

2014/15 Revenue Budget Monitoring Report for the Quarter ending 30th September 2014

Executive Portfolio Holder: Tim Carroll, Finance and Spatial Planning
Chief Executive: Mark Williams, Chief Executive
Assistant Director: Donna Parham, Assistant Director – Finance and Corporate Services
Service Manager: Amanda Card, Finance Manager
Lead Officer: Jayne Beevor, Principal Accountant Revenue
Contact Details: Jayne.beevor@southsomerset.gov.uk or (01935) 462320

Purpose of the Report

The purpose of this report is to update Members on the current financial position of the revenue budgets of the Council and to report the reasons for variations from approved budgets for the period 1st April to 30th September 2014.

Forward Plan

This report appeared on the District Executive Forward Plan with an anticipated Committee date of 6th November 2014.

Public Interest

This report gives an update on the revenue financial position and budgetary variations of the Council as at 30th September 2014.

1) Recommendations

Members are recommended to:

- a) Note the current 2014/15 financial position of the Council;
- b) Note the reasons for variations to the previously approved budgets as detailed in paragraphs 3.3;
- c) Note the transfers made to and from reserves outlined in paragraph 11.1 and the position of the Area Reserves as detailed in Appendix C and the Corporate Reserves as detailed in Appendix D;
- d) Note the virements made under delegated authority as detailed in Appendix B;
- e) Approve the virements reported in paragraph 4.

2) Background

2.1 The 2014/15 original budget was approved by Council in February 2014. Under the Council's Financial Procedure Rules, budgets are split between "above" and "below" the line items, with budget holders being responsible for "above" the line items only. As every item of expenditure and income within the Council's accounts is "above" the line under the responsibility of an individual budget holder, this is purely a means of ensuring that individual managers focus their attention on what they can control.

3) Summary of the Current Revenue Financial Position and Forecast Outturn

3.1 Managers have been asked in 2014/15 to outline the actual expected outturn for the year and the reasons for under or overspends are provided by them.

3.2 The table below shows the position of revenue budgets as at 30th September 2014. This includes any approved transfers to or from reserves.

Approved base budget as at April 2014	£'000 17,541
Budget Carry Forwards approved June 2014 – Revenue Budgets	289
Savings from Area West markets returned to balances	(3)
Funding Empty Homes Officer	9
Funding of Legal costs	3
Revised Budget as at 30th September 2014	17,839

3.3 A summary of the revenue position as at 30th September 2014 is as follows:

Service	Original Budget £'000	Revised Budget £'000	Y/E Forecast £'000	Variance £'000	Comments on Major Variances (+/- £50,000)
Strategic Management	653.1	619.1	619.1	0.0	
Financial Services	1,386.1	1,450.1	1,269.0	(181.1)	Savings from reduced insurance premiums, secondment of a finance assistant and surplus interest receipts.
ICT Services	861.2	1,037.9	1,037.9	0.0	
Procurement & Risk Management	158.7	159.4	169.4	10.0	
Revenue & Benefits	223.8	226.4	226.4	0.0	
Democratic Services	994.0	1,031.7	981.7	(50.0)	Savings being made from reduced IT & printing & stationery costs.
Legal Services	208.9	228.4	199.4	(29.0)	
Fraud & Data Management	96.7	95.7	95.7	0.0	
Human Resources	303.9	307.0	307.0	0.0	
Place & Performance	271.9	115.8	115.8	0.0	
Economic Development	379.1	393.6	393.6	0.0	
Development Control	435.3	434.4	184.4	(250.0)	Planning fee income continues to exceed budget.

Service	Original Budget £'000	Revised Budget £'000	Y/E Forecast £'000	Variance £'000	Comments on Major Variances (+/- £50,000)
Spatial Policy	517.8	508.1	508.1	0.0	
Equalities	51.7	57.8	57.8	0.0	
Communities, Third Sector & Partnerships	419.2	421.6	421.6	0.0	
LSP	26.1	26.1	26.1	0.0	
Area East	199.1	221.2	221.2	0.0	
Area North	176.0	208.3	208.3	0.0	
Area South	255.4	269.2	269.2	0.0	
Area West	261.5	267.2	267.2	0.0	
Operations & Customer Focus	466.6	470.1	478.8	8.7	
Environmental Health	994.4	1,137.9	1,150.9	13.0	
Civil Contingencies	137.2	137.4	137.4	0.0	
Engineering & Property Services	(31.8)	(30.3)	(120.3)	(90.0)	Savings being made across a range of services. However they are offset by a predicted shortfall in car park income of £60k.
Building Control	(53.1)	(49.7)	(23.0)	26.7	
Streetscene	1,742.3	1,639.3	1,639.3	0.0	
Waste & Recycling	4,217.4	4,217.4	4,217.4	0.0	
Licensing	(43.5)	(37.8)	(42.8)	(5.0)	
Arts & Entertainment	334.4	382.1	371.0	(11.1)	
Sport & Leisure Facilities	232.2	232.2	232.2	0.0	
Community Health & Leisure	753.8	751.2	749.2	(2.0)	
Housing & Welfare	672.0	670.0	670.0	0.0	
Family Support Programme	0.0	0.0	0.0	0.0	
Countryside	239.4	240.3	240.3	0.0	
Total	17,540.8	17,839.1	17,279.3		
Underspend				(559.8)	

(Amounts shown in brackets are net income figures)

3.4 There is an expected net under spend on currently approved budgets of **£559.8k** by the end of the financial year. This will result in an under spend equivalent to 3.1% of the revised budget. Appendix A to this report sets out the detail of the current position on Council spending.

4) Budget Virements

Under the Financial Procedure Rules, providing that the Assistant Director-Finance & Corporate Services has been notified in advance, Assistant Directors/Managers may authorise any virements for an individual cost centre within their responsibility. Strategic Directors & Assistant Directors can authorise virements, up to a maximum of £25,000, for an overall Directorate that is within their area of responsibility. Portfolio Holders can approve virements between services within their areas of responsibility, up to a maximum of £25,000 per virement. These virements are listed in Appendix B for District Executive to note and have been approved by the Assistant Director-Finance & Corporate Services.

All virements outside of the criteria set out above need the approval of District Executive and are detailed in the table below.

Amount £	From	To	Details
159,800	Dev Control Fee Income Budget	Dev Control Consultants-£105,000 P&S-£5,500 & Legal Fees-£6,300	To fund in current year the increased spending on consultants, p&s and legal fees from the additional fee income being received

5) Delivery of Savings

As part of budget monitoring it is important to monitor that savings proposed in the 2014/15 budget setting exercise are being delivered. The table below details the major savings (savings over £25,000) that were proposed and the expected achievement of those savings at year-end.

Major Savings (Savings over £25,000)	2014/15 Budget Saving Target £'000	Estimated Actual Saving at Year-End £'000	(Shortfall) £'000
GIS-Reduction in IT & licence budgets	25.0	25.0	0.0
ICT-Changes to the Disaster Recovery Plan	26.6	26.6	0.0
Waste-Optimisation of Service	33.3	33.3	0.0
Property Services-Public Office utilities	51.0	51.0	0.0
Commercial Properties-Repairs & maintenance	35.0	35.0	0.0
Shared accommodation with SCC	94.6	94.6	0.0
HR-Transfer of Nursery	25.0	25.0	0.0
Essential user & mileage allowances	57.3	24.9	(32.4)
Travel costs	30.0	30.0	0.0
Crematorium Income	65.0	65.0	0.0
Licensing Income	30.0	30.0	0.0
Landcharges Income	50.0	50.0	0.0
Planning Fee Income	50.0	50.0	0.0
Area Restructure	89.0	89.0	0.0
Finance savings	29.5	29.5	0.0
Total Major Savings	691.3	658.9	(32.4)

6) External Partnerships and other Organisations

6.1 All key partnerships are monitored within SSDC's overall budget – there are currently no financial issues within SSDC's key partnerships. Members have requested some additional monitoring of the following substantial partnership:

6.2 South Somerset Voluntary Community Action (SSVCA) – In line with the service level agreement SSVCA has provided a statement on their financial position.

6.3 At the end of August the Management Accounts are predicting a small surplus figure at the year end.

7) Council Tax Reduction Scheme

7.1 The Council Tax Reduction Scheme commenced in April 2013. For 2014/15 the authority set a budget of £9.319 million for annual discounts. Of this sum £9.066 million has been allocated for the year leaving £0.253 for additional growth during the year.

7.2 The Hardship Scheme budget for 2014/15 is £30,000. At the end of September 2014 SSDC had received 105 requests for hardship relief of which 78 were successful. The amount awarded by the end of September 2014 is £8,750.50. We currently have 8 applications outstanding.

7.3 The collection rate for Council Tax was 57.39% by the end of September compared to 56.83% last year. This is an improvement of 0.54%. The improvement is largely because we commenced recovery proceedings earlier this year compared with last year when the Council Tax Reduction Scheme was introduced. This has resulted in the collection improvement in the first half of the year as many people's payments are ahead of where they were at this point last year. However, this means that in effect those people are on target to pay by the end of the year rather than being behind. For this reason it is anticipated that the end of year outturn will show only a slight improvement on 2013/14 as the reason for the higher collection ceases to take effect.

8) Non Domestic Rates

8.1 The collection rate for Non Domestic Rates was 54.94% at the end of September compared to 59.30% last year. We have had to put back the migration to a replacement Business Rate system which, along with a lack of resources in the Revenues Team has impacted the amount of recovery action we have been able to take in Q2. We are currently looking at how we can improve collection for the second half of this year.

9) Council Tax Reforms

9.1 Members agreed to amend some discounts to Council Tax from 1 April 2013, one of which relates to long term empty properties (unfurnished and unoccupied for 2 years or more). The number of these long term empty properties is currently 229, up from 195 at the end of Q1 2014/15. The reason for this is believed to be due to unsold new property such as Mc Carthy and Stone type developments. A lot of this type of property has come on stream recently and developers would rather keep it on the market and try and sell it (and pay the extra council tax) as opposed to letting it. The empty property officer has continued to work on and reduce the number of older empty properties.

10) Discretionary Housing Payments

10.1 From the Housing Benefit Subsidy monitoring at the end of September 2014, £95,018 DHPs have been made and £31,518 is committed for the second half of this financial

year. This compares to £83,210 paid and £37,663 committed for the same period in 13/14. We are currently projecting spend of 81% of the Government grant for DHP's. We currently have 54 outstanding applications so expect spend will increase as a percentage of the grant figure in the next quarter.

11) Reserves, Balances and Contingency

11.1 Reserves are amounts that have been set aside from annual revenue budgets to meet specific known events that will happen in the future. An example of such a reserve is the amount set aside annually to cover the cost of South Somerset District Council elections that occur every four years. Details of the reserves held within the Areas are provided in Appendix C. The complete list of specific Corporate Reserves and the current balance on each one is provided at Appendix D. The Appendix shows all transfers in or out of each one that has been actioned under the authority delegated in the Financial Procedure Rules.

Transfers out of specific reserves that require reporting to District Executive for noting are as follows:

Reserve	Balance at 01/07/14 £	Transfers In/(Out) £	Balance at 30/09/14 £	Reason for Transfer
Capital Reserve	1,942,507	12,330	1,954,837	Ring Bank Flood Defence re Area North (£10,000) and Repay PV Capital FIT 1.3.14 to 31.5.2014 (£2,330)
Insurance Fund	50,747	(3,425)	47,322	Claim for roundabout at Larkhill Road, Yeovil
Voluntary Redundancy and Early Retirement Fund	431,860	(24,200)	407,660	Redundancy for Area West Cleaners and Pest Control Officer
Revenue Grants Reserve	355,063	51,811	406,874	Family Support Programme return unused funds to reserve (£58,360) and release of other grants relating to 2013/14 (£6,549)
Council Tax/Housing Benefits Reserve	607,892	4,782	612,674	Housing Benefits Admin Grant
Closed Churchyards Reserve	7,176	1,520	8,696	Transfer for closed churchyard special levies
Into Somerset	12,500	(12,500)	0	Transfer to revenue from Reserve
LSP	78,959	(1,750)	77,209	Funding of MIND grant
Business Support Scheme	344,104	(67,298)	276,806	Flood Grant funding
Flooding Reserve	100,000	(10,000)	(90,000)	Ring Bank Flood Defence re Area North

(Figures in brackets denote a reduction in the reserve)

11.2 General Fund Balance represents the accumulated revenue surpluses. Within the total, however, there are amounts that have been earmarked by the District Executive for specific purposes. The table below shows the current position on the General Fund Balance compared to the start of the financial year:

As at 01/04/14 £'000	General Fund Balances	Movement	As at 30/09/14 £'000
5,708	Balance at 1 April 14		5,708
	Less:		
	Transfers from Balances	74	74
(289)	Carry forwards to services from 2013/14 (approved June 14)		(289)
	2014/15 budget once off use of balances		
	Earmarked for specific purposes:		
	▪ allocated to Committees:		
(60)	- Area East		(60)
(53)	- Area West		(53)
(27)	- Area North		(27)
(2)	▪ Economic Development Balance		(2)
	Estimated underspend on Revenue Budget 2014/15	560	560
5,277	Estimated Unallocated General Fund Balance at 30th September 2014	634	5,911

(Amounts shown in brackets are net income figures)

11.3 The latest review of risks to SSDC balances shows that balances need to remain within the range of £3.4 to £3.8 million to meet current financial risks. Current balances as at 30th September are therefore adequate to meet current risks.

11.4 The following transfer from balances is for noting by this Committee, as they have been undertaken under delegated authority:

Reserve	Balance at 01/07/14 £	Transfers In/(Out) £	Balance at 30/09/14 £	Reason for Transfer
Non-Earmarked Balances	5,279,980	(12,540)	5,267,440	Empty Homes Officer (April – July 2014) and Legal Costs (April – August 2014)

11.5 No provision was made for a District Executive Contingency Budget in the 2014/15 budget but committed funds were carried forward as follows:

	Approved	£'000
Symphony Project	Feb 14	10.0
Intern Funding	May 14	7.6
Committed Funds:		17.6

12) Risk

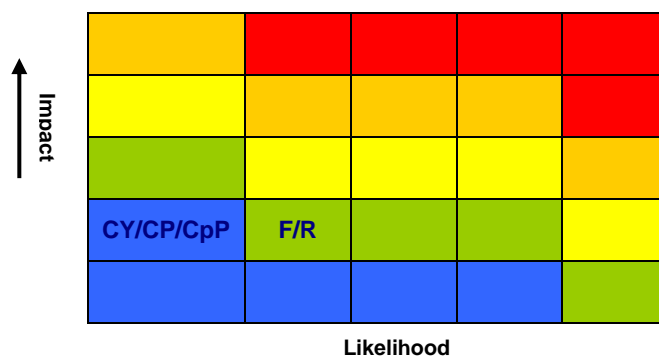
12.1 As part of monitoring an assessment of risk has been made. This review of balances and reserves has shown that SSDC currently has sufficient balances to cover major areas of financial risk. The balance at the year-end is estimated to be £5.9 million.

12.2 Details of the current key risks, as identified in the 2014/15 Budget Setting Report, are listed in the table below with an update from the responsible officer.

Current Risk	Responsible Officer	Officer's Update
The Council Tax Reduction Scheme carries risks of additional demand and non-collection. This will need to be carefully monitored in 2014/15 to assess the overall impact.	Assistant Director- Finance & Corporate Services	The CTR scheme is now being monitored as part of the budget monitoring report.
Cost of living increases to pay budgets has been increased by 1% for 2014/15 in line with Government guidelines. Any local or national agreements in excess of this will need to be found from balances. A 1% increase equates to approximately £109,380.	Chief Executive	A new offer of 2.2% pay increase from Jan 2015 has been made and discussions with the Unions will be held in October.
There remains substantial risk in the banking sector and protection of SSDC's principal sums continues to be our primary concern. Interest rates within the budget are set with a continued base rate of 0.5%. The Finance team continues to take regular advice from its treasury advisors Arlingclose and are monitoring the situation closely. A loss of £6 million principal would mean a budget reduction of £30k through loss of interest.	Assistant. Director- Finance & Corporate Services	Current predictions are for the budget to be £153.3k over achieving on income.
Housing Benefit Subsidy is administered on behalf of Central Government by SSDC and a grant reimburses for expenditure incurred. Approximately £46m in benefit is paid out and the grant normally accounts for 100% of this, however adjustments reducing the grant are made for local authority errors.	Assistant Director- Finance & Corporate Services	Current predictions are for the housing benefit subsidy to be on budget at the year end.
Planning income improved during 2013/14 however it is still an area susceptible to the economic downturn. A further drop of 5% in income amounts to £52,500.	Assistant Director- Economy	Current predictions are for planning income to be, at the year-end, ahead of budget by £250k.
Building Control income was reduced by £44k for 2014/15 by offsetting vacant posts funding. It is still an area susceptible to economic downturn and a 5% reduction equals £25,330 loss of income.	Assistant Director- Environment	Current predictions are that there will be a £27k shortfall in fee income.

Car parking income has fallen in 2014/15 reflecting lower numbers of users in Yeovil. A further 5% reduction in usage across Yeovil car parks (which accounts for 70% of total income) is equivalent to £62,040 loss in car park income.	Assistant Director-Environment	Pay & Display and season ticket income is predicted to be down by £60k.
The risks for SSDC in Business Rate Retention are that there is no or negative growth, that companies with renewable energy schemes do not go ahead, that appeals may be greater than expected, or collection performance is worse than expected. The maximum risk to next year's budget is £245k which is the difference between the budget set and the safety net.	Assistant Director-Finance & Corporate Services	Collection rate is down on the previous year and the risk remains.

Risk Matrix



Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact and insignificant probability

Corporate Priority Implications

The budget is closely linked to the Corporate Plan and growth bids are scored accordingly.

Carbon Emissions and Climate Change Implications

There are no implications currently in approving this report.

Equality and Diversity Implications

When the budget was set any growth or savings made included an assessment of the impact on equalities as part of that exercise.

Background Papers

Revenue Quarterly Monitoring Reports to District Executive