

2019/20 Revenue Budget Monitoring Report for the Period Ending 30th June 2019

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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 1st August 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 2019/20, as at 30th June 2019. 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 2019/20 financial position of the Council;
 - b. note the reasons for variations to the previously approved Directorate Budgets as detailed in paragraph 8, 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 27, Table 4 and the position of the Area Reserves as detailed in Appendix C and the Corporate Reserves as detailed in Appendix D;

Background

5. The 2019/20 original budget was approved by Council in February 2019. 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 first forecast for the year, which is completed at the end of Quarter 1 (1st April to 30th June 2019). 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.

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 1 and details the forecast outturn for 2019/20.
8. There is currently a net forecast overspend of £46,865 (0.3%) for 2019/20. Table 1 below details the services with major variances forecast for 2019/20 as predicted at 30th June 2019 that contribute to this predicted figure.

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

Directorate	Service	Forecast Variance £'000	Explanation of variance
Commercial Services and Income Generation	Operational Properties	60	Income from catering and operational buildings is forecast to be £60K below budget estimate.
	Car Parking	165	Expected £60k overspend on NNDR. Expected £30k shortfall in car park income. District Executive approved increase was modelled for budget purposes on 10% but indexation provides only 7%; £45k shortfall on season ticket revenue and £30k shortfall on parking fines.
Service Delivery	Building Control	148	The forecast year end variance is based on the service having to run with agency staffing until the end of December 2019 due to difficulties in recruitment, and income being 11.5% below profile. The outcomes of a peer review undertaken this summer will help inform the future business plan for the service.
Support Services	Finance Corporate Costs	-369	Insurance premiums projected to be below budget, and treasury net interest costs and income forecast to produce a surplus against budget.

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

9. Income trends compared to budget remains a concern for managers in some areas. 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. Additional information on the areas which have significant income budgets which would impact on the financial position if there were to be significant variances are detailed in the risk table (table 6) of this report.
10. The forecast commercial investment properties budget is currently forecasting a surplus of £450,000 for the year, as a result of completed investments since the original budget for the year was estimated. The intent is to transfer the surplus to the Investment Risk Reserve at the end of the financial year therefore this surplus is not included as an underspend variance against total budget for the year.
11. The approved base budget as at 1st April 2019 was £16,197,800 for 2019/20. No movements have been made between 1st April 2019 and the 30th June 2019 therefore the budget remains the same. Carry forwards from the 2018/19 budget totalling £170,282 were agreed by District Executive on the 4th July 2019 and will be added to the budget during July.

Budget Virements

12. 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.
13. 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 2 – Virements over £25,000

Amount £	From	To	Details
379,260	Horticulture, Street Cleansing, Fleet Management & Car Parks	Environmental Services Support Staff, Plant Nursery & Car Park Staff	Re-alignment of Streetscene budgets following Transformation
35,000	Housing Core Functions	Housing	Transfer of Homelessness Scheme budget

Delivery of Savings

14. As part of effective financial planning and control it is important to monitor that savings proposed in the 2019/20 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 – 2019/20 Budgeted Major Savings (over £25,000)

Description	2019/20 Budget Saving Target £'000	Estimated Actual Saving at Year-End £'000	Shortfall £'000
Transformation (See paragraph 15 regarding one-off service resilience transitional costs of £494,900 for 19/20)	756.8	756.8	0
Sales, Fees and Charges - Arts	5.4	5.4	0
Sales, Fees and Charges - Planning	15.0	15.0	0
Sales, Fees and Charges - Licensing	9.3	9.3	0
Sales, Fees and Charges - Welfare/Careline	12.4	12.4	0
Sales, Fees and Charges - Horticulture/StreetScene	21.8	21.8	0
Sales, Fees and Charges - Countryside	11.0	11.0	0
Parking Fee Income	135.0	105.0	30
Insurance Premiums Procurement saving	50.0	50.0	0
Total Major Savings	1,016.7	491.8	30

(Negative figures = shortfall)

15. Members will recall that one-off service resilience transitional costs of £494,900 for 2019/20 were agreed by District Executive in June 2019. Whilst the approved budget (and table 3 above) reflects the full delivery of savings per the business case it is appropriate to recognise some of the savings

have effectively been reinvested to provide service resilience and meet workload as changes continue to be made.

16. Table 3 shows that there is a shortfall of projected income against one of the budgeted savings. The achievement of savings will be carefully monitored during Quarter 2 and Quarter 3 to clarify whether the base budget expectation is realistic, and any changes to underlying trend will be addressed through the 2020/21 budget setting process. The projected shortfall on its own is not material to the overall financial performance for the year, at this stage in the financial year it is anticipated that the impact of the shortfall can be managed within the overall budget total and be offset by underspends in other areas.

Council Tax Support and Council Tax

17. The Council Tax Support Scheme (CTS) provides for discounted tax charges to households with lower income. The authority has set a budget for 2019/20 of £9.042m for annual CTS discounts. A total of £9.152m has been allocated as at 30th June 2019. Although this is currently above budget the general trajectory of the sum allocated is downward towards budget. 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 c14.3% for 2019/20).
18. The Hardship Scheme is in place for extreme circumstances with a budget of £30,000 for the year. By the end of quarter 1 SSDC had received 35 requests for hardship relief of which 32 were successful. The amount awarded to the end of quarter 1 was £4,693.
19. The in-year collection rate for Council Tax is 28.11% for 2019/20 compared to 28.68% for quarter 1 last year. The number of people who are on the maximum instalment continues to increase (currently 16,015 households). This means the collection profile will see more income during February and March than last year. At the end of quarter 1 we had reduced the total of £7.567m outstanding debt relating to previous years by £952k.

Non Domestic Rates

20. The in-year collection rate for Non Domestic Rates is 32.68% for 2019/20 compared to 33.49% for quarter 1 last year. At the end of quarter 1 we had reduced the total of £2.628m outstanding debt relating to previous years by £280k.
21. 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

22. 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 198 at the end of June 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 208.
23. 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. A report was approved by District Executive on the 7th February 2019. From the 1st April 2019 dwellings that have been empty for more than two years, a

premium of 100% of the charge will be added (this previously was 50%). Further changes will come into effect from 1st April 2020.

Discretionary Housing Payments

24. The Government DHP funding allocation for 2019/20 is up to £232,768. In addition to this the Council is permitted to spend up to £349,152 of its own money on DHP awards. By the end of quarter 1 we had processed 141 DHP applications, 133 of which were successful with a total award value of £43,274. A further £13,771 is committed up to the end of this financial year. The total sum paid and committed (£57,045) represents 24.5% of the government DHP grant. We currently have 82 outstanding DHP applications.
25. 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 the above paragraph.

Reserves & Balances

26. 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.
27. Transfers out of specific reserves that require reporting to District Executive for noting are as follows:

Table 4 – Reserves Movements

Reserve	Balance at 01/04/2019 £'000	Transfers In/Out £'000	Balance at 30/6/2019 £'000	Reason for Transfer
Useable Capital Receipts	-22,244	-18	-22,262	Receipt relates to the repayment of a couple Private Sector Housing grants.
Capital Reserve	-1,277	-4	-1,281	Photovoltaic additional tariff income.
Yeovil Athletic Track Repairs Fund	-167	7	-160	Funding of hammer cage modifications.
Revenue Grants Reserve	-504	4	-500	Smoke detector grant transferred to Careline.
Council Tax/Housing Benefits Reserve	-822	-37	-859	DWP grants for Fraud and verifying earnings and pensions (VEP) work.
Ticket Levy Reserve	-64	-16	-80	Ticket Levies to reserve.
Housing & Homelessness Reserve	-458	-96	-554	Receipt of 2019/20 flexible homelessness and preventing homelessness grants totalling £304k and transfer of grants received in 2018/19 totalling £208k to support various housing and homelessness programmes.

(Negative figures = income, positive figures = costs)

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

	£'000
Balance at 1 April 2019	-4,593
Area & Economic Development Balances	121
2019/20 Carry Forwards	170
Commitments (including A303)	157
Current Estimated overspend in 2019/20	47
Unallocated General Fund Balance at 30th June 2019	-4,098

(Negative figures = income, positive figures = costs)

29. 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 30th June exceed this minimum requirement providing added financial resilience to address financial risks if required.

Financial Implications

30. 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 30th June 2019 is estimated to be £4.098 million.
31. Details of the current key risks, as identified in the 2019/20 Budget Setting Report, are listed in the table below with an update from the responsible officer.

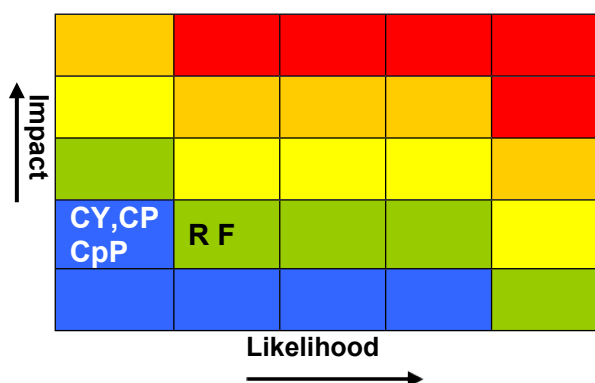
Table 6 - Risks

Current Risk	Responsible Officer	Officer's Update
Interest Rates	S151 Officer	Current predictions are for the Treasury Management income to exceed budget.
Business Rate income	Director-Service Delivery	The collection rate is down by 0.81% compared to the previous year's quarter 1; 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.
Transformation	Chief Executive	Officers continue to implement changes through transformation to enable channel shift and improve efficiency, which is essential to underpin full benefit realisation and avoid the risk that operational capacity will need to be increased to meet service demands.
Westland Leisure Centre	Director – Commercial Services & Income Generation	In year 3 of operation Westlands is showing steady and sustained growth with increases in room hire and the number of banquets, parties and wakes. The number of performances and audience attendance continue to grow.
The Council Tax Support Scheme	Director-Service Delivery	Current monitoring shows that 101.22% of the budget has been allocated by 30 th June 2019.
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.

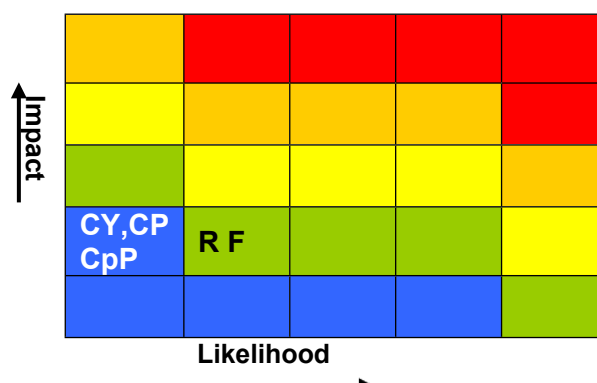
Current Risk	Responsible Officer	Officer's Update
Planning Income	Director-Service Delivery	Current predictions are for Planning income to meet its increased budget for 19/20 with current income exceeding its three month income budget.
Building Control Income	Director-Service Delivery	Current predictions are that there will be a £148k over spend on expenditure for the year should the current use of agency staff be continued to the end of December. The income budget has not been met in the previous 3 financial years. No variance is currently being projected at year end, the income target has been reduced in 2019/20 and will be closely monitored in year.
Car Parking Income	Director – Commercial Services & Income Generation	Car Park income is currently predicted to be below budget estimates by £30k. District Executive approved increase was modelled for budget on 10% but indexation provides only 7%.
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-Service Delivery	As previously reported the Land Registry are currently still working on getting all authorities digitalised and then it is expected that the project will start with the South East region.

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

32. 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

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

Equality and Diversity Implications

34. 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

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

Background Papers

Budget Setting reports to Full Council in February 2019