

Report to: **Executive**

Date: **21 September 2023**

Title: **Revenue Budget Monitoring Report 2023 / 24**

Portfolio Area: **Finance - Cllr J Brazil**

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 2023/24 financial year and the overall projected surplus of £79,000 (0.7% of the total Budget £11.738 million).

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 £44.3 million (£11.738 million net). This report identifies a projected surplus of £79,000 which is 0.7% of the overall budget set for 2023/24 of £11.738 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 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: 2023/24 BUDGET FORECAST

	2023/24 Budget expenditure /(income)	Budget variations		£000	Note
		%	£000		
APPROVED BUDGET				11,738	
Reductions in expenditure/additional income					
Customer Service & Delivery					
Garden Waste Income	(575)	7%	(38)		A
Salary Savings	11,425	1%	(90)		B
Place and Enterprise					
Car parking income	(3,412)	9%	(300)		C
Dartmouth Lower Ferry income	(1,077)	18%	(190)		D
Employment Estates income	(1,117)	13%	(140)		E
Other Comprehensive Income & Expenditure					
Investment Income	(800)	106%	(850)		F
Sub total of variations				(1,608)	

Increases in expenditure/reductions in income					
Customer Service & Delivery					
Pay Award (incl. Waste & Cleansing manual workforce)	280	196%	549		G
ICT Software & Support Contracts	558	27%	150		H
Strategy & Governance					
Planning income	(1,084)	17%	180		I
Planning advertising costs	111	45%	50		J
Insurance	434	30%	130		K
Place and Enterprise					
Car Parking payment collection fees	1,622	4%	70		L
Utility Costs	1,200	12%	150		M
Homelessness – temporary accommodation costs	339	74%	250		N
Sub total of variations				1,529	
PROJECTED OUTTURN				11,659	
PROJECTED SURPLUS FOR 2023/24				(79)	

There is projected to be an overall surplus of £79,000 when compared against the Revenue Budget set for 2023/24.

Notes

- A. **Garden Waste income** – income is currently anticipated to exceed the 2023/24 target by £38,000 which equates to 7% of the annual income budget of £575,000.
- B. **Salary Savings** - a saving of £90,000 (1% of the salaries budget) is currently projected for 2023/24 mainly resulting from vacancies.
- C. **Car parking income** – additional income of £300,000 has been received as at 31 July 2023 due to extra usage of the car parks. For the purposes of the 2023/24 projection it has been assumed that income will be on budget for the remainder of the year. This additional income is partly offset by an increase in payment collection fees shown in note 'L' below.
- D. **Dartmouth Lower Ferry income** – it is currently anticipated that additional income of £190,00 will be received in 2023/24. This equates to 18% of the annual income target for Dartmouth Lower Ferry of £1.077m.
- E. **Employment Estates income** – employment estates income is currently projected to be over budget by £140,000 in 2023/24 due to high occupancy rates and regular rent reviews.

- F. **Investment income** – investment income is currently anticipated to be up by 106%, which equates to additional income of £850,000 in 2023/24. The latest forecast is projecting investment income of £1.65m 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. The Council engages treasury management advisors (Link Asset Services) to provide specialist advice on all aspects of treasury management.
- 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 £280,000 (3%). The proposed pay award will result in additional salary costs of approx. £549,000 including £226,000 for the Waste and Cleansing staffing.
- H. **ICT 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. **Planning income** – a planning income shortfall of £180,000 is currently anticipated for 2023/24. There is a Planning Improvement Plan update on this Executive agenda which sets out opportunities for efficiencies linked to the new planning software system and income opportunities.
- J. **Planning advertising costs** – advertising costs of £35,000 have been incurred to 31 July 2023 against an annual budget of £45,600. Based on current spend it is anticipated that advertising costs could be overspent by £50,000 in 2023/24. However, this projection will be reviewed following the Planning Improvement Plan Update report, a separate item on this Executive agenda.
- K. **Insurance** – in line with the 2022/23 outturn position additional insurance costs of £130,000 are anticipated in 2023/24. This is mainly due to inflationary pressures and bringing the waste service back in house in October 2022. These additional insurance costs have been built into the 2024/25 budget.
- L. **Car Parking payment collection fees** – additional payment collection costs of £70,000 are anticipated in 2023/24. This is a direct result of the increases in car parking income detailed in note ‘C’ above. 60% of car parking transactions are now made through Ringo which means banking costs (2.4%) have risen. The Council has also exceeded the annual target of 500,000 transactions which has triggered 4p per transaction.

- M. **Utility costs** - due to the rise in energy costs and inflationary pressures, additional costs of £150,000 are projected in 2023/24, mainly due to the increase in utility costs for the Council's employment estates and public conveniences.
- N. **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.

3. Other items to be considered in the 2023/24 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 2023/24 budget setting process, set out in Appendix A.

Waste and Recycling Services

- 3.2 There were exceptional one-off transitional costs of £1.5m in 2022/23 for bringing the waste and recycling service back in house in October 2023. This was referenced in reports to Council on 12th July and 22nd September 2022 and had the support of the Cross Party Waste Working Group. A further £1.5m will be spent in 2023/24 on transitional costs. The £3m was funded from the business rates retention reserve as set out in the reports to Members.

4. Earmarked Reserves

- 4.1 The Council annually undertakes a review of the level of its Earmarked Reserves as part of the budget setting process. There is a separate report on this Executive agenda regarding a review of Earmarked Reserves which currently total £15,424,000 as at 31 March 2023. The review of revenue reserves has identified £1.541m of the £15.424m which is potentially available to support the delivery of the emerging corporate strategy.

4.2 The Council's level of Unearmarked Reserves currently stands at £2.113 million. The surplus of £79,000 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 balance at 31 March 2024 of £2.192 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 30 March 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	(297)	3,712	3,412	(300)	(9%)
Planning	60	904	1,084	180	17%
Employment Estates	(80)	1,257	1,117	(140)	(13%)
Trade Waste	18	1,083	1,083	-	-
Dartmouth Ferry	(130)	1,267	1,077	(190)	(18%)
Business Rates Pooling Gain	-	300	300	-	-
Investment income	(43)	1,650	800	(850)	(106%)
Licensing	15	201	201	-	-
Land Charges	(7)	170	170	-	-
TOTAL	(464)	10,544	9,244	(1,300)	(14%)

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		
Garden Waste Income	(38)	Income levels will be kept under review in 2023/24.
Salary Savings	(90)	The projected underspend will be kept under review during the year.
Car Parking Income	(300)	An additional income target of £200,000 has been built into the 2024/25 budget.
Dartmouth Lower Ferry Income	(190)	An additional income target of £50,000 has been built into the 2024/25 budget.
Employment Estates Income	(140)	An additional income target of £50,000 has been built into the 2024/25 budget.
Investment Income	(850)	An additional income target of £700,000 has been built into the 2024/25 budget.
Increases in expenditure/reductions in income		
Pay Award	549	A budget pressure of £550,000 has been built into the 2024/25 budget.
ICT Software & Support Contracts	150	A budget pressure of £90,000 has been built into the 2024/25 budget.
Planning Income	180	This will be kept under close review in 2023/24. There is a Planning Improvement Plan update on this Executive agenda which sets out opportunities for efficiencies linked to the new planning software system and income opportunities. The Government has also 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 £150,000 to £180,000 of additional planning income.

	Budget variations overspend/ (underspend) £000	Management Action
Planning Advertising Costs	50	This is subject to a separate report on this agenda – the Planning Improvement Plan Update report.
Insurance	130	A budget pressure of £130,000 has been built into the 2024/25 budget.
Car Parking Payment Collection Fees	70	A budget pressure of £70,000 has been built into the 2024/25 budget.
Utility Costs	150	Inflation on goods and services of £200,000 has been built into the 2024/25 budget.
Homelessness – temporary accommodation costs	250	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

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 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	<p>The report identifies a projected surplus of £79,000 which is 0.7% of the overall budget set for 2023/24 of £11.738 million.</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 Executive provides an opportunity for Members to identify and instigate remedial action where appropriate. 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).
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 /		A report was presented to Council on 17 th December 2020 ‘Climate Change and Biodiversity Strategy and Action Plan update’. The report set

Biodiversity Impact		<p>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 – Savings/Additional income schedule

Background Papers:

None