

## **2014/15 Revenue Budget Monitoring Report for the Period Ending 30<sup>th</sup> June 2014**

*Executive Portfolio Holder:* Tim Carroll, Finance and Spatial Planning  
*Chief Executive:* Mark Williams, Chief Executive  
*Assistant Director:* Donna Parham, Assistant Director – Finance and Corporate Services  
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### **Purpose of the Report**

The purpose of this report is to update Members on the current financial position of the revenue budgets of the Council and to report the reasons for variations from approved budgets for the period 1<sup>st</sup> April to 30<sup>th</sup> June 2014.

### **Forward Plan**

This report appeared on the District Executive Forward Plan with an anticipated Committee date of 7<sup>th</sup> August 2014.

### **Public Interest**

This report gives an update on the revenue financial position and budgetary variations of the Council as at 30<sup>th</sup> June 2014.

### **1) Recommendations**

Members are recommended to:

- a) Note the current 2014/15 financial position of the Council;
- b) Note the reasons for variations to the previously approved budgets as detailed in paragraphs 3.3;
- c) Note the transfers made to and from reserves outlined in paragraph 11.1 and the position of the Area Reserves as detailed in Appendix C and the Corporate Reserves as detailed in Appendix D;
- d) Note the virements made under delegated authority as detailed in Appendix B;
- e) Approve the virements reported in paragraph 4;

### **2) Background**

- 2.1 The 2014/15 original budget was approved by Council in February 2014. Under the Council's Financial Procedure Rules, budgets are split between "above" and "below" the line items, with budget holders being responsible for "above" the line items only. As every item of expenditure and income within the Council's accounts is "above" the line under the responsibility of an individual budget holder, this is purely a means of ensuring that individual managers focus their attention on what they can control.

### 3) Summary of the Current Revenue Financial Position and Forecast Outturn

3.1 Managers have been asked in 2014/15 to outline the actual expected outturn for the year and the reasons for under or overspends are provided by them.

3.2 The table below shows the position of revenue budgets as at 30<sup>th</sup> June 2014. This includes any approved transfers to or from reserves.

<b>Approved base budget as at April 2014</b>	<b>£'000</b> <b>17,541</b>
Budget Carry Forwards approved June 2014 – Revenue Budgets	289
Savings from Area West markets returned to balances	(3)
<b>Revised Budget as at 30<sup>th</sup> June 2014</b>	<b>17,827</b>

3.3 A summary of the revenue position as at 30<sup>th</sup> June 2014 is as follows:

Service	Original Budget £'000	Revised Budget £'000	Y/E Forecast £'000	Variance £'000	Comments on Major Variances (+/- £50,000)
Strategic Management	653.1	622.4	622.4	0.0	
Financial Services	1,386.1	1,398.5	1,336.9	(61.6)	Savings from reduced insurance premiums, secondment of a finance assistant and surplus interest receipts.
ICT Services	861.2	881.0	881.0	0.0	
Procurement & Risk Management	158.7	159.4	159.4	0.0	
Revenue & Benefits	223.8	232.5	232.5	0.0	
Democratic Services	994.0	1,030.6	1,030.6	0.0	
Legal Services	208.9	225.2	225.2	0.0	
Fraud & Data Management	96.7	97.1	97.1	0.0	
Human Resources	303.9	307.0	307.0	0.0	
Place & Performance	271.9	286.7	286.7	0.0	
Economic Development	379.1	393.0	393.0	0.0	
Development Control	435.3	438.1	438.1	0.0	
Spatial Policy	517.8	519.3	519.3	0.0	
Equalities	51.7	57.8	57.8	0.0	

Service	Original Budget £'000	Revised Budget £'000	Y/E Forecast £'000	Variance £'000	Comments on Major Variances (+/- £50,000)
Communities, Third Sector & Partnerships	419.2	421.6	421.6	0.0	
LSP	26.1	26.1	26.1	0.0	
Family Support Programme	0.0	0.0	0.0	0.0	
Area East	199.1	221.2	221.2	0.0	
Area North	176.0	208.3	208.3	0.0	
Area South	255.4	269.2	269.2	0.0	
Area West	261.5	267.3	267.3	0.0	
Operations & Customer Focus	466.6	470.1	470.0	(0.1)	
Environmental Health	994.4	998.5	1,008.5	10.0	
Civil Contingencies	137.2	137.4	137.4	0.0	
Engineering & Property Services	(31.8)	(28.9)	(106.9)	(78.0)	Savings being made across a range of services. However they are offset by a predicted shortfall in car park income of £50k.
Building Control	(53.1)	(44.2)	(23.0)	21.2	
Streetscene	1,742.3	1,768.2	1,768.2	0.0	
Waste & Recycling	4,217.4	4,217.4	4,217.4	0.0	
Licensing	(43.5)	(37.5)	(37.5)	0.0	
Arts & Entertainment	334.4	382.4	378.8	(3.6)	
Sport & Leisure Facilities	232.2	232.2	232.2	0.0	
Community Health & Leisure	753.8	752.3	752.3	0.0	
Housing & Welfare	672.0	675.9	675.9	0.0	
Countryside	239.4	240.4	240.4	0.0	
<b>Total</b>	<b>17,540.8</b>	<b>17,826.5</b>	<b>17,714.4</b>	<b>(112.1)</b>	
<b>Underspend</b>					

(Amounts shown in brackets are net income figures)

3.4 There is an expected net under spend on currently approved budgets of **£112k** by the end of the financial year. This will result in an under spend equivalent to 0.65% of the revised budget. Appendix A to this report sets out the detail of the current position on Council spending.

#### 4) Budget Virements

Under the Financial Procedure Rules, providing that the Assistant Director (Finance & Corporate Services) has been notified in advance, Assistant Directors/Managers may authorise any virements for an individual cost centre within their responsibility. Strategic Directors & 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 Assistant Director (Finance & Corporate Services).

All virements outside of the criteria set out above need the approval of District Executive and are detailed in the table below.

Amount £	From	To	Details
151,700	GIS	ICT	Transfer of the budget for GIS to ICT services
44,655	Env Health	Streetscene	Retention of enforcement officer in Streetscene
22,000	Area West	Property Services	Cleaners' salary budgets transferred to Property as staff are TUPE'd to Glen Cleaning wef 1/9/14. (Budget will be pro rata for 14/15)
10,000	Flood Reserve	Area North Capital	Grant to the Internal Drainage Board re the Thorney ring bank flood defence scheme to be funded from Flood Reserve

#### 5) Delivery of Savings

As part of budget monitoring it is important to monitor that savings proposed in the 2014/15 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.

<b>Major Savings (Savings over £25,000)</b>	<b>2014/15 Budget Saving Target £'000</b>	<b>Estimated Actual Saving at Year-End £'000</b>	<b>(Shortfall)  £'000</b>
GIS-Reduction in IT & licence budgets	25.0	25.0	0.0
ICT-Changes to the Disaster Recovery Plan	26.6	26.6	0.0
Waste-Optimisation of Service	33.3	33.3	0.0
Property Services-Public Office utilities	51.0	51.0	0.0
Commercial Properties-Repairs & maintenance	35.0	35.0	0.0
Shared accommodation with SCC	94.6	94.6	0.0
HR-Transfer of Nursery	25.0	25.0	0.0
Essential user & mileage allowances	57.3	35.0	(22.3)
Travel costs	30.0	30.0	0.0
Crematorium Income	65.0	65.0	0.0
Licensing Income	30.0	30.0	0.0
Landcharges Income	50.0	50.0	0.0
Planning Fee Income	50.0	50.0	0.0
Area Restructure	89.0	89.0	0.0
Finance savings	29.5	29.5	0.0
<b>Total Major Savings</b>	<b>691.3</b>	<b>669.0</b>	<b>(22.3)</b>

### **Comments from HR Manager re travel savings shortfall**

When the original potential budget saving was calculated last autumn it was believed that there would be a need to unilaterally introduce changes to the mileage scheme without agreement from staff unions as there was strong resistance to any change in terms and conditions.

Following notice of change being given regional union officers became involved and following months of negotiation a collective agreement was finally reached in March 2014 on a revised locally agreed scheme.

The agreed local mileage scheme reduced the overall savings from an estimated £57,000 to around £35,000 per annum compared to the previously envisaged scheme. Achieving a collective agreement provided other benefits including removing the risk of any legal challenge to the change, and introducing a scheme generally supported by staff while still making savings. It also maintains a good employee relations background for future changes across the organisation. Another major advantage was that by having a local agreement it broke the link to the nationally agreed travel allowance scheme.

The new local scheme reduced the rate per mile payments to all staff saving in excess of £20,000 per annum with the additional savings coming from the introduction of a mileage threshold with posts being removed from the essential user scheme. On grounds of equity and to remove anomalies from the previous scheme nine posts additionally qualified for the essential user allowance under the revised criteria. The introduction of a threshold within the new scheme will also support savings in future as new technologies reduce the requirement for travel.

### **6) External Partnerships and other Organisations**

All key partnerships are monitored within SSDC's overall budget – there are currently no financial issues within SSDC's key partnerships. Members have requested some additional monitoring of the following substantial partnership:

**South Somerset Voluntary Community Action (SSVCA)** – In line with the service level agreement SSVCA has provided a statement on their financial position.

“We are coming in under budget, this is mainly due to not filling two key roles so staffing expenditure is lower than budgeted. Generally finances are on target following the re-structure, with managers predicting a small surplus on all areas of the business by year end.

We have been commissioned by SCC to coordinate the volunteer activity on the Somerset Levels following the floods and we have agreed with SCC that they will pay us up front for resources required, which puts our cash flow in relatively good position”.

## **7) Council Tax Reduction Scheme**

- 7.1 The Council Tax Reduction Scheme commenced in April 2013. For 2014/15 the authority set a budget of £9.319 million for annual discounts. Of this sum £9.078 million has been allocated for the year leaving £0.241 for additional growth during the year.
- 7.2 The Hardship Scheme budget for 2014/15 is £30,000. At the end of June 2014 SSSDC had received 72 requests for hardship relief of which 50 were successful. The amount awarded by the end of June 2014 is £4,897.
- 7.3 The collection rate for Council Tax was 29.64% by the end of June compared to 29.35% last year. This is an improvement of 0.29%.

## **8) Non Domestic Rates**

- 8.1 The collection rate for Non Domestic Rates was 31.01% at the end of June compared to 32.43% last year.

## **9) Council Tax Reforms**

- 9.1 Members agreed to amend some discounts to Council Tax from 1 April 2013, one of which relates to long term empty properties (unfurnished and unoccupied for 2 years or more). The number of long term empty properties is 195. This compares favourably with 292 at the same time last year.

## **10) Discretionary Housing Payments**

- 10.1 From the Housing Benefit Subsidy monitoring at the end of June 2014, £39,467 DHPs have been made and £38,675 is committed. This compares to £22,347 paid and £19,349 committed for the same period in 13/14.

## **11) Reserves, Balances and Contingency**

- 11.1 Reserves are amounts that have been set aside from annual revenue budgets to meet specific known events that will happen in the future. An example of such a reserve is the amount set aside annually to cover the cost of South Somerset District Council elections that occur every four years. 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 transfers in or out of each one that has been actioned under the authority delegated in the Financial Procedure Rules.

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

Reserve	Balance at 01/04/14 £	Transfers In/(Out) £	Balance at 30/6/14 £	Reason for Transfer
Capital Reserve	1,916,647	25,860	1,942,507	Revenue contribution to Enforcement van (£15,860) and to work at Petters re CAB move (£10,000)
Insurance Fund	47,527	3,220	50,747	Storm damage claim (£2,330) and 2014/15 revenue contribution (£5,550)
New Homes Bonus Reserve	1,682,503	(25,900)	1,656,603	Funding of Development Valuer post
Revenue Grants Reserve	547,118	(192,054)	355,064	Return of grant funding to budgets; Queen Camel (£15,686), Partnership levies (£18,670), Telecare funding (£8,500), Family Support (£130,258), Hydro power (£2,940) MTIG grant (£16,000)
Council Tax/Housing Benefits Reserve	577,026	30,866	607,892	New Burdens funding (£28,501) and LADS programme (£2,365)
LSP	70,859	8,100	78,959	Funding Yeovil college grant (£6,000) and annual prov to winding up costs (£14,000)
Business Support Reserve	380,144	(36,040)	344,104	Flood grants

(Figures in brackets denote a reduction in the reserve)

11.2 General Fund Balance represents the accumulated revenue surpluses. Within the total, however, there 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 the start of the financial year:

As at 01/04/14 £'000	General Fund Balances	Movement	As at 30/06/14 £'000
5,708	Balance at 1 April 14		5,708
	<b>Less:</b>		
	Transfers from Balances	(38)	(38)
(289)	Carry forwards to services from 2013/14 (approved June 14)		(289)
	2014/15 budget once off use of balances		
	Earmarked for specific purposes:		
	▪ allocated to Committees:		

As at 01/04/14 £'000	General Fund Balances	Movement	As at 30/06/14 £'000
(60)	- Area East		(60)
(53)	- Area West		(53)
(27)	- Area North		(27)
(2)	▪ Economic Development Balance		(2)
	Estimated underspend on Revenue Budget 2014/15	112	112
<b>5,277</b>	<b>Estimated Unallocated General Fund Balance at 30<sup>th</sup> June 2014</b>	<b>74</b>	<b>5,351</b>

(Amounts shown in brackets are net income figures)

11.3 The latest review of risks to SSDC balances shows that balances need to remain within the range of £3.2 to £3.6 million to meet current financial risks. Current balances as at 30<sup>th</sup> June are therefore adequate to meet current risks.

11.4 The following transfer from balances is for noting by this Committee, as they have been undertaken under delegated authority:

Reserve	Balance at 01/04/14 £	Transfers In/(Out) £	Balance at 30/06/14 £	Reason for Transfer
Non-Earmarked Balances	5,277	3	5,280	Area West Market budget no longer required

11.5 No provision was made for a DX Contingency Budget in the 2014/15 budget but committed funds were carried forward as follows:

	Approved	£'000
Symphony Project	Feb 14	10.0
Intern Funding	May 14	7.6
<b>Committed Funds:</b>		<b>17.6</b>

## 12) Risk

12.1 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 year-end is estimated to be £5.4 million.

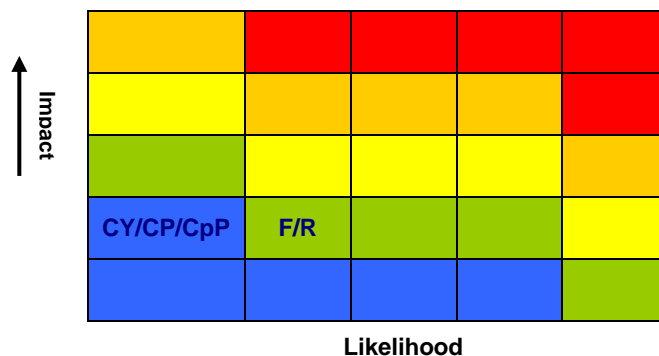
12.2 Details of the current key risks, as identified in the 2014/15 Budget Setting Report, are listed in the table below with an update from the responsible officer.



<b>Current Risk</b>	<b>Responsible Officer</b>	<b>Officer's Update</b>
The Council Tax Reduction Scheme carries risks of additional demand and non-collection. This will need to be carefully monitored in 2014/15 to assess the overall impact.	Assistant Director-Finance & Corporate Services	The CTR scheme is now being monitored as part of the budget monitoring report.
Cost of living increases to pay budgets has been increased by 1% for 2014/15 in line with Government guidelines. Any local or national agreements in excess of this will need to be found from balances. A 1% increase equates to approximately £109,380.	Chief Executive	Currently negotiations are at a standstill between the Government and the Unions as a 1% pay increase has not been accepted by the Unions.
There remains substantial risk in the banking sector and protection of SSDC's principal sums continues to be our primary concern. Interest rates within the budget are set with a continued base rate of 0.5%. The Finance team continues to take regular advice from its treasury advisors Arlingclose and are monitoring the situation closely. A loss of £6 million principal would mean a budget reduction of £30k through loss of interest.	Assistant. Director-Finance & Corporate Services	Current predictions are for the budget to be £15.8k over achieving on income.
Housing Benefit Subsidy is administered on behalf of Central Government by SSDC and a grant reimburses for expenditure incurred. Approximately £46m in benefit is paid out and the grant normally accounts for 100% of this, however adjustments reducing the grant are made for local authority errors.	Assistant Director-Finance & Corporate Services	Current predictions are for the housing benefit subsidy to be on budget at the year end.
Planning income improved during 2013/14 however it is still an area susceptible to the economic downturn. A further drop of 5% in income amounts to £52,500.	Assistant Director-Economy	Current predictions are for planning income to be on budget although for the first quarter of the year income is ahead of budget by £190k.
Building Control income was reduced by £44k for 2014/15 by offsetting vacant posts funding. It is still an area susceptible to economic downturn and a 5% reduction equals £25,330 loss of income.	Assistant Director-Environment	Current predictions are that there will be a £27k shortfall in fee income.
Car parking income has fallen in 2014/15 reflecting lower numbers of users in Yeovil. A further 5% reduction in usage across Yeovil car parks (which accounts for 70% of total income) is equivalent to £62,040 loss in car park income.	Assistant Director-Environment	Pay & Display and season ticket income is predicted to be down by £50k.
The risks for SSDC in Business Rate Retention are that there is no	Assistant Director-Finance & Corporate	Collection rate is slightly down on the previous year

Current Risk	Responsible Officer	Officer's Update
or negative growth, that companies with renewable energy schemes do not go ahead, that appeals may be greater than expected, or collection performance is worse than expected. The maximum risk to next year's budget is £245k which is the difference between the budget set and the safety net.	Services	and the risk remains.

## Risk Matrix



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

## Corporate Priority Implications

The budget is closely linked to the Corporate Plan and growth bids are scored accordingly.

## Carbon Emissions and Climate Change Implications

There are no implications currently in approving this report.

## Equality and Diversity Implications

When the budget was set any growth or savings made included an assessment of the impact on equalities as part of that exercise.

## Background Papers

None