

# **Revenue Budget Outturn Report for 2018/19**

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## **Purpose of Report**

1. To inform Members of the actual spend against budgets for the 2018/19 financial year.

## **Forward Plan**

2. This report appeared on the District Executive Forward Plan with an anticipated Committee date of July 2019.

## **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 (2018/19), 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 £16,347,586, an underspend of £259,564 (1.6%) compared to final budget, and explanations of variances from budget holders for the 2018/19 financial year as shown in paragraphs 7-10;
  - (b) Approve budget carry forwards of £170,282 into the 2018/19 budgets (as shown in Appendix B);
  - (c) Approve the transfer of £500,000 to the Regeneration Fund from Business Rates Retention funding (as detailed in paragraph 26);
  - (d) Approve the allocation of £350,000 to a new Climate Change and Environment Initiatives Fund, and support the commitment of £40,000 from this Fund towards supporting strategy development for the District and County (as detailed in paragraph 27);
  - (e) Approve the transfer of £378,857 to the Transformation Reserve to fund transitional resources whilst changes are fully implemented.
  - (f) Approve individual service overspends are funded from general balances and the net underspend of £89,282 after carry forwards is returned to general balances.
  - (g) Note the use of the specific reserves in paragraph 33 and the transfers to and from balances outlined in the General Fund table paragraph 34;
  - (h) Note the position of the Area Committee balances in paragraph 39;

## Background

5. Full Council approved the original 2018/19 budget 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. 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 net underspend against approved budget. The main reason for the underspend is the achievement of surplus income from treasury investments which has significantly exceeded the budget and helped to offset some in year spending pressures. The treasury income performance reflects the diversification into long-term strategic (pooled) investments, which return a higher yield.
8. The table below shows a high level summary by Directorate of the revenue outturn position. It shows the overall outturn for SSDC Services in 2018/19 was £259,564 underspent (or 1.6%) against the final budget.

**Table 1 – Revenue Budget Outturn 2018/19**

Directorate	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	-284	950	666	715	49	57
Strategy and Support Services	5,529	1,170	6,699	6,163	-536	-471
Service Delivery	2,547	-1,005	1,542	1,825	283	310
Communities	1,302	-275	1,027	986	-41	11
Commercial Services & Income Generation	7,390	-717	6,673	6,658	-15	4
<b>Total</b>	<b>16,484</b>	<b>-123</b>	<b>16,607</b>	<b>16,347</b>	<b>-260</b>	<b>-89</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
Strategic Polices	Jan Gamon	271.2	A	The Strategy & Commissioning team commenced new roles in July 18, providing an early start in this area ahead of other Phase 2 changes.

<b>Service</b>	<b>Service Manager</b>	<b>Variance £'000</b>		<b>Budget Holders' Comments</b>
Housing Benefit Subsidy	Ian Potter	-211.0	F	Housing Benefit & Discretionary Housing Payments being below estimate for year and subsidy payments received from DWP have exceeded budget. Bad debt provision reduced due to falling caseload and improved collection against new debt created.
Finance Corporate Costs	Lisa Davis	-717.5	F	Income from treasury investments has significantly exceeded the budget, due to the diversification into long term strategic (pooled) investments which return a higher yield.
Support Services Function – Information Technology	Lisa Davis	128.4	A	Software and hardware maintenance costs along with network connectivity have been centralised, however this was not reflected in the budget and remained in individual Service budgets. This resulted in an adverse variance shown on this budget, but hidden underspends across other service variances. Virements to correct this going forward will be completed in 19/20.
Building Control	Nigel Marston	191.0	A	Pay budgets were overspent due the use of Agency staff employed to meet the resource requirements. Income from Building Control Application fees was less than the budget partially due to competition from approved inspectors, the fee income budget has been revised in 2019/20
Property Management	Robert Orrett	101.8	A	Overspend on Agency staff due to vacancies, and various utilities for the Depots & Public Offices largely offset by a net underspend in Consultant & Professional Fees. Service charge income £59k under income target, Catering sales £20k under income target. Rental income also down by £8k against income target.
Car Parking	Robert Orrett	149.4	A	Significant overspends on service charges and NNDR somewhat offset by underspends on salary costs and payments to Contractors. Income 1% down on previous year with no increase in charges, yet income target increased by £70k from 2018/19.

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

## Delivery of Savings

11. 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 3 – 2018/19 Budgeted Major Savings (over £25,000)**

<b>Description</b>	<b>2018/19 Budget Saving Target £'000</b>	<b>Actual Saving at Year-End £'000</b>	<b>Shortfall £'000</b>
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 / Street Scene	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 = excess, positive figures = shortfall)

12. This table shows the main savings for 2018/19 was for continued implementation of the Transformation programme, which has been delivered through a full year saving from Phase 1 and Phase 2 and 3 implemented from January 2019.

### 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 £170,282 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 £87,282.
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.

### 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. As previously reported, good progress has been made in contributing towards this target. To bring the programme to a conclusion there is a need for a one-off additional funding to support ongoing service resilience and transition costs during 2019/20 as the Council continues to progress changes under Transformation. It is recommended £378,857 is transferred from the business rates surplus, as detailed in paragraph 26 below, to fund these resilience and transition costs.

### Council Tax Scheme

18. The Council Tax Support Scheme (CTS) provides for discounted tax charges to households with lower income. The Council set a budget for 2018/19 of £8.410 million for annual CTS discounts. A total of £8.781 million has been allocated as at 31<sup>st</sup> March 2019, 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 14.5% for 2018/19). For information, the budget for 2019/20 is £9.042 million.
19. A Hardship Scheme is in place for extreme circumstances with a budget of £30,000 for the year. By the end of 2018/19 the Council had received 124 requests for hardship relief of which

97 were successful. The amount awarded for the financial year was £14,330 compared to 90 successful claims at a value of £14,904 in 2017/18.

20. The in-year collection rate for Council Tax was 97.38% for 2018/19 compared to 97.80% for 2017/18. In monetary terms we have collected £4.9 million more than in the same period last year. At the end of 2018/19 we had reduced the total of £6.394 million outstanding debt relation to previous years by £2.2 million.

## Non Domestic Rates

21. The in-year collection rate for Non Domestic Rates at 31 March 2019 was 97.49% for 2018/19 compared to 97.87% for 2017/18. At the end of 2018/19 we had reduced the total of £2.112 million outstanding debt relating to previous years by £929k.

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.

23. The final business rates funding end of the year position for 2018/19 has delivered positive news regarding the resources available to SSDC both from our individual in year income position and the gain due as a 'dividend' from the Somerset Business Rates Pool. For 2018/19 we are reporting a total surplus of £1.7m:

**Table 4 – Business Rates Surplus for 2018/19**

	£'000s
Net Business Rates Income Surplus for the Year	591
2018/19 Pooling Dividend	1,138
Total Income Surplus	1,729

24. The surplus results from a number of factors including business rates net growth and variances in reliefs/discounts awarded and non-collection losses (bad debts), and one-off grants from Government compensating calculation errors from the previous years.

25. A significant factor is a revision to the provision for assumed losses from appeals, which has been reduced as volumes are much lower than compared to historic trends. This reflects the impact of the new 'Check, Challenge, Appeal' regime implemented by the Valuation Office, and potentially the scale of discounts awarded through Government policy has also dampened the number appeals.

26. In May 2018 Full Council agreed to allocate £500k from the 2018/19 Pooling Gain towards the Regeneration Fund as part of the funding of the £5.5m approved Regeneration Net Budget. This leaves £1.229m of the business rates funding surplus to be allocated. It is recommended that this balance is allocated to regeneration and also to provide a new funding to provide investment under a 'green agenda'. This recognises the emerging priorities for the new Council following elections in May. Together with the one-off additional funding to support the Transformation programme detailed in paragraph 17 above it is recommended that the remaining surplus is allocated:

**Table 5 – Allocation of Business Rates Surplus**

	£,000s
Regeneration Fund - Additional Funding Allocation	500
Regeneration Fund - Green Agenda/Climate Change Fund	350
Transformation Reserve - transition/resilience capacity funding	379
Total	1,229

27. It is further recommended that of the £350K allocated to the Green Agenda / Climate Change Fund, £40k of this is allocated to Environment to support strategy development for the District and County. This supports the decision of Full Council in May 2019, which was an agreement to look at how it can work with councils and other partners in Somerset to develop collaboration, joint approaches and share resources in tackling climate change and protecting the environment.
28. The Summary of Revenue Outturn Position, reflect these transfers on the proviso they are agreed by the Executive through this report.

### **Council Tax Reforms**

29. Members agreed to amend some discounts to Council Tax from 1st April 2013, one of which relates to long term empty properties (unfurnished and unoccupied for 2 years or more). There were 208 such properties at the end of March 2019. 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 190.

### **Discretionary Housing Payments (DHP)**

30. 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 the year we had processed 407 DHP applications, 346 of which were successful with a total award value of £201k. The total sum paid represents 72% of the government DHP grant.
31. 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 30 above.

### **Reserves, Balances and Contingency**

32. In addition to the funds available in the Revenue Budget, the Council also holds funds in reserves and balances.
33. 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.
34. 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 6 – Reserves Movements and Balances**

<b>Reserve</b>	<b>Balance at 01/01/18 £'000</b>	<b>Transfers In/ Out £'000</b>	<b>Balance at 31/03/19 £'000</b>	<b>Reason for Transfer</b>
Capital Reserve	-1,337	60	-1,277	Release of Capital Contributions to fund capital schemes in 18/19 £186k; Repayment of Solar PV -£6k; Repayment of Westland's loan -£65k; Revenue Contributions to Capital Outlay: Area East -£5k Changing Rooms -£50k
Elections Reserve	-190	-40	-230	Contribution from revenue for 2019 Local Elections
Sports Facilities Reserve	-21	-10	-31	Contribution from revenue for facilities maintenance
Local Plan Enquiry Reserve	-71	71	0	Moved to new consolidated Spatial Policy Reserve
Yeovil Athletic Track Fund	-169	2	-167	Funding for new loudspeakers at Athletic track
Bristol to Weymouth Rail Reserve	-26	-2	-28	Surplus on partnership spend for 2018/19
LABGI Reserve	-14	14	0	Funding for the HIVE refurbishment at Yeovil Innovation Centre
Transformation Reserve	-2,265	2,036	-229	Transfers to fund Transformation Programme costs during 2018/19 and allocation of 2018/19 surplus as detailed in paragraphs 17 and 26
Local Plan Implementation Fund	-125	125	0	Moved to new consolidated Spatial Policy Reserve
Revenue Grants Reserve	-691	187	-504	Grants moved to new specific reserves: £41k to Community Safety Fund, £104k to Spatial Policy Reserve, £264k to Housing and Homelessness Reserve  Release of grants for expenditure in 2018/19 totalling £62k  Various new grants and residual unspent balances of previous grants returned to reserve at year end £284K
MTFP Support Fund	-6,012	993	-5,019	New Homes Bonus not used to support 2018/19 budget
Council Tax/Housing Benefits Reserve	-782	-40	-822	Additional Revenue and Benefits grants and contributions received in 2018/19 £143k; Release of reserves to fund staffing and IT software £103k
Closed Churchyards	-12	1	-11	Additional contributions towards work in closed churchyards

<b>Reserve</b>	<b>Balance at 01/01/18 £'000</b>	<b>Transfers In/ Out £'000</b>	<b>Balance at 31/03/19 £'000</b>	<b>Reason for Transfer</b>
Park Homes Replacement Reserve	-165	-61	-226	Contribution from revenue towards Park Homes future replacements
Planning Obligations Admin Reserve	-35	5	-30	Contribution towards Community Infrastructure Levy IT software
Artificial Grass Pitch Reserve	-123	-5	-128	Contribution from revenue towards Artificial Grass Pitch future maintenance
Regeneration Fund	-654	-1,440	-2,094	Transfers to fund Regeneration programmes costs during 2018/19 in Chard, Wincanton and Yeovil and allocation of 2018/19 surplus as detailed in paragraph
Ticket Levy Reserve	-96	32	-64	Release of ticket levy funds
Waste Reserve	-215	-79	-294	Surplus from Somerset Waste Partnership for Recycle-more project
Community Safety Fund	0	-79	-79	Grants reallocated from revenue grants reserve £41k and contributions from the Community Safety revenue budget £28k
Housing & Homelessness Reserve	0	-458	-458	Grants reallocated from revenue grants reserve £264k and various new grants and residual unspent balances of previous grants returned to reserve at year end £194k
Commercial Investment Risk Reserve	0	-132	-132	Contribution from additional income achieved from commercial investment purchases set aside to mitigate future risks that may occur
Spatial Policy Reserve	0	-334	-334	Consolidation of funded held in the Local Plan Enquiry Reserve £71k, Local Plan Implementation Fund £125 and Revenue Grants Reserve £104k. Various Spatial policy grants received during 2018/19 net of expenditure £34k
YIC Maintenance Reserve	0	-20	-20	Contribution from YIC surplus to facilities maintenance

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

35. **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 7 – General Fund Balance**

<b>General Fund Balances</b>	<b>£'000</b>
Balance at 1 April 2018	-4,361
2018/19 Carry forwards	119



<b>General Fund Balances</b>	<b>£'000</b>
Cocklemoor Bridge	5
Underspend on Revenue Budget at out-turn for 2018/19	-259
<b>General Fund Balance at 31<sup>st</sup> March 2019</b>	<b>-4,496</b>
Area Balances	119
Economic Development	2
Commitments	157
<b>Unallocated General Fund Balance at 31<sup>st</sup> March 2019</b>	<b>4,218</b>
Recommended carry forwards (appendix B) if approved	170
<b>Final Unallocated General Fund Balance</b>	<b>4,048</b>

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

36. 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.
37. 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 deficit of £88,679.

### Area and Group Balances

38. 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 2018/19 financial year:

**Table 8 – 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	-23,900	-46,220	0	<b>-119,310</b>
Allocations to/from reserve during year	0	0	0	0	<b>0</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	0	0	<b>55,730</b>
<b>Unallocated balance available</b>	<b>-3,460</b>	<b>-13,900</b>	<b>-46,220</b>	<b>0</b>	<b>63,580</b>

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

39. The table shows that area balances have not reduced during the year. There remains an overall uncommitted balance of £63,580. Allocations of the Area Reserves are detailed in Appendix C.

### Efficiency Plan and Flexible Use of capital Receipts

40. 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.

41. The table below shows the original capital receipts target within the Efficiency Plan, and the actual receipts received for each financial year.

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

	2016/17 £	2017/18 £	2018/19 £	Total £
Original Target	100,000	200,000	200,000	500,000
Actual to Date	99,000	105,000	296,000	500,000
			Further asset sales income required	0

42. During 2018/19 this total receipt of £500,000 has been allocated to the funding of the transformation programme as previously agreed by Full Council.

### Budget Transfers (“Virements”)

43. 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 the table below for District Executive to note and have been approved during the last quarter by the Section 151 Officer. There are no virements over £25,000 requiring District Executive approval.

**Table 8 – Virements for District Executive to note**

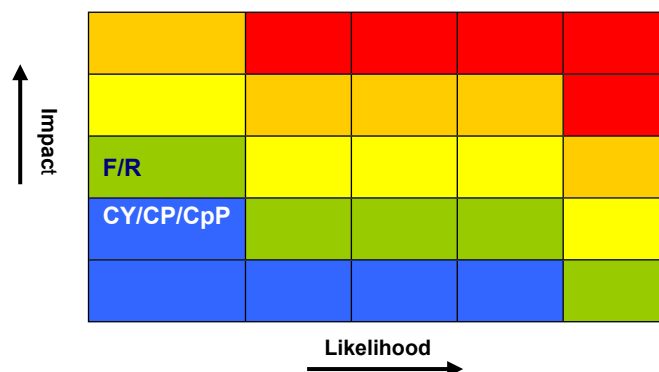
Amount £	From	To	Details
2,400	Strategic Management	Horticulture Yeovil Innovation Centre	Funding of Training
9,300	Horticulture	Street Cleansing	Funding of purchase of Transit vans

### Stock Write Offs

44. 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 2019 no adjustments exceeding £1,000 has been written off of stock values.

### Risk Matrix

45. 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 2018/19

Appendix B – Carry forwards 2018/19

Appendix C - Area Reserves

Appendix D - Usable Reserves

Appendix E - Major Efficiency Savings 2018/19