

2016/17 Revenue Budget Monitoring Report for the period ending 30th June 2016

Executive Portfolio Holder: Peter Seib, Finance and Legal Services
Chief Executive: Rina Singh, Interim Chief Executive
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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 June 2016.

Forward Plan

This report appeared on the District Executive Forward Plan with an anticipated Committee date of 4th August 2016.

Public Interest

This report gives an update on the revenue financial position and budgetary variations of the Council as at 30th June 2016.

1) Recommendations

Members are recommended to:

- a) note the current 2016/17 financial position of the Council;
- b) note the reasons for variations to the previously approved Directorate Budgets as detailed in paragraphs 3.2;
- 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.

2) Background

2.1 The 2016/17 original budget was approved by Council in February 2016. This represents the financial plans that the Executive manages under their delegated authority and that they monitor in accordance with the Financial Procedure Rules. All of the Council's income & expenditure has a responsible budget holder who is managing only items within their control.

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

3.1 Managers have been asked in 2016/17 to outline the actual expected outturn for the year and the reasons to date for under or over-spends. Appendix A to this report sets out the detail of the current position on Council spending and the forecasted outturn for 2016/17.

3.2 A summary by Directorate of the revenue position as at 30th June 2016 is as follows:

Directorate	Original Budget £'000	Revised Budget £'000	Y/E Forecast £'000	Variance £'000	Comments on Major Variances (+/- £50,000)
Strategic Management & Transformation	577.5	487.2	487.2	0.0	
Finance & Corporate Services	3,704.8	3,729.2	3,739.5	10.3	
Legal & Corporate Services	1,409.2	1,430.4	1,430.4	0.0	
Economy	1,330.2	1,336.3	1,436.3	100.0	Compensation payments for planning appeal costs exceed budget.
Communities	1,335.7	1,340.7	1,340.7	0.0	
Environment	6,572.0	6,602.5	6,666.5	64.0	Number plate recognition for car parking enforcement has not commenced leading to an estimated shortfall of £100k for pay & display income. This is somewhat offset by savings in Engineering Services.
Health & Wellbeing	2,361.9	2,367.4	2,365.3	(2.1)	
Total Overspend	17,291.3	17,293.7	17,465.9	172.2	

3.3 There is an expected net overspend on currently approved budgets of £172.2k by the end of the financial year. This will result in an overspend equivalent to 1% of the revised budget.

3.4 The table below shows the movement of revenue budgets since 1st April 2016 to 30th June 2016.

	£'000
Approved base budget as at April 2016	17,291.3
Rent allowance 80 South Street	2.4
Revised Budget as at 30th June 2016	17,293.7

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. There are no virements requiring approval.

5) Delivery of Savings

As part of budget monitoring it is important to monitor that savings proposed in the 2016/17 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)	2016/17 Budget Saving Target £'000	Estimated Actual Saving at Year-End £'000	(Shortfall) £'000
Closure of Resource Centre	47	47	0
Vacant Posts removed - Agreed by Management Board	144	144	0
Further Vacant Posts	112	112	0
Reduced Corporate Training Budget	26	26	0
Savings in Housing once EDM implemented. (This project is now part of transformation & will be delivered in a different way)	25	25	0
Waste-Increase in green bin take up	40	40	0
Additional income through Crematorium fee increase	100	100	0
Increase in Careline income	26	26	0
Octagon-Increased ticket sales	30	30	0
Yeovil Innovation Centre additional income	66	66	0
Increased income from planning fees	50	50	0
ANPR Scheme for car parks	200	100	(100)
Property management savings	25	25	0
Cessation of CEO contract	89	89	0
Total Major Savings	980	880	(100)

6) External Partnerships and other Organisations

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:

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

Activity in the first quarter of 2016/17 has been positive, Community Transport has been able to replace some of its oldest vehicles with the purchase of 1 new vehicle and 4 second hand, 7 year old, vehicles. This will make a difference to maintenance costs and improve the

image of the fleet. Community Transport now has 9 school contracts with Somerset County Council giving it a sound financial footing.

The merger of VSS and Mendip Community Support has now taken place and both organisations are working well together. VSS has secured a new contract with Yeovil District Hospital in connection with the Symphony Project and has other opportunities in the pipeline. We are now able to offer a DBS checking service for local organisations and are also looking at other areas where we can work with local town councils and charities.

The furniture reuse project Furnicare is in talks with Somerset Care and Repair in Shepton Mallet with a view to a merger, this will provide Furnicare with much needed funds and also give it a larger operating area. It will continue to be based in Goldcroft and will continue to give support to Yeovil residents. The merger is expected to take place in September 2016.

7) Council Tax Reduction Scheme and Council Tax

- 7.1 The Council Tax Reduction Scheme commenced in April 2013. For 2016/17 the authority set a budget of £8.478 million for annual discounts. Of this sum £8.654 million has been allocated for the year, leaving a projected overspend of £176k. It is a reflection that the additional premium for Adult Social Care had not been decided by SCC and funding for the SRA was announced after the tax base was set.
- 7.2 The Hardship Scheme budget for 2016/17 is £30,000. At the end of June 2016 SSDC had processed 73 requests for hardship relief of which 61 were successful. The amount awarded by the end of June 2016 is £7,500.
- 7.3 The collection rate for Council Tax was 29.83% by the end of June 2016, a small improvement of 0.03% on the same time last year. This is despite an increase in the sum to be collected of £5.1 million (5.9%) compared with 2015/16. There are 9,990 households paying over 12 months compared with 7,300 at the same time last year. As a result of this and increased recovery activity, we anticipate further improvement in the collection rate through to the end of the financial year.

8) Non Domestic Rates

- 8.1 The collection rate for Non Domestic Rates was 33.95% at the end of June 2016 compared to 29.83% last year. This is 4.12% higher than last year. However there is a lot of volatility in performance from month to month so we expect performance comparisons to fluctuate throughout the 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). There were 206 at the end of June 2016, down from 218 at the beginning of the financial year. Within this there is a turnover of properties with some becoming occupied and others reaching the two year trigger for inclusion in this statistic. The Empty Property Officer continues to work on reducing the number of long term empty properties.

10) Discretionary Housing Payments

10.1 The Government DHP funding allocation for 2016/17 is £217k. The Council is permitted to spend up to £326k of its own money on DHP awards. From the monitoring at the end of June 2016, £34k of DHP awards have been made and a further £39k is committed up to the end of this financial year. The total sum paid and committed (£73k) represents 33% of the government DHP grant. The additional payments will be met from the housing benefit reserve. We currently have 9 outstanding applications.

11) Reserves & Balances

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. 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 movements 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 01/4/16 £'000	Transfers In/(Out) £'000	Balance at 30/6/16 £'000	Reason for Transfer
Capital Reserve	1,055	3	1,058	Repayment of PV April & May 16.
Yeovil Athletic Track Repairs Fund	118	(12)	106	Funding for track repairs transferred to revenue.
Transformation Reserve	411	1,300	1,711	Funding for transformation.
Revenues Grant Reserve	682	42	724	Funding for Family Support-£31k, Telecare grant-£2k & Public Health-£15k returned to revenue. In It Together-£31k & Personal Search-£58k funding transferred to reserve.
Council Tax/Housing Benefit Reserve	1,105	(559)	546	Funding for welfare reform-£27k, new burdens-£3k & universal credits-£1k. Trf to general fund-£591k.
NNDR Volatility Reserve	1,459	1,292	2,751	Additional funding.

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.

General Fund Balances	£'000
Balance at 1 April 2016	8,267

General Fund Balances	£'000
Area Balances	(139)
Support for 2016/17 budget	(1,615)
2016/17 Carryforwards	(266)
Commitments	(267)
Rent re 80 South Street	(2)
Trf from Housing Benefit Reserve	591
Trf to Transformation Reserve	(1,300)
Trf to NDR Volatility Reserve	(1,292)
Estimated overspend on Revenue Budget at out-turn for 2016/17	(172)
Estimated Unallocated General Fund Balance at 31st March 2017	3,805

11.3 The latest review of risks to SSDC balances shows that balances need to remain within the range of £3.1 to £3.4 million to meet current financial risks. Current balances as at 30th June are therefore adequate to meet current risks. Following a judicial review three years of SSDC accounts have now been signed off and it is now felt prudent to transfer funds held in the housing benefit overpayment reserve to general balances. This may be required to support the 2016/17 budget.

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

Reserve	Balance at 01/4/16 £'000	Transfers In/(Out) £'000	Balance at 30/6/16 £'000	Reason for Transfer
Non-Earmarked Balances	8,267.5	588.3	8,855.8	Trf of HB overpayment incentive funding-£590.7k. Loss of rent for 80 South Street-£2.4k.(To be built into 2017/18 MTFP)

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 £3.8 million.

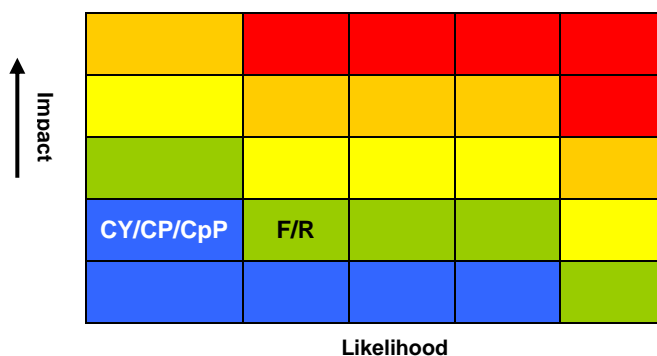
12.2 Details of the current key risks, as identified in the 2016/17 Budget Setting Report, are listed in the table below with an update from the responsible officer.

Current Risk	Responsible Officer	Officer's Update
Interest Rates	Assistant Director - Finance & Corporate Services	Current predictions are for the Treasury Management budget to be £47k over achieving on income. Bank rates were held at 0.5% by the Bank of England but a reduction to this is still anticipated.
Business Rate income	Assistant Director - Finance & Corporate Services	The collection rate is up by 4.12% on the previous year but volatility in performance throughout the year is expected.

Current Risk	Responsible Officer	Officer's Update
		There are a number of medium to longer term risks in that revaluation may affect income for 2017/18, there has been a request made by YDH for business rate relief, and a consultation paper has been released regarding 100% retention of business rates.
The Council Tax Reduction Scheme	Assistant Director - Finance & Corporate Services	The current figures show an increased requirement. This can be absorbed through the Collection Fund for 2016/17 but will impact on the 2017/18 budget if the upward trend continues. It is a reflection that the additional premium for Adult Social Care had not been decided by SCC and funding for the SRA was announced after the tax base was set.
Housing Benefit Subsidy	Assistant Director - Finance & Corporate Services	Current predictions are for the housing benefit subsidy to have a small shortfall at the year-end but the outcome will not be confirmed until the subsidy claim is externally audited in the Summer.
Planning Income	Assistant Director - Economy	Current predictions are for planning income to come in on budget.
Building Control Income	Assistant Director - Environment	Current predictions are that there will be a £38k shortfall in fee income.
Car parking Income	Assistant Director - Environment	Car Park income is predicted to be down by £100k.
New Homes Bonus	Assistant Director - Finance & Corporate Services	The results of a consultation document regarding amending the distribution of New Homes Bonus are awaited. Although this should not affect SSDC in the short to medium term it will impact on the budget longer term if the proposals to reduce the number of NHB payment years are implemented.
Devolution	Interim Chief Executive	SSDC are currently engaged in plans for Devolution. This may include joining some services and or joint funding. It may bring additional funding to the region as well as additional burdens.
The UKs Exit from the EU	Assistant Director - Finance & Corporate Services	It is likely in the short term that interest rates may reduce to 0.25 or 0%. SSDC has invested in a Property Fund and there has been an immediate drop in value of 4% - however yields are not expected to be impacted in the short to medium term. We do not yet know the impact in the medium to long term. If consumer confidence reduces there may be an impact on SSDC's income streams such as planning, licencing, theatre income, and car parking. A report will come forward in September asking members to

Current Risk	Responsible Officer	Officer's Update
		consider whether to accept the Government's four year settlement offer.
Land Charge Searches	Assistant Director - Legal & Corporate Services	The update from Land Registry is that any transfer of land charge searches will be phased in over 8 years. Currently they are still working on getting all authorities digitalised and then it is expected that the project will start with the South East region. So it is unlikely that there will be any change for SSDC in 16/17.

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 any 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 File