

## **Revenue Budget Outturn Report for 2017/18**

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### **Purpose of Report**

1. To inform Members of the actual spend against budgets for the 2017/18 financial year.

### **Forward Plan**

2. This report appeared on the District Executive Forward Plan with an anticipated Committee date of July 2018.

### **Public Interest**

3. The Council is accountable to the public for its financial performance, and this report demonstrates the financial management performance for the last financial year (2017/18), describing larger differences between planned and actual net spending during the year, and summarises the end of year position for reserves and balances.

### **Recommendations**

4. The District Executive is recommended to:
  - (a) Note the net spending for the year of £17,318,942, an underspend of £663,318 (3.7%) compared to final budget, and explanations of variances from budget holders for the 2017/18 financial year as shown in paragraphs 7-10;
  - (b) Approve budget carry forwards of £118,648 into the 2018/19 budgets (as shown in Appendix B);
  - (c) Approve the transfer of £646,103 to the Transformation Reserve as detailed in paragraph 18;
  - (d) Approve individual service overspends are funded from general balances and the net underspend of £544,670 after carry forwards is returned to general balances;
  - (e) Note the use of the specific reserves in paragraph 26 and the transfers to and from balances outlined in the General Fund table paragraph 28;
  - (f) Note the position of the Area Committee balances in paragraph 31;
  - (g) Approve the virements in paragraph 36 and note the virements in Appendix F.

### **Background**

5. Full Council approved the original 2017/18 budget in February 2017. 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 and expenditure has a responsible budget holder who is managing only items within their control.

6. 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 Outturn Position

7. Overall the outturn position for the year shows a large underspend. This is mainly attributable to surplus income, as a result of new actions and approaches since the budget was set back in February 2017. Such as:
- Government decision to increase planning fees which was not predicted at the time the budget was set;
  - Implementation of the commercial strategy during the year and the achievement of income surpluses;
  - Updated approach to treasury, taking more of the longer term investments – resulting in an increase in yield in line with financial strategy agreed in September;
  - Government grants for Revenues and Benefits that were not in place when budget was set.
8. The table below shows a summary by Directorate of the revenue outturn position. It shows the overall outturn for SSDC Services in 2017/18 was £663,318 underspent (or 3.7%).

**Table 1 – Revenue Budget Outturn 2017/18**

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
Chief Executive	842.3	577.2	1,419.5	1,974.1	554.6	554.6
Support Services	5,447.5	-102.5	5,345.0	4,799.2	-545.8	-522.9
Communities	1,258.3	23.3	1,281.6	1,172.7	-108.9	-38.2
Service Delivery	2,669.5	-112.2	2,557.3	1,853.2	-704.1	-679.1
Commercial Services & Income Generation	7,161.6	217.2	7,378.8	7,519.7	140.9	140.9
<b>Total</b>	<b>17,379.2</b>	<b>603.0</b>	<b>17,982.2</b>	<b>17,318.9</b>	<b>-663.3</b>	<b>-544.7</b>

(Negative figures = income / reduction in budget, positive figures = costs)

9. Managers have been asked to provide an explanation of the variance on their service, giving reasons for the overall under- or overspend. Appendix A to this report sets out the detail of the outturn position on Council spending and the carry forwards requested under the financial procedure rules.
10. The Services with significant variations (over £100,000) after carry forwards are as follows:

**Table 2 – Significant Differences Between Outturn and Budget**

Service	Service Manager	Variance £'000	Budget Holders' Comments
Transformation (Funding transferred to reserves)	Alex Parmley	646.1	A The current projection is that the forecast costs of the project remain on track with the agreed budget. However, as recommended for approval in this report, it is proposed to transfer £646k to the Transformation Reserve to close the funding gap (previously reported) and provide a contingency for transitional costs.

<b>Service</b>	<b>Service Manager</b>	<b>Variance £'000</b>		<b>Budget Holders' Comments</b>
Horticulture, Grounds Maintenance and Street Cleaning	Chris Cooper	-116.1	F	Income continues to increase as the team focuses on commercial opportunities across all aspects of the service.
Commercial Land and Property	Caroline White	-153.7	F	Rental income from Commercial Properties acquired during 2017/18 in line with new commercial strategy. Note: a full report on the financial performance of the Council's commercial investment activity was provided to District Executive in June 2018.
Finance	Nicola Hix	-172.1	F	Includes increase in treasury investment income savings from vacant posts within the team.
Waste Collection	Chris Cooper	-192.4	F	Garden waste and special waste collections income has increased..
Development Control	Simon Fox	-302.5	F	Additional planning fees received reflecting demand for service together with the 20% increase in statutory fees from January 2017, and savings through vacant posts within the team.
Revenues & Benefits	Ian Potter	-366.2	F	Housing Benefit & Discretionary Housing Payments being below estimate for year and subsidy payments received from DWP. Bad debt provision released due to improved collection of subsidised HB overpayments.

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

### Delivery of Savings

11. As part of budget outturn it is important to monitor that savings proposed in the 2017/18 budget setting exercise are being delivered. The achievement of the targets for South Somerset District Council (SSDC) are shown in the table below;

**Table 3 – Savings Delivery Performance**

<b>Year</b>	<b>Target £'000</b>	<b>Actual £'000</b>	<b>Excess/ Shortfall £'000</b>
2017/18	950	1,016	-66

(Negative figures = excess, positive figures = shortfall)

12. Appendix E to this report details the progress of all savings that were taken in the 2017/18 budget setting process. This shows a large part of the target for 2017/18 was for the initial phased of implementation of the Transformation programme, which has been delivered through Leadership changes, vacancies held in 2017/18 and Phase 1 implementation from January 2018.

### Carry Forwards

13. 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.

14. The accounting rules require that grants need to be accounted for in the year they are actually paid/received 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.

15. Specific carry forward requests amounting to £118,648 are shown in Appendix B and the Executive is recommended to approve these. This would effectively result in a net underspend after carry forwards of £544,670.
16. 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 individual services in 2018/19 on this occasion.

### **Proposed Allocation to Transformation Reserve**

17. In April 2017 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.
18. As previously reported, good progress has been made in contributing towards this target, but this has still not been fully met. Therefore, it is recommended that £246,103 is transferred to the Transformation Reserve to cover the residual balance of funding required to meet the approved budget. In addition it is also recommended that a further £400,000 is transferred from in-year underspends in 2017/18 to the Transformation Reserve to provide a contingency for transition costs. This provides a managed approach to mitigating both financial and business continuity risk during this major programme of change for the organisation and its service delivery to customers. The budget figures shown in paragraph 7 above, Summary of Revenue Outturn Position, reflect these transfers on the proviso this transfer is agreed by the Executive through this report.

### **Council Tax Scheme**

19. The Council Tax Support Scheme (CTS) provides a local policy to discount council tax bills for working-age claimants that seeks to support households with lower earnings whilst incentivising work. The Council set a budget for 2017/18 of £8.556 million for annual discounts within the Collection Fund. Of this sum, £8.428 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 2018/19 is £8.410 million.
20. 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 106 requests for hardship relief of which 90 were successful. The amount awarded by the end of the financial year was £14,904.
21. The in-year collection rate for Council Tax was 97.80% for 2017/18 compared to 97.73% for the previous year. In addition to this we collected £2.389 million of previous years' arrears.

### **Non Domestic Rates**

22. The in-year collection rate for Non Domestic Rates was 97.87% for 2017/18 compared to 98.00% for the previous year. In addition to this we collected £1.081 million of previous years' arrears.

23. 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

24. In addition to the funds available in the Revenue Budget, the Council also holds funds in reserves and balances.

25. **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.

26. 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:

**Table 4 – Reserves Movements and Balances**

Reserve	Balance at 01/01/17 £	Transfers In/ Out £	Balance at 31/03/18 £	Reason for Transfer
Capital Reserve	-1,253,693	-20,243	-1,273,936	Release of Capital Contributions to fund capital schemes in 17/18 £294,679  Repayment of Solar PV -£4,743 Repayment of Westland's loan - £62,170  Revenue Contributions to Capital Outlay :- Mower -£12,095 MOT Station -£46,145 Westlands -£37,906 Changing Rooms -£50,000 Crematorium Refurbishment -£101,863
Cremator Replacement Reserve	-650,831	101,863	-548,968	Funding for Crematorium Refurbishment project
Internal Borrowing Repayments	-57,254	-1,379	-58,633	Repayments for horticultural vehicles
Elections Reserve	-149,348	-40,220	-189,568	Annual top up of funding accumulated to meet district election costs
Risk Management Reserve	-11,153	11,153	0	Release of reserves to general balances agreed at Full Council February 2018
Yeovil Athletic Track Fund	-137,758	-12,930	-150,688	Revenue 17/18 top up of fund
Planning Delivery Reserve	-25,982	10,000	-15,982	Release of reserves to general balances agreed at Full Council February 2018

<b>Reserve</b>	<b>Balance at 01/01/17 £</b>	<b>Transfers In/ Out £</b>	<b>Balance at 31/03/18 £</b>	<b>Reason for Transfer</b>
Bristol to Weymouth Rail Reserve	-11,064	-14,970	-26,034	Funding partnership spend in 17/18
LABGI Reserve	-14,018	139	-13,879	Funding of The Hive at YIC
Yeovil Vision Reserve	-120,474	-1,900	-122,374	Remaining budget moved to reserve
IT Replacement Reserve	-17,160	7,160	-10,000	Release of reserves to general balances agreed at Full Council February 2018
Insurance Fund	-52,872	2,610	-50,262	Payment to replace stolen tools
Transformation Reserve	-634,871	-1,630,560	-2,265,431	Transfers to fund Transformation Programme costs during 2017/18 £1,336,660 Transfers in to fund Transformation Programme during 2018/19 - £2,976,220
Revenue Grants Reserve	-843,566	55,282	-788,284	Release of grants for expenditure in 2017/18 totalling £51,596 Additional grants received in advance for 2017/18 and future years - £131,809 Release of reserves to general balances agreed at Full Council February 2018 £135,495
MTFP Support Fund	-6,623,550	611,914	-6,011,636	New Homes Bonus not used to support 2017/18 budget -£896,086 Funding for Transformation Programme transferred to Transformation Reserve £1,508,000
Council Tax/Housing Benefits Reserve	-776,395	150,969	-625,426	Additional Revenue and Benefits grants received in 17/18 -£150,067 Release of reserves to general balances agreed at Full Council February 2018 £301,036
Closed Churchyards	-11,404	12,928	1,524	Additional contributions towards future work in closed churchyards
Deposit Guarantee Claims Reserve	-6,307	1,792	-4,515	Release of reserves to general balances agreed at Full Council February 2018 £3,000 Reduction in bad debt provision - £1,208
LSP Reserve	-24,004	16,000	-8,004	Release of funding to revenue
Artificial Grass Pitch Reserve	-95,008	-12,922	-107,930	Revenue 17/18 top up of fund
Business Support scheme	-148,507	9,271	-139,236	Release of funding to revenue
Infrastructure Reserve	-862,915	60,343	-802,572	Transfer to Yeovil Refresh and Chard Regeneration projects

Reserve	Balance at 01/01/17 £	Transfers In/ Out £	Balance at 31/03/18 £	Reason for Transfer
NNDR Volatility Reserve	-1,309,097	-2,645,888	-3,954,985	NNDR collection fund adjustment at year end, reflecting surplus income over budget estimates and grant received in 2017/18 or Collection Fund costs that will be charged to the Budget in 2018/19.
Ticket Levy Reserve	-80,146	45,374	-34,722	Release of ticket levy funds
Waste Reserve	-230,065	15,299	-214,766	Spend by Somerset Waste Partnership on procurement
Community Housing Fund	-221,440	10,227	-211,213	Release of funding to revenue

(Negative figures = income / balance available, positive figures = costs / use of funds available)

27. One of the recommendations from the Corporate Peer Challenge and Review, undertaken in March 2017, was for the Council to review earmarked reserves in order to identify possible “quick wins” in support of the Council’s financial sustainability. The review of the reserves involved requesting clarification from relevant budget holders of the planned use of the reserved funds and when this is likely to be needed. The outcome was £467,844 being transferred from a number of reserves to the Transformation Reserve to assist in finding just under half of the funding shortfall of £956,000 for this project.

28. **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.

**Table 5 – General Fund Balance**

<b>General Fund Balances</b>	<b>£'000</b>
Balance at 1 April 2017	-5,078
Support for 2017/18 budget	402
2017/18 Carry forwards	246
Funding for Property Review	30
Recommended 2016/17 new underspend to transformation Reserve	144
Utilisation of general fund for transformation	231
Deferred Pension Contribution from Reserve	324
Area North Reserve for Langport Cycle Path	3
Underspend on Revenue Budget at out-turn for 2017/18	-663
<b>General Fund Balance at 31<sup>st</sup> March 2018</b>	<b>-4,361</b>
Area Balances	119
Economic Development	2
Commitments	78
<b>Unallocated General Fund Balance at 31<sup>st</sup> March 2018</b>	<b>-4,162</b>
Recommended carry forwards (appendix B) if approved	119
<b>Final Unallocated General Fund Balance</b>	<b>-4,043</b>

(Negative figures = Balances held and transfers in, positive figures = transfers from balances / funding allocations)

29. Within the Financial Strategy the current assessment for a minimum balance to be maintained in the General Fund Balance is in the range £2.8m to £3.1m. The current

balance is therefore comfortably above this minimum which provides added financial resilience if needed to meet unplanned costs in future.

30. 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 £39,066.

### Area and Group Balances

31. Each Area Committee has balances of funds that can be used during the year based on accumulated budget allocations set aside but not yet spent. The table below summarised the movement and balances for each area for 2017/18 financial year:

**Table 6 – Area Balances**

	<b>Area East £</b>	<b>Area North £</b>	<b>Area West £</b>	<b>Area South £</b>	<b>Total £</b>
Position at start of financial year	-49,190	-26,600	-46,220	0	<b>-122,010</b>
Allocations to/from reserve during year	0	2,700	0	0	<b>2,700</b>
Position at end of financial year	-49,190	-23,900	-46,220	0	<b>-119,310</b>
Less commitments not yet spent	45,730	10,000	46,220*	0	<b>101,950</b>
<b>Unallocated balance available</b>	<b>-3,460</b>	<b>-13,900</b>	<b>0*</b>	<b>0</b>	<b>17,360</b>

(Negative figures = income / balance available, positive figures = costs / use of funds available)

32. The table shows that overall balances have only reduced in Area North during the year. There remains an overall uncommitted balance of £17,360. Allocations of the Area Reserves are detailed in Appendix C.

\*Note, Area West uncommitted all its commitments at its meeting in April 2018.

### Efficiency Plan and Flexible Use of capital Receipts

33. 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 Plan the Council has taken advantage of the temporary flexible use of capital receipts to fund revenue costs of transformation.

34. The table below shows the capital receipts target within the Efficiency Plan and receipts identified to date. This shows the need to find a further £296k through future property disposals, which should be achievable through the land and property review currently underway. The capital receipts already identified are currently held in a capital receipts reserve and have not been used during 2017/18.

**Table 7 – Flexible Use of Capital Receipts**

	<b>2016/17 £</b>	<b>2017/18 £</b>	<b>2018/19 £</b>	<b>Total £</b>
Original Target	100,000	200,000	200,000	500,000
Actual to Date	99,000	105,000	n/a	204,000
			Further asset sales income required	296,000

35. 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 if the total costs of transformation reach the total budget allocated to the programme.

### Budget Transfers (“Virements”)

36. Under the Financial Procedure Rules, providing that the Section 151 Officer has been notified in advance, Directors and Managers may authorise any virements for an individual cost centre within their responsibility. Directors and Managers 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 F for District Executive to note and have been approved during the last quarter by the Section 151 Officer. Those requiring District Executive approval are detailed in the table below.

**Table 8 – Virements Requiring District Executive Approval**

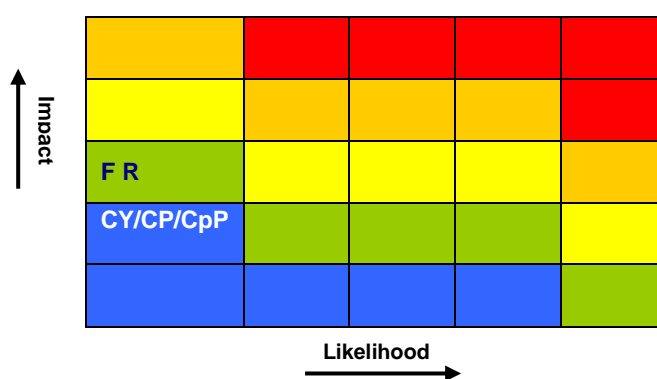
Amount £	From	To	Details
50,000	Economic Development	Commercial Land & Property	Transfer of Valuer Salary budget
30,000	Technical Services	Property Services	Transfer of wages budget for casual building surveyor

### Stock Write Offs

37. 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 2018 no adjustments exceeding £1,000 has been written off of stock values.

### Risk Matrix

38. The risk matrix below represents the risk assessment of the financial health of the Council based on performance during 2017/18 and the end of year balances position.



#### Key

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

### Background Papers

Appendix A - District Executive detailed budgets out turn position 2017/18

Appendix B – Carry forwards 2017/18

Appendix C - Area Reserves  
Appendix D - Usable Reserves  
Appendix E - Major Efficiency Savings 2017/18  
Appendix F - Virements for Noting Quarter 4 2017/18