

Report to: **Executive**

Date: **30th July 2020**

Title: **Month 3 Revenue Budget Monitoring
2020/2021 (to the end of June 2020)**

Portfolio Area: **Support Services – 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 significant forecast income and expenditure variations for the 2020/21 financial year and the overall projected shortfall of £1.313 million (14.0% of the total Budget £9.411 million); and**
- ii) Note the loss of income streams already experienced by the Council in April, May and June 2020 of £1.247 million in total as shown in Section 6 of the report.**

1. Executive summary

- 1.1 Covid 19 has caused financial strain for all Councils up and down the country where Councils find themselves being caught in a 'perfect storm'. Councils have to manage both the increased costs of coping with Covid19 and supporting vulnerable people in the community and

the loss of key income streams such as car parking income and council tax income.

- 1.2 The factors affecting the Council's finances are issues affecting the whole Local Government sector. The Council is well-placed to meet the financial challenges arising from Covid19, due to its prudent financial management over previous years. It is important to stress that the Council is not in financial difficulty and a plan will be drawn up as to how the Council meets these challenges.
- 1.3 This report enables Members to monitor income and expenditure variations against the approved budget for 2020/21, and provides a forecast for the year end position.
- 1.4 The gross service expenditure budget for 2020/21 was set at £40 million (£9.411 million net). ***There is projected to be an overall shortfall of £1.313 million when compared against the total net revenue budget set for 2020/21, due mainly to the impact of the Covid 19 pandemic.*** This position is after taking into account the £0.9 million Government grant already received for Covid-19 and the estimated £1.455 million Government funding that the Council is anticipating towards income losses on sales, fees and charges (the Government 'income guarantee scheme'). More detail on this Government funding is in section 2.6 to 2.12.
- 1.5 The figures in 1.4 excludes any reimbursement of lost income for Salcombe Harbour, as this is a ring fenced account so any financial impact on the Harbour has been excluded from this report.
- 1.6 This forecast position is based on a range of assumptions which have been made as to how much the income streams of the Council could be affected by Covid19. Projections could improve and it is difficult to predict as we don't know how quickly things will bounce back. We will be monitoring our finances on a monthly basis and as actual figures emerge, we will refine these figures and our assumptions. The Council has also not yet had the detail of the Government's 'income guarantee scheme' and therefore this report is based on the Council's best estimate of how the scheme might work. This will need revising once the details of the scheme have been published.
- 1.7 The month 2 budget monitoring report to the Executive on 18th June 2020 predicted a projected shortfall of £2.588 million. This improved position for the month 3 budget monitoring report is a reduction of £1.275 million and is predominantly due to the Government announcement on the 2 July 2020 regarding a comprehensive package of financial support for Councils as detailed in paragraph 1.4. This is a result of successful lobbying of Government as set out in section 2.

- 1.8 The significant extent of these predicted losses present imminent funding challenges for the Council. With income falling, unemployment expected to rise and a lack of certainty around funding, there are going to be difficult decisions to be made.
- 1.9 An amended budget for 2020/21 will be presented to the September cycle of Committee and Council meetings.
- 1.10 The Council's Accounts for 2019/20 will be published with the Audit Committee Agenda for the 30th July 2020. The Accounts show that the Council has underspent against its 2019/20 budget of £8.83 million by £112,000 (1.3%). This underspend of £112,000 will go into the Council's unearmarked reserves which now stand at £2.01 million. One of the options that Members could consider as to how to meet the budget shortfall in 2020/21 would be to use the 2019/20 underspend of £112,000 towards the projected budget shortfall.

2. Background

2.1 Regional and national context

- 2.2 The budget monitoring position for April and May was reported to the Executive on 18th June 2020. This report contained details on the joint lobbying with 'Team Devon' regarding the Coronavirus pandemic and its impact on the Councils' finances across Devon Councils. Local Government is a frontline service and we want to ensure our voice is heard in the calls for financial support.
- 2.3 Since the previous budget monitoring report, a further lobbying letter from South West Councils has been sent to the Rt Hon Robert Jenrick MP (Secretary of State for Housing, Communities and Local Government). Attached in Appendix C is a copy of the joint lobbying letter. This letter set out that the latest Government returns to MHCLG showed a financial challenge to South West Councils of over £1 billion across the region.
- 2.4 The Council will continue to lobby the Government so that we receive the appropriate level of funding to be able to plan confidently for the future. Each month, Councils complete a national return that informs the Government of how much COVID-19 is affecting the finances of Councils. The point has been made that these income losses have had a much bigger impact (in proportion to Net Budgets) on District Councils, than they have on County Councils and Unitaries.
- 2.5 The Society of District Council Treasurers (SDCT) has engaged Local Government Futures (who are specialists in the field of Local Government Finance), to put together evidence to show the losses experienced by District Councils. This will then be used for the purpose of lobbying the Government for further funding for District Councils. In a letter from the Chairman of the District

Councils' Network to the Chancellor, the financial needs of District Councils were set out, as well as stating that no part of the public sector is better placed than District Councils to catalyse and lead the recovery and that we will rise to the challenge.

2.6 On 2nd July, the Rt Hon Robert Jenrick MP announced a new comprehensive package of support for Councils, to address spending pressures and losses in income streams. There were three central pillars of support announced:-

- A new scheme to compensate Councils for losses of income, though not in their entirety (an 'income guarantee' scheme)
- An extra £500million to cover extra COVID19 expenditure costs
- To allow council tax and business rate losses in income to be repaid over the next 3 years of budget cycles, instead of just the next one year

2.7 We are very pleased that our lobbying has been successful but there is still further work to do on this.

2.8 The main element of the announcement is that the Government will 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. This is only the income losses from sales, fees and charges so it isn't clear yet which categories of income this will include.

2.9 It was specifically mentioned by the Minister at the Local Government Association conference that it will include losses in car parking income. So the Council will be compensated for these. It is expected that the Council will have to declare its losses and there will probably be some auditing of the figures involved – so it is expected that any funding will be retrospective once the 'actual losses' are known and quantified. The Government has promised that further details about these new allocations of the funding will be made in due course, including the principles which the Government intend to cover losses on, which will be shared with Councils ahead of the first process of collecting, calculating and compensating for relevant losses. For the new income loss scheme, the 5% deductible sum is to take account of volatility in income streams and to encourage Councils to minimise losses where they can.

2.10 The Government has said that they will further compensate Councils for their extra COVID expenditure, through a £500 million allocation nationally. It is not yet known how this will be allocated and details are awaited. The Council's main item of additional expenditure relates to the support for three months for the Leisure contract and the costs for the Devon Aligned Service.

- 2.11 In the next Spending Review the Government will also determine what support Councils will need, to help them meet the pressures of income losses from council tax and business rates. The Government has said that they are bringing in changes to allow Councils to spread their Collection Fund losses (for losses in Council Tax and Business Rates income) over the next three years instead of over the next one year. So this will allow council tax and business rate losses in income, to be repaid over the next 3 years of budget cycles, instead of just the next one year. The Government will also agree an apportionment of irrecoverable council tax and business rate losses, between central and local Government for 2020 to 2021. More details are needed on this to be able to understand the detail of how Councils will be supported by this.
- 2.12 The Government announcement is below:
<https://www.gov.uk/government/news/comprehensive-new-funding-package-for-councils-to-help-address-coronavirus-pressures-and-cover-lost-income-during-the-pandemic>

2.2 How we plan to respond as a Council

- 2.21 In this report, assumptions have been made as to how much the income streams of the Council could be affected by Covid19. Projections could improve and it is difficult to predict as we don't know how quickly things will bounce back. We will be monitoring our finances on a monthly basis and as actual figures emerge, we will refine these figures and our assumptions.
- 2.22 The Coronavirus (COVID-19) Response and Draft Recovery and Renewal Plan (a separate item considered at the Executive meeting on 18th June) sets out the strategic objectives, part of which is the recovery and sustainability of the Council's financial position (Section 11). The financial sustainability Theme sets out a list of proposed areas for development.
- 2.23 The lockdown due to Covid19 has been eased and the financial assumptions around the Council's income streams have been revised. For example, the Council's car parks have re-opened and therefore the estimates in this report reflect this updated position.
- 2.24 This Budget Monitoring report also excludes the impact of reductions in income from Business Rates and Council Tax as these do not affect the General Fund in 2020/21 (apart from the pooling gain). This is further explained in Section 6.
- 2.25 Future service delivery discussions are currently taking place with each Head of Practice area to discuss what services might look like under 'the new normal'. A thorough review of all expenditure will be needed, which takes into account a review of statutory expenditure

against non-statutory (discretionary) expenditure and also the corporate priorities.

- 2.26 This will include a review of the Council's Capital Programme and all capital projects. The Council's Medium Term Financial Strategy will also be revised in October.
- 2.27 The Council is undertaking a Comprehensive Review of all Earmarked Reserves, which total £10.294 million as shown in Appendix A. Budgeted contributions to and from Earmarked Reserves as part of the 2020/21 Budget are also being assessed. Unearmarked Reserves stand at £2.01 million following the closure of the 2019/20 Accounts (see Section 9). The Council is well placed in terms of its Reserves, which could be used if absolutely necessary. Reserve levels will be kept under constant review.
- 2.28 Time needs to be taken over the next few months and weeks to put together proposals for Members to consider for an Amended Budget for 2020/21. A Member Budget Workshop in August will be arranged, to explore all areas with Members, supplemented by Informal Council briefings. If there are areas that Members would like the Financial Stability Theme of the Recovery and Renewal Plan to cover, please let the Member lead (Cllr Pearce) or the Officer lead (Mrs Buckle) know. This is an evolving plan, to ensure and safeguard the delivery of services.
- 2.29 Options will be presented to Members for a revised Budget for 2020/21 during August and September 2020. This is in order to achieve a balanced budget for 2020/21, in light of the Covid 19 pandemic.
- 2.30 It should be noted that the financial landscape for Councils is ever-changing and there is still a great deal of uncertainty that Councils are working with in planning their finances for the longer term. The large areas of unknowns are around New Homes Bonus funding, Negative Revenue Support Grant (the Council no longer receives any core Government grant) and future allocations of Rural Services Delivery Grant. We are making the point to the Government that we must know what is happening to these key areas by this September, so that we can plan confidently for our finances for the future.

2.3 Financial Monitoring arrangements

- 2.31 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. Revenue budget monitoring reports are normally brought to the Executive on a quarterly basis. However due to the current Covid 19 pandemic and the subsequent financial pressures facing Local Authorities, it was felt more prudent to update the Executive on a monthly basis going forward, with monthly budget monitoring reports.

3. Outcomes/outputs

3.1 **Budget overview** - Table 1 below provides an analysis of the projected variances against budget. The report is 'high level' at this early stage of the year and does not include any in-depth monitoring of the salaries budgets within each area or some of the smaller areas of expenditure. This will be done for the Quarter 2 Budget Monitoring report.

TABLE 1: 2020/21 BUDGET FORECAST

	2020/21 Budget expenditure /(income)	Budget variations		£000	Note
		%	£000		
	£000			£000	
APPROVED BUDGET				9,411	
Reductions in expenditure/additional income					
Customer Service & Delivery					
COVID-19 Government grant support (the Council's share of £1.6bn allocation)	-	-	(900)		A
Savings on staff and Member travel and expenses	98	51%	(50)		B
Savings on trade waste disposal costs	390	21%	(80)		C
Sub total of variations				(1,030)	
Increases in expenditure/reductions in income					
Customer Service & Delivery					
COVID-19 expenditure	n/a	n/a (no budget)	171		D
Planning income	(918)	30%	275		E
Homelessness – reimbursement of expenditure	(256)	50%	128		F
Investment income	(203)	90%	183		G
Licensing income	(201)	40%	80		H
Land Charges income	(170)	30%	51		I
Council Tax Collection income	(155)	50%	78		J
Housing Benefit overpayment recoveries	(145)	100%	145		K
Pannier Markets income	(110)	30%	33		L
Pollution Control income – mainly private water sampling	(33)	40%	13		M

	2020/21 Budget expenditure /(income)	Budget variations			Note
Place and Enterprise					
Car and boat parking income - assumes actual losses in April and May and 30% drop in income levels from 1.7.2020	(3,160)	41%	1,286		N
Employment Estates income	(877)	25%	219		O
Dartmouth Lower Ferry income	(818)	30%	245		P
Follaton House income	(322)	10%	32		Q
Community Parks & Open Spaces income	(129)	60%	77		R
Coast Protection income	(59)	50%	30		S
Outdoor Sports & Recreation income	(49)	40%	20		T
Governance & Assurance					
Waste & Recycling – delay to the September 2020 go live date for Devon Aligned Service	2,778	8%	209		U
Trade Waste income	(819)	30%	246		V
Leisure – interim support to the leisure contractor	n/a	n/a (no budget)	103		W
Waste & Recycling income - mainly recycling credits	(517)	10%	52		X
Other Comprehensive Income & Expenditure					
Business Rates Pooling gain	(225)	100%	225		Y
Sub total of variations				3,901	
PROJECTED OUTTURN				12,282	
Less: Use of Earmarked reserves:					
Leisure: Interim support to Leisure contractor (Note V) to be funded by the Land and Development Earmarked Reserve (Minute Reference CM97/19)				(103)	
Government grant funding anticipated from the income guarantee scheme for sales, fees and charges				(1,455)	Z
PROJECTED SHORTFALL				1,313	

There is projected to be an overall shortfall of £1.313 million when compared against the total net revenue budget set for 2020/21, due mainly to the impact of the Covid 19 pandemic.

This position is after taking into account the £0.9 million Government grant received for Covid-19 and the estimated £1.455 million Government funding that the Council is anticipating towards income losses on sales, fees and charges. This excludes Salcombe Harbour which is a ring-fenced account and therefore any financial impact on Salcombe Harbour is excluded from this report, both in terms of the income shortfall and any reimbursement from the Government 'income guarantee' scheme.

Notes

- A. **COVID-19 grant support** – The Council has received £900,000 of Government grant support for the Covid19 pandemic. This will assist the Council to partly meet its projected loss of income streams but it will only be part of the solution.

- B. **Savings on staff and Member travel and expenses** – due to Covid 19 it is currently anticipated that a saving of up to £50,000 could be achieved in 2020/21. These savings are due to staff and Members working from home in accordance with Government guidance.

- C. **Savings on trade waste disposal costs** – due to the anticipated shortfall in trade waste income (see Note V) there is likely to be a consequential reduction in disposal costs of £80,000 in 2020/21.

- D. **COVID-19 expenditure** – small one-off items of direct Covid 19 expenditure such as extra housing costs, ICT and remote working and shielding costs.

- E. **Planning income** – planning income is projected to be down by 30% (£275,000) due to Covid 19, this is a slightly improved position from the May monitoring report which projected a 40% shortfall. However, this is a volatile area which can be very difficult to forecast so it will be kept under close review over the coming months.

- F. **Homelessness – reimbursement of homelessness expenditure** is currently forecast to be reduced by 50% (£128,000) due to Covid 19.

- G. **Investment income** – due to the historic low in interest rates (base rates are 0.1%), investment income is currently anticipated to be 90% down which equates to a shortfall of £183,000. Further options for fixed term deposits will continue to be explored with the Council's treasury management advisers.

- H. **Licensing income** – due to Covid-19 it is currently anticipated that licensing income could be reduced by 40% (£80,000) in 2020/21.

- I. **Land Charges income** – based on income to date a shortfall of 30% in land charges income is currently forecast for 2020/21 which equates to £51,000.
- J. **Council Tax Collection income** – summons costs recovered in respect of Council Tax and Business Rates are currently anticipated to be 50% down on the 2020/21 budget.
- K. **Housing Benefit overpayment recoveries** – it is unlikely that any of this income target (£145,000) will be achieved in 2020/21 as we expect to see fewer overpayments being created due to the introduction of DWP Real Time Information referrals. There is also an expectation that recovery will reduce year on year as collection becomes more difficult. This is partly due to Covid 19. This is in line with the outturn position for 2019/20 where this income target has not been achieved. The income target needs to be reduced to Nil for 2021/22 and reflected within the Medium Term Financial Strategy.
- L. **Pannier Markets income** – assumes a 30% drop in Pannier Markets income in the year. Following the new Government guidance on the re-opening of open air markets, the decision was taken for the markets in Totnes, Kingsbridge, Ivybridge and the farmers market in Kingsbridge to reopen in early June.
- M. **Pollution Control income** – pollution control income (mainly private water sampling) is likely to be 40% down on budget due to Covid 19.
- N. **Car & boat parking income** – The prediction for the year (a £1.286 million reduction in income) includes the actual losses in car parking income for the first three months and an assumption of an on-going 30% drop in income levels from 1st July 2020 for the rest of the year. This would equate to an overall 41% reduction in the budgeted income for the year of £3.160 million. In the May budget monitoring report an assumption of 29% loss of income was made. This has been increased to 41% in this June budget monitoring report as unfortunately car parking income has not recovered in June as much as anticipated. In the first three months income has been down by £390,000 in April, £142,000 in May and £101,000 in June. This position will be closely monitored on a monthly basis.
- O. **Employment Estates income** – based on a high level review of invoices paid to date an income shortfall of 25% is currently modelled for Employment Estates. This equates to £215,000. This is a worst case scenario.
- P. **Dartmouth Lower Ferry income** – assumes a reduction in income of 30% over the financial year which equates to a loss of £245,000. In the first three months of April, May and June the ferry income has been down by £58,000, £51,000 and £46,000 respectively.

- Q. **Follaton House** income – It is anticipated that Follaton House income will be down by 10% (£32,000) due to Covid 19.
- R. **Community Parks & Open Spaces** income – due to Covid 19 a shortfall in Community Parks & Open Spaces income of 60% is currently anticipated. This equates to £77,000.
- S. **Coast Protection income** – Coast Protection income is likely to be 50% down on the 2020/21 budget due to Covid 19.
- T. **Outdoor Sports & Recreation income** – an income shortfall of 40% (£20,000) is currently anticipated for outdoor sports and recreation due to Covid 19.
- U. **Waste and Recycling – Devon Aligned Service start date** - there will be a delay to the end of September 2020 start date for the Devon Aligned Service. The new recycling service was due to be introduced this Autumn with collections starting on 28 September 2020. However, due to the Covid-19 situation, this date is no longer achievable and our officers and the waste contractor are closely monitoring the situation and striving to ensure the delay is as short as possible. The main reasons for the delay are associated with the impacts of Covid19 on the delivery dates of the recycling fleet, the delivery dates of the new containers and the construction of the Ivybridge transfer station (this has now started).

Previously, the costs incurred by the delay to the new service were reported at £325,000 as a worse-case scenario. However, continued negotiation by officers with suppliers and Devon County Council, has resulted in the more likely lower figure of £209,000 (based on a five month delay). The majority of the costs are associated with continuing to supply single-use sacks for recycling and the reprocessing of the recyclable materials in the current global market.

- V. **Trade Waste income** – it is currently modelled that trade waste income could be down by 30% in 2020/21 due to Covid 19 equating to £246,000. However, this cost is anticipated to be partly offset by a reduction in trade waste disposal costs of £80,000 (see C. above)
- W. **Leisure Centres interim support** – due to Covid 19, an interim support package has been agreed with the Council's Leisure provider (Fusion Lifestyle) at a one-off cost of £103,500 (three months for April, May and June at £34,500 per month), to be funded from the Land and Development Earmarked Reserve. Minute Reference CM97/19. There are additional impacts regarding leisure which are still to be quantified in relation to the leisure contract.
- X. **Waste & Recycling income** – assumes a 10% reduction in income due to Covid 19.

- Y. **Business Rates Pooling Gain** – due to Covid 19 it is anticipated that there will be no Business Rates Pooling Gain in 2020/21. The S151 Officer and the Business Rates Specialist will continue to attend the Devon Business Rates Pooling meetings and provide quarterly monitoring information on the business rates position. A worst case scenario of no pooling gain has been modelled in this report.
- Z. **Government Grant Funding for Income Losses** – on 2 July, the Rt Hon Robert Jenrick MP announced a comprehensive package of support for Councils. This included a new scheme to compensate Councils for losses of sales, fees and charges income, though not in their entirety. The Government will 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. This has been estimated at £1.455 million for the Council (excluding Salcombe Harbour which is a ring fenced account) based on the income shortfalls to date. Detailed guidance from the Government is awaited on this.

Savings/Additional Income identified in the 2020/21 Budget

- 3.2 This monitoring report includes an update on the position regarding the savings and additional income that were identified in the 2020/21 budget setting process, set out in Appendix B. This sets out that of the extra Income/savings budgeted for in 2020/21 of £904,877, an amount of £420,000 is currently projected to be achieved. Therefore there is a projected under-achievement of extra income and savings of around £0.5 million. This is reflected within the overall projected loss of £1.313 million where there is a reasonable amount of certainty over this figure. Projections which include 'TBA' will be firmed up in future monitoring reports.

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. Recommendation 4 of this report recommends that a comprehensive review of all Earmarked Reserves is undertaken as part of the process of putting together an Amended Budget for 2020/21. Budgeted contributions to and from Earmarked Reserves as part of the 2020/21 Budget will also be assessed. A schedule of Earmarked Reserves is attached at Appendix A, which shows Earmarked Reserves are £10.294 million currently. The Council's level of Unearmarked Reserves currently stands at £2.01 million. The Council is well placed in terms of its Reserves, which could be used is absolutely necessary.

5. Prudential Indicators

5.1 The prudential code indicators were approved in the Capital, Investment and Treasury Management Strategy report to Council on 30th April 2020. 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 shortfalls already experienced for April and May 2020 together **(which total £1.247 million - being £628,000 in April, £351,000 in May and a further £268,000 in June)**.

The table also shows the latest 2020/21 projections for the major streams of income.

Service	April 2020 £'000	May 2020 £'000	June 2020 £'000	Projected Income 2020/21 £'000	Income Budget 2020/21 £'000	Deficit/ (Surplus) £'000	Deficit/ (Surplus) %
Car Parks*	390	142	101	1,874	3,160	1,286	41%
Planning	40	25	2	643	918	275	30%
Employment Estates*	18	20	18	658	877	219	25%
Trade Waste*	31	23	21	573	819	246	30%
Dartmouth Ferry	58	51	46	573	818	245	30%
Waste & Recycling	5	5	4	465	517	52	10%
Follaton House*	3	3	3	290	322	32	10%
Homelessness*	11	10	10	128	256	128	50%
Business Rates Pooling Gain	19	19	19	-	225	225	100%
Investment income	15	15	15	20	203	183	90%
Licensing*	12	10	7	121	201	80	40%
Land Charges	8	10	4	119	170	51	30%
Council Tax Collection	6	6	6	77	155	78	50%
Housing Benefit overpayments	12	12	12	-	145	145	100%
TOTAL	628	351	268	5,541	8,786	3,245	

Note* N.B. It is difficult to gauge an exact income position for these services as some of the income is raised via sundry debtors. As soon as the sundry debtor invoice is raised the income is credited to the ledger in line with proper accounting practice. For these services a best judgement has been made at this stage in terms of how much debt is likely to remain unpaid. All invoices raised in excess of £5,000 have been looked at in detail to see if they have been settled as at 30th June 2020.

Salcombe Harbour

Salcombe Harbour is a ring-fenced account and therefore any financial impact on Salcombe Harbour is excluded from this report. Separate budget monitoring updates are being presented to the Salcombe Harbour Board.

Council Tax and Business Rates Income

Reductions in Council Tax and Business Rates income are excluded from this report, as these do not affect the General Fund in 2020/21, due to the way the accounting for these income streams go through the Collection Fund. Therefore a large part of the reductions in income will affect the Council's financial position in 2021/22, although it does affect the cashflow position of the Council in 2020/21.

Reductions in the collection rate for Council Tax and Business Rates will be reflected within the Collection Fund accounting. No pooling gain for Business Rates has been assumed for 2020/21.

Business Rates: By May 2020, SHDC collected 21.72% of the yearly total (compared to 22.59% in 2019/20) – the 0.87% drop equates to £162,800 (SHDC share £65,100). This is how much business rates income is down by in May 2020, compared against May 2019 but this could partly be due to timing differences.

Council Tax: In May 2020, SHDC collected 19.16% of the yearly total (compares against 19.51% in 2019/20) – the 0.35% drop equates to £273,000 (SHDC share £24,570). This is how much council tax income is down by in May 2020, compared against May 2019.

Business Rates and Council Tax form a large share of the funding for the Council's budget and therefore these income streams are funding the essential services being delivered.

Section 2.11 sets out details of the Government support for loss of Council Tax and Business Rates income.

7. Management Actions

- 7.1 It is best practice as part of Budget Monitoring reports, for the Council to state whether there are any corrective actions that need to be taken for the variances identified in the report.
- 7.2 The Recovery and Renewal Plan, as the Council's response to Covid19, sets out Financial Stability as a Recovery and Renewal Theme.
- 7.3 The management actions for this Budget Monitoring report are as set out below:-
- To complete monthly Government returns on COVID costs and loss of income
 - To continue lobbying with 'Team Devon' for further Government financial support in light of the impact of Covid 19
 - Monthly budget monitoring reports, to including monitoring reserves
 - Service delivery discussions, to discuss what services might look like under the 'new normal'
 - A review of statutory versus discretionary expenditure
 - A review of the Council's Capital Programme
 - A comprehensive review of all Earmarked Reserves and contributions to Earmarked Reserves
 - To revise the Medium Term Financial Strategy in October
 - To lobby Government for a change in some of the 'rules' for Councils (such as to change the accounting rules for capital repayments on borrowing and capital receipts flexibility)
 - To press Government for an early decision on factors affecting our 2021/22 Budget such as New Homes Bonus funding, Negative Revenue Support Grant and Rural Services Delivery Grant
 - To lobby for fair funding for rural Councils
 - Assess options for further investment
 - A Member Budget Workshop will be arranged for August to explore all areas with Members, supplemented by Informal Council briefings.
 - Propose options to Councillors for an Amended Budget for 2020/21 by September 2020

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. Closure of 2019/20 Accounts

9.1 The draft Statement of Accounts will be presented to the Audit Committee on 30st July 2020. In 2019/20 an underspend of £112,000 was generated, which equates to 1.3% of the net budget of £8.83 million. This saving will go into the Council's Unearmarked Reserves which now stands at £2.01 million. One of the options that Members could consider as to how to meet the budget shortfall in 2020/21 would be to use the 2019/20 underspend of £112,000 towards the projected budget shortfall.

10. Proposed Way Forward

10.1 Revenue budget monitoring will continue on a regular basis and ***further reports will be brought to the Executive each month during the current Covid 19 situation.***

11. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	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	Y	The report identifies an overall predicted shortfall of £1.313 million which is 14% of the overall budget set for 2020/21 of £9.411 million, due to the current pressures on the Council's income targets due to the Covid 19 situation and extra expenditure incurred. The loss of income streams already experienced by the Council in April, May and June 2020 total £1.247 million, as shown in Section 6 of the report.
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 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

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

Appendix B – Savings/Additional income schedule

Appendix C – Lobbying letter from South West Councils to the Rt Hon Robert Jenrick MP (Secretary of State for Housing, Communities and Local Government).

Background Papers:

Executive – 18 June 2020 - Month 1 and 2 Revenue Budget Monitoring 2020/2021

Finance Community of Practice budget monitoring working papers.