

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

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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 November 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 September 2019. Maintaining the financial health and resilience of the organisation is important in ensuring the ongoing delivery of priority services in our community.

Recommendations

4. That the District Executive:
 - a. Notes current 2019/20 financial position of the Council
 - b. Notes the reasons for variations to approved Directorate Budgets as detailed in paragraph 8, Table 1
 - c. Notes the budget virements made under delegated authority as detailed in Appendix B,
 - d. Approve the budget virements included in Table 3
 - e. Notes the transfers made to and from reserves outlined in paragraph 28 Table 5, 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.

6. This is the second forecast for the year, which is completed at the end of Quarter 2 (1st April to 30th September 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. During 2018/19 the Council saw significant change including budget holders changing. In some areas this is still slightly unsettled in the current year with some areas receiving transition funding as previously reported. 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 2 and details the forecast outturn for 2019/20.
8. There is currently a net forecast underspend of £6,275 (0.04%) for 2019/20. Table 1 below details the services with major variances forecast for 2019/20 as predicted at 30th September 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	Waste Services	-50	Garden Waste income has exceeded the 2019/20 budget
	Income / Opportunity Development	60	Additional expenditure in respect of National Non Domestic Rates and shortfall in rental income at Yeovil Innovation Centre.
	Operational Properties	150	Income from catering and operational buildings is forecast to be £185K below budget estimate. There are small savings in expenditure due to reduced activity.
	Car Parking	60	Expected £60k underspend on NNDR. Expected £45k 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	145	The forecast year end variance is based on the service having to run with agency staffing due to difficulties in recruitment. The outcomes of a peer review undertaken this summer will help inform the future business plan for the service.
Support Services	Finance Corporate Costs	-370	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 7) of this report.

10. The 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, in line with the financial strategy of building resilience to income volatility within this reserve, therefore this surplus is not included as an underspend variance against total budget for the year.
11. In addition the Council's treasury investments are currently outperforming the budget set for the year, resulting in a projected surplus. There is an opportunity to consider setting aside part of this surplus in the Treasury Risk Reserve at the end of the financial year, accelerating the build-up of financial resilience to capital volatility in the Council's investments. The S151 Officer proposes to review this position in Q3 as the overall forecast position at that stage will be closer to the year end and therefore more certain.
12. The approved base budget as at 1st April 2019 was £16.198m for 2019/20, which is increased to £16.368m including £170k budget carried forward from the previous financial year.

Table 2 – Net Budget Reconciliation

	£'000
Approved base budget as at April 2019	16,198
2019/20 Carry forwards	170
Revised Budget as at 30th September 2019	16,368

Budget Virements

13. Under the Financial Procedure Rules, providing that the S151 Officer has been notified in advance, Directors/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 B for District Executive to note and have been approved by the S151 Officer.
14. 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
177,270	Various	Various	Re-allocation of Travel Allowances budgets to align the cost centres where employees claims are made following the transformation restructure.
156,520	Strategic Management and Emergency planning	Learning & Development	Allocation of training budget to individual cost centres where training and development has been charged.

Delivery of Savings

15. As part of effective financial planning and control it is important to monitor that delivery of savings planned within the approved budget. The table below details the major savings (savings over £25,000) that were agreed and the expected achievement of those savings at year-end. The table only highlights projected shortfalls and does not identify where targets may be exceeded.

Table 4 – 2019/20 Budgeted Major Savings (over £25,000)

Description	Income/ Saving Target £'000	Forecast 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/ Street Scene	21.8	21.8	0
Sales, Fees and Charges - Countryside	11.0	11.0	0
Parking Fee Income	135.0	90.0	-45
Insurance Premiums Procurement saving	50.0	50.0	0
Total Major Savings	1,016.7	971.7	45

(Negative figures = shortfall)

16. As reported in the quarter 1 report, 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 4 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.
17. Table 4 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 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

18. The Council Tax Support Scheme (CTS) provides for discounted tax charges to households with lower income. The authority has set an estimate for 2019/20 of £9.042m within the Council Tax Base for annual CTS discounts. A total of £8.975m has been allocated as at 30th September 2019. 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).
19. The Hardship Scheme is in place for extreme circumstances with a budget of £30,000 for the year. By the end of quarter 2 SSDC had received 52 requests for hardship relief of which 47 were successful. The amount awarded to the end of quarter 2 was £7,346.
20. The in-year collection rate for Council Tax is 55.56% for 2019/20 compared to 56.22% for quarter 2 last year. The number of people opting to pay by 12 instalments rather than 10 continues to

increase (currently 16,155 households). This means the collection profile will see more income during February and March than last year. At the end of quarter 2 we had reduced the total of £7.567m outstanding debt relating to previous years by £1.428m.

Non Domestic Rates

21. The in-year collection rate for Non Domestic Rates is 56.29% for 2019/20 compared to 58.27% for quarter 2 last year. At the end of quarter 2 we had reduced the total of £2.628m outstanding debt relating to previous years by £252k.
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. For 2019/20 this distribution is based on the one-off 75% BRR Pilot arrangements (Gov 25%, SSDC 44%, SCC 30%, Fire 1%).

Council Tax Reforms

23. 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 157 at the end of September 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 198. Most of this reduction is attributable to the change in the premium charged from 1 April 2019 (see next paragraph). Tax payers have been better at telling us about the status of their properties i.e. if they are a second home or now occupied.
24. Legislation gives 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 (DHP)

25. 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, although no budget has been set for this discretion. By the end of quarter 2 we had processed 223 DHP applications, 218 of which were successful with a total award value of £96,694. A further £15,563 is committed up to the end of this financial year. The total sum paid and committed (£113,570) represents 48.65% of the government DHP grant. We currently have 76 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 the above paragraph.

Reserves & 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

Reserve	Balance at 01/07/2019 £'000	Transfers £'000	Balance at 30/09/2019 £'000	Reason for Transfer
Capital				
Useable Capital Receipts	-22,262	-1	-22,263	Receipt of £1,700 for sale of land, less payment of £494 to MHCLG for their share of the 'Pooling of Housing Capital Receipts' income.
Capital Reserve	-1,281	-26	-1,307	Revenue contribution to capital for works at 117 Sherborne Road, Yeovil (using 2018/19 Homelessness Prevention top up grant).
Internal Capital Loans Repayments Fund	-118	-86	-204	Repayments from revenue accounts for internal loans for vehicles and equipment.
Revenue				
Elections Reserve	-230	-40	-270	Contribution from revenue budget to reserve for elections. Funding for elections to be finalised in quarter 3.
Sports Facilities Reserve	-31	-10	-40	Contribution from revenue budget for facilities maintenance.
Transformation Reserve	-229	65	-164	2019/20 first half year costs to fund Transformation Programme (£72k). Other movements include amendments agreed at year end but not processed (movements between this reserve and the regeneration fund and the climate change fund) and funding for transformation transitional resources (agreed at July DX).
Council Tax/Housing Benefits Reserve	-859	76	-783	Funding for transformation transitional resources £47K (agreed at July DX), £29K for additional temporary hours for new burdens work.
Closed Churchyard Reserve	-11	-12	-23	Transfer from council tax collection fund contribution special levies for closed churchyards net of amount spent on grounds maintenance.
Artificial Grass Pitch Reserve	-129	4	-125	Contribution to revenue budgets for the maintenance and cleaning of the synthetic turf Yeovil recreation ground.

Reserve	Balance at 01/07/2019 £'000	Transfers £'000	Balance at 30/09/2019 £'000	Reason for Transfer
Business Support Scheme	-122	2	-120	Contribution to revenue budget for new tourism rights.
Regeneration Fund	-2,094	493	-1,601	Amends to fund agreed at year end but not processed (movements between this reserve and the transformation reserve and the climate change fund).
Ticket Levy Reserve	-80	-27	-107	Ticket Levies to reserve.
Community Safety Reserve	-79	7	-72	Contribution to revenue budget for body cameras
Housing & Homelessness Reserve	-554	67	-487	2018/19 Homelessness Prevention top up grant to revenue for 117 Sherborne Road Works and Homelessness New Burdens and Overhauling Data Grant Agreements for 2017-18 to revenue for two case officers.
Spatial Policy Reserve	-334	-28	-362	Contribution from revenue budget to reserve for local plan.
Yeovil Innovation Centre Maintenance Reserve	-20	-20	-40	Contribution from revenue budget for rolling building maintenance 'sinking fund'.
Climate Change Fund	0	-350	-350	Amends to fund agreed in 2018/19 Outturn Report after accounts were produced therefore processed in 2019/20 (movements between this reserve and the transformation reserve and the regeneration fund).

(Negative figures = income, positive figures = costs)

General Fund Balance

29. The General Fund Reserve 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

	£'000
Balance at 1 April 2019	-4,593
Area & Economic Development Balances	121
2019/20 Carry Forwards	170
Commitments (including A303)	157
Current Estimated underspend in 2019/20	(6)
Unallocated General Fund Balance at 30th September 2019	-4,151

(Negative figures = income, positive figures = costs)

30. The S151 Officer recently updated the assessment for determining the adequate minimum general reserves balance, as included in the Financial Strategy report approved by District Executive in September 2019. This minimum balance requirement is updated to £2.6m. It is advisable to continue to hold a balance above this minimum to provide headroom and flexibility to manage risk and avoid falling below recommended levels. Current balances as at 30th September exceed this minimum requirement providing 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 30th September 2019 is estimated to be £4.151 million.
32. 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.

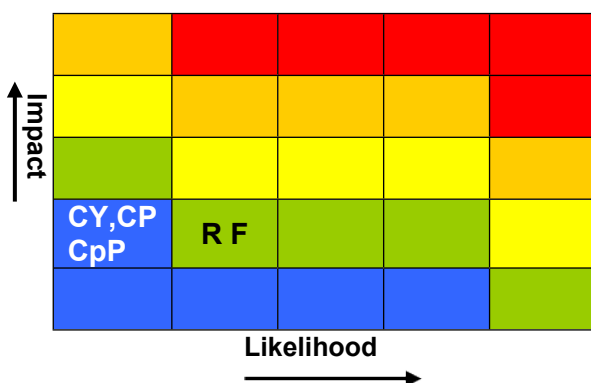
Table 7 - Risks

Current Risk	Responsible Officer	Officer's Update
Interest Rates	S151 Officer	Current predictions are for the Treasury Management income to exceed budget. PWLB unexpectedly increased its standard borrowing rates by 1% on 9 October, which has the potential to increase borrowing costs in future if sourced from the PWLB.
Business Rate income	Director-Service Delivery	The collection rate is down by 1.98% compared to the previous year's quarter 2; 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 second factor is that we have yet to send summonses for business rates arrears in this financial year. It is scheduled that this will happen for the next available court taking place on 13 November 2019. We will continue to issue business rates reminders and final notices too. Under-recovery risks a deficit in the Collection Fund to be paid in subsequent years in proportion to Business Rates Retention standard shares.
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.
The Council Tax Support Scheme	Director-Service Delivery	Current monitoring shows that 99.25% of the budget has been allocated by 30 th September 2019. If costs exceed the assumption in the Council Tax Base this recovery risks a deficit in the Collection Fund to be paid in subsequent years in proportion to precept totals.

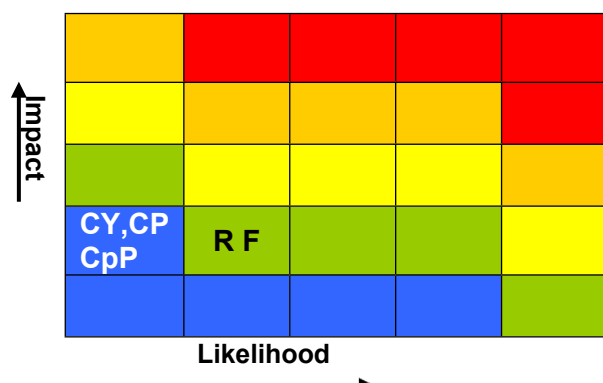
Current Risk	Responsible Officer	Officer's Update
Housing Benefit Subsidy	Director-Service Delivery	Current predictions are for the housing benefit subsidy to be on budget at the year-end but the outcome will not be confirmed until the subsidy claim is externally audited.
Planning Income	Director-Service Delivery	Current predictions are for Planning income to meet its increased budget for 19/20.
Building Control Income	Director-Service Delivery	Current predictions are that there will be a £145k overspend on expenditure for the year should the current use of agency staff be continued. The income budget has not been met in the previous 3 financial years and was adjusted downwards for 2019/20. No income variance is currently being projected but this will be closely monitored during the remainder of the year.
Car Parking Income	Director – Commercial Services & Income Generation	A £45k shortfall in car park income is projected. DX approved increase was modelled for budget on 10% but indexation provides only 7%, also charges in Wincanton unlikely this financial year but compensation has ended; £45k shortfall on season ticket revenue and £30k shortfall on parking fines.
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 also 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 <i>(for further detail please refer to Risk management strategy)</i>
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact and insignificant probability

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

37. Budget Setting reports to Full Council in February 2019, Quarter 1 Budget Monitoring to Executive in August 2019.
