

## **2021/22 Revenue Budget Monitoring Report for the Period Ending 31 December 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 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 10 February 2022.

### **Public Interest**

3. This report provides Revised Estimates for this financial year based on revenue budget variations estimated for the 2021/22 financial year. It gives an explanation of the significant key variances and why budgets therefore need to be amended. It also incorporates the continuing impact that Covid-19 is having on the Council finances.
4. Maintaining the financial health and resilience of the organisation is important to ensure the ongoing delivery of priority services within our community. The Council also has a legal obligation to set and maintain a balanced revenue budget position.

### **Recommendations**

5. That the District Executive:
  - a. Notes the variances being forecast against the 2021/22 revised revenue budget agreed by Council in December 2021 as set out in Table One.
  - b. Notes the transfers made to date to and from reserves outlined in Table Three.
  - c. Notes the budget virements made under delegated authority as detailed in Appendix A.

d. Note the forecast year-end reserves position shown in Appendix B.

## Background

- 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.
- The Quarter Two revenue budget monitoring report advised that an in depth review of the 2021/22 budget had been carried out to realign some historic budgets to reflect current spend and income. This exercise also identified additional budget requirements within some services. Council approved the 2021/22 revised net budget of £16.564m in December 2021.

## Summary of the Current Financial Position

- This report covers the period 1 April to 31 December and a summary of the year to date budget position is shown below in Table One, analysed by categories of expenditure and income. The table also provides a forecast outturn for 2021/22.
- As at the end of December 2021 the forecast revenue budget position is an **under spend** at year-end of **£298,140**, which is a **1.80% variance**.

**Table One: 2021/22 Year to-date figures and Forecast Outturn**

	Year to date - April to December 2021			Forecast Outturn 2021/22			
	Budget	Actual	Variance	Budget	Forecast	Variance	
<b>Expenditure</b>							
Employees	£15,104,856	£14,278,774	(£826,082)	£19,481,660	£19,311,940	(£169,720)	99%
Premises	£2,647,157	£2,452,008	(£195,149)	£3,326,560	£3,302,620	(£23,940)	99%
Transport	£539,823	£473,401	(£66,422)	£825,340	£795,320	(£30,020)	96%
Supplies & Services	£6,420,045	£6,602,063	£182,018	£8,036,560	£8,012,050	(£24,510)	100%
Third Party Payments	£6,194,190	£6,285,573	£91,383	£8,606,320	£8,606,570	£250	100%
Housing Benefits payments	£18,350,770	£19,374,263	£1,023,493	£24,688,360	£24,688,360	£0	100%
Capital Financing	(£1,804,455)	£39,149	£1,843,604	£272,690	£214,920	(£57,770)	79%
Revenue Reserve transfers	(£1,521,472)	(£273,531)	£1,247,942	£1,029,970	£1,029,970	£0	100%
	£45,930,914	£49,231,701	£3,300,787	£66,267,460	£65,961,750	(£305,710)	100%
<b>Income</b>							
Government grants	(£20,907,273)	(£20,814,639)	£92,633	(£27,614,610)	(£27,614,610)	£0	100%
Other grants and contributions	(£590,855)	(£1,108,561)	(£517,706)	(£1,444,510)	(£1,341,720)	£102,790	93%
Sales	(£1,288,144)	(£1,418,760)	(£130,616)	(£1,691,090)	(£1,597,390)	£93,700	94%
Fees and charges	(£12,946,540)	(£14,165,096)	(£1,218,556)	(£16,980,050)	(£17,126,490)	(£146,440)	101%
Investment income	(£856,933)	£343,684	£1,200,616	(£1,973,230)	(£2,015,710)	(£42,480)	102%
	(£36,589,744)	(£37,163,373)	(£573,629)	(£49,703,490)	(£49,695,920)	£7,570	100%
<b>Net Budget</b>	<b>£9,341,169</b>	<b>£12,068,328</b>	<b>£2,727,158</b>	<b>£16,563,970</b>	<b>£16,265,830</b>	<b>(£298,140)</b>	<b>98%</b>

(Variance column: bracketed figures = underspend / surplus income, unbracketed figures = overspend / income shortfall)

- Managers have provided a forecast of expenditure and income for the year for their service area as part of their management responsibilities and in line with good



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financial management and financial procedures rules. This report is a high-level summary of the budget variances that managers have forecast against the Revised Estimate agreed in December 2021.

### Employees

11. The Arts & Entertainment and Countryside budgets are continuing to be impacted by the effects of COVID, there are reduced staffing requirements in these areas. There are also vacancies across a number of the services, which are contributing to the forecast underspend.

### Premises

12. The majority of the forecast underspend of £24k relates to the Arts and Entertainment budgets where reduced expenditure is expected as these facilities have not been operating at normal capacity.

### Transport

13. These budgets are showing an anticipated underspend of £30k which is in respect of fleet related insurance premiums.

### Supplies and Services

14. This category of expenditure covers a wide range of costs. An element of the current forecast underspend of £25k relates to the Arts and Entertainment budgets arising from reduced performance costs as a result of venue closure due to COVID-19.

### Housing Benefit payments

15. The actual position to date is an over spend of £1m: however, this is a timing issue between SSDC making the payments and the government giving us the Housing Benefit Subsidy Grant. It is anticipated that the spend relating to rent allowances will be in line with budget at year-end.

### Other grants and contributions

16. The additional grants received in excess of the original budget have now been incorporated into the revised budget estimates:
  - Sports Council England - £181k;
  - The Arts Council - £115k;
  - National Lottery Heritage Fund - £36k
  - The Cultural Recovery Fund - £35k.
17. The budget forecast shows a shortfall of £103k, which is the impact of some reductions in funding contributions from external bodies.



18. Following the budget revision there is still a shortfall in sales income of £94k: this mainly relates to reduced catering sales of £56k at the Octagon and Westlands; and a reduction in advertising sales within the Tourism & Heritage budgets. The reduction in sales income is offset by an increase in fees and charges income referred to in the following section.

Fees and charges

19. The fees and charges position to date is showing a surplus of £146k against the budget. The Arts and Entertainment admission charges have performed better than anticipated contributing £251k towards this surplus. An additional £100k has been secured through property letting at Brympton Way.

20. There is however, an income shortfall of £237k against legal fees and costs recovered within Revenues. The debt recovery timetable has not been fully resourced for some time, due to staff resource being redirected to the administration of business grants. Although it is unlikely that any income will be received against this budget this year a growth proposal has been put forward to address this issue in 2022/23.

Investment income

21. The adverse variance showing to date in Table One is a timing issue and relates to accrued income which the Council will receive this year but has not received to date. The year-end projection forecasts a surplus of £42k which is marginally above the revised budget. The variance is mainly in respect interest receivable on the treasury investments.

**Quarter Three revenue budget position for each service**

22. Table Two below reflects the current and forecast budget position, for each service directorate.

**Table Two: 2021/22 Year to-date figures and Forecast Outturn**

	Year to date - April to December 2021			Forecast Outturn 2021/22		
	Budget	Actual	Variance	Budget	Forecast	Variance
Chief Executive	£479,010	£733,995	£254,985	£635,910	£635,910	£0
Commercial Services	(£928,058)	£511,263	£1,439,321	£3,569,210	£3,136,490	(£432,720)
Place & Recovery	£303,625	£455,439	£151,814	£213,740	£213,740	£0
Strategy & Support Services	£6,284,458	£6,962,379	£677,921	£7,980,700	£7,969,630	(£11,070)
Service Delivery	£3,202,134	£3,405,252	£203,118	£4,164,410	£4,310,060	£145,650
	<b>£9,341,169</b>	<b>£12,068,328</b>	<b>£2,727,158</b>	<b>£16,563,970</b>	<b>£16,265,830</b>	<b>(£298,140)</b>

(Variance column: bracketed figures = underspend / surplus income, unbracketed figures = overspend / income shortfall)

**Budget Virements**



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23. 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.
24. SLT has however adopted a protocol that all use of reserves, that do not require approval of the District Executive, will, despite the delegations given to officers described above, be reviewed by SLT first before the reserve is used. The Financial Procedure Rules will be changed to incorporate this for 2022/23.
25. All virements outside of the criteria set out above require the approval of District Executive. The virements that fall outside of this criteria are detailed in Table Three below.

**Table Three: Virements requiring approval**

<b>Value</b>	<b>Service function</b>	<b>From</b>	<b>To</b>	<b>Description</b>
£213,740	Voluntary, Community and Social Enterprise	Strategy & Support Directorate	Place & Recovery Directorate	Transfer of function to Place & Recovery Directorate

### Council Tax Support and Council Tax

26. 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 £10.363m has been allocated as at the 31 December 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).
27. The Hardship Scheme is in place for extreme circumstances with a budget of £30k for the year. By the end of December 2021, SSDC had processed 89 applications of which 68 were successful; the amount awarded was £25.5k.
28. The in-year collection rate for Council Tax for this time period is 80.60% for 2021/22 compared to 81.55% for the same period last year. At the end of December 2021, the total of £13.479m outstanding debt relating to previous years had been reduced by £2.775m.

### Business Rates

29. The in-year collection rate for Business Rates for this time period is 73.15% for 2021/22 compared to 77.87% 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



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December 2021, the total of £5.502m outstanding debt relating to previous years had been reduced by £1.012k.

30. 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.
31. A Somerset Business Rates Pool (comprising the County Council and the Districts within the County Council area) has provided a positive impact on retained funding from Business Rates since 2018/19, retaining more funding locally rather than redistributed to central government. The existing pooling arrangement will remain in place through 2022/23.

### Earmarked Reserves

32. The Council holds earmarked revenue reserves for a variety of good financial management reasons. Some reserves are for specific expenditure that will occur in the future, some reserves are held to mitigate possible risk, and others are reserves specifically built up over the past to help support the Medium Term Financial Plan. We also hold reserves for each Area Committee. Earmarked reserves are either revenue reserves (which can be used to fund both revenue and capital expenditure) or capital reserves which, unless the Secretary of State gives the council a specific dispensation, can only be used to fund capital expenditure.
33. Table Four below shows all the transfers that have been actioned for the year to date under the delegated authority given in the Financial Procedure Rules.

***Table Four: Transfers made (into) and out of Earmarked Reserves***



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Reserve	Balance at 01/04/2021 £'000	Transfers £'000	Balance at 31/12/2021 £'000	Reason for Transfer
<b>Capital</b>				
Usable Capital Receipts	(18,073)	(60)	(18,133)	Receipt of repaid grants
<b>Revenue</b>				
<b>Actions agreed by Council in December 2021</b>				
Transformation Reserve	(91)	91	0	This reserve has now been deleted and the balance transferred to the new Somerset LGR Reserve.
Somerset LGR reserve	0	(191)	(191)	This is a new reserve that has been created, the £91k has come from the Transformation Reserve and £100k has been transferred from the MTFP Support Fund.
Yeovil Refresh Reserve	(112)	112	0	This reserve has now been deleted and the balance transferred to the Regeneration Reserve.
Regeneration Fund	(2,997)	(112)	(3,109)	See above
NNDR Volatility Reserve	(4,593)	4,593	0	The reserve has now been deleted and the balance transferred to the MTFP Support Fund.
MTFP Support Fund	(4,880)	(4,216)	(9,096)	
Area Committees	0	(113)	(113)	The Area Committee balances have been transferred from the General Fund Balance.
Deposit Guarantee Claims Res	(13)	13	0	The reserve has now been deleted and the balance transferred to the General Fund Balance.
Park Homes Replacement Reserve	(287)	287	0	As above
Planning Obligations Admin Res	(30)	30	0	As above
Health Inequalities Reserve	(31)	31	0	As above
Insurance Fund	(50)	50	0	As above
<b>Other reserve transfers</b>				
Capital Reserve	(1,164)	(10)	(1,174)	Receipt of photovoltaic income.
Internal Capital Loan Repayments	(321)	321	0	The balance on this reserve has been transferred to the MTFP Support Fund.
Revenue Grants Reserve	(7,043)	6,590	(454)	Funding of COVID business grants.
Revenues & Benefits Reserve	(1,290)	102	(1,189)	Funding for transitional resources (£168k) less revenues new burdens grant received (£66k) transferred to reserve.
Business Support Scheme (Flooding)	(101)	10	(91)	Transfer to fund the costs associated with the River Parrett Trail
Ticket Levy Reserve	(120)	(55)	(175)	Ticket levies to reserve movements.
Community Safety Reserve	(44)	19	(25)	Funding of the Yeovil One Co-ordinator.
Housing & Homelessness Reserve	(441)	68	(373)	Funding of temporary staffing in 2021/22.
Spatial Policy Reserve	(258)	14	(244)	Transfer of Neighbourhood Planning Grant into reserves (£20K), less funding of a Planning post (£34K).
Climate Change Fund	(167)	(158)	(325)	Funding of staffing involved in this project £105k and an increase in reserve funding of £262k from the MTFP Support Fund.
Community Initiatives Reserve	(163)	163	0	Funding of the YR2 Somerset Families Programme as agreed by District Executive in October 2021.
Community Resilience Reserve	(126)	(100)	(226)	Grants allocated to fund future community resilience projects.

(Bracketed figures = balance or transfer into reserve, unbracketed figures = transfer from reserve)

34. The Chief Finance Officer along with SLT colleagues has undertaken a review of the reserves position and have recently implemented enhanced monitoring arrangements to better forward forecast the use of reserves. The forecast position as at the end of this financial year is shown in Appendix B.

## General Fund Balance

35. The General Fund Balance, comprises of an unallocated revenue reserve available to be used for unforeseen risks and costs. The year-end balance is forecast to be £4.656m.



36. The current assessment of the 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 to avoid falling below recommended levels. A review of the minimum level balance requirement will be undertaken and reported in the February 2022 Budget Report.

### Summary of Overall Forecast Reserves Position

37. The Council held £60.886m in capital and revenue reserves as at the beginning of this financial year. Taking into account anticipated expenditure that is funded by reserves in the remaining part of 2021/22 the year-end balance of reserves is forecast to be £29.372m. This figure includes the general fund balance of £4.656m

38. The key transfers into and out of the reserves during this year are as follows:

- Transfer of Business Rated Pooling Gain of (£0.8m - estimated figure) **into** the Regeneration Fund.
- Transfer of New Homes Bonus (£1.2m) **into** the MTFP Support Fund.
- Transfer of received Covid grants (£1.1m) **into** the Covid Recovery Reserve and the Covid Grant Reserve to fund Council Expenditure.
- **Use of** Capital Receipts Reserve (£18m) to fund Octagon Theatre Project and other 2021/22 capital expenditure.
- Use of revenue earmarked reserves (£3.5m) to fund 2021/22 capital expenditure (Capital Fund, Regeneration Fund, Commercial Investment Risk Reserve, and Cremator Replacement Capital Reserve).
- **Use of** Businesses Rates S31 Grants Reserve (£11.7m) to fund Collection Fund deficit.

### Financial Risks

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

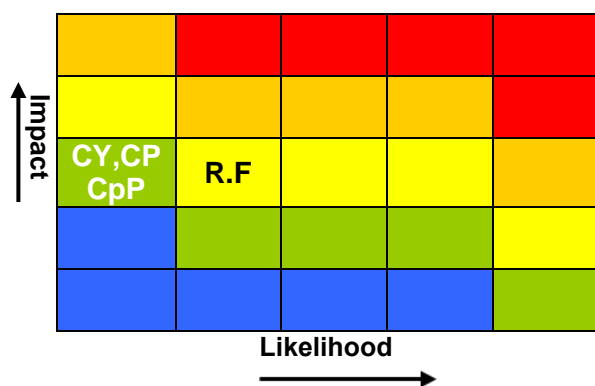
Current Risk	Responsible Officer	Officer's Update
Interest Rates	Chief Finance Officer	Interest rates remain low but there is a strong possibility of a future increase in the bank rate due to rising inflation rates. Regular meetings with our external Treasury Management advisers are held to inform us of the potential risks and any need for action.
Level of borrowing needs	Chief Finance 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 Chief Finance Officer made a number of recommendations in the quarter 2 capital budget monitoring report to reduce SSDC's borrowing needs by the use of earmarked reserves to fund capital expenditure plans. These recommendations were agreed by Full Council on 16 <sup>th</sup> December 2021.



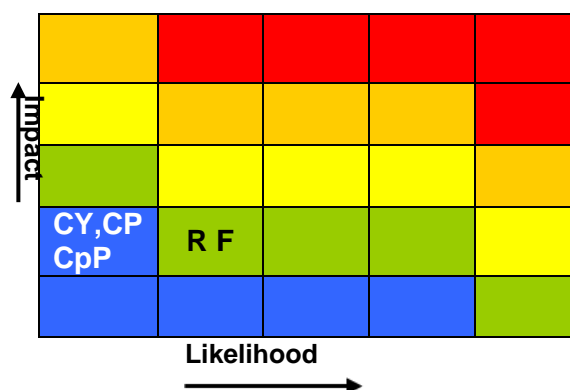
Current Risk	Responsible Officer	Officer's Update
Increase in Pay Award above amounts assumed in the Council's budget	This issue is a national one	This year's pay award for local government services employees remains unresolved as the unions have rejected the National Employers' full and final one-year pay offer that covers the period 1 April 2021 to 31 March 2022. The employers' offer will increase the bottom pay point by 2.75 per cent and would increase all other pay points by 1.75 per cent. The higher increase on the bottom pay point will ensure that the sector is compliant with the statutory National Living Wage of £9.50 that will come into effect on 1 April 2022. However, negotiations on any pay award for 2022-23 do not form part of this year's dispute and will be considered separately once the pay award for 1 April 2021 has been finalised. The unions have confirmed the timetable for their industrial action ballots, which will take place over the next three months.
Business Rate Income	Director-Service Delivery	The collection rate is down by 4.71% compared to the same period in the previous year quarter 3. 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 £10.363m has been awarded as at 31 December 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 particularly on our income from car parking charges, planning fees, Council Tax and Business Rates. SSDC holds sufficient reserves to compensate for any income shortfalls in the short to medium term.

## Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Key



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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

40. 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

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

## Equality and Diversity Implications

42. 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

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

## Background Papers

Budget Setting reports to Full Council in February 2021.

Quarter One 2021/22 Budget Monitoring report to District Executive in September 2021

Quarter Two 2021/22 Budget Monitoring report to District Executive in December 2021