

# **2019/20 Budget Monitoring Report for the Period Ending 31<sup>st</sup> December 2019**

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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 6<sup>th</sup> February 2020.

## **Public Interest**

3. This report gives an update on the forecast revenue financial position and budgetary variations of the Council for the financial year 2019/20, as at 31<sup>st</sup> December 2019. Maintaining the financial health and resilience of the organisation is important in ensuring the ongoing delivery of priority services in our community.

## **Recommendations**

4. That the District Executive:
  - a. Notes current 2019/20 financial position of the Council
  - b. Notes the reasons for variations to approved Directorate Budgets as detailed in paragraph 8, Table 1
  - c. Notes the budget virements made under delegated authority as detailed in Appendix B,
  - d. Approve the budget virements included in Table 4
  - e. Notes the transfers made to and from reserves outlined in paragraph 28 Table 6, the Area Reserves as detailed in Appendix C, and the Corporate Reserves as detailed in Appendix D.

## **Background**

5. The 2019/20 original budget was approved by Council in February 2019. 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.
6. This is the third forecast for the year, which is completed at the end of Quarter 3 (1st April to 31st December 2019). As the report is the penultimate monitoring report for 2019/20, the projected position should be regarded as a reasonably firm indication of possible differences between actual

and budgeted spend and income for the year. However, experience shows that the position at the end of the year can vary, sometimes significantly, from the forecast position. Budget managers will continue to take corrective action and manage risks and opportunities in the remaining part of the financial year to minimise the variances on budgets.

## **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 3 and details the forecast outturn for 2019/20.
8. There is currently a net forecast underspend of £285,870 (1.66%) for 2019/20. Table 1 below details the services with major variances forecast for 2019/20 as predicted at 31<sup>st</sup> December 2019 that contribute to this predicted figure.

**Table 1 – Major Variances (+/- £50,000)**

<b>Directorate</b>	<b>Service</b>	<b>Forecast Variance £'000</b>	<b>Explanation of variance</b>
Commercial Services and Income Generation	Streetscene	-60	Additional income is anticipated on various Streetscene income budgets.
	Waste Services	-57	Garden Waste income is expected to exceed the 2019/20 budget
	Income / Opportunity Development	64	Additional expenditure in respect of National Non Domestic Rates and an anticipated shortfall in rental income at Yeovil Innovation Centre. Actions are in place to promote the meeting room facilities and small business units which will of course improve the income generated for the site.
	Operational Properties	80	Income from catering and operational buildings is forecast to be £85k below budget estimate. There are underspends expected on catering related expenditure due to reduced activity, this is partially offset by an anticipated overspend on National Non Domestic Rates payable.
	Commercial Investments	-100	Income will exceed budget due to commercial investment purchases only being added into the budget setting report once actually completed. Any overachievement of income showing at year end will be transferred to Commercial Risk Reserve. £450k already transferred this year.
	Car Parking	208	Expected £60k overspend on NNDR and £10k on repairs budget. Expected £163k shortfall in car park income. District Executive approved increase was modelled for budget purposes on 10% but indexation provides only 7%.
Service Delivery	Customer Connect Team	-73	Underspend on salaries due to vacancies, recruitment into a number of the vacant roles was delayed due to the identification of the requirements that will fit the need of the service.
	Land Charges	75	Shortfall of income due to service pressures, additional capacity has been added to the team meaning an improvement in income is anticipated.

<b>Directorate</b>	<b>Service</b>	<b>Forecast Variance £'000</b>	<b>Explanation of variance</b>
	Building Control	213	The forecast year end variance is based on the service having to run with agency staffing due to difficulties in recruitment. The outcomes of a peer review undertaken in the summer will help inform the future business plan for the service.
	Development Management	192	Agency costs incurred due to being unsuccessful in recruiting to vacant posts. Fee income expected to be less than the budget.
Strategy and Commissioning	Contracted Sports Facilities	-109	Underspend on premises maintenance budgets due to resource issues. Additional income expected at one of the Sports Centres.
Support Services	Finance Corporate Costs	-543	Insurance premiums projected to be below budget, and treasury net interest costs and income forecast to produce a surplus against budget.
	Support Services Functions	55	Resource issues will result in the income receivable in respect of Legal fees and costs recovered being less than the annual budget

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

9. Income trends compared to budget remains a concern for managers in some areas. Managers in the areas concerned are continually monitoring income trends together with their Finance Specialist and, if required, plans will be implemented to bring spending and income in line with the approved budgets where deliverable. Additional information on the areas which have significant income budgets which would impact on the financial position if there were to be significant variances are detailed in the risk table (Table 8) of this report.
10. The commercial investment properties income budget is currently forecasting a gross surplus of c£1m for the year, as a result of completed investments since the original budget for the year was estimated. Once the adjustments for interest and MRP have been processed, it is proposed to transfer the additional income to the Investment Risk Reserve at year end, therefore this surplus is not included as an underspend variance against total budget for the year. This transfer is in addition to the £450k agreed in the Financial Strategy report approved at September District Executive. The Financial Strategy report also proposed a number of additional transfers which were in line with the financial strategy of building resilience to income volatility within this reserve. Table 2 details the amounts approved which have been transferred to the reserve in quarter 3 and are reflected in the reserve balances included in table 6. An additional £57k transfer to the reserve was approved in the Financial Strategy report, this amount will be included as part of the transfer of surplus income that will be made at year end.

**Table 2 – Commercial Investment Risk Reserve**

	<b>£'000</b>
<b>Balance as at 1<sup>st</sup> April 2019</b>	<b>132</b>
2019/20 budgeted transfer from investment income surplus	450
Financial Strategy recommended transfer from General Reserves	661
Financial Strategy recommended transfer from BRR Volatility Reserve	2,500
Financial Strategy recommended transfer from MTFFP Support Fund Reserve	2,500
<b>Revised Budget as at 31<sup>st</sup> December 2019</b>	<b>6,243</b>

11. In addition, the Council's treasury investments continue to outperform the budget set for the year, resulting in a projected surplus. The Financial Strategy report also proposed to transfer an element of the treasury investment income surplus to the Treasury Risk Reserve in 2019/20. Therefore, an amount of £150k was transferred to the reserve from the treasury management income budget, from general reserves and from the MTFP Support Fund making the total transferred to the reserve in the third quarter £450k. The balance on the reserve as at 31 December 2019 was £600k. The additional transfer of £450k accelerates the build-up of financial resilience to capital volatility in the Council's investments. The S151 Officer proposes to review the position at year end and a further transfer to this Reserve may be proposed at Outturn, if the year-end position on investment income continues to be positive.
12. The approved base budget as at 1st April 2019 was £16.198m for 2019/20, which is increased to £17.179m including £170k budget carried forward from the previous financial year.

**Table 3 – Net Budget Reconciliation**

	£'000
<b>Approved base budget as at April 2019</b>	<b>16,198</b>
2019/20 Carry forwards	170
Commercial Investment Risk Reserve	661
Treasury Investment Risk Reserve	150
<b>Revised Budget as at 31<sup>st</sup> December 2019</b>	<b>17,179</b>

## Budget Virements

13. 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 £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 4 – Virements over £25,000**

Amount £	From	To	Details
105,550	Various	Information Systems	Transfer of software budgets from service department to Information Technology
61,970	Support Service Case Officers	Strategy & Commissioning Case Officers	Transfer of Democratic Services & Elections Case Officer staff budgets to Strategy Commissioning
60,380	Support Service Specialists	Democratic Services & Elections	Transfer of Democratic Services & Elections Specialist staff budgets to Strategy Commissioning
670,000	Support Services Functions	Strategy & Commissioning – Strategic Planning	Transfer of Democratic Services non staff budgets to Strategy Commissioning
180,680	Support Services Functions	Strategy & Commissioning – Strategic Planning	Transfer of Elections non staff budgets to Strategy Commissioning

<b>Amount £</b>	<b>From</b>	<b>To</b>	<b>Details</b>
48,500	Learning & Development	Various	Allocation of training budget to service department
65,790	Conservation	Development Control	Consolidation of budget to reflect transformation structure

## **Delivery of Savings**

15. As part of effective financial planning and control it is important to monitor the delivery of savings planned within the approved budget. The table below details the major savings (savings over £25,000) that were agreed and the expected achievement of those savings at year-end. The table only highlights projected shortfalls and does not identify where targets may be exceeded.

**Table 5 – 2019/20 Budgeted Major Savings (over £25,000)**

<b>Description</b>	<b>Income/ Saving Target £'000</b>	<b>Forecast Saving at Year-End £'000</b>	<b>Shortfall £'000</b>
Transformation (See paragraph 15 regarding one-off service resilience transitional costs of £494,900 for 19/20)	756.8	756.8	0
Sales, Fees and Charges - Arts	5.4	5.4	0
Sales, Fees and Charges - Planning	15.0	15.0	0
Sales, Fees and Charges - Licensing	9.3	9.3	0
Sales, Fees and Charges - Welfare/Careline	12.4	10.4	2
Sales, Fees and Charges - Horticulture/ Street Scene	21.8	21.8	0
Sales, Fees and Charges - Countryside	11.0	11.0	0
Parking Fee Income	135.0	55.0	80
Insurance Premiums Procurement saving	50.0	50.0	0
<b>Total Major Savings</b>	<b>1,016.7</b>	<b>934.7</b>	<b>82</b>

(Negative figures = shortfall)

16. As reported previously in the quarter 1 report, one-off service resilience transitional costs of £494,900 for 2019/20 were agreed by DX in June 2019. Whilst the approved budget (and table 5 above) reflects the full delivery of savings per the business case it is appropriate to recognise some of the savings have effectively been reinvested to provide service resilience and meet workload as changes continue to be made.
17. Table 5 shows that the majority of the major savings target for 2019/20 is anticipated to be achieved. The achievement of savings will continue to be monitored during the remaining part of the financial year to clarify whether the base budget expectation is realistic, and any changes to underlying trend will be addressed through the 2020/21 budget setting process. The projected shortfall on its own is not material to the overall financial performance for the year, it is anticipated that the impact of the shortfall can be managed within the overall budget total and be offset by underspends in other areas.

## **Council Tax Support and Council Tax**

18. The Council Tax Support Scheme (CTS) provides for discounted tax charges to households with lower income. The authority has set an estimate for 2019/20 of £9.042m within the Council Tax Base for annual CTS discounts. A total of £8.970m has been allocated as at 31<sup>st</sup> December 2019. 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 c14.3% for 2019/20).

19. The Hardship Scheme is in place for extreme circumstances with a budget of £30,000 for the year. By the end of quarter 3 SSDC had received 93 requests for hardship relief of which 79 were successful. The amount awarded to the end of quarter 3 was £14,956.84.
20. The in-year collection rate for Council Tax is 82.90% for 2019/20 compared to 83.72% for quarter 3 last year. The number of people opting to pay by 12 instalments rather than 10 continues to increase (currently 16,834 households). This means the collection profile will see more income during February and March than last year. At the end of quarter 3 we had reduced the total of £7.567m outstanding debt relating to previous years by £1.940m.

## **Non Domestic Rates**

21. The in-year collection rate for Non Domestic Rates is 80.82% for 2019/20 compared to 82.40% for quarter 3 last year. At the end of quarter 3 we had reduced the total of £2.628m outstanding debt relating to previous years by £561k.
22. 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. For 2019/20 this distribution is based on the one-off 75% BRR Pilot arrangements (Gov 25%, SSDC 44%, SCC 30%, Fire 1%).

## **Council Tax Reforms**

23. 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 133 at the end of December 2019. 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 198. Most of this reduction is attributable to the change in the premium charged from 1 April 2019 (see next paragraph). Tax payers have been better at telling us about the status of their properties i.e. if they are a second home or now occupied.
24. Legislation gives 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. A report was approved by District Executive on the 7th February 2019. From the 1st April 2019 dwellings that have been empty for more than two years, a premium of 100% of the charge will be added (this previously was 50%). Further changes will come into effect from 1st April 2020.

## **Discretionary Housing Payments**

25. The Government DHP funding allocation for 2019/20 is up to £232,768. In addition to this the Council is permitted to spend up to £349,152 of its own money on DHP awards, although no budget has been set for this discretion. By the end of quarter 3 we had processed 337 DHP applications, 283 of which were successful with a total award value of £145,566.457. A further £8,375.81 is committed up to the end of this financial year. The total sum paid and committed (£153,942.26) represents 66.13% of the government DHP grant.

26. Universal Credit recipients have their housing cost support paid directly by DWP, however they are still able to apply to SSDC for a DHP and the number of Universal Credit recipients in the district is increasing each month. Universal credit related DHP's are included in the figures in the above paragraph.

## **Reserves & Balances**

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

**Table 6 – Reserves Movements**

<b>Reserve</b>	<b>Balance at 01/10/2019 £'000</b>	<b>Transfers £'000</b>	<b>Balance at 31/12/2019 £'000</b>	<b>Reason for Transfer</b>
<b>Capital</b>				
Useable Capital Receipts	-22,263	-40	-22,303	Sale of Capital Assets (£13k) plus Air-Conditioning contribution for The Ralph, Marlow from previous owner (£27.5k).
<b>Revenue</b>				
Capital Reserve	-1,307	-25	-1,331	Revenue contribution to capital for wood-chipper (£14.5k) and Photovoltaic additional tariff income (£10.5k).
Internal Capital Loans Repayments Fund	-204	-5	-209	Repayments from revenue accounts for internal loans for vehicles and equipment.
Elections Reserve	-270	92	-178	Contribution from reserve to cover May elections expenditure.
Transformation Reserve	-162	-2	-166	Funding of quarter 3 transformation expenditure (£23k), less previously agreed transitional funding (£25k) returned to reserve.
Treasury Management Reserve	-150	-450	-600	Transfers to reserve as per Financial Strategy report agreed by District Executive in September 2019
Revenue Grants Reserve	-500	33	-467	Release of general grants to revenue in respect of Land Charges and High Street Clean up Fund

<b>Reserve</b>	<b>Balance at 01/10/2019 £'000</b>	<b>Transfers £'000</b>	<b>Balance at 31/12/2019 £'000</b>	<b>Reason for Transfer</b>
MTFP Support Fund	-5,019	2,742	-2,277	£2.5m transfer to Commercial Investment Risk Reserve, £150k to Treasury Management Reserve as per September District Executive report.
Council Tax/Housing Benefits Reserve	-783	17	-766	Funding for transitional resources and outsourced work (£90k), less Housing Benefit grants received from DWP (£73k) transferred to reserve.
Closed Churchyard Reserve	-23	6	-17	To fund spend on grounds maintenance works in quarter.
Regeneration Fund	-1,601	219	-1,382	Funding of regeneration schemes expenditure in period.
NNDR Volatility Reserve	-3,955	2,500	-1,455	Transfer to Commercial Investment Risk Reserve as agreed in Financial Strategy Report to District Executive in September 2019.
Ticket Levy Reserve	-107	-56	-163	Ticket Levies to reserve.
Community Safety Reserve	-72	2	-70	Contribution to revenue budget for clothing and equipment.
Housing & Homelessness Reserve	-487	102	-385	£100k transfer in respect of hostel provision as agreed in 2019/20 MTFP and the balance to fund training requirement.
Commercial Investment Risk Reserve	-132	-6,111	-6,243	Transfer to reserve from MTFP support fund and from NNDR Volatility reserve as agreed in September District Executive report.

(Negative figures = income, positive figures = costs)

### General Fund Balance

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

**Table 7 - General Fund Balance**

	<b>£'000</b>
Balance at 1 April 2019	-4,593
Area & Economic Development Balances	121
2019/20 Carry Forwards	170
Financial Strategy agreed reserve transfers (September 19 District Executive)	811
Support for 2019/20 budget	-253
Commitments (including A303)	157

Current Estimated underspend in 2019/20	-286
<b>Unallocated General Fund Balance at 31<sup>st</sup> December 2019</b>	<b>-3,873</b>

(Negative figures = income, positive figures = costs)

30. The S151 Officer recently updated the assessment for determining the adequate minimum general reserves balance, as included in the Financial Strategy report approved by District Executive in September 2019. This minimum balance requirement is updated to £2.6m. 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<sup>st</sup> December exceed this minimum requirement providing financial resilience to address financial risks if required.

## Financial Implications

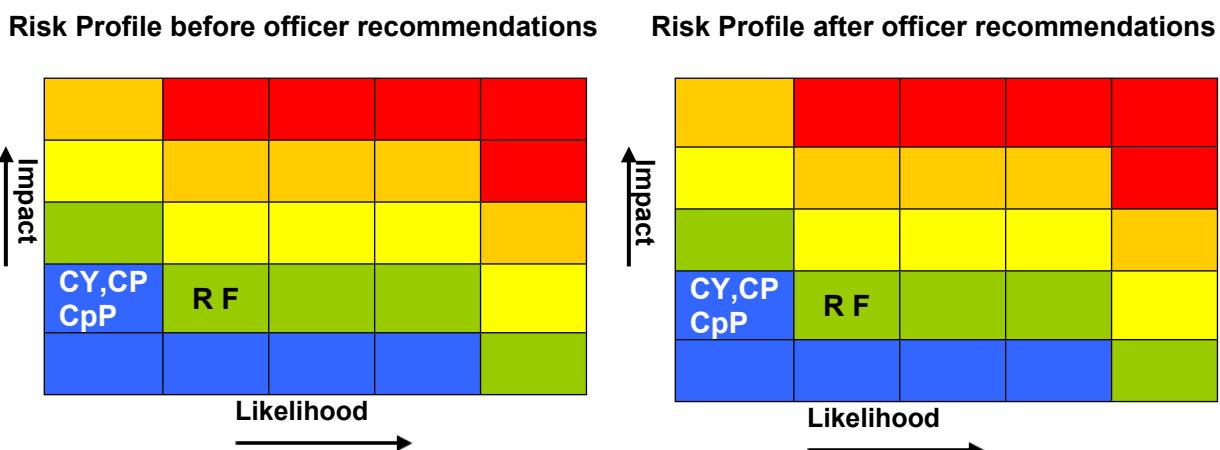
31. As part of monitoring an assessment of risk has been made. This review of balances and reserves has shown that SSDC currently has sufficient balances to cover major areas of financial risk. The balance at the 31<sup>st</sup> December 2019 is estimated to be £3.873 million.
32. Details of the current key risks, as identified in the 2019/20 Budget Setting Report, are listed in the table below with an update from the responsible officer.

**Table 8 - Risks**

<b>Current Risk</b>	<b>Responsible Officer</b>	<b>Officer's Update</b>
Interest Rates	S151 Officer	Current predictions are for the Treasury Management income to exceed budget. PWLB unexpectedly increased its standard borrowing rates by 1% on 9 October, which has the potential to increase borrowing costs in future if sourced from the PWLB.
Business Rate Income	Director-Service Delivery	The collection rate is down by 1.58% compared to the previous year's quarter 3; This is a volatile measure affected by the timing of summonses and payments made by large businesses.
Transformation	Chief Executive	Officers continue to implement changes through transformation to enable channel shift and improve efficiency, which is essential to underpin full benefit realisation and avoid the risk that operational capacity will need to be increased to meet service demands.
The Council Tax Support Scheme	Director-Service Delivery	Current monitoring shows that 99.20% of the budget has been allocated by 31 <sup>st</sup> December 2019. 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 2020.
Planning Income	Director-Service Delivery	It is anticipated that there will be a shortfall of £117k against the income target for Development Management in 19/20.

<b>Current Risk</b>	<b>Responsible Officer</b>	<b>Officer's Update</b>
Building Control Income	Director-Service Delivery	<p>Current predictions are that there will be a £213k overspend on expenditure for the year should the current use of agency staff be continued.</p> <p>No variance is currently projected on the Building Control income budget and this will be closely monitored during the remainder of the year.</p>
Car Parking Income	Director – Commercial Services & Income Generation	A £162.5k shortfall in car park income is projected. DX approved increase was modelled for budget on 10% but indexation provides only 7%.
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 also be affected.
Land Charge Income	Director-Service Delivery	The income budget is expected to be £75k below budget at year end. The income levels will continue to be monitored and an improvement on the income position is expected.

## Risk Matrix



## Key

<b>Categories</b>		<b>Colours (for further detail please refer to Risk management strategy)</b>	
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**

33. 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**

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

## **Equality and Diversity Implications**

35. 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**

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

## **Background Papers**

Budget Setting reports to Full Council in February 2019  
Quarter 2 Budget Monitoring to Executive in August 2019.

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