

Report to: **Executive**

Date: **2 March 2023**

Title: **Month 10 Revenue Budget Monitoring
2022/2023**

Portfolio Area: **Finance and Assets – Cllr H Bastone**

Wards Affected: **All**

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

Date next steps can be taken: **N/A**

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RECOMMENDATION:

That the Executive RESOLVES to note the forecast income and expenditure variations for the 2022/23 financial year and the overall projected surplus of £127,000 (1.2% of the total Budget £10.464 million).

1. Executive summary

- 1.1 This report enables Members to monitor income and expenditure variations against the approved budget for 2022/23 and provides a forecast for the year end position.
- 1.2 The gross service expenditure budget for 2022/23 was set at £44 million (£10.464 million net). This report identifies a projected surplus of £127,000 which is 1.2% of the overall Budget set for 2022/23 of £10.464 million. This is an improvement from the overall budget monitoring position reported at Month 8, when a deficit of £46,000 was forecasted due to an increase in Investment Income.

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 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: 2022/23 BUDGET FORECAST

	2022/23 Budget expenditure /(income)	Budget variations		£000	Note
		%	£000		
	£000			£000	
APPROVED BUDGET				10,464	
Reductions in expenditure/additional income					
Governance and Assurance					
Savings on Member travel, expenses and training	39	77%	(30)		A
Place and Enterprise					
Car parking income	(3,162)	9%	(300)		B
Dartmouth Lower Ferry income	(827)	19%	(160)		C
Employment Estates income	(887)	12%	(110)		D
Dartmouth Asset Transfer	60	50%	(30)		E
Homelessness Prevention Grant	n/a	n/a (no budget)	(169)		F
Other Comprehensive Income & Expenditure					
Investment Income	(123)	713%	(877)		G
Sub total of variations				(1,676)	

Increases in expenditure/reductions in income					
Customer Service & Delivery					
Waste contract inflation	130	138%	180		H
Additional salary costs	7,500	1%	99		I
Pay award	185	222%	410		J
ICT Support Contracts	548	13%	70		K
Council Tax Collection income	(155)	26%	40		L
Governance & Assurance					
Planning income	(1,084)	32%	350		M
Place and Enterprise					
Fuel and utility costs	457	39%	180		N
Dartmouth Lower Ferry fleet maintenance	40	325%	130		O
Homelessness costs	237	38%	90		P
Other Comprehensive Income & Expenditure					
Sub total of variations				1,549	
PROJECTED OUTTURN				10,337	
PROJECTED SURPLUS FOR 2022/23				(127)	

There is projected to be an overall surplus of £127,000 when compared against the Revenue Budget set for 2022/23.

Notes

- A. **Savings on Member travel, expenses and training** – following Covid 19, it is currently anticipated that a saving of up to £30,000 will be achieved in 2022/23.
- B. **Car parking income** – additional income of £290,000 has been received as at 31 January 2023. It is currently anticipated that this could increase further to £300,000 by the end of the 2022/23 financial year. The additional income is mainly from Bigbury, Salcombe (North Sands), Slapton and Torcross car parks, and additional income on permits.
- C. **Dartmouth Lower Ferry income** – it is currently anticipated that additional income of £160,00 will be received in 2022/23. This equates to 19% of the annual income target for Dartmouth Lower Ferry of £827,000.
- D. **Employment Estates income** – employment estates income is currently projected to be over budget by £110,000 in 2022/23 due to high occupancy rates and regular rent reviews.

- E. **Dartmouth Asset Transfer** – following the transfer of assets to Dartmouth Town Council in 2018, the Council approved to make an annual maintenance contribution to Dartmouth Town Council for 5 years, reducing annually. The contribution for 2022/23 has reduced to £30,000 in 2022/23 from £60,000 in 2021/22, resulting in a saving of £30,000. This is the 5th and final year of the maintenance agreement.
- F. **Homelessness Prevention grant** – as set out in the grant conditions, this grant is ring-fenced for 2022/23. This will be applied against costs incurred in reducing temporary accommodation numbers and enforcing the Homelessness Reduction Act.
- G. **Investment income** – investment income is currently anticipated to be up by 713%, which equates to additional income of £877,000 in 2022/23. The latest forecast is projecting investment income of £1m in 2022/23. This follows the recent increases in interest rates as the Bank of England (base rate is currently 4.0%) looks to tackle surging inflation. The Council engages treasury management advisors (Link Asset Services) to provide specialist advice on all aspects of treasury management.
- H. **Waste contract inflation** - the impact of the current rate of inflation for 2022/23 (12.2%) is significantly higher than the budget provision of £130,000 (3%). This will result in additional contract costs of £180,000 in 2022/23, for the six month period covered under the waste contract. Contract inflation is based on published indices for fuel inflation, wage inflation and consumer price index (CPI).
- I. **Salaries** – there are additional staffing costs of approx. £120,000. This is mainly due to new posts in relation to the Housing Delivery team, as per the report to the Executive on 26th May 2022, and the additional cost of agency staff in the Legal team. This is partly offset by the ceasing of the social care levy of 1.25% from November 2022 generating a saving of £21,000 in 2022/23.
- J. **Pay award** – the impact of the proposed employer’s pay offer for 2022/23 of £1,925 on all NJC pay points, is significantly higher than the current budget provision of £185,000 (3%). The proposed pay award will result in additional salary costs of approx. £410,000.

- K. **ICT Support Contracts** - there are additional costs in respect of ICT support contracts mainly due to,
- Above inflation increases, e.g. Microsoft Licensing
 - Additional costs for new licenses, laptops and accessories due to an increase in the number of users on our network
 - The acquisition of remote diagnostics software as a result of the increase in remote working
 - Disability Access legislation for the website has required the purchase of tools for monitoring compliance and enhancing access
- L. **Council Tax Collection income** – summons costs recovered in respect of Council Tax and Business Rates are currently anticipated to be 26% down on the 2022/23 budget.
- M. **Planning income** – there is a shortfall in income of £300,000 as at 31 January 2023. It is currently anticipated that this could increase further to £350,000 by the end of the 2022/23 financial year. However, this is a volatile area which can be very difficult to forecast given the impact of large applications.
- N. **Fuel and utility costs** – due to the rise in energy costs and inflationary pressures, additional costs of £180,000 are projected in 2022/23, mainly due to the increase in utility and fuel prices.
- O. **Dartmouth Lower Ferry fleet refurbishment** – The annual fleet refurbishment costs are predicted to be £130,000 in excess of the budgeted amount for 2022/23. It is acknowledged that the refurbishment budget for the ferry has historically been lower than the actual costs for a number of years and the 2023/24 budget will address this by increasing the annual refurbishment budget by £80,000 per year.
- P. **Homelessness** – It is anticipated that there will be additional expenditure on temporary accommodation over and above what is claimable through the DWP subsidy in 2022/23. This is due to a number of external factors beyond our control,
- the housing crisis and lack of accommodation
 - an increased number of properties on Airbnb
 - Staycation holidays creating higher demands for hotels in the area and driving up costs
 - The Homes for Ukraine Scheme
 - More family units presenting as homeless compared to previous years requiring more than one room
 - Having to stay longer in the accommodation due to the housing crisis and limited suitable accommodation to move them onto.

3. Other items to be considered in the 2022/23 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 2022/23 budget setting process, set out in Appendix B.

3.2 Waste and Recycling Services

Members received an update report at Council on 22 September 2022 on the Waste and Recycling Services. At its meeting on 12 July 2022, the Executive agreed and recommended to Council, that the Council (Minute E.27/22 refers) agreed to terminate the waste, recycling and cleansing services contract by mutual agreement, resulting in the transfer of all services currently provided under the contract back to the Council with effect from 3 October 2022. The Council has been running the service in-house since October 2022.

3.3 The financial implications of bringing the waste service back in house were referenced in the Council report on 22 September 2022 in Section 7 of the report. The report set out that during the transitional phase of the first nine months (October 2022 to June 2023), it was anticipated that the current operating costs would be £350,000 per month higher than the current contract costs. In July 2022, Members approved the use of £3million of the business rates retention reserve, to fund the anticipated transitional costs of bringing the service back in house. The £3million had been calculated as being 9 months (the transitional phase) at an additional cost of £350,000 per month.

3.4 The Council has undertaken detailed revenue budget monitoring of the waste and recycling service for the first three months of operating the service in-house, for the months of October to December 2022. The results of this exercise are showing that the Council is currently underspending against this original projection of the service costing an extra £350,000 per month to run. Preliminary indications from the monitoring to date show that the service has spent £290,000 a month more for the first 3 months October to December 2022. This is £60,000 a month less than the original forecast of £350,000 per month. Further validation work is still being carried out. This has been spent on staffing costs of running the service, including agency costs, as well as vehicle costs of running the service such as fuel costs. The rest of the spend has been on the utility costs of running the depots and premises, supplies and services costs.

4. Earmarked Reserves

4.1 Budgeted contributions to and from Earmarked Reserves were part of the 2022/23 Budget reports.

4.2 A schedule of Earmarked Reserves is attached at Appendix A, which shows Earmarked Reserves have a projected balance of £13.850 million at 31.3.2023 currently.

4.3 The Council's level of Unearmarked Reserves currently stands at £2.056 million. The surplus of £127,000 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 year end (31.03.23) balance of £2.183 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 31 March 2022. 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. Current income forecasts are as follows: Income monitoring is an integral part of financial management. Below shows the current income (surpluses)/shortfalls already experienced for April 2022 to January 2023. The table also shows the latest 2022/23 projections for the major streams of income.

Service	Deficit/ (Surplus) April – January 2023 £'000	Projected Income 2022/23 £'000	Income Budget 2022/23 £'000	Deficit/ (Surplus) £'000	Deficit/ (Surplus) %
Car Parks	(290)	3,462	3,162	(300)	(9%)
Planning	300	734	1,084	350	32%
Employment Estates	(104)	997	887	(110)	(12%)
Trade Waste	-	819	819	-	-
Dartmouth Ferry	(157)	987	827	(160)	(19%)
Business Rates Pooling Gain	-	285	285	-	-
Investment income	(501)	1,000	123	(877)	(713%)
Licensing	-	201	201	-	-
Land Charges	(10)	170	170	-	-
TOTAL	(762)	8,655	7,558	(1,097)	(15%)

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 2022/23.

	Budget variations overspend/ (underspend) £000	Management Action
Reductions in expenditure/additional income		
Member travel, expenses and training	(30)	The projected underspend will be kept under review during the year.
Car parking income	(300)	Additional income of £250,000 has been built into the 2023/24 budget.
Dartmouth Lower Ferry income	(160)	Additional income of £250,000 has been built into the 2023/24 budget.
Employment Estates income	(110)	Additional income of £150,000 has been built into the 2023/24 budget.
Dartmouth Asset Transfer	(30)	This saving relates to 2022/23.
Homelessness Prevention Grant	(169)	Additional income of £180,000 has been built into the 2023/24 budget.
Investment income	(877)	Additional income of £677,000 has been built into the 2023/24 budget.
Increases in expenditure/reductions in income		
Waste contract inflation	180	A cost pressure of £360,000 has been built into the 2023/24 budget, plus an additional £205,000.
Salaries	99	This will be kept under close review in 2022/23.
Pay award	410	A budget provision of £435,000 has been built into the 2023/24 budget.
ICT Support Contracts	70	This will be kept under close review in 2022/23.
Council Tax collection income	40	Recovery of summons costs will be kept under review in 2022/23.
Planning income	350	Income levels will be kept under close review in 2022/23.
Fuel and utility costs	180	A cost pressure of £450,000 has been built into the 2023/24 budget for inflation on all goods and services.

	Budget variations overspend/ (underspend) £000	Management Action
Dartmouth Lower Ferry fleet refurbishment	130	A cost pressure of £80,000 has been built into the 2023/24 budget.
Homelessness	90	This will be kept under close review in 2022/23.

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 2023. 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	The report identifies a projected surplus of £127,000 which is 1.2% of the overall budget set for 2022/23 of £10.464 million. As part of Grant Thornton's external audit of the Statement of Accounts for 2021/2022, they will assess the arrangements the Council has in place for securing economy, efficiency and effectiveness in its use of resources.

		The outcome of Grant Thornton's work in this area will be reported to Members at the Audit Committee meeting on 9 March 2023.
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'.
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>
<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

Appendix A – Schedule of Reserves (Earmarked Reserves and Unearmarked Reserves).

Appendix B – Savings/Additional income schedule

Background Papers:

None.