

2016/17 Revenue Budget Outturn Report

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Purpose of Report

To inform Members of the actual spend against budgets for the 2016/17 financial year.

Forward Plan

This report appeared on the District Executive Forward Plan with an anticipated Committee date of July 2017.

Public Interest

This report gives the outturn revenue financial position and budgetary variations of the Council compared to the budget at 31st March 2017.

Recommendations

1. Members are RECOMMENDED to:
 - (a) Note the outturn position of £17,391,660 (an under spend of £390,670) and explanation of variances from budget holders for the 2016/17 financial year as shown in paragraphs 4-6;
 - (b) Approve the carry forwards listed and recommended for approval by Senior Leadership Team in Appendix B into the 2017/18 budgets;
 - (c) Approve individual service overspends are funded from general balances and the net underspend of £144,310 is transferred to the Transformation Reserve;
 - (d) Note the use of the specific reserves in paragraph 19;
 - (e) Note the transfers to and from balances outlined in the General Fund table paragraph 20;
 - (f) Note the position of the Area Committee balances in paragraph 23;
 - (g) Approve the virement in paragraph 28 and note the virements in Appendix G;

Background

2. Full Council approved the 2016/17 budget in February 2016. The responsibility for monitoring and controlling budgets is delegated to individual Area Committees and District Executive. Directors, Assistant Directors, and Service Managers had the responsibility for the day-to-day monitoring of budgets and reporting variations to the appropriate Committee.
3. District Executive has received regular budget monitoring reports throughout the year that have highlighted variances from budgets and comments from the budget holder.

Summary of Revenue Budgets

4. The overall outturn for SSDC Services in 2016/17 was £390,670 underspent (or 2.2%). The table below sets out a summary of the 'above the line' revenue budgets that will form part of the annual Statement of Accounts that is required to be approved by the Audit Committee in July 2017 after being audited by Grant Thornton.

Service	Original Budget £'000	Movement During the Year £'000	Final Budget £'000	Actual Spend £'000	Variation on Spend £'000	Variation on Spend after Carry Forwards
Strategic Management & Transformation	577.5	30.4	607.9	600.4	(7.5)	36.9
Finance & Corporate Services	3,704.8	116.9	3,821.7	3,590.2	(231.5)	(231.5)
Legal & Corporate Services	1,409.2	19.4	1,428.6	1,364.3	(64.3)	(39.0)
Economy	1,219.6	(42.9)	1,176.7	1,348.6	171.9	171.9
Policy & Performance	110.6	0.7	111.3	108.8	(2.5)	(2.5)
Communities	1,335.7	98.9	1,434.6	1,354.9	(79.7)	(18.0)
Environment	6,572.0	43.0	6,615.0	6,597.3	(17.7)	27.3
Health & Wellbeing	2,361.9	224.6	2,586.5	2,427.1	(159.4)	(89.4)
Total	17,291.3	491.0	17,782.3	17,391.6	(390.7)	(144.3)

2016/17 Outturn

5. Appendix A shows the budget, actual expenditure and income, variance between budget and actual together with an explanation of the variance from the Service Manager, and the carry forwards requested under the financial procedure rules.
6. The Services with significant variations (over £50,000) after carry forwards are as follows:

Service	Service Manager	Variance £'000		Budget Holders' Comments
Financial Services	Catherine Hood	(235.0)	F	The under spend is mainly due to additional investment income and a vacant finance post.
Development Control	David Norris	244.7	A	Compensation payments for planning appeal costs exceed budget and there was a shortfall in planning income.
Environmental Health	Alasdair Bell	(91.8)	F	Underspent on staff and equipment.
Engineering & Property Services	Garry Green	153.7	A	Number plate recognition for car parking enforcement has not commenced leading to an estimated shortfall of £200k for income. This is partly offset by savings in Engineering Services.
Housing & Welfare	Kirsty Larkins	(83.2)	F	Underspend due to the additional funding built into the budget for P4A that has subsequently not been required, and reduction in bad debt provision.

F = Favourable (underspent and/or income shortfall), A = Adverse (overspent and/or income surplus)

Delivery of Savings

7. District Executive monitors the delivery of savings that are agreed as part of the budget setting process through quarterly budget monitoring reports. The achievement of the targets for South Somerset District Council (SSDC) are shown in the table below;

Year	Target £'000	Actual £'000	(Excess)/ Shortfall £'000
2012/13	1,509	1,288	221
2013/14	540	540	0
2014/15	691	659	32
2015/16	619	506	113
2016/17	980	675	305
Total	4,339	3,668	671

Appendix E to this report details the progress of all major savings (those over £25,000) that were taken in the 2016/17 budget setting process.

Carry Forwards

8. In the Financial Procedure Rules, Managers can request that specific underspends (within a minimum of £5,000 for any specific purpose) may be carried forward to the following year. However, those rules also state that District Executive may waive this depending on corporate need.
9. The accounting rules require that grants need to be accounted for in the year they are actually paid and not when committed. Therefore, the carry forward on the grant budgets reflects the commitments to pay grants that have been made by the various committees.
10. Specific carry forward requests amounting to £246,360 are shown at Appendix B and members are recommended to approve these. This would effectively result in a net underspend after carry forwards of £144,310.
11. Under the Council's Financial Procedure Rules, District Executive can approve an overspend of a maximum of £25,000 to be carried forward into the following year unless District Executive agree that they are funded from General Balances. The service areas that would need to carry the overspend forward would have difficulty finding savings to compensate and, in considering also the fact the overall outturn is below budget, it is recommended that no overspends are carried forward to 2017/18 on this occasion.

Proposed Allocation to Transformation Reserve

12. At its meeting on 20 April the Council approved an update to the Transformation Programme which included the potential for greater up-front investment and leading to greater ongoing savings. With the report it was identified and noted that a further £1.1m in funding was to be identified from underspend and future financial planning via the Medium Term Financial Plan. In view of this position it is recommended that the net residual underspend of £144,310 (after carry forwards as noted above) is transferred to the Transformation Reserve to reduce the balance of funding still to be found.

Total Cost of Services

13. The CIPFA accounting regulations requires all expenditure to be allocated to front line services. This means that all support service budgets have to be apportioned as required by the Service Reporting Code of Practice (SeRCOP). This is set out in Appendix F.

Council Tax Scheme

14. The Council Tax Scheme (CTS) commenced in April 2013. The authority set a budget for 2016/17 of £8.478 million for annual discounts. Of this sum, £8.458 million was allocated for the year, therefore only marginally below the budget estimate. The cost of CTS is allocated through the Council Tax Collection Fund and is shared between the preceptors in proportion to their relative shares of council tax due for the year. For information, the budget for 2017/18 is £8.556 million.
15. A Hardship Scheme is in place for extreme circumstances with a budget of £30,000 for the year. By the end of the year SSDC had received 157 requests for hardship relief of which 137 were successful. The amount awarded by the end of the financial year was £16,938.
16. The in-year collection rate for Council Tax was 97.73% for 2016/17 compared to 97.24% for the previous year. In cash terms we collected £4.946 million more than in 2015/16. In addition to this we collected £2.718 million of previous year arrears.

Non Domestic Rates

17. The in-year collection rate for Non Domestic Rates was 98% for 2016/17 compared to 97.03% for the previous year. In cash terms we collected £1.498 million more than in 2015/16. In addition to this we collected £1.974 million of previous year arrears.
18. Non Domestic Rates income that we collect is distributed between Government, SSDC, the County Council, and Fire and Rescue Authority under the Business Rates Retention funding system.

Reserves, Balances and Contingency

19. In addition to the funds available in the Revenue Budget, the Council also holds funds in reserves and balances.
20. **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. The complete list of specific Reserves and the current balance on each one is provided at Appendix D.

The table below shows all transfers in or out of each one that has been actioned under the authority delegated in the Financial Procedure Rules during the last quarter. Transfers out of specific reserves that require reporting to District Executive for noting are as follows:

Reserve	Balance at 01/01/17 £	Transfers In/ (Out) £	Balance at 31/03/17 £	Reason for Transfer
Capital Reserve	1,091,596	152,636	1,244,232	Release of Capital Contributions to fund capital schemes in 16/17 – £154,768. Repayment of PV – (£13,419) RCCO re Westlands – (£141,000) Transfer of ticket levy – (£92,600) Funds re Tolbury Mill – £1,786 Repayment of Westland's loan – (£62,168)
Internal Borrowing Repayments	0	23,426	23,426	Repayments for sports equipment and horticultural vehicles
Elections Reserve	125,129	24,220	149,349	Revenue 16/17 top up of fund
Local Plan Enquiry Provision	81,769	(10,460)	71,309	Funding of Local Plan
Bristol to Weymouth Rail Reserve	15,764	(4,700)	11,064	Funding partnership spend in 16/17
Save to Earn Reserve	50,000	(50,000)	0	Reserve no longer required funds returned to general balances
LABGI Reserve	32,086	(5,200)	26,886	Funding of The Hive at YIC
Revenue Grants Reserve	630,820	41,518	672,338	Release of grants for expenditure in 2016/17- £57,763. Additional grants received in advanced for 2016/17 and future years- £99,281
Yeovil Vision	110,474	10,000	120,474	Yeovil Town Council 16/17 contribution
Council Tax/Housing Benefits Reserve	582,712	92,652	675,364	Additional Revenue and Benefits grants received in 16/17
Closed Churchyards	10,836	(7,893)	2,943	Additional contributions towards future work in closed churchyards
Deposit Guarantee Claims Reserve	8,560	(2,253)	6,307	Additional bad debt provision
LSP Reserve	82,934	(58,930)	24,004	Release of funding to revenue
Artificial Grass Pitch Reserve	61,975	22,700	84,675	Revenue 16/17 top up of fund
Infrastructure Reserve	935,002	(2,936)	932,065	Transfer to Development Control for transport highway consultancy
NNDR Volatility Reserve	2,751,464	(1,442,367)	1,309,097	NNDR collection fund adjustment and use of funds
Ticket Levy Reserve	59,686	(53,163)	6,523	Release of ticket levy funds
Waste Reserve	0	230,065	230,065	Waste leased vehicle income
Community Housing Fund	0	263,222	263,222	Community Housing grant transferred to reserve

21. **General Fund Balance** represents the accumulated revenue surpluses that are held to mitigate financial risks and unforeseen costs. Within the total, however, 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 that previously reported.

General Fund Balances	£'000
Balance at 1 April 2016	8,267
Support for 2016/17 budget	(1,368)
2016/17 Carry forwards	(255)
Rent re 80 South Street	(2)
Transfer to Westlands	(175)
Transfer to Transformation Reserve	(1,300)
Transfer to NDR Volatility Reserve	(1,292)
Funding of Commercialisation Report	(14)
Funding of CEO post	(30)
Funding from Area East Bayford Mission Hall	(11)
Funding from Area West Chard Hub	(3)
Funds returned to Gen Bals-TM Reserve	147
Funds returned to Gen Bals-HB Reserve	590
Funds returned to Gen Bals-Flood Reserve	80
Funds returned to Gen Bals-Beacon Fund	3
Funds returned to Gen Bals-Save to Earn Reserve	50
Underspend on Revenue Budget at out-turn for 2016/17	391
General Fund Balance at 31st March 2017	5,078
Area Balances	(122)
Economic Development	(2)
Commitments	(147)
Unallocated General Fund Balance at 31st March 2017	4,807
Recommended carry forwards (appendix B) if approved	(246)
Recommended net underspend to transformation reserve (para 12)	(145)
Support for 2017/18 budget per MTFP	(789)
Utilisation of general fund for transformation	(231)
Final Unallocated General Fund Balance	3,396

22. A memorandum account has now been set up to record Building Control surpluses and deficits on the chargeable work. On a rolling three year basis, taking into account the below the line costs, Building Control has made a surplus of £56,878.
23. A review of balances and reserves has shown that SSDC currently has sufficient balances to cover major areas of financial risk. Risks were reviewed in January 2017 this established that the minimum general balance should be in the range £2.8m to £3.1m.

Area and Group Balances

24. Each Area and District Executive have balances that can be used during the year, the position of the Areas and District Executive balances and movement within the year is as follows:

	Area East £	Area North £	Area West £	Area South £	Total £
Position at start of financial year	60,190	26,600	49,640	0	136,430
Allocations to/(from) reserve during year	(11,000)	0	(3,420)	0	(14,420)
Position at end of financial year	49,190	26,600	46,220	0	122,010
Less commitments not yet spent	(45,730)	(12,706)	(46,220)	0	(104,656)
Unallocated balance available	3,460	13,894	0	0	17,354

25. The table shows that overall balances have not reduced during the year and there have been no further commitments in Area East or Area North. This leaves an overall £17,354 uncommitted. Allocations of the Area Reserves are detailed in Appendix C.

Efficiency Plan and Flexible Use of capital Receipts

26. In October 2016 the Council approved an Efficiency Plan for the period 2016/17 to 2019/20. This was a pre-requisite to taking up the 'offer' of a multiyear funding settlement from Government for the same period. Within the Efficiency Strategy the Council has taken advantage of the temporary flexible use of capital receipts to fund revenue costs of transformation.
27. The table below shows the capital receipts target within the Efficiency Strategy and receipts identified to date. This shows the need to find a further £401k through future property disposals. The capital receipts already identified are currently held in a capital receipts reserve and have not been used during 2016/17.

	2016/17 £	2017/18 £	2018/19 £	Total £
Target	100,000	200,000	200,000	500,000
Actual to Date	99,000	n/a	n/a	99,000
		Further asset sales income required		401,000

28. Whilst this does not directly affect the outturn performance against budget for the year, it is helpful to track progress against the funding target as any shortfall would need to be covered from other revenue resources such as using general reserves or reprioritising earmarked reserves.

Budget Transfers (“Virements”)

29. Under the Financial Procedure Rules, providing that the Assistant Director-Finance & Corporate Services (S151 Officer) has been notified in advance, Assistant Directors/Managers may authorise any virements for an individual cost centre within their responsibility. Strategic Directors and 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 G for District Executive to note and have been approved during the last quarter by the Assistant Director-Finance & Corporate Services.

Those requiring District Executive approval are detailed in the table below.

Amount £	From	To	Details
13,180	Equalities	Communities	The role of Equalities Officer has now been combined with Third Sector & Partnership Manager post

Stock Write Offs

30. Under the Financial Procedure Rules any adjustments to stock or stores accounts exceeding £1,000 shall be reported to Committee. Following stock checks on the 31st March 2017 no adjustments exceeding £1,000 has been written off of stock values.

External Partnerships and Other Organisations

31. Members have requested that partnerships are monitored within SSDC's overall budget because they are given grants. This currently includes the following;

South Somerset Voluntary Community Action (SSVCA)

32. 2016/17 has been a year of enormous change for SSVCA. The Furnicare merger with SC&R was completed October 1st 2016. By following this new direction it is forecasted that Furnicare will meet its financial and development goals.
33. Following the merger of the Voluntary Sector Support service and Mendip Community Support, this project was successfully rebranded as SPARK. The new name reflects a repositioning of our organisation, where we seek to promote our work to charities and voluntary groups and encourage individuals to get involved in their communities.
34. Our long-standing CEO, Sam Best left us, as did the Manager of Community Transport, Martin Ashby. Under new management – Katherine Nolan, Manager of SPARK and CAO of SSVCA; Victoria Butcher, Manager of Community Transport) the team have been reviewing the strategy and operation of the organization and have already undertaken numerous efficiency savings.
35. SPARK, which is the service part-funded by SSDC, has an encouraging year financially, attracting £12,820 additional funding, whilst also remaining within budget in terms of expenditure. This funding came from a combination of grants from Somerset County Council, Somerset Community Foundation, the CCG, as well as income from our DBS and training services that we began in 2016. The final year accounts are yet to be completed and agreed, but SPARK is projecting a healthy surplus that will be used to strengthen the reserves of the charity and support future development work. SPARK is projecting further growth for the coming year, having already secured funding from Mendip and Sedgemoor District Councils, Somerset County Council, NHS Symphony Programme and Frome Town Council. We also seek to grow our 'paid for services' over the coming year, so that we can establish a regular income stream that means we are less reliant on grants. More details can be found below.
36. Under the new General Manager at Community Transport (which is not currently funded by SSDC), the key priority this year has been to undertake a review of the operation and ensure that the service can be sustainable. More detail about this can be found in the Community Transport section below.

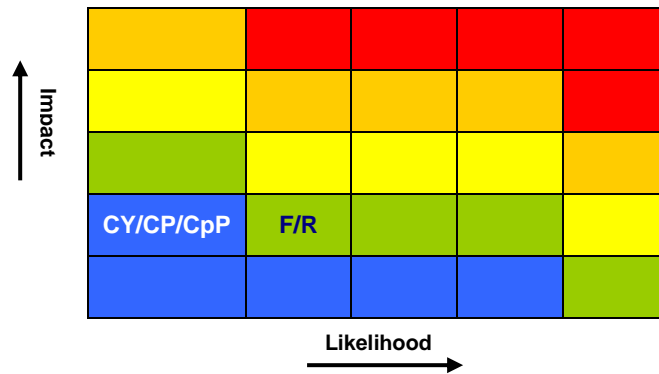
SPARK

37. SPARK has had an extremely eventful year and we have been working hard to promote our services to voluntary sector groups and communities across the District.
38. Our new website (www.sparksomerset.org.uk) has been launched and received very positive feedback. We have also developed our own volunteer database that will enable individuals to find volunteering opportunities according to location, organisation or cause. The new database is already accessible on our website and a high profile launch, prior to Volunteer's Week, is planned.
40. Spark was a lead partner in the development of a 'State of the Sector' report that gives a picture of the many challenges and opportunities facing the voluntary sector at the present time. The report was the first in-depth review of the state of the VCSE sector in Somerset and highlighted a clear need for 'infrastructure' – specifically support around funding, governance and volunteering, as provided by our organisation.
The full report is available on our website:
<http://www.sparksomerset.org.uk/projects/research-share-celebrate-grow>
41. We launched the Spark Training Programme at the end of 2016. We have already run eight courses that have been well-attended and have provided support for groups on a range of topics including fundraising, finance, DBS and social media. The programme also provides a much-needed income stream for the charity.
42. Our partnership with The Symphony Programme continues to develop. The project aims put in place a preventative approach that will enable people to better manage their own health and wellbeing. Community Partnerships have now been established in Wincanton and South Petherton. Funding has been agreed for the next 12 months and the area of focus for this work in 2017/18 will be Yeovil.
43. We will be launching our new Community Accountancy service early in the new financial year, following a recent recruitment. We will provide a much-needed, low-cost service to community groups, which will also generate a regular income stream.

Community Transport

44. 2016/17 has been a year of change for Community Transport. Our new General Manager was appointed in November 2016. We also gained an additional two school runs from Somerset County Council.
45. One of the first tasks of the new General Manager was to undertake a review of the operation and ensure that Community Transport is running a financially sound service. Since January, we have looked at the pricing structure for private clients/group/trip bookings, and subsequently raised them to reflect the actual cost of the journeys. We have also looked at using alternative suppliers to ensure that our outgoings are kept to a minimum. With an ageing fleet, vehicle replacement has become a high priority therefore we looking at various funding options. We will also be contacting local companies and organisations for sponsorship.
46. South Somerset Community Transport has just started arranging transport for the Young Learners at Able 2 Achieve. Over the coming months we will be looking at assisting various other community projects.
47. We plan to raise the profile of our service over the next year, promoting to local care homes, schools and youth organisations, as well many local churches and day care facilities. The outlook for 2017/2018 predicts that Community Transport will be ending the year with a surplus of approximately £10,000.

Risk Matrix



Key

Categories		Colours <i>(for further detail please refer to Risk management strategy)</i>	
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

Background Papers

- Appendix A - District Executive detailed budgets out turn position 2016/17
- Appendix B – Carry forwards 2016/17
- Appendix C - Area Reserves
- Appendix D - Usable Reserves
- Appendix E - Major Efficiency Savings 2016/17
- Appendix F - Total Cost of Services 2016/17
- Appendix G - Virements for Noting Qrt 4 2016/17