

2021/22 Revenue Budget Monitoring Report for the Period Ending 31 July 2021

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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 2 September 2021.

Public Interest

3. This report gives an early forecast of the revenue budget variations for the 2021/22 financial year. It also incorporates the continuing impact that Covid-19 is having on the Council finances. Maintaining the financial health and resilience of the organisation is important to ensure the ongoing delivery of priority services within our community.

Recommendations

4. The District Executive recommends that the Chief Executive:
 - a. Notes the 2021/22 forecast outturn on the revenue budget.
 - b. Notes that work is currently being undertaken by the S151 Officer, along with finance and the Senior Leadership Team, on reviewing a number of budgets as part of the preparation for producing a refreshed Medium Term Financial Plan. The results of that work could impact on current financial year.
 - c. Approves the transfer of the COVID-19 LA Support Grant of £837,653 into an earmarked reserve.
 - d. Approves the budget virement of £150,000 detailed in paragraph 22.

- e. Notes the budget virements made under delegated authority as detailed in Appendix A;
- f. Notes the transfers made to and from reserves outlined in paragraph 24, the Area Reserves as detailed in Appendix B, and the Corporate Reserves as detailed in Appendix C.

Background

- 5. The 2021/22 original net budget of £16.743m was approved by Council in February 2021. This represents the financial plans that the Executive manages, under their delegated authority and in accordance with the Financial Procedure Rules. All of the Council's income and expenditure has a responsible budget holder.
- 6. This is the first report for the financial year and it covers the period 1 April to 31 July 2021. Monitoring of the effect of COVID-19 on the Council's finances continues, and it is important to recognise that it is still early in the year, and therefore, difficult to judge what the full impact will be on the 2021/22 budget.
- 7. The projected position should be regarded as a reasonable indication of possible differences between actual and budgeted spend and income for the year. Our demand-led services are particularly difficult to forecast and COVID-19 is continuing to have an impact on income streams, but we use trend analysis to make these areas as accurate as possible.

Summary of the Current Financial Position and Forecast Outturn

- 8. A summary of the budget position is shown below in Table A, the budget is analysed by categories of expenditure and income, and also provides a forecast outturn for 2021/22.
- 9. As at the end of July 2021 the forecast revenue budget position is an **over spend** at year end of **£132,000**, which is a **0.79% variance**.
- 10. It should be noted that the forecast variance does not include potential income receivable from the income compensation scheme from central government, which is open for the April to June period, or additional grant applications for which we are awaiting the outcome.
- 11. The S151 Officer is currently updating the Medium Term Financial Plan, the update will be reported to District Executive in October. The update will entail the S151 Officer working with the Senior Leadership Team in reviewing the pressures that have been identified in this monitoring report and taking a view on any impact on the current and/or future revenue budget. The review will also include an update on all reserves and the future call on them.

Table A

	Year to date - April to July 2021			Forecast Outturn 2021/22		
	Budget	Actual	Variance	Budget	Forecast	Variance
Expenditure						
Employees	£6,118,785	£6,090,876	(£27,908)	£17,889,560	£18,969,710	£1,080,150
Premises	£1,529,592	£1,597,732	£68,141	£3,166,210	£3,159,002	(£7,208)
Transport	£291,816	£178,733	(£113,083)	£979,520	£780,920	(£198,600)
Supplies & Services	£2,586,554	£2,825,392	£238,838	£6,973,410	£6,615,566	(£357,844)
Third Party Payments	£2,662,052	£2,479,991	(£182,060)	£7,902,240	£8,008,613	£106,373
Housing Benefits payments	£8,426,050	£8,010,567	(£415,483)	£26,658,150	£26,658,150	£0
Capital Financing	£80,893	£21,783	(£59,110)	£2,923,000	£2,923,000	£0
Revenue Reserve transfers	(£293,377)	(£134,941)	£158,436	£1,478,050	£1,478,050	£0
	£21,402,365	£21,070,134	(£332,230)	£67,970,140	£68,593,011	£622,871
Income						
Government grants	(£9,357,457)	(£10,158,712)	(£801,254)	(£28,228,600)	(£29,182,100)	(£953,500)
Other grants and contributions	(£180,729)	(£691,765)	(£511,036)	(£1,114,140)	(£1,114,140)	£0
Sales	(£700,732)	(£549,424)	£151,308	(£2,046,660)	(£1,937,442)	£109,218
Fees and charges	(£6,351,285)	(£6,548,605)	(£197,319)	(£17,689,490)	(£16,556,280)	£1,133,210
Investment income	(£214,824)	£1,253,019	£1,467,843	(£2,148,240)	(£2,928,240)	(£780,000)
	(£16,805,027)	(£16,695,487)	£109,541	(£51,227,130)	(£51,718,202)	(£491,072)
Net Budget	£4,597,337	£4,374,648	(£222,689)	£16,743,010	£16,874,809	£131,799

(Bracketed figures = underspend / surplus income, unbracketed figures = overspend / income shortfall)

12. Managers have provided a forecast of expenditure and income for the year, in order that any potential variances are identified and reported, the key variances are outlined below;

Employees

There is a significant overspend forecast against employee costs this is due to the difficulties being experienced by some services, namely Building Control and Development Management, to recruit suitably qualified staff.

As a result, these services are currently reliant on the use agency staff and this is at a premium cost. This is an issue facing other authorities and is not specific to the Council. Service Managers are planning a recruitment drive to attract professionals to the authority.

Premises

At the 31st July these budgets are currently showing slight overspend, but the forecast position is that they will be in line with the budget at year end.

Transport

The budgets are currently showing an under spend, this is mainly related to staff travelling costs and due to the changes to working practices. It is anticipated that this position will remain unchanged during the year.

Supplies and Services

This category of expenditure covers a wide range of costs. The most significant variances to note are forecast overspends on IT costs of £155,000 and Development Control consultancy of £120,000. These are offset by savings of £627,000 from Arts and Entertainment due to reduced performance costs as a result of venue closure due to COVID-19.

Third Party Payments



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Although the current position shows an underspend, the forecast shows an expected overspend of £106,000. The over spend relates mainly to the Somerset Waste Partnership (SWP), the total forecast overspend for the partnership is currently £627,000 and the Council's share is £107,000. There have been additional COVID-19 related costs due to the national driver shortage, which has placed severe pressure on the waste collection services.

There is also a risk that the service instability may impact on SWP's ability to roll-out Recycle More as planned in phases 3 and 4. SWP are imposing contractual performance deductions on the contractor and have issued a Service Breakdown Warning Notice to them. SWP are in ongoing contractual discussion with the contractor about liability for cost impacts. The outcome of these discussions may have an impact upon the in-year budget and future budgets (including the Recycle More breakeven point), but at this stage it is too early to forecast the budgetary impact.

Housing Benefit payments

At this stage the budget is showing a slight underspend, which is likely to be caused by timing issues, the forecast position is in line with the budget at year end.

Capital financing

There is currently an estimated under spend on the capital financing budgets as at 31st July.

Despite the recently identified need to increase borrowing to fund the council's regeneration programme, the approved revenue budget for the resulting financing charges (interest and MRP (Minimum Revenue Provision) costs) are estimated to be sufficient for this financial year. This is largely due to:

- Re-profiling of capital expenditure plans, and
- Assumptions made in prior years about the nature of spending on the commercial investment budget of £150m. It was assumed that the expenditure would be on commercial property acquisitions which would result in both an interest and MRP cost to the revenue budget. However a significant element of the overall budget has been invested in commercial loans to subsidiary companies which, because the loans will be repaid, do not require MRP costs to be charged to the revenue budget.

Work is being undertaken as part of the MTFP Refresh to zero base future year costs due to the increased borrowing now needed for some of our Regeneration projects. It is likely that future years' financing costs will increase significantly from the current year's costs.

Government Grants

The Council has received additional grant funding this year, these include a COVID-19 LA Support grant of £838,000 and Contain Outbreak Management Fund of £216,000.

Other grants and contributions

Income received from grants and contributions is currently exceeding budget, this is largely due to the success of a number of services obtaining funding from various organisations. The most significant grant funding received to date includes:

- Sports Council England - £181,000;
- The Arts Council - £115,000;
- National Lottery Heritage Fund - £36,000
- The Cultural Recovery Fund - £35,000.

Sales

There is currently a shortfall in sales income of £151,000, this was expected as the Octagon and Westlands have been unable to operate as normal. The reduction in income has been offset by reduced running costs and a grant award from the Arts Council of £115,500.

Fees and charges

The fees and charges are currently showing a surplus against budget, however, this is because funding for election running costs was received earlier than anticipated, and the year to date budget did not take this into account.

However, the forecast outturn is likely to be a deficit as there are several income streams relating to demand led services where there are forecast shortfalls. The fees with a significant shortfall against the income target are:

- Admission charges - £383,000
- Car Parking fees - £350,000
- Planning application fees - £250,000
- Recovery of legal fees - £100,000.

The Government's income compensation scheme is open for COVID related income shortfalls from April to June 2021, it is expected that some of these shortfalls can be recouped. The income from the scheme for the April to June period is anticipated to be in the region of £42,000, this income has not been taken into account in the revised variance.

Investment income

The variance to date on investment income is in respect of accrued income which has not been received to date. The current year-end projection for income from investments is positive with an anticipated surplus of £780k against budget, but this will be subject to a deep dive review by the S151 Officer to provide District Executive with additional assurance on the income for this year and over the medium term.

13. Table B below reflects the current and forecast budget position, analysed by service directorate.

Table B

	Year to date - April to July 2021			Forecast Outturn 2021/22		
	Budget	Actual	Variance	Budget	Forecast	Variance
Chief Executive	£209,700	£270,318	£60,618	£629,100	£623,819	(£5,281)
Commercial Services	£932,771	£214,129	(£718,642)	£6,596,860	£6,767,317	£170,457
Service Delivery	(£54,044)	(£333,490)	(£279,446)	£2,567,680	£3,956,902	£1,389,222
Place & Recovery	£102,754	£195,902	£93,148	£141,560	£141,560	£0
Strategy & Support Services	£3,406,156	£4,027,789	£621,633	£6,807,810	£5,385,211	(£1,422,599)
	£4,597,337	£4,374,648	(£222,689)	£16,743,010	£16,874,809	£131,799

(Bracketed figures = underspend / surplus income, unbracketed figures = overspend / income shortfall)

COVID Funding

14. COVID-19 has had a significant impact on the Council finances and it is important that we can quantify this and mitigate where possible to ensure we remain on a robust, sustainable financial footing. Managers in the affected areas are continually monitoring income and expenditure trends together with their Finance Specialist.
15. The Council has received a COVID-19 LA Support grant of £837,653 in 2021/22. This will be used to mitigate the budget pressures that directly relate to the pandemic. To date the following areas have been identified;

Funding received	Amount
Covid-19 LA Support Grant	(£837,653)
<u>Budget pressures</u>	
SWP overspend	£107,000
Procurement and People temporary staffing	£135,990
Other services	£594,663
Total unallocated grant	£0

Business Grant Support Schemes

16. The Council has co-ordinated the distribution of mandatory and discretionary grants to businesses within the District since April 2020. These grants are managed by the Council as an agent for central government and do not impact on SSDC's budget position. The initial schemes Small Business Grant Fund, Retail, Hospitality and Leisure Grant Fund and the Local Authority Discretionary Grants are now closed and the surplus grant has been repaid.
17. The Local Restrictions Support Grants and Restart Grant schemes have also closed, the balance of funding held by the Council will need to be repaid this year. The Additional Restrictions Grant scheme will remain open until 31 March 2022.

Grant Scheme	Government Funding	Grants awarded	Balance held
Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund (Mandatory awards)	£36,795,000	£36,795,000	£0
Local Authority Discretionary Grants	£1,928,000	£1,928,000	£0
Local Restrictions Support Grants (Mandatory awards)	£21,474,617	£16,309,560	£5,165,057
Restart Grants (Mandatory awards)	£11,070,234	£8,726,770	£2,343,464
Additional Restrictions Grant (Discretionary awards)	£6,127,623	£5,087,805	£1,039,818
Total	£77,395,474	£68,847,136	£8,548,338

Budget Virements

18. 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 £50,000, 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 £50,000 per virement.
19. All virements outside of the criteria set out above require the approval of District Executive, there are no such virements in the period April to July 2021 but approval is sought for a virement that will be processed in quarter 2 if agreed.
20. A virement of £150,000 requires approval by District Executive. The virement is moving an approved budget from Finance Corporate Costs in Support Services and Strategy to Development Management in Service Delivery. The budget move is to support the staffing issues currently been seen within Development Management function.

Council Tax Support and Council Tax

21. The Council Tax Support Scheme (CTS) provides for discounted tax charges to households with lower incomes. The Authority has set an estimate for 2021/22 of £10.402m within the Council Tax Base for annual CTS discounts, and total of £10.346m has been allocated as at the 31 July 2021. The cost of the 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 14.13% for 2021/22).
22. The Hardship Scheme is in place for extreme circumstances with a budget of £30,000 for the year. By the end of July 2021, SSDC had processed 2 successful requests and the amount awarded was £885.35.
23. The in-year collection rate for Council Tax for this time period is 36.77% for 2021/22 compared to 37.06% for the same period last year. At the end of July



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2021, the total of £13.479m outstanding debt relating to previous years had been reduced by £1.529m.

Non Domestic Rates

24. The in-year collection rate for Non Domestic Rates for this time period is 34.59% for 2021/22 compared to 45.40% for the same period last year. The downturn in collection is due to the impact of COVID-19 on the local economy. At the end of July 2021, the total of £5.502m outstanding debt relating to previous years had been reduced by £505k.
25. Non Domestic Rates income that the Council collects is distributed between Central Government, SSDC, Somerset County Council and the Fire and Rescue Authority under the Business Rates Retention funding system. The shares for 2021/22 are Central Government 50%, SSDC 40%, SCC 9%, Fire 1%.

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 B. The complete list of specific Corporate Reserves and the current balance is provided at Appendix C. The Appendix shows all movements that has been actioned under the authority delegated in the Financial Procedure Rules for the reporting period.
27. Transfers out of specific reserves that require reporting to District Executive for noting are as follows:

Reserve	Balance at 01/04/2021 £'000	Transfers £'000	Balance at 31/07/2021 £'000	Reason for Transfer
Capital				
Usable Capital Receipts	(18,073)	(2)	(18,075)	Receipt of repaid grants
Revenue				
Capital Reserve	(1,164)	(3)	(1,167)	Receipt of photovoltaic income.
Revenue Grants Reserve	(7,043)	6,589	(454)	Funding of COVID business grants.
Council Tax/Housing Benefits Reserve	(1,290)	96	(1,194)	Funding for transitional resources (£162k) less revenues new burdens grant received (£66k) transferred to reserve.
Park Homes Replacement Reserve	(287)	(30)	(317)	Transfer of annual contribution into reserves.
Ticket Levy Reserve	(120)	(6)	(126)	Ticket levies to reserve movements.
Housing & Homelessness Reserve	(441)	68	(373)	Funding of temporary staffing in 2021/22.
Community Resilience Reserve	(126)	(62)	(188)	Grants allocated to future community resilience projects.

(Bracketed figures = income and/or budget savings, bracketed figures = costs)

General Fund Balance

28. 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



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for specific purposes. The table below shows the current position on the General Fund Balance compared to that previously reported.

	£'000
Balance at 1 April 2021	(4,315)
Area & Economic Development Balances	115
Carry Forwards from 2020/21	365
Commitments	247
Current estimated overspend in 2021/22	132
Unallocated General Fund Balance at 31 July 2021	(3,456)

(Negative figures = income, positive figures = costs)

29. The current assessment of minimum balance requirement is £2.8m. 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 31 July meet this requirement, if the balance were to fall below the minimum requirement it would be necessary to reallocate certain earmarked reserves to mitigate some of the overspend and return the General Fund Balance to an appropriate level.
30. It should be noted that the S151 Officer in consultation with Senior Leadership Team is reviewing the reserves and the commitments to and from the reserves as part of the refresh of the Medium Term Financial Plan which is being reported to the October meeting of the District Executive.

Financial Implications

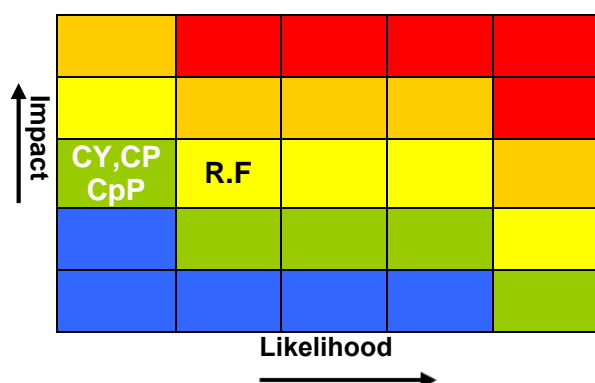
31. As part of monitoring, an assessment of risk has been made and details of the current key risks are listed in the table below with an update from the responsible officer.

Current Risk	Responsible Officer	Officer's Update
Interest Rates	S151 Officer	Interest rates remain low with the possibility of being cut to zero or even going into negative territory. Low interest rates reduce the cost of borrowing with the adverse impact being the return on investments will be lower. Continual monitoring of investments and borrowing is being undertaken to ensure returns are maximised whilst taking account of risk.
Level of borrowing needs	S151 Officer	Recent and ongoing deep dive financial reviews on the council's regeneration programme have identified an increased need to borrow to fund the capital expenditure required. The impact of this on the financing costs budget is being reviewed as part of the MTFs refresh.
Somerset Reorganisation	Chief Executive	The costs of reorganising the Somerset councils into a new unitary authority are likely to be significant. Whilst the costs of this, and any share of the cost needed to be funded by SSDC are not currently known – SSDC does not have any budgetary provision for such costs at this point in time.

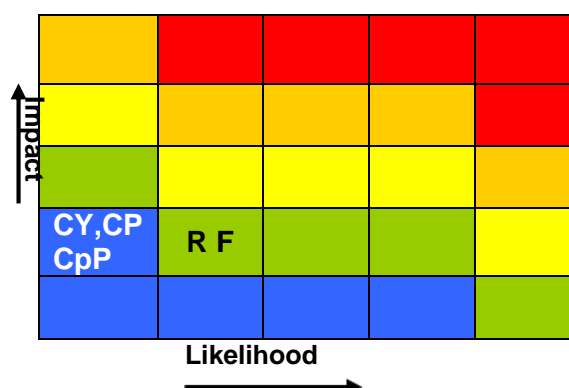
Current Risk	Responsible Officer	Officer's Update
Business Rate Income	Director-Service Delivery	The collection rate is down by 10.81% compared to the same period in the previous year quarter 1. This is a volatile measure affected by the timing of summonses and payments made by large businesses.
The Council Tax Support Scheme	Director-Service Delivery	The original budget for 2021/22 is £10.402m and a total of £10.346m has been awarded as at 31 July 2021. 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.
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 in autumn 2022.
Covid-19 and particularly its impact on income budgets	Senior Leadership Team	We continue to monitor the effects of the pandemic on our service provision and budget and particular on our income from car parking charges, planning fees, Council Tax and Business Rates. It is still too soon to assess whether income will bounce back to pre – Covid levels and when that might occur.

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	High impact and high probability
CpP - Corporate Plan Priorities	Major impact and major probability
CP - Community Priorities	Moderate impact and moderate probability
CY - Capacity	Minor impact and minor probability
F - Financial	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

36. Budget Setting reports to Full Council in February 2021.