

Report to: **Executive**

Date: **11th March 2021**

Title: **Month 10 Revenue Budget Monitoring
2020/2021 (to the end of January 2021)**

Portfolio Area: **Support Services – Cllr H Bastone**

Wards Affected: **All**

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

Date next steps can be taken: **The recommendations will be considered at the Council meeting to be held on 25 March 2021**

Author: **Pauline Henstock** Role: **Head of Finance Practice and Deputy S.151 Officer**

Lisa Buckle **Corporate Director for Strategic Finance (S151 Officer)**

Contact: pauline.henstock@swdevon.gov.uk
lisa.buckle@swdevon.gov.uk

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 surplus of £321,000 against the 2020/21 Amended Budget (3.41% of the total Budget £9.41 million).**
- ii) RECOMMEND to Council to transfer the business rates pooling gain of £225,000 for 2020/21, into the Business Rates Retention Earmarked Reserve at 31.3.2021. If approved by Council in March 2021, *this would leave a remaining surplus on the 2020/21 Accounts position of a surplus of £96,000 (£321,000 less £225,000) against the 2020/21 Amended Budget.***

- iii) **RECOMMEND to Council to transfer £120,000 of salary savings from 2020/21, into a Salary Savings Earmarked Reserve at 31.3.2021, to be ringfenced to support salary costs in 2021/22 as set out in section 1.8.**
- iv) **RECOMMEND to Council to transfer £80,000 of the underspend in the waste budget into the Sustainable Waste Management Earmarked Reserve to reflect the fact that the majority of the implementation costs of Devon Aligned Service will now be in 2021/22, as opposed to being anticipated to be in 2020/21, as set out in section 1.11.**
- v) **RECOMMEND to Council to transfer any award from the National Leisure Recovery Fund (the national £100million Leisure Fund), into a Leisure Earmarked Reserve as set out in Section 1.13. The Council's indicative allocation is £160,000, which has been applied for.**

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.
- 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 (£9.41 million net). This report identifies a projected surplus of £321,000 which is 3.41% of the overall Amended Budget set for 2020/21 of £9.41 million.
- 1.5 This position is after taking into account the £1.121 million Government grant already received for Covid-19 and the estimated £903,000 Government funding that the Council is anticipating towards income losses on sales, fees and charges. This position is also after factoring in the one-off funding sources of £1.313 million, which were approved by Council on 24th September 2020 for the Amended Budget for 2020/21.

- 1.6 Members will note that the budget monitoring position in March 2021 (£321,000 predicted surplus for 2020/21) has improved significantly compared to the December 2020 budget monitoring report which projected a surplus of £69,000. This is mainly due to:
- (a) **Business Rates Pooling Gain** – no Pooling Gain had been forecasted for 2020/21 and the Amended Budget set in September 2020 included no budget for a Business Rates Pooling Gain due to the uncertainty that the pandemic would have on the collectability of business rates income, levels of write offs and bad debt provisions. However following completion of the NNDR1 form (Government return) at the end of January and recent collection rates, the quarter 3 Business Rates Pooling Gain forecast shows that the 2020/21 budget target of £225,000 should be achieved. ***This has changed the budget monitoring position by £225,000, which is a significant benefit to the overall financial position for 2020/21.***
 - (b) **Assets Income** – due to actively pursuing the unpaid debtor invoices and supporting our customers with options such as payment arrangements, the anticipated income shortfall has reduced significantly. For example the projected income shortfall for Employment Estates has reduced from £130,000 (a 15% loss) in the December 2020 budget monitoring report to £40,000 (a 5% loss) in the March 2021 report.
- 1.7 Taking this improved position into account for 2020/21, it is recommended to transfer the forecasted Business Rates Pooling Gain for 2020/21 of £225,000 into the Business Rates Retention Earmarked Reserve. **This would reduce the projected surplus for 2020/21 from £321,000 to £96,000** as shown in Table 2 at the bottom of Section 3 of the report.
- 1.8 It is recommended to transfer £120,000 of salary savings into a Salary Savings Earmarked Reserve to be ringfenced to support salary costs in 2021/22. These savings have mainly arisen from vacancies in 2020/21 and are needed in 2021/22 to cover staffing pressures. Some work has had to be postponed due to the extra work pressures of the pandemic and this work will need to be carried out in 2021/22 to maintain and enhance service delivery and address recommendations from internal audit reports.
- 1.9 In the area of Revenues and Benefits, some of the work involved in the main service which is not time specific will now need to be done in 2021/22 (such as checks on eligibility for reliefs and discounts, processing information which has been provided through the administration of the business grants to enhance our records). In addition, post payment assurance testing for the business rates grants will need to be continued to be carried out in 2021/22.

- 1.10 In the area of Governance and Assurance, there is work needed to ensure that the Council meets its data protection and compliance obligations under the General Data Protection Regulations and further embeds data privacy within all policies, procedures and practices. Further work is needed with regard to corporate risk management principles and practice. This will include development and ongoing maintenance of the Council's Business Continuity and Emergency Planning requirements.
- 1.11 It is recommended to transfer £80,000 into the Sustainable Waste Management Earmarked Reserve to support the implementation costs of Devon Aligned Service in 2021/22. It was originally envisaged that the Devon Aligned Service would commence in September 2020 and a one off cost pressure of £175,000 was built into the 2020/21 budget for implementation costs. However, due to Covid 19 the implementation of the Devon Aligned Service has been delayed into 2021/22. It is therefore recommended to transfer the underspend of £80,000 in 2020/21 to the Waste Earmarked Reserve to support the implementation of the Devon Aligned Service in 2021/22.
- 1.12 The £321,000 surplus predicted in this report is the position after factoring in these two recommended transfers into Earmarked Reserves set out in paragraphs 1.8 and 1.9.
- 1.13 The Council has submitted its application for the National Leisure Recovery Fund (NLRF) and await its outcome. A total of £100million is available to the leisure sector and covers the period of December 2020 to March 2021. South Hams District Council has had an indicative allocation of £160,000, which has been applied for. The outcome of the application will be known by the middle of March and paid before 31.3.2021. It is recommended that any award from the NLRF is transferred into a Leisure Earmarked Reserve, with its future use to be the subject of a future report to the Executive/Council.
- 1.14 The loss of income streams already experienced by the Council from April 2020 to January 2021 total £1.569 million, as shown in Section 6 of the report.

2. Background

2.1 Regional and national context

2.2 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
- 2.3 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.
- 2.4 This has been estimated at £903,000 for the Council for 2020/21, based on the income shortfalls to date. The first claim for £560,625 has already been paid by the Government and a second claim for £66,000 has been submitted. In the Spending Review announced on 25th November 2020, the Chancellor confirmed that the sales, fees and charges income compensation scheme will be extended to cover the first three months of 2021/22.
- 2.5 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.
- 2.6 The Chancellor announced a Tax Income Guarantee Scheme for 2020/21 as part of the Spending Review 2020. The new reimbursement scheme, worth £762m nationally for 2020/21 local tax losses, will be launched to compensate Councils for 75% of irrecoverable losses of council tax and business rates revenues in 2020/21 that would otherwise need to be funded through local authority budgets in 2021/22 and later years. This will be paid through an unringfenced grant. Further details are awaited.

2.7 Financial Monitoring arrangements

- 2.8 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 more regular basis.

3. Outcomes/outputs

- 3.1 **Budget overview** - Table 1 below provides an analysis of the projected variances against budget.

TABLE 1: 2020/21 BUDGET FORECAST

	2020/21 Budget expenditure /(income)	Budget variations		£000	Note
	£000	%	£000		
APPROVED BUDGET 20/21				9,411	
Reductions in expenditure/additional income					
Customer Service & Delivery					
COVID-19 Government grant support (the Council's share of allocations – 1 st , 2 nd and 4 th tranches of COVID funding)	-	-	(1,000)		A
Savings on staff and Member travel and expenses	98	51%	(50)		B
Savings on trade waste disposal costs	390	36%	(140)		C
Salary savings	9,456	1%	(120)		D
Place and Enterprise					
Salaries – Devon Aligned Service implementation	(125)	64%	(80)		E
Employment Estates electricity credit	37	189%	(70)		F
Follaton House utility savings	142	14%	(20)		G
Follaton House service charge income	54	28%	(15)		H
Sub total of variations				(1,495)	
Increases in expenditure/reductions in income					
Customer Service & Delivery					
COVID-19 expenditure	n/a	n/a (no budget)	580		I
Planning income	(918)	16%	150		J
Homelessness – reimbursement of expenditure	(256)	12%	30		K
Investment income	(203)	17%	35		L
Licensing income	(201)	30%	60		M
Council Tax Collection income	(155)	81%	125		N
Housing Benefit overpayment recoveries	(145)	100%	145		O
Pannier Markets income	(110)	45%	50		P
Pollution Control income – mainly private water sampling	(33)	30%	10		Q

	2020/21 Budget expenditure /(income)	Budget variations			Note
Place and Enterprise					
Car and boat parking income - assumes actual losses in April to January, 80% reduction in February and 50% reduction in March	(3,160)	30%	960		R
Employment Estates income	(877)	5%	40		S
Dartmouth Lower Ferry income	(818)	21%	174		T
Dartmouth Lower Ferry fleet refurbishment	140	36%	50		U
Community Parks & Open Spaces income	(129)	12%	15		V
Coast Protection income	(59)	34%	20		W
Outdoor Sports & Recreation income	(50)	80%	40		X
Public Conveniences pay on entry income	(20)	50%	10		Y
Governance & Assurance					
Waste & Recycling – delay to the September 2020 go live date for Devon Aligned Service	2,778	9%	251		Z
Trade Waste income	(819)	22%	180		AA
Other Comprehensive Income & Expenditure					
Provision for Bad and Doubtful Debts	n/a	n/a	165		BB
Sub total of variations				3,090	
PROJECTED OUTTURN				11,006	
Government grant funding anticipated from the income guarantee scheme for sales, fees and charges				(903)	CC
Transfer to a COVID Earmarked Reserve: (Fourth tranche of COVID funding of £100K)				100	DD
Recommendation 3: Transfer to a Salary Savings Earmarked Reserve: (Salary savings from vacancies in 2020/21).				120	EE

	2020/21 Budget expenditure /(income)	Budget variations			Note
Recommendation 4: Transfer to the Sustainable Waste Management Earmarked Reserve: (Underspend on the Implementation costs of Devon Aligned Service)				80	FF
Amended Budget 2020/21 financing sources (includes the third tranche of Government COVID funding of £121K)				(1,313)	GG
Sub-total				9,090	
PROJECTED SURPLUS FOR 2020/21				(321)	

There is projected to be an overall surplus of £321,000 when compared against the Amended Revenue Budget set for 2020/21.

This position is after taking into account the £1.12 million Government grant received for Covid-19 and the estimated £903,000 of Government funding that the Council is anticipating towards income losses on sales, fees and charges.

Notes

- A. **COVID-19 grant support** – The Council has received £1.12m of Government grant support for the Covid19 pandemic from four tranches of Government funding. This will assist the Council to partly meet its projected loss of income streams but it is only 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 AA) there is likely to be a consequential reduction in disposal costs of £140,000 in 2020/21.
- D. **Salary savings** – an underspend on the salaries budget of £120,000 is currently anticipated for 2020/21. This mainly due to vacancies.
- E. **Salaries – Devon Aligned Service** – it was originally envisaged that the Devon Aligned Service would commence in September 2020 and a one off cost pressure of £175,000 was built into the 2020/21 budget for implementation costs. However, due to Covid 19 the

implementation of the Devon Aligned Service has been delayed and an underspend of £80,000 in the one-off implementation costs is anticipated for 2020/21. It is recommended to transfer the £80,000 into the Waste Earmarked Reserve at 31.3.2021, for use in 2021/22.

- F. **Employment Estates electricity credit** – an electricity credit of £70,000 has been received in 2020/21 in respect of one of the Council's Employment Estates.
- G. **Follaton House utility savings** – savings on utility costs, mainly water and electricity.
- H. **Follaton House service income** – additional service income of £15,000 in respect of Follaton House is anticipated for 2020/21.
- I. **COVID-19 expenditure** – One-off items of direct Covid 19 expenditure such as extra housing and homelessness costs, ICT and remote working, waste, cleaning costs, community support and shielding costs. These costs are included on the monthly DELTA Government returns completed.
- J. **Planning income** – planning income is projected to be down by 16% (£150,000) due to Covid 19, this is a slightly improved position from the December monitoring report which projected a 24% shortfall. However, this is a volatile area which can be very difficult to forecast so it will be kept under close review.
- K. **Homelessness – reimbursement of homelessness expenditure** is currently forecast to be reduced by 12% (£30,000) due to Covid 19.
- L. **Investment income** – due to the historic low in interest rates (base rates are 0.1%), investment income is currently anticipated to be 17% down which equates to a shortfall of £35,000. Further options for fixed term deposits will continue to be explored with the Council's treasury management advisers.
- M. **Licensing income** – due to Covid-19 it is currently anticipated that licensing income could be reduced by 30% (£60,000) in 2020/21.
- N. **Council Tax Collection income** – summons costs recovered in respect of Council Tax and Business Rates are currently anticipated to be 81% down on the 2020/21 budget.
- O. **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 has been reduced to Nil for 2021/22 and reflected within the Medium Term Financial Strategy.

- P. **Pannier Markets income** – assumes a 45% drop in Pannier Markets income in the year.
- Q. **Pollution Control income** – pollution control income (mainly private water sampling) is likely to be 30% down on budget due to Covid 19.
- R. **Car & boat parking income** – The prediction for the year (a £960,000 reduction in income) includes the actual losses in car parking income for the first ten months and an assumption of a 80% drop in February and a 50% drop in March. This would equate to an overall 30% reduction in the budgeted income for the year of £3.160 million. This compares to an overall 35% reduction projected in the December monitoring report. The actual shortfall in income from April to January is £756,000. This position will continue to be monitored on a monthly basis.
- S. **Employment Estates income** – based on a detailed review of invoices paid to date the projected income shortfall has been reduced from 15% (£130,000) in the December monitoring report to 5% (£40,000) in the March 2021 report.
- T. **Dartmouth Lower Ferry income** – assumes a reduction in income of 21% over the financial year which equates to a loss of £174,000. In the first ten months to the end of January, the ferry income has been down by £123,000 in total.
- U. **Dartmouth Lower Ferry fleet refurbishment** – The fleet refurbishment cost is predicted to be £50,000 in excess of the budgeted amount.
- V. **Community Parks & Open Spaces income** – a number of debtor invoices have recently been paid leading to a significant drop in the income shortfall for Community Parks and Open Spaces. The projection has reduced from a 78% (£100,000) shortfall in December to 12% (£15,000) in this report.
- W. **Coast Protection income** – Coast Protection income is likely to be 34% down on the 2020/21 budget due to Covid 19. This equates to £20,000.
- X. **Outdoor Sports & Recreation income** – an income shortfall of £40,000 is currently anticipated for outdoor sports and recreation due to Covid 19 (contribution for use of leisure facilities).
- Y. **Public Conveniences pay on entry income** – due to Covid 19 and the lockdown measures pay on entry income is anticipated to be down by £10,000. A proportion of this can be recovered on the sales, fees and charges income compensation scheme.

- Z. **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. The costs of £251,000 are included on the monthly DELTA Government returns completed.

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 £251,000 (based on a six 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.

- AA. **Trade Waste income** – it is currently modelled that trade waste income could be down by 22% in 2020/21 due to Covid 19 equating to £180,000. However, this cost is anticipated to be partly offset by a reduction in trade waste disposal costs of £80,000 (see Note C. above)
- BB. **Provision for Bad and Doubtful Debts** – An increase in the provision for bad and doubtful debts of £165,000 has been estimated for 2020/21. 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.
- CC. **Government Grant Funding for Income Losses** – on 2 July, the Rt Hon Robert Jenrick MP announced 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 £903,000 for the Council for 2020/21, based on the latest projected income shortfalls. The first claim for £560,625 has already been paid by the Government and a second claim for £66,000 has been submitted.
- DD. **Transfer to Earmarked Reserves** – At the Executive meeting on 17th December 2020 it was recommended to transfer £100,000 into a COVID Earmarked Reserve, to protect against future COVID losses in 2021/22. The £100,000 is the 4th tranche of Government COVID funding. This will provide some funding in 2021/22, should the Council still be experiencing losses in income from COVID.

EE. **Transfer to Earmarked Reserves** – It is recommended to transfer £120,000 of salary savings from 2020/21, into a Salary Savings Earmarked Reserve at 31.3.2021, to be ringfenced to support salary costs in 2021/22. These savings have mainly arisen from vacancies in 2020/21 and are needed in 2021/22 to cover staffing pressures. This is further set out in 1.8 to 1.10.

FF. **Transfer to Earmarked Reserves.** It is recommended to transfer £80,000 into the Sustainable Waste Management Earmarked Reserve to support the implementation costs of Devon Aligned Service in 2021/22. It was originally envisaged that the Devon Aligned Service would commence in September 2020 and a one off cost pressure of £175,000 was built into the 2020/21 budget for implementation costs. However, due to Covid 19 the implementation of the Devon Aligned Service has been delayed into 2021/22. It is therefore recommended to transfer the underspend of £80,000 in 2020/21 to the Waste Earmarked Reserve to support the implementation of the Devon Aligned Service in 2021/22. (See Note Z above for further information).

GG. **Amended Budget 2020/21** – The Council set an Amended Budget in 2020/21 on 24th September 2020. The one-off funding sources identified totalled £1.313m.

The Revised Position for 2020/21

3.2 This report identifies a projected surplus of £321,000 against the Amended Budget for 2020/21 which compares to a surplus of £69,000 reported in December. Taking this improved position into account for 2020/21, it is recommended to transfer the forecasted Business Rates Pooling Gain for 2020/21 of £225,000 into the Business Rates Retention Earmarked Reserve. **This would reduce the projected surplus for 2020/21 from £321,000 to £96,000** as shown in Table 2 below:

TABLE 2 : 2020/21 REVISED BUDGET FORECAST

Projected surplus for 2020/21	(£321,000)
Recommendation 2: Recommend to Council to transfer the business rates pooling gain of £225,000 for 2020/21, into the Business Rates Retention Earmarked Reserve	£225,000
REVISED PROJECTED SURPLUS FOR 2020/21	(£96,000)

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 £11.031 million at 31.3.2021 currently.

4.3 The Council's level of Unearmarked Reserves currently stands at £1.898 million. The residual surplus of £96,000 would go into Unearmarked Reserves at the year end, in accordance with normal accounting practice. It was approved as part of the Amended Budget to use £200,000 from Unearmarked Reserves to fund the Base Budget. This gives a predicted year end balance of £1.794 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 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 to January 2021 (**which total £1,569,000**). The table also shows the latest 2020/21 projections for the major streams of income.

Service	April - June 2020 £'000	July - Sept 2020 £'000	Oct - Dec 2020 £'000	Jan 2021 £'000	Projected Income 2020/21 £'000	Income Budget 2020/21 £'000	Deficit/ (Surplus) £'000	Deficit/ (Surplus) %
Car Parks*	633	(18)	77	64	2,200	3,160	960	30%
Planning	67	48	7	(29)	768	918	150	16%
Employment Estates*	56	54	(18)	(18)	837	877	40	5%
Trade Waste*	75	57	39	10	639	819	180	22%
Dartmouth Ferry	155	(37)	(9)	14	644	818	174	21%
Homelessness *	31	33	(7)	(9)	226	256	30	12%
Business Rates Pooling Gain	-	-	-	-	225	225	-	-
Investment income	45	18	(8)	(7)	168	203	35	17%
Licensing*	29	3	11	5	141	201	60	30%
Land Charges	22	(25)	(16)	(4)	170	170	-	-
Council Tax Collection	18	33	37	13	30	155	125	81%

Service	April - June 2020 £'000	July – Sept 2020 £'000	Oct - Dec 2020 £'000	Jan 2021 £'000	Projected Income 2020/21 £'000	Income Budget 2020/21 £'000	Deficit/ (Surplus) £'000	Deficit/ (Surplus) %
Housing Benefit overpayments	36	36	36	12	-	145	145	100%
TOTAL	1,167	202	149	51	6,048	7,947	1,899	24%

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 detailed review has been undertaken for this report looking at the debt outstanding and making a best judgement in terms of how much debt is likely to remain unpaid.

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. Following completion of the NNDR1 form in January 2021 and recent collection rates, the quarter 3 Business Rates Pooling Gain forecast shows that the 2020/21 budget target of £225,000 for a pooling gain should be achieved. This position has been reflected in this report.

On 25th November 2020, the Chancellor announced a Tax Income Guarantee Scheme for 2020/21 as part of the Spending Review 2020. The new reimbursement scheme, worth £762m nationally for 2020/21 local tax losses, will be launched to compensate Councils for 75% of irrecoverable losses of council tax and business rates revenues in 2020/21 that would otherwise need to be funded through local authority budgets in 2021/22 and later years. This will be paid through an unringfenced grant.

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
- Regular budget monitoring reports, to including monitoring reserves
- A continual review of the Council's Capital Programme
- A continual review of all Earmarked Reserves and contributions to Earmarked Reserves
- The Medium Term Financial Strategy was revised in October 2020
- To lobby for fair funding for rural Councils
- Assess options for further investment

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 by 31.3.2021. 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 during the current Covid 19 situation.

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 £321,000 which is 3.41% of the overall budget set for 2020/21 of £9.41 million (Amended Budget). This position is after taking into account the £1.12 million Government grant received for Covid-19 and the estimated £903,000 Government funding that the Council is anticipating towards income losses on sales, fees and charges. This position is also after factoring in the one-off funding sources of £1.313 million, which were approved by Council on 24th

		<p>September 2020 for the Amended Budget for 2020/21.</p> <p>Taking this improved position into account for 2020/21, it is recommended to transfer the forecasted business rates pooling gain of £225,000 for 2020/21 into the Business Rates Retention Earmarked Reserve. This would reduce the projected surplus for 2020/21 to £96,000 as shown in Table 2 at the bottom of Section 3 of the report.</p> <p>The loss of income streams already experienced by the Council from April 2020 to January 2021 total £1.569 million, as shown in Section 6 of the report.</p> <p>It is recommended to transfer £120,000 of salary savings from 2020/21 into a Salary Savings Earmarked Reserve at 31.3.2021, to be ringfenced to support salary costs in 2021/22.</p> <p>It is recommended to transfer £80,000 of the underspend in the waste budget into the Sustainable Waste Management Earmarked Reserve, for the implementation costs of Devon Aligned Service in 2021/22.</p> <p>It is recommended to transfer any award from the National Leisure Recovery Fund (the national £100million Leisure Fund), into a Leisure Earmarked Reserve. The Council's indicative allocation is £160,000, which has been applied for.</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		<p>The budget monitoring process supports all six of the Corporate Strategy Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing.</p>

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>
<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)

Background Papers:

Council – 11th February 2021 – Budget 2021/22

Executive – 17th December 2020 – Month 7 Revenue Budget Monitoring 2020/21

Council – 24th September 2020 – Amended Budget 2020-21

Executive – 30th July 2020 – Month 3 Revenue Budget Monitoring 2020/21

Executive – 18th June 2020 - Months 1 & 2 Revenue Budget Monitoring 2020/2021

Finance Community of Practice budget monitoring working papers.