

Report to: **Hub Committee**

Date: **7 December 2021**

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

Portfolio Area: **Performance & Resources – Cllr C Edmonds**

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 Hub Committee RESOLVES to:-

- i) NOTE the forecast income and expenditure variations for the 2021/22 financial year and the overall projected deficit of £33,000 (0.5% of the total Budget £7.302 million), which is very close to a break-even position.**
- ii) RECOMMEND to Council to apply up to £80,000 from the Salary Savings 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 2021/22 was set at £23 million (£7.302 million net). This report identifies a projected deficit of £33,000 which is 0.5% of the overall Budget set for 2021/22 of £7.302 million. This is very close to a break-even position.

- 1.3 **Salaries** – salary costs are predicted to be on target after applying a contribution of £80,000 from the Salary Savings Earmarked Reserve. This 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 (Minute HC 68).

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 Hub Committee 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			Note
		%	£000	£000	
	£000		£000	£000	
APPROVED BUDGET				7,302	
Reductions in expenditure/additional income					
Customer Service & Delivery					
Planning income	(402)	7%	(30)		A
Land Charges income	(95)	10%	(10)		B
Savings on staff and Member travel and expenses	91	33%	(30)		C
Homelessness prevention costs	93	54%	(50)		D
Governance and Assurance					
Garden Waste income	(245)	9%	(21)		E
Trade Waste income	(15)	160%	(24)		F

Other Comprehensive Income & Expenditure					
Business Rates Pooling gain	(135)	22%	(30)		G
Sub total of variations				(195)	
Increases in expenditure/reductions in income					
Customer Service & Delivery					
COVID-19 expenditure	n/a	n/a (no budget)	114		H
Planning salaries	348	9%	30		I
ICT Support Contracts	498	6%	30		J
Council Tax Collection income	(102)	20%	20		K
Place and Enterprise					
Car Parking Income (net loss is £69,000 as Government compensation of £46,000 is projected as Note P)	(1,147)	10%	115		L
Joint Local Plan Contribution	n/a	n/a (no budget)	25		M
Governance & Assurance					
Waste & Recycling – 3 Weekly Waste Trials	n/a	n/a	50		N
Other Comprehensive Income & Expenditure					
Investment income	(105)	77%	80		O
Sub total of variations				464	
PROJECTED OUTTURN				7,571	
Government grant funding anticipated from the income guarantee scheme for sales, fees and charges for April to June 2021 (mainly to compensate for loss of car parking income in the first quarter)				(46)	P
Transfer from Earmarked Reserve: Transfer funding from the COVID-19 Losses Earmarked Reserve (to fund COVID-19 expenditure of and net losses on car parking income				(190)	Q
Sub-total				7,335	
PROJECTED DEFICIT FOR 2021/22				33	

There is projected to be an overall deficit of £33,000 when compared against the Revenue Budget set for 2021/22. This is very close to a break-even position.

Notes

- A. **Planning income** – additional income of £30,000 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 Hub Committee meeting on 2nd November 2021 recommended that this additional income is utilised to fund additional staffing costs in planning for 2021/22 (note I).
- B. **Land Charges income** – income is currently anticipated to exceed the 2021/22 target by £10,000 which equates to 10% of the annual income budget of £95,000.
- C. **Savings on staff and Member travel and expenses** – due to Covid 19, it is currently anticipated that a saving of up to £30,000 could be achieved in 2021/22. These savings are due to staff and Members working from home.
- D. **Homelessness Prevention** – homelessness prevention costs are currently anticipated to be underspent by £50,000 in 2021/22.
- E. **Garden Waste Income** – income is currently anticipated to exceed the 2021/22 target by £21,000 which equates to 9% of the annual income budget of £245,000.
- F. **Trade Waste Income** - income is currently anticipated to exceed the 2021/22 target by £24,000 which equates to 160% of the annual income budget of £15,000.
- G. **Business Rates Pooling gain** – the latest Business Rates Pooling Gain forecast indicates that a Pooling Gain of around £165,000 will be achieved in 2021/22. This is £30,000 higher than the budgeted amount of £135,000.
- 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 temporary staffing cost within the Development Management Service is anticipated to cost £30,000 in 2021/22. This can be met from the additional planning income generated by the service as shown in note 'A' above. At the Hub Committee meeting on 2nd November 2021 it was recommended to fund six additional posts (shared with South Hams) from additional planning income.

- J. **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
- K. **Council Tax Collection income** – summons costs recovered in respect of Council Tax and Business Rates are currently anticipated to be 20% down on the 2021/22 budget.
- L. **Car Parking income** - as at the end of October 2021 there was a shortfall of £115,000 in car parking income. For the purposes of the 2021/22 projection, it has been assumed that income will be on budget for the remainder of the year. 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 and projected Government compensation of £46,000, as shown in note 'P' below. Therefore the net loss on car parking income would be £69,000 for 2021/22.
- M. **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 consider building 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.
- N. **Waste and Recycling** – The Revenue Budget for 2021/22 included potential additional income of £50,000 in 21/22 and a further £75,000 in 22/23 for income from the possibility to move to a three weekly waste collection. It was stated that this was dependent on the outcome of the results from the three weekly trials. As set out within a separate report to the Hub Committee on 21 September, it was agreed that the trial of the three weekly residual (black sack) collections was not extended to the whole of the Borough in Spring 2022 and this recognised the potential impact of making a major service change at a time when significant structural changes are expected in the waste industry and other external pressures, including the national LGV driver shortage.
- O. **Investment income** – due to the historic low interest rates (base rates are 0.1%), investment income is currently anticipated to be 77% down which equates to a shortfall of £80,000 in 2021/22. Further options for fixed term deposits will continue to be explored with the Council's treasury management advisers.

P. **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 £46,000 for April to June 2021, which is mainly for the loss of car parking income.

Q. **Transfer from Earmarked Reserves** – At the Hub Committee meeting on 21st September 2021 it was recommended to utilise funding of £190,000 from the COVID-19 Losses Earmarked Reserve in 2021/22, to fund COVID-19 expenditure in 2021/22 and the projected net losses on car parking income in 2021/22 (HC 28/21).

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 Hub Committee at the 1 February 2022 meeting.

3.3 **Salaries** - salary costs are predicted to be on target after applying a contribution of £80,000 from the Salary Savings Earmarked Reserve. This 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 (HC 68).

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 £5.386 million at 31 March 2022 currently.

4.3 Although our Earmarked Reserves appear to have increased substantially overall in 2020/21, an amount of £2.61m 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 £1.294 million. The deficit of £33,000 would go into Unearmarked Reserves at the year end, in accordance with normal accounting practice. This gives a predicted year end balance at 31.3.2022 of £1.261 million for Unearmarked Reserves.

5. Prudential Indicators

5.1 The prudential code indicators were approved in the Capital, Investment and Treasury Management Strategy report to the Council on 30 March 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 Parking	115	(1,032)	(1,147)	115	10%
Planning Applications & Advise	(30)	(432)	(402)	(30)	(7%)
Employment Estates	-	(327)	(327)	-	-
Garden Waste	(168)	(266)	(245)	(21)	(9%)
Trade Waste	(24)	(39)	(15)	(24)	(160%)

Service	Deficit/ (Surplus) April – October 2021 £'000	Projected Income 2021/22 £'000	Income Budget 2021/22 £'000	Deficit/ (Surplus) £'000	Deficit/ (Surplus) %
Business Rates Pooling Gain	45	(165)	(135)	(30)	(22%)
Licensing	1	(114)	(114)	-	-
Interest & Investment Income	35	(25)	(105)	80	77%
Local Land Charges	(10)	(105)	(95)	(10)	(10%)
TOTAL	(36)	(2,505)	(2,585)	80	3%

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
Reductions in expenditure/additional income		
Planning income	(30)	This will be kept under review during 2021/22. The Planning Improvement Plan report approved at the Hub Committee meeting on 2 nd November 2021 (HC 38/21) that this additional income is utilised to fund additional staffing costs in planning in 2021/22.
Land Charges Income	(10)	Income levels will be kept under review in 2021/22.
Staff and Member travel and expenses	(30)	The projected underspend will be kept under review during the year.
Homelessness prevention costs	(50)	Homelessness prevention costs will be kept under review in 2021/22.

	Budget variations overspend/ (underspend) £000	Management Action
Garden Waste	(21)	Income levels will be kept under review in 2021/22
Trade Waste	(24)	Income levels will be kept under review in 2021/22
Business Rates Pooling Gain	(30)	This will be reviewed again following the Business Rates Pooling forecast for Qtr 3.
Increases in expenditure/reductions in income		
Covid Expenditure	114	This expenditure will be kept under close review and will be included in the Government DELTA returns.
Planning salaries	30	The Planning Improvement Plan report approved at the Hub Committee meeting on 2 nd November 2021 (HC 38/21) recommended to fund this additional salary cost from additional planning income in 2021/22.
ICT Support Contracts	30	A cost pressure of £30,000 will be considered to be built into the 2022/23 budget.
Council Tax collection income	20	Recovery of summons costs will be kept under review in 2021/22.
Car Parking Income	115	Income levels will be kept under review in 2021/22.
Joint Local Plan Contribution	25	A cost pressure of £25,000 will be considered being built into the 2022/23 budget.
3 weekly waste trials	50	A cost pressure for the £50,000 has been built into the 2022/23 Budget.
Investment Income	80	A cost pressure for £80,000 has been built into the Medium Term Financial Strategy for 2022/23 for the reduction in treasury management income.

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 Hub Committee 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><i>The report identifies a projected deficit of £33,000 which is 0.5% of the overall budget set for 2021/22 of £7.302 million. This is very close to a break-even position.</i></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">1) Budget variances – continual monthly budget monitoring at all levels within the Council ensures early identification of variances. Reporting to the Hub Committee provides an opportunity for Members to identify and instigate remedial action where appropriate.2) Resource Planning – the Hub Committee takes into account any significant issues when developing the Council's Medium Term Financial Strategy. These are identified in the

		Management Actions section of the report (Section 7).
Supporting Corporate Strategy		The budget monitoring process supports all of the Delivery Plans within the Council's strategic vision, 'A Plan for West Devon'.
Consultation and Engagement Strategy		External consultation and engagement has not been undertaken with regard to this report.
Climate Change – Carbon / Biodiversity Impact		<p>A report was presented to Council on 8th December 2020 'Climate Change and Biodiversity Strategy and Action Plan update'.</p> <p>In March 2021, Council approved to set up an Earmarked Reserve for £200,000 for the Recovery Plan and Corporate Strategy.</p> <p>Further detail is set out in the Council's 'A Plan for West Devon' strategic vision.</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