

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

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Purpose of the Report

1. The purpose of this report is to provide Members with mid-year 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 1st November 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 September 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 9, Table 1;
 - c. Note the virements made under delegated authority as detailed in Appendix B
 - d. Note the transfers made to and from reserves outlined in paragraph 27, Table 4 and the position of the Area Reserves as detailed in Appendix C and the Corporate Reserves as detailed in Appendix D;

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. This is the second forecast for the year, which is completed at the end of Quarter 2 (1st April to 30th September 2018). 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.

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 2018/19.
8. There is currently a net underspend of £215,840 (1.3%) forecast for 2018/19, this is a movement of £406,359 from the Quarter 1 projected overspend of £190,519.
9. The summary of the revenue position by Directorate as at 30th September 2018 is detailed in table 1:

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	-213.8	-213.8	0	
Director of Strategy and Support Services	5,465.8	6,881.7	6,704.1	-177.5	Under achievement of income budget in some areas of support service, but reduced by anticipated treasury income above that budgeted.
Director of Service Delivery	2,547.3	1,919.5	1,830.7	-88.7	Income on planning fees above that budgeted for the year.
Communities Lead	1,301.6	1,258.8	1,258.8	0	
Director of Commercial Services and Income Generation	7,452.5	6,761.0	6,811.4	50.4	Under achievement of income against budget anticipated for both car parking (in line with prior year income), and venue income for Westlands which has improved this financial year but a small shortfall of income is anticipated.
Total Overspend	16,483.3	16,607.2	16,391.3	-215.8	

(Negative figures = underspend / surplus income, positive figures = overspend / income shortfall)

10. Income trends compared to budget remains a concern for managers in some areas as reported last quarter. 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.
11. A key financial risk is the delivery of phased savings as the implementation of the transformation continues. There are both adverse and favourable variances in relation to salaries and agency costs across different cost centres. However, confidence remains high that the full year savings are on track for 2019/20 (when the new operating model will be embedded before the start of the year) and the phased savings target for 2018/19 will be achieved. It may be necessary to cover some

transitional costs from earmarked reserves set aside for this purpose, this is being carefully monitored. During quarter 3 Finance will be looking to move some of the variances from the individual service budgets and allocating the variances to the transformation savings target.

12. The table below shows the movements on revenue budgets between 1st April 2018 and the 30th September 2018.

	£'000
Approved base budget as at April 2018	16,483.50
2018/19 Carry forwards	118.65
Cocklemoor Bridge from general balances approved February 16	5.00
Revised Budget as at 30th September 2018	16,607.15

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. 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 2 – Virements over £25,000

Amount	From	To	Details
£165,060	Commercial Properties	Commercial Land and Properties Project	Transfer Investment Properties budget to meet accounting reporting requirements
£273,660	All Directorates	Strategy & Commissioning	Transfer of salary budgets due to the creation of Strategy & Commissioning
£97,110	Support Service Function - Various	Support Service – Lead Specialist, Specialist & Case Work	Transfer of travel and subsistence budgets to new Specialist and Case Worker management codes

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 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 more than offset by underspends in other areas, as noted with higher savings/income forecast in planning and garden waste as per Appendix A.

Council Tax Support and Council Tax

17. The Council Tax Support Scheme (CTS) provides for discounted tax charges to households with lower income. The authority has set a budget for 2018/19 of £8.410 million for annual CTS discounts. A total of £8.760 million has been allocated as at 30th September 2018, therefore exceeding the estimate included in the tax base. 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). The forecast position in January 2019 will be part of the estimated surplus/deficit on the Collection Fund that will impact the 2019/20 budget.
18. 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 73 requests for hardship relief of which 59 were successful. The amount awarded to the end of Quarter 2 was £10,454.
19. The in-year collection rate for Council Tax is 56.22% for 2018/19 compared to 56.67% for Quarter 2 last year, indicating that collection performance remains fairly consistent. In monetary terms we have collected £2.95 million more than in the same period last year. At the end of Quarter 2 we had reduced the total of £6.394 million outstanding debt relating to previous years by £1.388 million.

Non Domestic Rates

20. The in-year collection rate for Non Domestic Rates at the end of Q2 was 58.27% for 2018/19 compared to 53.31% for last year, indicating collection performance has improved. At the end of Q2 we had reduced the total of £2.112 million outstanding debt relating to previous years by £751k.
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 September 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 179.
23. Legislation has been approved in Parliament to give 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, and will further strengthen councils' ability to incentivise owners of long-term empty homes to bring them back into use. The intention is for a report to come before Members in December to consider this and other related matters related to council tax policies.

Discretionary Housing Payments

24. The Government DHP funding allocation for 2018/19 is up to £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 2 we had processed 230 DHP applications, 199 of which were successful with a total award value of £80k. A further £16k is committed up to the end of this financial year. The total sum paid and committed (£96k) represents 34% of the government DHP grant. We currently have 18 outstanding DHP applications.
25. Universal 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.

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

Table 4 – Reserves Movements

Reserve	Balance at 01/07/2018 £'000	Transfers In/Out £'000	Balance at 30/09/2018 £'000	Reason for Transfer
Usable Capital Receipts	-24,623	-6	-24,629	Payment to MHCLG of Pooling of Housing receipts, repayment of a Private Sector Housing grant and sale of The Follies.

Reserve	Balance at 01/07/2018 £'000	Transfers In/Out £'000	Balance at 30/09/2018 £'000	Reason for Transfer
Capital Reserve	-1,276	-38	-1,314	Revenue Contributions to Capital Outlay: MOT Station £1.5k, refurbishment of changing rooms £29k and Car Parks improvements £7k
Yeovil Athletic Track Repair Fund	-151	-18	-169	Contribution to sinking fund from Revenue.
Revenue Grants Reserve	-835	77	-758	Transfer from reserve: Funding for Chard Regeneration Sports Consultant £6k, Click into Activity funding returned to revenue £71k.
Council Tax/ Housing Benefits Reserve	-681	-92	-773	New burdens Grant from DWP for Welfare Reforms and Universal Credits £92k
Artificial Grass Pitch Reserve	-108	-16	-124	Contribution to sinking fund from Revenue.
Infrastructure Reserve	-799	13	-786	Funding of Chard Regeneration staff costs
Ticket Levy Reserve	-47	-24	-71	Transfer of ticket levies to reserve

(Negative figures = income, positive figures = costs)

28. **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
2018/19 Carry Forwards	119
Cocklemoor Bridge	5
Commitments (including A303)	173
Current Estimated underspend in 2018/19	-215
Unallocated General Fund Balance at 30th September 2018	-4,158

(Negative figures = income, positive figures = costs)

29. 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 September exceed this minimum requirement providing added financial resilience to address financial risks if required.

Financial Implications

30. 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 2018 is estimated to be £4.1 million.

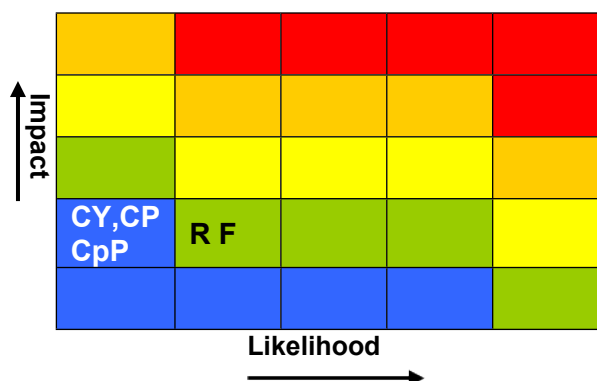
31. Details of the current key risks, as identified in the 2018/19 Budget Setting Report, are listed in the table below with an update from the responsible officer.

Table 6 - Risks

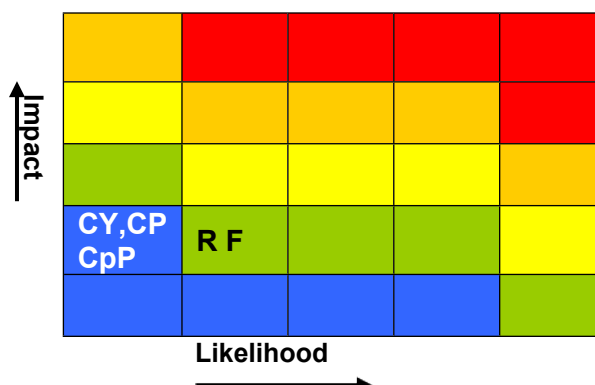
Current Risk	Responsible Officer	Officer's Update
Interest Rates	S151 Officer	Current predictions are for the Treasury Management income to exceed budget.
Business Rate income	Director-Service Delivery	The collection rate is up by 4.96% on the previous year's Quarter 2; NDR collection can be quite volatile 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.
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 104.16% of the budget has been allocated by 30th September 2018.
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. A large surplus was reported at the end of 2017/18.
Planning Income	Director-Service Delivery	Current predictions are for Planning income to exceed the budgeted amount by at least £150k
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 £100k.
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 be affected.
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

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 2018, Quarter 1 Budget Monitoring to Executive in August 2018.