

## **2018/19 Revenue Budget Monitoring Report for the Period Ending 31 December 2018**

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*Director:* Netta Meadows, strategy and Support Services  
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### **Purpose of the Report**

1. The purpose of this report is to provide Members with the current projection of the forecast spending and income ("outturn") against the Council's approved Revenue Budget for the financial year, and to explain projected variations against budget.

### **Forward Plan**

2. This report appeared on the District Executive Forward Plan with an anticipated Committee date of 7<sup>th</sup> February 2019.

### **Public Interest**

3. This report gives an update on the forecast revenue financial position and budgetary variations of the Council for the financial year 2018/19, as at 31<sup>st</sup> December 2018. Maintaining the financial health of the organisation is important in ensuring the ongoing delivery of priority services in our community.

### **Recommendations**

4. That the District Executive:
  - a. note the current 2018/19 financial position of the Council;
  - b. note the reasons for variations to the previously approved Directorate Budgets as detailed in paragraph 9, Table 1;
  - c. note the virements made under delegated authority as detailed in Appendix B; and
  - d. note the transfers made to and from reserves outlined in paragraph 28, Table 5 and the position of the Area Reserves as detailed in Appendix C and the Corporate Reserves as detailed in Appendix D.

### **Background**

5. The 2018/19 original budget was approved by Council in February 2018. 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. This is the third forecast for the year, which is completed at the end of Quarter 3 (1<sup>st</sup> April to 31<sup>st</sup> December 2018). The projected position should be regarded as a reasonable indication of possible differences between actual and budgeted spend and income for the year. Experience shows that the position at the end of the year can vary, sometimes significantly, from early forecasts with time

for management to take corrective action and manage risks and opportunities before the end of the financial year. It should be noted that this year the Council is undergoing significant change including budget holders changing. This both contributes to uncertainty around budgets and may lead to an even more cautious approach than in the past to predicting budget outturn.

## Summary of the Current Revenue Financial Position and Forecast Outturn

7. Managers have forecast expenditure and income for the year in order that the expected outturn and the projected variances are identified and reported. Appendix A to this report sets out the position as at the end of quarter 3 and details the forecast outturn for 2018/19.
8. There is currently a net overspend of £272,716 (1.64%) forecast for 2018/19, this is a movement of £488,556 from the Quarter 2 projected underspend of £215,840. The quarterly reporting process has shown some volatility in forecasting this year, with an overspend reported in Q1, and underspend in Q2, and now an overspend in Q3. As referred above, this is in part due to the scale of change underway with the largest phase of changes being implemented this year. This risk of volatility in reporting has been highlighted in previous reporting.
9. Table 1 below details the services with major variances forecast for 2018/19 as predicted at 31<sup>st</sup> December 2018.

**Table 1 – Major Variances (+/- £50,000)**

Directorate	Service	Forecast Variance £'000	Explanation of variance
Strategy and Commissioning	Strategic Policies	249	New Strategy & Commissioning Team formed from July 2018, nine months earlier than originally planned, to start work on some large council priorities. Funding for these posts in place from April 2019.
	Sports Facilities	103	The Sports facilities as a whole are currently operating within existing budget parameters. However, there is an overspend anticipated in respect of one-off dilapidations costs at St Michael's Hall.
Support Services	Finance Corporate Costs	-418	Significant over achievement of budget comprising a forecast of additional income from Treasury investments, and then also the insurance premium for the year was less than originally anticipated.
Service Delivery	Development Control	76	Interim staffing levels have temporarily been increased to meet a growth in planning activity and to provide capacity to maintain service levels during significant change. This has partially been offset by an increase in planning application fees.
	Building Control	223	Building Control costs have been inflated as Agency staff have been employed due to difficulty in recruitment, and market competition.
	Housing	100	The Homeless Reduction Act has increased the need for interim staffing resource. We have spent additional money on extra capacity needed as we go through a period of change to ensure that we can deliver resource needed to our vulnerable customers.

Directorate	Service	Forecast Variance £'000	Explanation of variance
Commercial Services and Income Generation	Investment Properties	-271	Anticipated savings at year end due to vacant posts within team throughout the year. Overall, the final variance will be dependent on investment schemes bought forward in the coming months.
	Engineering Services	-79	The repairs and maintenance budget in respect of Land Drainage unlikely to be spent before year end due to resources and weather.
	Car Parking	218	Pay & Display income, Season Tickets income and Penalty Charge Notice income all down against target budget. Year end forecast based on past year income trends.

(Negative figures = underspend / surplus income, positive figures = overspend / income shortfall)

10. Income trends compared to budget remains a concern for managers in some areas as reported last quarter. Managers in the areas concerned are continually monitoring income trends and, if required, plans will be implemented to bring spending and income in line with the approved budgets where deliverable. It is evident that some income reductions cannot be offset within service budgets within the year, and are projected to be a cost in the final outturn position.
11. A key financial risk is the delivery of phased savings as the implementation of the transformation continues. During quarter 2 there were both adverse and favourable variances in relation to salaries and agency costs across different cost centres, this has continued in quarter 3. However, confidence remains high that the full year savings are on track for 2019/20 (when the new operating model will be embedded before the start of the year) and it is anticipated that the transformation savings target for 2018/19 will be fully achieved. It may be necessary to cover some transitional costs from earmarked reserves set aside for this purpose. This is being carefully monitored, and will be clearly addressed in the end of year financial report.
12. The overall forecast is currently showing a potential overspend for the year. Costs will be closely monitored and managed during the remainder of the financial year with a view to reducing the overspend. In addition, the use of earmarked reserves will be reviewed with the aim of mitigating in year cost pressures from reserves where possible. Members are also advised that, as seen in previous years, there is the potential for large changes to the financial position at the end of the financial year, for example in respect of housing benefit subsidy. Whilst the intent is to bring the overall position back to within budget by the end of the financial year, the Council holds adequate reserves to mitigate the reported overspend if necessary.
13. The table below shows the movements on revenue budgets between 1<sup>st</sup> April 2018 and the 31<sup>st</sup> December 2018.

**Table 2 – Budget movement**

	£'000
<b>Approved base budget as at April 2018</b>	<b>16,483.50</b>
2018/19 Carry forwards	118.65
Cocklemoor Bridge from general balances approved February 2016	5.00
<b>Revised Budget as at 31<sup>st</sup> December 2018</b>	<b>16,607.15</b>

## Budget Virements

14. Under the Financial Procedure Rules, providing that the S151 Officer has been notified in advance, Directors/Assistant Directors/Managers may authorise any virements for an individual cost centre within their responsibility. 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 B for District Executive to note and have been approved by the S151 Officer.
15. All virements outside of the criteria set out above require the approval of District Executive and, such virements are detailed in the table below.

**Table 3 – Virements over £25,000**

Amount	From	To	Details
£89,000	Strategic Management	Support Services Specialists	Re-allocation of salary budgets in line with transformation programme.
£29,940	Strategic Management	Area development East	Re-allocation of salary budgets as transformation programme.

## Delivery of Savings

16. As part of effective financial planning and control it is important to monitor that savings proposed in the 2018/19 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.

**Table 4 – 2018/19 Budgeted Major Savings (over £25,000)**

Description	2018/19 Budget Saving Target £'000	Estimated Actual Saving at Year-End £'000	Shortfall £'000
Transformation	1,222.7	1,222.7	0
Sales, Fees and Charges - Planning	120.0	120.0	0
Garden Waste income price and demand increases	63.6	63.6	0
Sales, Fees and Charges - Horticulture/Grounds/StreetScene	40.0	40.0	0
Private Sector Leasing and Letting Service	34.6	0	-34.6
<b>Total Major Savings</b>	<b>1,480.9</b>	<b>1,446.3</b>	<b>-34.6</b>

(Negative figures = shortfall)

17. Table 3 shows that there is a shortfall of projected income against one of the budgeted savings. The projected shortfall on its own is not material to the overall financial performance for the year, and as reported at the end of 2017/18 there were a number of underspends last year that were not included in original savings targets. It is worth noting that although not reflected in the table above there are areas where income is exceeding the target such as planning fees and garden waste.

## Council Tax Support and Council Tax

18. The Council Tax Support Scheme (CTS) provides for discounted tax charges to households with lower income. The authority has set a budget for 2018/19 of £8.410 million for annual CTS discounts.

A total of £8.782 million has been allocated as at 31st December 2018, therefore exceeding the estimate included in the tax base. 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 (SSDC share is c14.5% for 2018/19). The forecast position in January 2019 will be part of the estimated surplus/deficit on the Collection Fund that will impact the 2019/20 budget.

19. The Hardship Scheme is in place for extreme circumstances with a budget of £30,000 for the year. By the end of Quarter 3 SSDC had received 102 requests for hardship relief of which 81 were successful. The amount awarded to the end of Quarter 3 was £13,055.
20. The in-year collection rate for Council Tax as at December 2018 is 83.72% for 2018/19, compared to 84.50% for Quarter 3 last year. There is a 20% increase in the number of people that are spreading their council tax payments over 12 months rather than 10. This means the collection profile will see more income during February and March than last year. In monetary terms we have collected £4.37 million more than in the same period last year. At the end of Quarter 3 we had reduced the total of £6.394 million outstanding debt relating to previous years by £1.867 million.

### **Non Domestic Rates**

21. The in-year collection rate for Non Domestic Rates at the end of Q3 was 82.40% for 2018/19 compared to 76.04% for last year. The total amount of business rates to be collected can be volatile, for example due to rateable value changes, so it is difficult to estimate end of year outturn precisely. At the end of Q3 we had reduced the total of £2.112 million outstanding debt relating to previous years by £716k.
22. 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.

### **Council Tax Reforms**

23. Members agreed to amend some discounts to Council Tax from 1<sup>st</sup> April 2013, one of which relates to long term empty properties (unfurnished and unoccupied for 2 years or more). There were 199 such properties at the end of December 2018. There is a natural turnover of properties with some becoming occupied and others reaching the two year trigger for inclusion in this statistic. At the same point last year there were 188.
24. Legislation has been approved in Parliament to give councils the power to increase the Council Tax premium on empty homes. During the final debate on the Rating (Property in Common Occupation) and Council Tax (Empty Homes Premium) Bill, MPs approved an amendment to enable councils to levy up to 200 per cent council tax premium on homes that have been empty for between five and 10 years, and up to 300 per cent premium on homes that have been empty for 10 years or more. This is in addition to existing plans to allow councils to double the council tax premium for homes that have been empty for two years or more. This matter will be considered by Council at its February meeting.

### **Discretionary Housing Payments**

25. The Government DHP funding allocation for 2018/19 is up to £281k. In addition to this the Council is permitted to spend up to £422k of its own money on DHP awards. By the end of Quarter 3 we had processed 230 DHP applications, 199 of which were successful with a total award value of £126k. A further £17.4k is committed up to the end of this financial year. The total sum paid and committed (£143.6k) represents 51.1% of the government DHP grant. We currently have 32 outstanding DHP applications.

26. Universal Credit recipients have their housing cost support paid directly by DWP, however they are still able to apply to SSDC for a DHP and the number of Universal Credit recipients in the district is increasing each month. Universal credit related DHP's are included in the figures in paragraph 8 above.

## Reserves and Balances

27. 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.

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

**Table 5 – Reserves Movements**

<b>Reserve</b>	<b>Balance at 01/10/2018 £'000</b>	<b>Transfers In/Out £'000</b>	<b>Balance at 31/12/2018 £'000</b>	<b>Reason for Transfer</b>
Usable Capital Receipts	-24,629	-629	-25,258	Lufton Joint Venture income, sale of land receipt and correction for vehicle purchased by an internal loan. This total slightly reduced by small payment to MHCLG for their share of the 'Pooling of Housing Capital Receipts' income.
Internal Capital Borrowing Reserve	-657	51	-606	Correction for vehicle purchased by an internal loan.
Capital Reserve	-1,314	-23	-1,337	Revenue Contributions to Capital Outlay: Octagon electrics and photovoltaic income.
Internal Capital Borrowing Repayments	-59	-59	-118	Repayment from revenue accounts for internal loans for vehicles and equipment.
Yeovil Refresh Reserve	-122	10	-112	Funds held on behalf of Love Yeovil returned to them.
Treasury Management Reserve	-100	-50	-150	Funding transferred into reserve as agreed at 2018/19 budget setting to provide contingency for investment return volatility.
Revenue Grants Reserve	-758	67	-691	Transfer from reserve for Yeovil One coordinator funding, defibrillator at Yeovil Recreation Centre and homelessness grant to Housing to fund various homelessness project.
Council Tax/ Housing Benefits Reserve	-773	-9	-782	New burdens Grant from DWP.
Closed Churchyard Reserve	2	-14	-12	Transfer from council tax collection fund of contribution to reserve.
Local Strategic Partnership Reserve	-8	-8	0	Funding paid to SPARKS

<b>Reserve</b>	<b>Balance at 01/10/2018 £'000</b>	<b>Transfers In/Out £'000</b>	<b>Balance at 31/12/2018 £'000</b>	<b>Reason for Transfer</b>
Business Support Reserve	-139	17	-122	Various projects to support businesses in Area North
Infrastructure Reserve	-786	132	-654	Funding of Chard Regeneration, Yeovil Refresh and Wincanton regeneration projects.
Ticket Levy Reserve	-71	-25	-96	Transfer from reserve for front of house lights and ticket levies to reserve.

(Negative figures = income, positive figures = costs)

29. **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 6 - General Fund Balance**

	<b>£'000</b>
Balance at 1 April 2018	-4,361
Area & Economic Development Balances	121
2018/19 carry forwards	119
Cocklemoor Bridge	5
Commitments (including A303)	173
Current estimated overspend in 2018/19	272
<b>Unallocated General Fund Balance at 31<sup>st</sup> December 2018</b>	<b>-3,671</b>

(Negative figures = income, positive figures = costs)

30. The latest review of risks to SSDC balances shows that balances need to remain within the range of £2.8 to £3.1 million to meet current financial risks. Current balances as at 31<sup>st</sup> December exceed this minimum requirement providing added financial resilience to address financial risks if required.

## Financial Implications

31. 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 31<sup>st</sup> December 2018 is estimated to be £3.7 million.
32. Details of the current key risks, as identified in the 2018/19 Budget Setting Report, are listed in the table below with an update from the responsible officer.

**Table 7 - Risks**

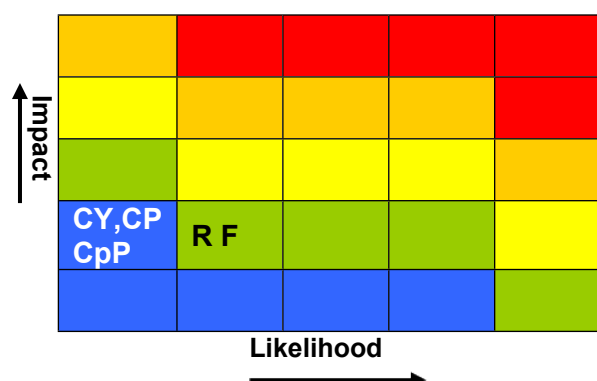
<b>Current Risk</b>	<b>Responsible Officer</b>	<b>Officer's Update</b>
Interest Rates	S151 Officer	Current predictions are for the Treasury Management income to exceed budget.
Transformation	Chief Executive	The blueprint has confirmed that the £2.5 million savings are forecast to be achievable. One-off and ongoing spend related to the project is being closely monitored.

<b>Current Risk</b>	<b>Responsible Officer</b>	<b>Officer's Update</b>
Business Rate income	Director-Service Delivery	The collection rate is up by 6.36% on the previous year's Quarter 3; NDR collection can be quite volatile from quarter to quarter, and year to year. One factor affecting collection is the timing of a payment from a business with a large rates bill. If they pay a few days before the end of the quarter in one year but a few days after the end of the quarter in another year this can significantly change the % collected in that quarter.
The Council Tax Support Scheme	Director-Service Delivery	Current monitoring shows that 104.42% of the budget has been allocated by 31 <sup>st</sup> December 2018.
Housing Benefit Subsidy	Director-Service Delivery	Current predictions are for the housing benefit subsidy to be on budget at the year-end but the outcome will not be confirmed until the subsidy claim is externally audited. A large surplus was reported at the end of 2017/18.
Planning Income	Director-Service Delivery	Current predictions are for Planning income to exceed the budgeted amount by at least £250k
Building Control Income	Director-Service Delivery	Current predictions are that there will be a £100k shortfall in fee income.
Car parking Income	Director – Commercial Services & Income Generation	Car Park income is currently predicted to be below budget estimates by at least £200k.
Westland Leisure Centre	Director – Commercial Services & Income Generation	A full business plan revision was brought before District Executive in December 2017 in line with the forward plan. Sales and bookings for 2018/19 so far are good.
The UKs Exit from the EU	S151 Officer	We still 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, although this is considered a low risk at this stage. Financing / treasury costs and income may be affected.
Land Charge Searches	Director-Support Services	The update from Land Registry is that they are currently 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 until 2019/20.

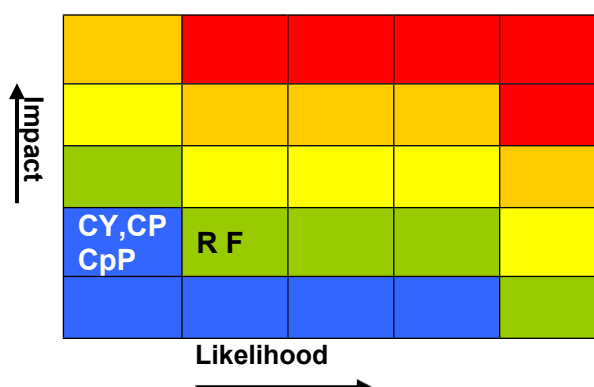


## Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



## 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

## Council Plan Implications

33. The budget is closely linked to the Council Plan, and maintaining financial resilience and effective resource planning is important to enable the council to continue to fund its priorities for the local community.

## Carbon Emissions and Climate Change Implications

34. There are no implications currently in approving this report.

## Equality and Diversity Implications

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

## Privacy Impact Assessment

36. There is no personal information included in this report.

## Background Papers

Budget Setting reports to Full Council in February 2018  
Quarter 2 Budget Monitoring to Executive in November 2018.