

Report to: **Hub Committee**
Date: **28 January 2020**
Title: **Quarter 3 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: **N/A**

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Recommendations:

1. It is recommended that the Hub Committee resolves to
 - a. note the forecast income and expenditure variations for the 2019/20 financial year and the overall projected underspend of £46,000.
 - b. To recommend to Council to transfer £30,000 of the Homelessness Prevention under-spend into the Homelessness Prevention Earmarked Reserve at the end of the 2019/20 financial year.

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 £46,000 when compared against the total budget set for 2019/20.** The largest variances relate to the strong performance of the Council's Commercial Property Investments and the surplus generated by the Council's membership of the Devon Business Rates Pool, offset by a shortfall in car parking income.

Variations 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)	Budget variations		£'000	Note
		%	£'000		
	£'000			£'000	
APPROVED BUDGET				7,079	
Reductions in expenditure/additional income					
Customer First					
Street Naming & Numbering	-	-	(15)		A
Housing Benefit admin subsidy	(106)	(26.4%)	(28)		B
Homelessness	119	(25.2%)	(30)		C
Employment Estates income	(290)	(8.3%)	(24)		D
Financing and Investment					
Commercial Property net investment income	(200)	(25.0%)	(50)		E
Investment Income	(90)	(5.6%)	(5)		F
Other Comprehensive Income & Expenditure					
Business Rates Pool income	(40)	(150%)	(60)		G
Subtotal of variations				(212)	
Increases in expenditure/reductions in income					
Commercial Services					
Car Parking income	(1,006)	6.5%	65		H
Customer First					
St James, Okehampton	-	-	10		I
Local Land Charges income	(110)	23.6%	26		J
Planning income	(387)	3.9%	15		K
Support Services					

	2019/20 Budget expenditure /(Income)	Budget variations			Note
Corporate Management – payment collection expenses	7	285.7%	20		L
Subtotal of variations				136	
Transfers to Earmarked Reserves					
Homelessness Prevention Reserve	-	-	30	30	C
PROJECTED OUTTURN				7,033	
PROJECTED UNDERSPEND				(46)	

Notes

- A. **Street Naming & Numbering** – this is a statutory function provided by the Council that generates a small amount of income that has not been budgeted for and therefore gives rise to a forecast surplus of £15,000.
- B. **Housing Benefit administration subsidy** – it is anticipated that the subsidy grant for Housing Benefit administration is likely to exceed the income budget by £28,000.
- C. **Homelessness** – Due to homelessness grants being received, a forecast under-spend of £30,000 has arisen and it is proposed to transfer this into the Homelessness Prevention Earmarked Reserve to support peaks and troughs in the Homelessness service (see recommendations).
- D. **Employment Estates income** – the Assets team have continued to increase occupancy levels at our Employment Estate units and therefore a surplus of £24,000 is forecast.
- E. **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.
- F. **Investment Income** – focussing on making the wisest investment decisions possible has yielded better than budgeted results, even though the markets have left little room for manoeuvre.
- G. **Business Rates Pool income** – the forecast pooling gain is split between the members of the pool. West Devon’s share is £100,000 against a budget of £40,000, meaning a £60,000 surplus is anticipated.
- H. **Car Parking income** – a shortfall in car parking income of £65,000 is currently projected from the first six months of data. However,

it is acknowledged this figure could fluctuate during the year depending on parking levels during the winter months.

- I. **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.
- J. **Local Land Charges income** – income for Local Land Charges is expected to be short of target by approximately £26,000 in 2019/20.
- K. **Planning income** – a planning income shortfall of £15,000 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.
- L. **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 over-spend of £20,000 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		
Street Naming & Numbering	(15)	It is proposed that this amount be included in the budget for 2020/21.

	Budget variations overspend/ (underspend)	Management Action
Housing Benefit administration subsidy	(28)	No remedial action required.
Homelessness	(30)	It is proposed to transfer this £30,000 into reserves as outlined in the recommendations.
Employment Estates income	(24)	It is proposed to increase the income target for Employment Estates by £25,000 for 2020/21.
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.
Investment Income	(5)	No remedial action required.
Business Rates Pool income	(60)	A gain of £110,000 is anticipated for 2020/21. This will be reflected in the 2020/21 budget accordingly.
Car Parking	65	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	26	A reduction in the income target of £15,000 has been built into the 2020/21 budget
Planning income	15	Income levels will be kept under review in 2019/20.
Payment collection expenses	20	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	941	65	6.5%
Employment Estates	319	290	314	(24)	(8.3%)
Land Charges	85	110	84	26	23.6%
Planning income	547	387	372	15	3.9%
Recycling Credits	266	265	265	-	-
Investment Income	91	90	95	(5)	(5.6%)
Commercial Property gross rental income – Note A	955	1,108	1,187	(79)	(7.1%)
TOTAL	3,201	3,256	3,258	(2)	(0.1%)

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. 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		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		The report identifies an overall underspend of £46,000 which equates to 0.6% of the overall net budget set for 2019/20 of £7.08 million, mainly due to the Business rates Pool and the strong performance of the Commercial Property Investments.
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.

Climate Change - Carbon / Biodiversity Impact		None directly arising from this report.
<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

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