

2018/19 Revenue Budget Monitoring Report for the Period Ending 30th June 2018

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Purpose of the Report

1. The purpose of this report is to provide Members with an early 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 2nd August 2018.

Public Interest

3. This report gives an update on the forecast revenue financial position and budgetary variations of the Council for the financial year 2018/19, as at 30th June 2018. Maintaining the financial health of the organisation is important in ensuring the ongoing delivery of priority services in our community.

Recommendations

4. That the District Executive:
 - a. Note the current 2018/19 financial position of the Council
 - b. Note the reasons for variations to the previously approved Directorate Budgets as detailed in paragraph 8, Table 1;
 - c. Note the transfers made to and from reserves outlined in paragraph 26, Table 4 and the position of the Area Reserves as detailed in Appendix B and the Corporate Reserves as detailed in Appendix C;

Background

5. The 2018/19 original budget was approved by Council in February 2018. This represents the financial plans that the Executive manages under their delegated authority and that they monitor in accordance with the Financial Procedure Rules. All of the Council’s income and expenditure has a responsible budget holder who is managing only items within their control.
6. As this is the first forecast for the year, which is completed at the end of Quarter 1 (1st April to 30th June 2018), the projected position should be regarded as an early indication of possible differences between actual and budgeted spend and income for the year. Experience shows that the position at the end of the year can vary, sometimes significantly, from early forecasts with time for management to take corrective action and manage risks and opportunities before the end of the financial year.

Summary of the Current Revenue Financial Position and Forecast Outturn

7. Managers have been asked to forecast spending and income to provide an early indication of the expected outturn for the year and the reasons for projected underspend or overspend. Appendix A to this report sets out the detail of the current position on Council spending and the forecasted outturn for 2018/19.
8. A summary by Directorate of the revenue position as at 30th June 2018 is as follows:

Table 1 – Revenue Budget Position

| Directorate | Original Budget £'000 | Revised Budget £'000 | Y/E Forecast £'000 | Variance £'000 | Comments on Major Variances (+/- £50,000) |
|---|--------------------------|-------------------------|-----------------------|-------------------|--|
| Chief Executive | -284.0 | 100.7 | 100.7 | 0 | |
| Director of Support Services | 5,465.8 | 5,555.6 | 5,633.6 | 78 | Under achievement of income budget, £60K on external printing and £18K on mobile phone rebates. |
| Director of Service Delivery | 2,547.3 | 2,356.1 | 2,356.1 | 0 | |
| Communities Lead | 1,301.6 | 1,229.7 | 1,229.7 | 0 | |
| Director of Commercial Services and Income Generation | 7,452.5 | 7,159.6 | 7,272.1 | 112.5 | Under achievement of car parking income but this is in line with prior year income. Although income for Westlands has improved this financial year a small shortfall of income is anticipated. |
| Total Overspend | 16,483.3 | 16,401.8 | 16,592.2 | 190.5 | |

(Negative figures = income, positive figures = costs)

9. There is currently a forecast net overspend for the year of £190,519 (1.16%). This reflects early concerns raised by budget managers in respect of four income budgets. No other significant variances are being reported at this stage.
10. Whilst it is a concern that such income shortfalls are projected, these areas will be closely monitored and there is quite a long time for management action to manage the financial implications of these forecasts within the overall budget total for the year. In addition, experience shows that budget holders can be cautious in their early forecasts. It is also worth noting that there were significant excess of income over budget reported at the end of the last financial year across a number of budget areas. A detailed review of all income base budgets and in year forecasts will be undertaken in the next 2-3 months to inform Quarter 2 budget monitoring and early estimates for 2019/20 base budgets.

11. Overall, management's view is that this overspend will be mitigated through close budget management before the end of the financial year. If this level of confidence changes this will be reported to Members through normal reporting arrangements.
12. As part of the Revenue Outturn Report for 2017/18 viewed by District Executive in July, Members approved carry forwards to the value of £118,648. These were not processed through the finance system until July therefore these do not appear in the figures above or the detailed appendices. None of the carry forwards agreed will affect the adverse variances above.

Budget Virements

13. Under the Financial Procedure Rules, providing that the S151 Officer has been notified in advance, Directors/Assistant Directors/Managers may authorise any virements for an individual cost centre within their responsibility. Directors and Assistant Directors can authorise virements, up to a maximum of £25,000, for an overall Directorate that is within their area of responsibility. Portfolio Holders can approve virements between services within their areas of responsibility, up to a maximum of £25,000 per virement. There are no virements for District Executive to note that require approval by the S151 Officer in this quarter.
14. All virements outside of the criteria set out above need the approval of District Executive and are detailed in the table below.

Table 2 – Virements over £25,000

| Amount £ | From | To | Details |
|-------------|------------------------|--------------|--|
| 61,610 | Economic Development | Regeneration | Regeneration budgets for Chard, Wincanton and Yeovil now within a separate budget. |
| 164,040 | Revenue Grants Reserve | Housing | Transfer Flexible Homelessness Support Grant |

Delivery of Savings

15. As part of effective financial planning and control it is important to monitor that savings proposed in the 2018/19 budget setting exercise are being delivered. The table below details the major savings (savings over £25,000) that were proposed and the expected achievement of those savings at year-end.

Table 3 – 2018/19 Budgeted Major Savings (over £25,000)

| Description | 2018/19 Budget Saving Target £'000 | Estimated Actual Saving at Year-End £'000 | Shortfall £'000 |
|--|---|--|--------------------|
| Transformation | 1,222.7 | 1,222.7 | 0 |
| Sales, Fees and Charges - Planning | 120.0 | 120.0 | 0 |
| Garden Waste income price and demand increases | 63.6 | 63.6 | 0 |
| Sales, Fees and Charges - Horticulture/Grounds/StreetScene | 40.0 | 40.0 | 0 |
| Private Sector Leasing and Letting Service | 34.6 | 0 | -34.6 |
| Total Major Savings | 1,480.9 | 1,446.3 | -34.6 |

(Negative figures = shortfall)

16. Table 3 shows that there is a shortfall of projected income against one of the budgeted savings. This will be carefully monitored during Quarter 2 and Quarter 3 to clarify whether the base budget expectation is realistic, and any changes to underlying trend will be addressed through the 2019/20 budget setting process. The projected shortfall on its own is not material to the overall financial performance for the year, and as reported at the end of 2017/18 there were a number of underspends last year that were not included in original savings targets. At this stage in the financial year it is anticipated the impact of this shortfall can be managed within the overall budget total and be offset by underspends in other areas.

Council Tax Support and Council Tax

17. The Council Tax Scheme (CTS) commenced in April 2013. The authority has set a budget for 2018/19 of £8.410 million for annual CTS discounts. A total of £8.787 million has been allocated as at 30th June 2018. Although this is currently above budget the sum allocated has fallen in each month. 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 c14.5% for 2018/19).

18. The Hardship Scheme is in place for extreme circumstances with a budget of £30,000 for the year. By the end of Quarter 1 SSDC had received 44 requests for hardship relief of which 36 were successful. The amount awarded to the end of Quarter 1 was £6,014.61.

19. The in-year collection rate for Council Tax is 29.48% for 2018/19 compared to 28.82% for Quarter 1 last year. In monetary terms we have collected £1.63 million more than in the same period last year. At the end of Quarter 1 we had reduced total outstanding debt relating to previous years of £6.394 million by £886k.

Non Domestic Rates

20. The in-year collection rate for Non Domestic Rates at the end of Q1 was 32.58% for 2018/19 compared to 28.20% for last year. At the end of Q1 we had reduced total outstanding debt relating to previous years of £2.112 million by £575k.

21. Non Domestic Rates income that we collect is distributed between Government, SSDC, the County Council, and Fire and Rescue Authority under the Business Rates Retention funding system.

Council Tax Reforms

22. Members agreed to amend some discounts to Council Tax from 1st April 2013, one of which relates to long term empty properties (unfurnished and unoccupied for 2 years or more). There were 208 at the end of June 2018. 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 187.

23. Members will be aware that the Government is currently considering changes in the rate of premium that local authorities can charge for long term empty properties. If passed through to legislation, the Council will have the opportunity to consider possible changes to its own policy in this regard.

Discretionary Housing Payments

24. The Government DHP funding allocation for 2018/19 is £281k. In addition to this the Council is permitted to spend up to £422k of its own money on DHP awards. By the end of Quarter 1 we had processed 101 DHP applications, 81 of which were successful with a total award value £32k. A further £22k is committed up to the end of this financial year. The total sum paid and committed (£55k) represents 20% of the government DHP grant. We have also allocated £50k to be used by the Housing Team to help with rent in advance and deposits to secure tenancies. Credit recipients have their housing cost support paid directly by DWP, however they are still able to apply to SSDC for a DHP. The number of Universal Credit recipients in the district is increasing each month and as a result it is difficult to project the end of year spending on DHP's. We will continue to monitor closely this area of spend. We currently have 20 outstanding DHP applications.

Reserves & Balances

25. 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 on each one is provided at Appendix C. The Appendix shows all movements of each one that has been actioned under the authority delegated in the Financial Procedure Rules.

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

Table 4 – Reserves Movements

| Reserve | Balance at 01/04/2018 £'000 | Transfers In/Out £'000 | Balance at 30/06/2018 £'000 | Reason for Transfer |
|--|--------------------------------|---------------------------|--------------------------------|--|
| Usable Capital Receipts | -24,611 | -12 | -24,623 | Payment to DCLG of Pooling of Housing receipts and sale of Burlingham Barn. |
| Capital Reserve | -1,274 | -2 | -1,276 | Repayment of Photovoltaics |
| Revenue Grants Reserve | -788 | -47 | -835 | Transfer from reserve: Funding for smoke detectors to Careline £5K, Homeless New Burdens to Housing £58K, Preventing Repossessions to Housing £83K Transfer into reserve: Personal Searches New Burdens Grant £29K, Homelessness Flex Grant £164K |
| Council Tax/ Housing Benefits Reserve | -625 | -56 | -681 | New burdens Grant from DWP for Welfare Reforms and Universal Credits £56k |
| Infrastructure Reserve | -803 | 4 | -799 | Brimsmore grant funding to Development Control |
| Ticket Levy Reserve | -35 | -12 | -47 | Transfer of ticket levies to reserve |

(Negative figures = income, positive figures = costs)

27. **General Fund Balance** represents the accumulated revenue surpluses that are held to mitigate financial risks and unforeseen costs. Within the total, however, are amounts that have been

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

Table 5 - General Fund Balance

| | £'000 |
|--|---------------|
| Balance at 1 April 2018 | -4,361 |
| Area & Economic Development Balances | 121 |
| 2017/18 Carry Forwards | 119 |
| Commitments | 78 |
| Current Estimated overspend in 2018/19 | 190 |
| Unallocated General Fund Balance at 30th June 2018 | -3,853 |

(Negative figures = income, positive figures = costs)

28. The Latest review of risks to SSDC balances shows that balances need to remain within the range of £2.8 to £3.1 million to meet current financial risks. Current balances as at 30th June are therefore adequate to meet current risks.

Financial Implications

29. As part of monitoring an assessment of risk has been made. This review of balances and reserves has shown that SSDC currently has sufficient balances to cover major areas of financial risk. The balance at the 30th June 2018 is estimated to be £3.86 million.

30. Details of the current key risks, as identified in the 2018/19 Budget Setting Report, are listed in the table below with an update from the responsible officer.

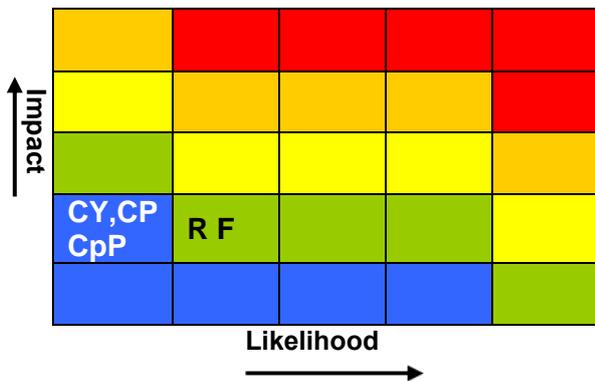
Table 6 - Risks

| Current Risk | Responsible Officer | Officer's Update |
|--------------------------------|--|--|
| Interest Rates | S151 Officer | Current predictions are for the Treasury Management income to achieve budget. |
| Business Rate income | Director-Service Delivery | The collection rate is up by 5.29% on the previous year's Quarter 1; NDR collection can be quite volatile from quarter to quarter, and year to year. One factor affecting collection is the timing of a payment from a business with a large rates bill. If they pay a few days before the end of the quarter in one year but a few days after the end of the quarter in another year this can significantly change the % collected in that quarter. |
| Transformation | Chief Executive | The blueprint has confirmed that the £2.5 million savings are forecast to be achievable. One-off and ongoing spend related to the project is being closely monitored. |
| Westland Leisure Centre | Director – Commercial Services & Income Generation | A full business plan revision was brought before District Executive in December 2017 in line with the forward plan. Sales and bookings for 2018/19 so far are good. |
| The Council Tax Support Scheme | Director-Service Delivery | Current monitoring shows that 104.47% of the budget has been allocated by 30 th June 2018. |

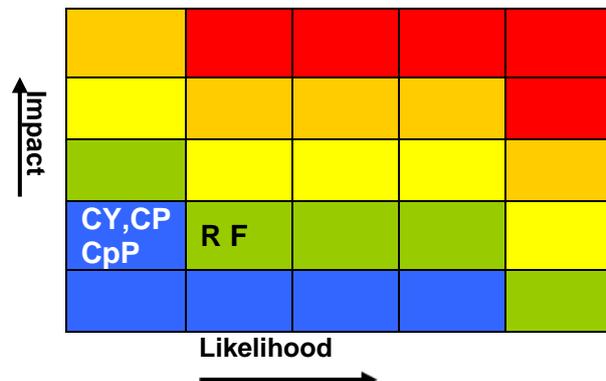
| Current Risk | Responsible Officer | Officer's Update |
|--------------------------|--|---|
| Housing Benefit Subsidy | Director-Service Delivery | Current predictions are for the housing benefit subsidy to be on budget at the year-end but the outcome will not be confirmed until the subsidy claim is externally audited. |
| Planning Income | Director-Service Delivery | Current predictions are for Planning income to exceed the budgeted amount by at least £100k |
| Building Control Income | Director-Service Delivery | Current predictions are that there will be a £60k shortfall in fee income. |
| Car parking Income | Director – Commercial Services & Income Generation | Car Park income is currently predicted to be below budget estimates by at least £55k. |
| New Homes Bonus | S151 Officer | New Homes Bonus in 2018/19 is in line with budget. |
| 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. |
| Land Charge Searches | Director-Support Services | The update from Land Registry is that they are currently still working on getting all authorities digitalised and then it is expected that the project will start with the South East region. So it is unlikely that there will be any change for SSDC until 2019/20. |

Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Key

| Categories | Colours (for further detail please refer to Risk management strategy) |
|---------------------------------|---|
| R = Reputation | Red = High impact and high probability |
| CpP = Corporate Plan Priorities | Orange = Major impact and major probability |
| CP = Community Priorities | Yellow = Moderate impact and moderate probability |
| CY = Capacity | Green = Minor impact and minor probability |
| F = Financial | Blue = Insignificant impact and insignificant probability |

Council Plan Implications

31. 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

32. There are no implications currently in approving this report

Equality and Diversity Implications

33. 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

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

Background Papers

35. Budget Setting reports to Full Council in February 2018.