

Report to: **Executive**

Date: **2 December 2021**

Title: **Month 7 Revenue Budget Monitoring  
2021/2022**

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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#### **RECOMMENDATIONS:**

**That the Executive resolves to:-**

- i) Note the forecast income and expenditure variations for the 2021/22 financial year and the overall projected surplus of £157,000 (1.6% of the total Budget £9.677 million).**
- ii) RECOMMEND to Council to apply up to £120,000 from the Salary Savings Earmarked Reserve and £80,000 from the Sustainable Waste Management Earmarked Reserve in 2021/22 to support additional salary costs in 2021/22, as detailed in section 3.3.**

#### **1. Executive summary**

- 1.1 This report enables Members to monitor income and expenditure variations against the approved budget for 2021/22, and provides a forecast for the year end position.
- 1.2 The gross service expenditure budget for 2019/20 was set at £41 million (£9.677 million net). This report identifies a projected surplus of £157,000 which is nearly 1.6% of the overall Budget set for 2021/22 of £9.677 million.

- 1.3 **Salaries** – salary costs are predicted to be on target after applying a contribution of £120,000 from the Salary Savings Earmarked Reserve and £80,000 from the Sustainable Waste Management Earmarked Reserve. These will be applied as part of the closure of the 2021/22 Accounts. Members will recall that these monies were set aside in 2020/21 to recognise the salary pressures that would arise in 2021/22 following the impact of the pandemic (E.71/20).

## 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: 2021/22 BUDGET FORECAST**

	2021/22	Budget			Note
	Budget	variations			
	expenditure	%	£000	£000	
	/(income)				
	£000				
<b>APPROVED BUDGET</b>				<b>9,677</b>	
<b>Reductions in expenditure/additional income</b>					
<b>Customer Service &amp; Delivery</b>					
Planning income	(920)	36%	(335)		A
<b>Governance and Assurance</b>					
Savings on Member travel, expenses and training	39	77%	(30)		B
<b>Place and Enterprise</b>					
Car and boat parking income	(3,162)	10%	(325)		C
Dartmouth Lower Ferry income	(827)	16%	(130)		D
Employment Estates income	(887)	10%	(90)		E
Follaton House – Covid-19 vaccination centre	n/a	n/a (no budget)	(55)		F

<b>Other Comprehensive Income &amp; Expenditure</b>					
Business Rates Pooling gain	(225)	27%	(60)		G
<b>Sub total of variations</b>				<b>(1,025)</b>	
<b>Increases in expenditure/reductions in income</b>					
<b>Customer Service &amp; Delivery</b>					
COVID-19 expenditure	n/a	n/a (no budget)	240		H
Planning salaries	922	8%	70		I
Licensing income	(201)	10%	21		J
ICT Support Contracts	536	14%	75		K
Council Tax Collection income	(155)	26%	40		L
<b>Governance &amp; Assurance</b>					
Waste & Recycling – delay to the September 2020 go live date for Devon Aligned Service for all properties	2,648	9%	240		M
<b>Place and Enterprise</b>					
Joint Local Plan Contribution	n/a	n/a (no budget)	25		N
<b>Other Comprehensive Income &amp; Expenditure</b>					
Investment income	(203)	44%	90		O
Provision for Bad and Doubtful Debts	n/a	n/a	80		P
<b>Sub total of variations</b>				<b>881</b>	
<b>PROJECTED OUTTURN</b>				<b>9,533</b>	
Government grant funding anticipated from the income guarantee scheme for sales, fees and charges for April to June 2021				<b>(13)</b>	Q
<b>Sub-total</b>				<b>9,520</b>	
<b>PROJECTED SURPLUS FOR 2021/22</b>				<b>(157)</b>	

***There is projected to be an overall surplus of £157,000 when compared against the Revenue Budget set for 2021/22.***

### **Notes**

- A. **Planning income** – additional income of £335,000 has been received as at 31 October 2021. For the purposes of the 2021/22 projection it has been assumed that income will be on budget for the remainder of the year. 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. The Planning Improvement Plan report approved at the

Executive meeting on 14<sup>th</sup> October 2021 recommended that this additional income is utilised to fund additional staffing costs in planning for 2021/22 (note I).

- B. **Savings on Member travel, expenses and training** – due to Covid 19, it is currently anticipated that a saving of up to £30,000 could be achieved in 2021/22.
- C. **Car & boat parking income** – additional income of £325,000 has been received as at 31 October 2021. For the purposes of the 2021/22 projection it has been assumed that income will be on budget for the remainder of the year. Income levels will continue to be closely monitored and a further update will be provided in the next budget monitoring report.
- D. **Dartmouth Lower Ferry income** – additional income of £130,000 has been received as at 31 October 2021. This equates to 16% of the annual income target for Dartmouth Lower Ferry of £827,000.
- E. **Employment Estates income** – employment estates income is currently projected to be over budget by £90,000 in 2021/22.
- F. **Follaton House Covid-19 vaccination centre** – the current licence for the vaccination centre at Follaton House covers the period April 2021 to 28 February 2022. It is anticipated that this will generate £55,000 of income.
- G. **Business Rates Pooling gain** – it is currently anticipated that a Business Rates Pooling gain of £285,000 will be generated in 2021/22.
- H. **COVID-19 expenditure** – One-off items of direct Covid 19 expenditure such as extra housing costs, ICT and remote working, waste, cleaning costs and community support costs. These costs are included on the monthly DELTA Government returns completed.
- I. **Planning salaries** – additional staffing cost within the Development Management Service is anticipated to cost £70,000 in 2021/22. This can be met from the additional planning income generated by the service as shown in note 'A' above. At the Executive meeting on 14<sup>th</sup> October 2021 it was recommended to fund six additional posts (shared with West Devon) from additional planning income.
- J. **Licensing income** – as at the end of October 2021 there was a shortfall of £21,000 in licensing income. This will be partly offset by the extension of the Government income guarantee scheme for sales, fees and charges into the first quarter of 2021/22 as shown in note 'Q' below.

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 2021/22 budget.

M. **Waste and Recycling – delay to full implementation of the Devon Aligned service** -

Council in December 2018 awarded a 8 year contract for Waste, Recycling and Cleansing Services to FCC, commencing on 1st April 2019. The annual saving from the outsourced contract from 19/20 onwards was £286,000 and this increased to over £400,000 per annum on commencement of the Devon Aligned Service. As per recent reports to the Executive and Council, some properties have moved across to the Devon Aligned Service but not all properties.

The £240,000 shown in the report is a ballpark estimate of the costs the Council experienced in 2020/21 due to the delay of the Devon Aligned service and this figure has been used in the 2021/22 budget monitoring reports, in the absence of any firmer figures at this stage. The Council is continuing dialogue with its waste contractor (FCC). Costs are associated with continuing to supply single-use sacks for recycling and the reprocessing of the recyclable materials in the current global market.

N. **Joint Local Plan Contribution** – a cost pressure of £25,000 has been identified in relation to the 2021/22 Joint Local Plan contribution. There is currently no budget for this and it is proposed to build this into the 2022/23 revenue budget. This has been funded from monies set aside in the JLP Earmarked Reserve in previous years, which is now depleted.

O. **Investment income** – due to the historic low in interest rates (base rates are 0.1%), investment income is currently anticipated to be 44% down which equates to a shortfall of £90,000 in 2021/22. Further options for fixed term deposits will continue to be explored with the Council's treasury management advisers.

- P. **Provision for Bad and Doubtful Debts** – An increase in the provision for bad and doubtful debts of £80,000 has been estimated for 2021/22. This provision covers debts such as Sundry Debtors and Housing Benefit debt but will exclude bad debt provisions for Council Tax and Business Rates income streams.
- Q. **Government Grant Funding for Income Losses** – in line with 2020/21 the Government have extended their income guarantee scheme to help compensate Councils for losses of sales, fees and charges income during the first quarter of 2021/22. The Government will continue to compensate Councils for their income losses above the first 5% of their budgeted income from sales, fees and charges. Income losses above the first 5% will be compensated by the Government paying for 75 pence in every pound of the losses thereafter. Due to the recovery of some key income streams in 2021/22 this has been calculated at £13,000 for April to June 2021.

### **3. Other items to be considered in the 2021/22 Budget**

- 3.1 This monitoring report includes an update on the position regarding the savings and additional income that were identified in the 2021/22 budget setting process, set out in Appendix B.
- 3.2 **Leisure** – A report on Leisure will be considered by the Executive at the January 2022 meeting.
- 3.3 **Salaries** – salary costs are predicted to be on target after applying a contribution of £120,000 from the Salary Savings Earmarked Reserve and £80,000 from the Sustainable Waste Management Earmarked Reserve. These will be applied as part of the closure of the 2021/22 Accounts. Members will recall that these monies were set aside in 2020/21 to recognise the salary pressures that would arise in 2021/22 following the impact of the pandemic (E.71/20).

#### **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. Budgeted contributions to and from Earmarked Reserves were part of the 2021/22 Budget reports.
- 4.2 A schedule of Earmarked Reserves is attached at Appendix A, which shows Earmarked Reserves have a projected balance of £13.087 million at 31.3.2022 currently.
- 4.3 Although our Earmarked Reserves appear to have increased substantially overall in 2020/21, an amount of £6.28m of this is due to a technical accounting adjustment where Councils were compensated for the business rates holidays that were announced by the Government for the retail, hospitality and leisure sectors in 2020/21 (this funding is in the S31 Compensation Grant Reserve). This temporary increase in reserves will reverse back out again in the 2021/22 Accounts, to fund the deficit on the Collection Fund. Therefore this is not money which is available for the Council to spend and it is important that this is not misinterpreted in the Accounts, as this is a national issue.
- 4.4 The Council's level of Unearmarked Reserves currently stands at £2.122 million. The surplus of £157,000 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 balance of £2.279 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 25 March 2021. 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 to October 2021. The table also shows the latest 2021/22 projections for the major streams of income.

Service	Deficit/ (Surplus) April – October 2021 £'000	Projected Income 2021/22 £'000	Income Budget 2021/22 £'000	Deficit/ (Surplus) £'000	Deficit/ (Surplus) %
Car Parks	(325)	3,487	3,162	(325)	(10%)
Planning	(335)	1,255	920	(335)	(36%)
Employment Estates	(100)	977	887	(90)	(10%)
Trade Waste	-	819	819	-	-
Dartmouth Ferry	(183)	957	827	(130)	(16%)
Recycling	-	451	451	-	
Business Rates Pooling Gain	-	285	225	(60)	(27%)
Investment income	86	113	203	90	44%
Licensing	49	180	201	21	10%
Land Charges	-	170	170	-	-
<b>TOTAL</b>	<b>(808)</b>	<b>8,694</b>	<b>7,865</b>	<b>(829)</b>	<b>(11%)</b>

## 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 2021/22.

	Budget variations overspend/ (underspend) £000	Management Action

	<b>Budget variations overspend/ (underspend) £000</b>	<b>Management Action</b>
<b>Reductions in expenditure/additional income</b>		
Planning income	(335)	This will be kept under review during 2021/22. The Planning Improvement Plan report approved at the Executive meeting on 14 <sup>th</sup> October 2021 (E.53/21) that this additional income is utilised to fund additional staffing costs in planning in 2021/22.
Member travel, expenses and training	(30)	The projected underspend will be kept under review during the year.
Car and boat parking income	(325)	This will be kept under review during 2021/22.
Dartmouth Lower Ferry income	(130)	Income levels will be kept under review in 2021/22.
Employment Estates income	(90)	Additional income of £80,000 has been built into the 2022/23 budget.
Follaton House – Covid-19 vaccination centre	(55)	This arrangement will be kept under review.
Business Rates Pooling Gain	(60)	The 2022/23 budget for the Business Rates Pooling Gain has been increased from £225,000 to £300,000.
<b>Increases in expenditure/reductions in income</b>		
Covid-19 expenditure	240	This expenditure will be kept under close review and will be included in the Government DELTA returns.
Planning salaries	70	The Planning Improvement Plan report approved at the Executive meeting on 14 <sup>th</sup> October 2021 (E.53/21) recommended to fund this additional salary cost from additional planning income in 2021/22.
Licensing income	21	Income levels will be kept under review in 2021/22.

	<b>Budget variations overspend/ (underspend) £000</b>	<b>Management Action</b>
ICT Support Contracts	75	A cost pressure of £75,000 will be built into the 2022/23 budget.
Council Tax collection income	40	Recovery of summons costs will be kept under review in 2021/22.
Waste & Recycling – delay of the full implementation of the Devon Aligned Service	240	The Council is continuing dialogue with its waste contractor (FCC). See Note N for more detail.
Joint Local Plan Contribution	25	A cost pressure of £25,000 has been built into the 2022/23 budget.
Investment income	90	Investment income will be kept under review in 2021/22.
Provision for Bad and Doubtful Debts	80	The level of debt will be kept under close review in 2021/22.

## **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 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 £157,000 which is nearly 1.6% of the overall budget set for 2021/22 of £9.677 million.</p> <p>As part of Grant Thornton's external audit of the Statement of Accounts for 2020/2021, they have concluded that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>
Risk	Y	<ol style="list-style-type: none"> <li>1) <b>Budget variances</b> – continual <b>monthly</b> 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.</li> <li>2) <b>Resource Planning</b> – 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).</li> </ol>
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 17<sup>th</sup> 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 11<sup>th</sup> 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.