
2020/21 Revenue Budget Monitoring Report for the Period Ending 30th June 2020

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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 6th August 2020.

Public Interest

3. This report gives an early forecast revenue financial position and budgetary variations of the Council for the financial year 2020/21, as at 30th June 2020. 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 2020/21 financial position of the Council;
 - b. Notes the predicted variance to approved Directorate Budgets as detailed in paragraph 9, Table 1;
 - c. Notes the transfers made to and from reserves outlined in paragraph 28 Table 3, the Area Reserves as detailed in Appendix B, and the Corporate Reserves as detailed in Appendix C.

Background

5. The 2020/21 original budget was approved by Council in February 2020. 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.



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6. This is the first forecast for the year, which is completed at the end of Quarter 1 (1st April to 30th June 2020). 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 even without COVID-19, from early forecasts with time for management to take corrective action and manage risks and opportunities before the end of the financial year.
7. It important to recognise that a number of assumptions have been made in relation to COVID-19 but at this stage it is very hard to judge the full impact on 2020/21 budget. Therefore, this report is slightly different than our usual presentation of the budget monitoring position and is very strongly linked to the revised Financial Strategy 2020/21 Update Report which is part of this agenda.

Summary of the Current Revenue Financial Position and Forecast Outturn

8. In order to complete 'The 2020/21 Budget and the effects of Covid-19' section of the financial strategy report, budget holders have been asked to forecast expenditure and income for the year in order that the expected outturn and the projected variances are identified and reported. This was particularly critical for those affected by COVID-19. Appendix A also shows additional comments provided from budget holders following the distribution of the budget monitoring reports for the end of June 2020.
9. A number of budgets have been affected by COVID-19, some in relation to additional expenditure, and others as a result of under receipt of income. The areas of the budget that are currently affected by COVID-19 and which affect the net revenue position are shown in the table below:

Table 1 – Variances expected for 2020/21

Affected area	£'000
Income Losses	
Fees and Charges (includes Westlands, Octagon, Car Parking)	4,681
Commercial Income	962
Treasury Income	360
Other income including Yeovil Innovation Centre	427
Expenditure	
Housing and Homelessness	290
Waste Management	1,013
Hub/Shielding	200
Other	450
Total Estimated Impact (excluding CT & NDR)	8,383
Government Funding to date	(2,004)
Rough Sleepers Grant (SCC)	(136)
Net Estimated Impact (excluding CT & NDR)	6,243

10. There is currently a net forecast overspend of £6.243m for 2020/21. The grant received is to be distributed across the revenue budget for 2020/21 during quarter 2 to correct some of the variances already showing, especially for areas of spend such as the Food Hub. We are awaiting details from Government regarding a further grant allocation in relation to lost income. We are aware that we will still be required to subsume a



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significant element of this impact. The remainder of the shortfall (when quantified) will be funded as agreed within the Financial Strategy Report.

11. Following on from Table 1 above, there are significant areas of concern that will need closely monitoring, some identified as directly affected by COVID-19, but others only partially affected such as:

- **Octagon and Westlands** - Significant variances on income and expenditure budgets anticipated. The figures assume not being able to run any events at the Octagon for the remainder of the financial year. Further grant funding from the Arts Council is expected but no income has been included at this stage. For Westlands, the figures assume the running of the film programme only for the remainder of the financial year. If income earning events resume at both venues, the budget position will improve.
- **Yeovil Recreation Centre** - The site being closed for first two months of the financial year has resulted in an anticipated shortfall of income at the site. Income earning activities recommenced on 1 June when the site was partially re-opened, however a shortfall of income against budget is still anticipated at year end.
- **Countryside** - It is anticipated that there will be a shortfall against the income targets due to COVID-19. The assumption is that the countryside events programme will be cancelled for the remaining part of the calendar year. Two months of income has been lost at the Ninesprings Cafe due to the closure, however since re-opening income streams have been good. The National Heritage Lottery Funded Ham Hill project will result in additional expenditure; this will be offset by the grant income received.
- **Building Control** - Overspend is due to continued use of agency staff. Income is below target due to Covid-19, which has created continued uncertainty along with material supply issues on site.
- **Parking Income** – Forecast to overspend £73k on NNDR and a further £30k on service charges in 2020/21 for a total of overspend of £103k. COVID-19 has also drastically reduced income so far this year, with the current estimate being that income will be £950k underachieved by year-end.
- **Commercial Investment Properties Income** - Currently forecasting a gross deficit of £0.962m for the year, as a result of COVID-19 and possible non collection of rent for the year. Any shortfall in income for the year that does come to fruition will be covered by a movement from the Commercial Risk Reserve that has been established for events such as this.
- **Treasury Investment income** – The Council has substantial investments in pooled funds. It is anticipated that the return on these investments will significantly reduce in this financial year due to COVID-19. The Council's treasury advisors have indicated that the return on pooled fund investments will be between 25% and 50% less than 2019/20 depending on the type of pooled fund investment.

The pooled fund investments have started to show signs of recovery in Quarter 1 and it is anticipated that the recovery will continue, which will have a positive impact on the investment returns for the remaining part of the financial year.



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12. Managers in the affected areas are continually monitoring income and expenditure 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 possible.
13. The approved base budget for 2020/21 was £15.207m. No movements have been made between 1st April 2020 and 30th June 2020 therefore the budget remains unchanged. Carry forwards from the 2019/20 budget totalling £340,670 have been requested, details of the carry forward requests are included in the 2019/20 outturn report which is included as an agenda item at this committee.

Budget Virements

14. 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 virements. All virements outside of the criteria set out above require the approval of District Executive, there are no virements this quarter.

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 2 – 2020/21 Budgeted Major Savings (over £25,000)

Description	Income/ Saving Target £'000	Forecast Saving at Year-End £'000	Shortfall £'000
Transformation – Non pay	150.0	100.0	50.0
Sales, Fees and Charges - Arts	5.0	0	5.0
Sales, Fees and Charges - Licensing	6.0	0	6.0
Sales, Fees and Charges - Horticulture/ Street Scene	20.0	20.0	0
Sales, Fees and Charges - Waste	40.0	40.0	0
Sales, Fees and Charges - Countryside	4.0	0	4.0
Increase in rental income	66.7	0	66.7
Increase in service charges	39.0	0	39.0
Total Major Savings	330.7	160.0	170.7

(Negative figures = shortfall)

16. Table 2 shows that a significant element of the major savings target for 2020/21 may not be achieved. The achievement of savings will be carefully monitored during Quarter 2 and Quarter 3 to clarify whether the budget expectation is realistic given the effect of COVID-19. The projected shortfall on its own is not material to the overall financial performance for the year, especially given COVID-19 and it is anticipated that the impact of the shortfall will have to be managed within the overall budget total.



South Somerset District Council 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 an estimate for 2020/21 of £9.397m within the Council Tax Base for annual CTS discounts. As part of the response to Covid-19, the Government provided local authorities with a council tax hardship fund to support economically vulnerable people and households in their local area. This grant is to compensate billing authorities for the council tax foregone in 2020/21 due to additional council tax reliefs provided to recipients of working age local tax support schemes during the Covid-19 emergency. SSDC received £1.156m from this hardship fund.
18. A total of £10.565m CTS discounts have been awarded as at 30th June 2020. 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 c14.4% for 2020/21).
19. 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 29 requests for hardship relief of which 22 were successful. The amount awarded to the end of quarter 1 was £9,339.
20. The in-year collection rate for Council Tax is 28.17% for 2020/21 compared to 28.11% for quarter 1 last year. The number of people opting to pay by 12 instalments rather than 10 continues to increase (currently 17,399 households). This means the collection profile will see more income during February and March than last year. At the end of quarter 1, we had reduced the total of £9.334m outstanding debt relating to previous years by £730k.

Non Domestic Rates

21. The in-year collection rate for Non Domestic Rates is 39.66% for 2020/21 compared to 32.68% for quarter 1 last year. Due to the introduction of 100% extended retail relief for 2020/21, as a consequence of the Covid-19 support measures, the collectable debt has reduced and payments received so far in quarter 1, expressed as a percentage of the revised collectable debt, is higher. At the end of quarter 1, we had reduced the total of £3.696m outstanding debt relating to previous years by £247k.
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. Following the ending of the one year BRR pilot arrangements for 2019/20, this now reverts to the standard shares for 2020/21 (Gov 50%, SSDC 40%, SCC 9%, Fire 1%).

Council Tax Reforms

23. Members agreed at District Executive in February 2019 to increase the Empty Home Premium on empty properties to the maximum percentage, as detailed in the legislation. 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%). From the 1st April 2020, a premium of 200% of the charge will be added for dwellings that have been empty for more than 5 years. Further changes will come into effect from 1st April 2021.
24. At the end of June 2020, there were 181 long-term empty properties (unfurnished and unoccupied for 2 years or more). At the same point last year, there were 198 properties.



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Of the current 181, 70 have been empty for more than 5 years and are subject to the increased premium of 200%.

Discretionary Housing Payments

25. The Government DHP funding allocation for 2020/21 is up to £315,793. In addition to this the Council is permitted to spend up to £473,689 of its own money on DHP awards, although no budget has been set for this discretion. By the end of Quarter 1 we had processed 173 DHP applications, 157 of which were successful with a total award value of £64,259. A further £22,630 is committed up to the end of this financial year. The total sum paid and committed (£86,899) represents 27.52% 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 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.
28. Transfers out of specific reserves that require reporting to District Executive for noting are as follows:

Table 3 – Reserves Movements

Reserve	Balance at 01/04/2020 £'000	Transfers £'000	Balance at 30/06/2020 £'000	Reason for Transfer
Capital				
No Movements				
Revenue				
Capital Reserve	-926	-3	-929	Photovoltaic additional tariff income (£2.75k).
Transformation Reserve	-139	32	-107	Funding of quarter 1 transformation expenditure (£32.4k), programme completed at the end of May.
Revenue Grants Reserve	-456	2	-454	Funding used for staff transition funding (agreed at July 2019 DX)
Council Tax/Housing Benefits Reserve	-704	64	-640	Funding for transitional resources and IT software changes (£137k), less Housing Benefit grants received from DWP (£73k) transferred to reserve.
Ticket Levy Reserve	-86	3	-83	Ticket Levies to reserve movements.



Reserve	Balance at 01/04/2020 £'000	Transfers £'000	Balance at 30/06/2020 £'000	Reason for Transfer
Community Housing Fund	-211	41	-170	Transfer to revenue for Community Led Housing in High Ham
Housing & Homelessness Reserve	-402	-18	-420	£381k transfer to fund service level agreements for various housing programmes, less and programs and £399K in Homelessness and rough sleeping grants from government.

(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 4 - General Fund Balance

	£'000
Balance at 1 st April 2020	-5,099
Area & Economic Development Balances	121
2020/21 Carry Forwards (if agreed earlier by this committee)	341
Commitments	145
Current Estimated overspend in 2020/21 (worse case call on reserves)	1,592
Unallocated General Fund Balance at 30th June 2020	-2,900
Commitment agreed at July 2020 DX	100
Unallocated General Fund Balance	-2,800

(Negative figures = income, positive figures = costs)

30. The current assessment of 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 avoid falling below recommended levels. Current balances as at 30th June exceed this minimum requirement providing financial resilience to address some of the financial pressures of COVID-19.

Financial Implications

31. As part of monitoring an assessment of risk has been made. This review of balances and reserves has shown that the Council currently has sufficient balances to cover major areas of financial risk. The balance at the 30th June 2020 is estimated to be £3.873 million.
32. Details of the current key risks are listed in the table below with an update from the responsible officer.

Table 5 - Risks

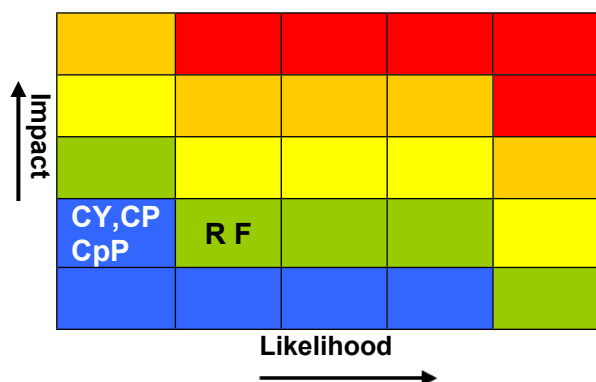
Current Risk	Responsible Officer	Officer's Update
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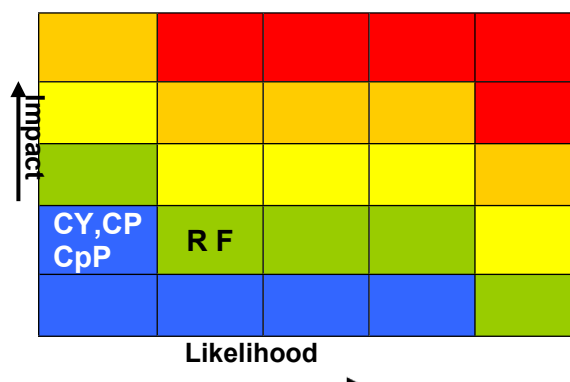
Current Risk	Responsible Officer	Officer's Update
Interest Rates	S151 Officer	Interest rates remain low with possibility of being cut to zero or even going into negative territory. Low interest rates reduce the cost of borrowing with the adverse impact being the return on investments will be lower. Continual monitoring of investments and borrowing is being undertaken to ensure returns are maximised whilst taking account of risk.
Business Rate Income	Director-Service Delivery	The collection rate is up by 6.98% compared to the previous year's quarter 1. Paragraph 21 provides information for this increase. 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 of £9.397m together with the £1.156m Hardship Grant from Government gives an overall budget of £10.553m. Currently £10.565m has been allocated by the end of quarter 1 which is 100.1%. 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.
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 a further impact on SSDC's income streams such as planning, licensing, theatre income, and car parking, although this is considered a low risk at this stage. Financing / treasury costs and income may also be affected.

Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Key



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Categories	Colours <i>(for further detail please refer to Risk management strategy)</i>
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 2020
