

Report to: **Executive**

Date: **16 September 2021**

Title: **Month 4 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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**RECOMMENDATION:**

**That the Executive resolves to note the forecast income and expenditure variations for the 2021/22 financial year and the overall projected surplus of £92,000 (1.0% of the total Budget £9.677 million).**

**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 £92,000 which is nearly 1.0% of the overall Budget set for 2021/22 of £9.677 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: 2021/22 BUDGET FORECAST**

	2021/22 Budget expenditure /(income)	Budget variations		£000	Note
		%	£000		
	£000			£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)	30%	(280)		A
Land Charges income	(170)	19%	(33)		B
IT and digital communications	158	13%	(20)		C
<b>Place and Enterprise</b>					
Car and boat parking income	(3,162)	5%	(165)		D
Dartmouth Lower Ferry income	(827)	12%	(102)		E
Employment Estates income	(887)	9%	(80)		F
Follaton House – Covid-19 vaccination centre	n/a	n/a (no budget)	(25)		G
<b>Governance and Assurance</b>					
Recycling income	(451)	16%	(70)		H
<b>Other Comprehensive Income &amp; Expenditure</b>					
Business Rates Pooling gain	(225)	33%	(75)		I
<b>Sub total of variations</b>				<b>(850)</b>	

<b>Increases in expenditure/reductions in income</b>					
<b>Customer Service &amp; Delivery</b>					
COVID-19 expenditure	n/a	n/a (no budget)	157		J
Planning salaries	922	19%	172		K
Licensing income	(201)	9%	19		L
Council Tax Collection income	(155)	26%	40		M
<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		N
<b>Other Comprehensive Income &amp; Expenditure</b>					
Investment income	(203)	33%	67		O
Provision for Bad and Doubtful Debts	n/a	n/a	80		P
<b>Sub total of variations</b>				<b>775</b>	
<b>PROJECTED OUTTURN</b>				<b>9,602</b>	
Government grant funding anticipated from the income guarantee scheme for sales, fees and charges for April to June 2021				<b>(17)</b>	Q
<b>Sub-total</b>				<b>9,585</b>	
<b>PROJECTED SURPLUS FOR 2021/22</b>				<b>(92)</b>	

***There is projected to be an overall surplus of £92,000 when compared against the Revenue Budget set for 2021/22.***

### **Notes**

- A. **Planning income** – additional income of £280,000 has been received as at 31 July 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 on this Executive agenda recommends that this additional income is utilised to fund additional temporary staffing costs in planning for 2021/22 (note K).
- B. **Land Charges income** – income is currently anticipated to exceed the 2021/22 target by £33,000 which equates to 19% of the annual income budget of £170,000.

- C. **Efficiencies from IT and digital communications** – due to the efficiencies brought about from IT and digital communications the postage budget is anticipated to be underspent by £20,000 in 2021/22.
- D. **Car & boat parking income** – additional income of £165,000 has been received as at 31 July 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.
- E. **Dartmouth Lower Ferry income** – additional income of £102,000 has been received as at 31 July 2021. This equates to 12% of the annual income target for Dartmouth Lower Ferry of £827,000.
- F. **Employment Estates income** – employment estates income is currently projected to be over budget by £80,000 in 2021/22.
- G. **Follaton House Covid-19 vaccination centre** – the current licence for the vaccination centre at Follaton House covers the period April 2021 to 31 August 2021. It is anticipated that this will generate £25,000 of income.
- H. **Recycling income** – The market for fibres (paper and card) and plastics has begun to improve over the past few months. We believe this is linked to greater demand as waste consumption habits changed with lockdown and has resulted in lower costs for reprocessing/greater income from these materials respectively. In addition, the new recycling service was designed to increase income by improving the quality and quantity of recyclables collected on the kerbside. Higher quality materials command a greater market price, whilst a greater quantity means that more material is available for sale and delivers more income from recycling credits. This is anticipated to generate additional income of £70,000 in 2021/22.
- I. **Business Rates Pooling gain** – it is currently anticipated that a Business Rates Pooling gain of £300,000 will be generated in 2021/22.
- J. **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.
- K. **Planning salaries** – additional temporary staffing cost within the Development Management Service is anticipated to cost £171,900 in 2021/22. This can be met from the additional planning income generated by the service as shown in note 'A' above. Approval is sought for this in the Planning Improvement Plan report, a separate item on this Executive agenda.

- L. **Licensing income** – as at the end of July 2021 there was a shortfall of £19,000 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.
- M. **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.
- N. **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 first budget monitoring report of the year, in the absence of any firmer figures at this stage. The Council is continuing dialogue with its waste contractor (FCC) and there is a separate report on the Executive agenda regarding the waste contract. Costs are associated with continuing to supply single-use sacks for recycling and the reprocessing of the recyclable materials in the current global market.

- O. **Investment income** – due to the historic low in interest rates (base rates are 0.1%), investment income is currently anticipated to be 33% down which equates to a shortfall of £67,000 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 estimated at £17,000 for April to June 2021.

### **3. Savings/Additional Income identified 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 is on the Executive Forward Plan for October and any financial implications arising from Member decisions within the report will be built into the next Budget Monitoring report.

### **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 £13.137 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 £92,000 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 £2.214 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 July 2021. The table also shows the latest 2021/22 projections for the major streams of income.

Service	Deficit/ (Surplus) April – July 2021 £'000	Projected Income 2021/22 £'000	Income Budget 2021/22 £'000	Deficit/ (Surplus) £'000	Deficit/ (Surplus) %
Car Parks	(165)	3,327	3,162	(165)	(5%)
Planning	(280)	1,200	920	(280)	(30%)
Employment Estates	(85)	967	887	(80)	(9%)
Trade Waste	-	819	819	-	-
Dartmouth Ferry	(102)	929	827	(102)	(12%)
Recycling	-	521	451	(70)	
Business Rates Pooling Gain	-	300	225	(75)	(33%)
Investment income	45	136	203	67	33%
Licensing	19	182	201	19	9%
Land Charges	(33)	203	170	(33)	(19%)
<b>TOTAL</b>	<b>(601)</b>	<b>8,584</b>	<b>7,865</b>	<b>(719)</b>	<b>(9%)</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.

	<b>Budget variations overspend/ (underspend) £000</b>	<b>Management Action</b>
<b>Reductions in expenditure/additional income</b>		
Planning income	(280)	This will be kept under review during 2021/22. It is recommended in a separate report on this Executive agenda to fund temporary planning salaries of £171,900 from this additional income.
Land Charges income	(33)	Income levels will be kept under review in 2021/22.
IT and digital communications	(20)	A saving of £20,000 has been built into the 2022/23 budget.
Car and boat parking income	(165)	This will be kept under review during 2021/22.
Dartmouth Lower Ferry income	(102)	Income levels will be kept under review in 2021/22.
Employment Estates income	(80)	Additional income of £80,000 has been built into the 2022/23 budget.
Follaton House – Covid-19 vaccination centre	(25)	This arrangement will be kept under review.
Recycling income	(70)	Additional income of £70,000 has been built into the 2022/23 budget.
Business Rates Pooling Gain	(75)	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	157	This expenditure will be kept under close review and will be included in the Government DELTA returns.



	<b>Budget variations overspend/ (underspend) £000</b>	<b>Management Action</b>
Planning salaries	172	It is recommended to fund this temporary salary cost from additional planning income in 2021/22.
Licensing income	19	Income levels will be kept under review in 2021/22.
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) and there is a separate report on the Executive agenda regarding the waste contract. See Note N for more detail.
Investment income	67	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	The report identifies a projected surplus of £92,000 which is nearly 1.0% of the overall budget set for 2021/22 of £9.677 million.
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.