Budget**

This monitoring report includes an update on the position regarding the savings and additional income that were identified in the 2019/20 budget setting process. Please see Appendix B for further information.

4. Management Actions

- 4.1 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 2019/20.

	Budget variations overspend/ (underspend) £'000	Management Action
Reductions in expenditure/ additional income		
Planning income	(10)	Income levels will be kept under review in 2019/20.
Housing Benefit administration subsidy	(18)	No remedial action required.
Commercial Property net investment income	(50)	The Council will continue to monitor the performance of these investments, as well as seeking any further investment opportunities that fits within its Commercial Property Strategy. An additional income target of £80,000 has been built into the 2020/21 budget.
Car Parking	21	Income levels will be kept under review in 2019/20.
St James, Okehampton	10	A planning application for a change of use of St James, Okehampton has been approved.
Local Land Charges income	15	Income levels will be kept under review in 2019/20.
Payment collection epenses	16	A cost pressure of £20,000 has been built into the 2020/21 budget.

5. Prudential Indicators

- 5.1 The prudential code indicators were approved in the Treasury Management Strategy report approved by Council on 26 March 2019. 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.

6. Review of Earmarked Reserves

- 6.1 The Council annually undertakes a review of the level of its Earmarked Reserves as part of the budget setting process. A schedule of Earmarked Reserves is attached at Appendix A with their proposed use.
- 6.2 Annually transfers are made from Earmarked Reserves to the Comprehensive Income and Expenditure Account as part of the closure of the end of year Accounts.

7. Income and Reserves

- 7.1 Income monitoring is an integral part of financial management. Current income forecasts are as follows:

Service	Actual Income 2018/19	Income Budget 2019/20	Projected Income 2019/20	Deficit/ (Surplus)	Deficit/ (Surplus)
	£'000	£'000	£'000	£'000	%
Car Parks	938	1,006	985	21	2.1%
Employment Estates	319	290	290	-	-
Land Charges	85	110	95	15	13.6%
Planning income	547	387	397	(10)	(2.6%)
Recycling Credits	266	265	265	-	-
Investment Income	91	90	90	-	-
Commercial Property gross rental income - Note A	955	1,108	1,187	(79)	(7.1%)
TOTAL	3,201	3,256	3,309	(53)	(1.6%)

Note A

The commercial property income figures above relate to the gross rental income for 2019/20. The favourable income variance included in the monitoring report of £50,000 is a net figure anticipated for 2019/20 after deducting all relevant costs (e.g. borrowing costs) from the rental income.

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.

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. Staffing for Planning Enforcement

- 9.1 Set out below is an extract from the Planning Enforcement Review report being considered by the Overview and Scrutiny Committee on 3 September 2019. This sets out a recommendation for two additional permanent case managers for Planning Enforcement.
- 9.2 To address the increased level of demand, enable officers to work to the timescales within the Enforcement Plan and maintain confidence in the service, additional resource will be required. It is requested that two additional, permanent Enforcement Case Managers be approved to join the existing team of five planning enforcement officers (4.6 FTE). These will be at Level 6 and will be additional officers who investigate the complaints. These two posts combined would cost a maximum of £71,538 pa at the top of the scale. This would be shared 70:30 South Hams:West Devon and therefore the cost for West Devon would be £21,460 pa. It is requested that these appointments are made within this financial year as deferring to the next financial year would delay dealing with a number of the existing cases. The two posts are recommended to be funded from the Planning Earmarked Reserve in 2019/20 and if approved, to be built into the budget setting process as a cost pressure for 2020/21 onwards. The Council achieved additional planning income of £214,000 more than the budgeted income of £333,000 for 2018/19. Of this extra income, £130,000 of the additional planning income received was transferred to the Planning Earmarked Reserve, to support peaks and troughs in the planning service.
- 9.3 Should the request for two permanent staff be approved, officers are confident that the Planning Enforcement team will achieve success in dealing with reported cases within the time limits prescribed in the Enforcement Plan.

10. 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.

11. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		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 implications to include reference to value for money		<p>The report identifies an overall underspend of £16,000 which equates to 0.2% of the overall net budget set for 2019/20 of £7.08 million, mainly due to the strong performance of the Commercial Property Investments.</p> <p>Members are asked to consider the proposals set out in the Planning Enforcement Review report to the Overview & Scrutiny Committee on 3 September 2019, for two additional planning enforcement level 6 case managers which will cost an additional £21,460 per annum (WDBC share). The two posts are recommended to be funded from the Planning Earmarked Reserve in 2019/20 at a maximum cost of £7,200 (WDBC share).</p>
Risk		<p>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.</p> <p>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).</p>
Supporting Corporate Strategy		The budget monitoring process supports all six of the Corporate Strategy Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing.
<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 – Reserves

Appendix B – Savings/Additional income Schedule

Background Papers:

Finance Community of Practice budget monitoring working papers
Medium Term Financial Position for 2020/21 onwards – Hub Committee 16
July 2019

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed/sign off	Yes
SLT Rep briefed/sign off	Yes
Relevant Heads of Practice sign off (draft)	Yes
Data protection issues considered	Yes
Accessibility checked	N/A