

Financial Strategy 2020/21 - Revised

Executive Portfolio Holder: Peter Seib, Finance and Legal Services
Strategic Director: Kirsty Larkins, Strategy and Commissioning
Lead Officer: Jo Nacey, Section 151 Officer
Contact Details: Jo.Nacey@southsomerset.gov.uk or 01935 462243

Purpose of the Report

1. The purpose of this report is to provide Members with an updated Financial Strategy for 2020/21 onwards and provide information regarding the initial Medium Term Financial Plan (MTFP) estimates for the period 2021/22 to 2024/25 incorporating the forecast impact of the Covid-19 pandemic.
2. The principles of the Financial Strategy approach in September 2019 remain sound and this report focuses solely on the changes resulting from the Covid-19 pandemic and subsequently on the Medium Term Financial Plan.

Forward Plan

3. This report appeared on the District Executive Forward Plan with an anticipated Committee date of August 2020.

Public Interest

4. This report outlines South Somerset District Council's overall financial strategy setting out how the Council proposes to manage its financial position over the medium term (three to five years). It also provides an up to date set of estimates and assumptions regarding service costs and income, the funding available and the planned approach to 'balancing the books', funding services and funding delivery of the Council's ambitions for South Somerset over the same period. It is a legal requirement that the Council sets a balanced budget, and it is in the public interest that priority local services are both affordable and sustainable.
5. The Financial Strategy has been updated to incorporate the known effects and ongoing risks of Covid-19 on our resources and consequentially on our forward plans.

Recommendations

6. That the District Executive:
 - a. Note the updated Medium Term Financial Plan estimates.
 - b. Note and support the updated Financial Strategy as a result of updated forecasts of estimated available resources.
 - c. Note the anticipated need for the use of earmarked reserves to mitigate temporary falls in income.

- d. Note the intention to revisit the funding of the regeneration schemes and report back to District Executive with revised forecasts and recommendations.

Background

7. The Executive approved the Financial Strategy in September 2019 and a subsequent revision to the forecasts was presented and approved in November 2019. The principal aim of the Strategy is to enable the Council to set a balanced budget each year without the need to cut services and to be able to fund the ambitions of the Council for South Somerset. The key themes agreed in September remain the same.

The 2020/21 Budget and the effects of Covid-19

8. Members will be aware that we are required to make regular returns to the Ministry of Housing, Communities & Local Government (MHCLG) detailing our projected costs and reduced income in relation to the pandemic. We brought an initial report to District Executive on 4 June 2020. At this time the anticipated impact was in the region of £10m. Our latest return to MHCLG (19 June 2020) shows a similar picture. It should be noted that as regards income, the figures below are estimates based on risk analysis and scenario planning, rather than actual losses. In addition, mitigating action is being taken to reduce potential loss of income where possible. As an example, our collection of commercial income has held up well in the early months of the pandemic with 92% + of rental income collected, but we are planning for a potential drop in this income as the effects of the recession impact on our tenants.

Table 1 – In-year pressures (2020/21)

Affected area	£k
Income Losses	
Core funding – Business Rates – Impacts 21/22	278
Core funding – Council Tax - Impacts 21/22	575
Fees and Charges	4,681
Commercial Income (we have split this from in-district rental)	962
Treasury Income	360
Other income including Yeovil Innovation Centre	427
Expenditure	
Housing and Homelessness	290
Bereavement Services	164
Waste Management	1,013
Hub/Shielding	200
Other	450
Total Estimated Impact	9,400
Government Support Grants	(2,004)
Residual Pressure to be funded	7,396

Reserves position

9. The Government is currently preparing a new financial settlement for councils to offset elements of income loss as a result of the Coronavirus. At the time of writing we are awaiting details but initial communications suggest that councils will be required to cover the first 5% of income loss and then 25p in the pound thereafter, the other 75p in the

pound covered by Central Government. We are reliably informed that Commercial income losses will not be recovered whether they are for yield or for regeneration purposes. We are a council in a strong financial position due to the actions we have taken in recent years through Transformation and our Commercial Programme. We hold significant reserves albeit much of what we hold is earmarked towards delivering the Council's ambitions or covering risks within our finances. Therefore, given our strength, we are likely to be asked to cover proportionately more of the additional costs and income from our own resources.

10. As agreed by District Executive at their June meeting, as part of our approach we continue to lobby Central Government to "make good" on their original assurance that our additional costs would be funded. What the initial position on our reserves does not show, is to what extent they are required to support our plans, including our regeneration schemes. Our reserves position is shown in Appendix A.
11. The following table shows the best to worst case scenarios for the main mitigation reserves in 2020/21. We have assumed that at best the Government may cover up to half of our pressures but we have no indication as yet if this is feasible. We are aware that our "worst case" scenario may also be subject to change if our assumptions around the reduction of Council Tax and Business Rates income reduces further than anticipated. These are particularly difficult income streams to predict.

Table 2 – Scenario Planning

Reserve	Opening Balance April 2020 £k	Worst case scenario Call on reserve £k	Medium case scenario (Assumes Fees and Charges income recompensed at 75p in £1 excluding Commercial; Theatres and Treasury) £k	Best case scenario (Assumes Fees and Charges income recompensed at 75p in £1 excluding Commercial) £k	Range of residual balance March 2021 £k
Medium Term Financial Plan Support Fund	4,879	3,500	2,720	1,594	1,379 - 3,285
Capital Reserve	926	900	900	0	926 - 26
NNDR Volatility Reserve	2,696	1,000	853	853	1,696 – 1,843
Commercial Investment Risk Reserve	6,300	962	962	962	5,338
Treasury Management Reserve	600	360	360	152	448 - 240
Waste contingency	100	100	68	68	0 - 32
General Reserves	4,492	574	0	0	3,918 – 4,492
Totals	19,993	7,396	5,863	3,629	

12. The table shows that if we were called upon to fund the current forecast residual pressure of £7.396m from 2020/21 then our contingency reserves would be severely depleted. With a potential gap of £2.6m in 2021/22 (see section 14) this is of concern and the use of reserves to address budget gaps is a short term approach and is not sustainable. The positive in the message is that the current forecasts show an upturn in later years but this is of course based on many assumptions and therefore it is important to consider replenishing our reserves to help us mitigate future losses.

MTFP assumptions and updated forecasts (2021/22 onwards)

13. This report will focus on the forward forecasts and the impact of the Covid-19 pandemic on our income streams. The current year, 2020/21 impact will be considered in regular updates and through the usual budget monitoring process.
14. The key changes to the financial forecasts which have been updated are summarised below:

Table 3: MTFP assumptions

	Income Stream	Assumption and Summary of Impact
1	Council Tax – Deficit from 2020/21	Following the increase in applications for Council Tax Support and allowing for an increase in default we have revised our estimates for council tax collection in 2020/21. Due to the mechanics of the Collection Fund, this impacts us and the upper tier authority in the following year (2021/22). NB. The parish precept is unaffected. We have assumed a 5.5% negative impact (default and CTS eligibility)
2	Council Tax Base	With reference to the summary above, there is an ongoing impact on the council tax base which is discussed in more detail in Section 17.
3	Business Rates – Deficit from 2020/21	As with the deficit seen in Council Tax, we are aware that there will be an increase in Empty Property Relief, a direct cost to the Council; a reduction in valuations (material changes in circumstances) and; an increased element of default. We have assumed a 4.7% negative impact. Again this will impact us in 2021/22. All the councils in the Pool arrangement have similar experience and as such the shared result will be fairly consistent.
4	Business Rates – Reduced growth	We have seen modest c0.5% per annum growth in yields over the last few years. We generally do not budget for this yield growth until we make our annual business rates forecast return (NNDR1). So prior to this update the forecast was 0%. It is however now prudent to assume that the yield for 2021/22 will be reduced and we have applied a 1.5% reduction. We are hopeful that this will be a “blip” and have reverted to 0% for the forward years.

	Income Stream	Assumption and Summary of Impact
5	Parking income	We incorporated a significant reduction in car parking income into our 2020/21 forecasts to Ministry of Housing, Communities & Local Government (MHCLG). We are mindful that the impact may be long term as shopping habits change and customer confidence in face to face shopping is impacted. It is therefore prudent to factor in a pressure for the next three years at a reducing rate. This can of course be flexed if the improvement in income recovers more quickly.
6	Octagon and Westlands income	We have reported a significant, predictable reduction in income for the two sites. Clearly with the ongoing requirement for social distancing and the need to re-establish customer confidence, the impact will last beyond the current year. Work is underway to reopen on a different basis in the next calendar year and as such our forecasts for 2021/22 have reflected a 25% reduction to account for lower capacity etc. We have assumed that income will recover in 2022/23 onwards.
7	Tourism	The main income relates to Tourist Information Centre (TIC) ticket sales. This has been greatly impacted in 2020/21 and we have assumed a smaller £30k impact will continue into 2021/22.
8	Yeovil Innovation Centre	This is a difficult area to predict but we have had some interest from new tenants etc. We have assumed a £30k reduction in their income for 2021/22. Changing attitudes to office space may mean this figure has to be increased.
9	Commercial Income	We have reported a potential loss in commercial income during 2020/21 which (subject to approval) can be mitigated by the use of the Commercial Investment Risk Reserve. We have prudently assumed that this impact may continue into 2021/22 and have allowed another £274k. This again can be mitigated by the Risk Reserve, as is its intention.

Updated Medium Term Financial Plan Estimates

- The following table sets out a summary of the Council's latest forecasts of Net Expenditure and Funding, and shows a provisional budget gap of £2.647m in 2021/22 (16% of Net Expenditure). It is notable however, that we are assuming a "bounce back" in 2022/23 due to recovering income streams and therefore this is a temporary gap. Following bounce back the Gap is projected to rise again over the course of the following years to approximately £1.3m by 2024/25 (9% of Net Expenditure). This is only c£300k higher than the MTFP projections reported to District Executive in February and which our Financial Strategy was on course to address without cutting services.



South Somerset District Council

Table 4 – MTFP latest Forecast

	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k
Net Expenditure Estimates	15,207	15,991	14,583	15,247	16,050
General Government Grants	-166	161	161	161	161
New Homes Bonus Grant	-1,603	0	0	0	0
<i>Funded By:</i>					
Business Rates	-7,210	-3,341	-3,698	-3,776	-3,854
Council Tax	-10,302	-9,813	-10,597	-10,918	-11,274
Earmarked Reserves	4,074	-350	-100	-50	300
General Reserves	0	0	0	0	0
Total Funding	-15,207	-13,343	-14,234	-14,583	-14,667
Budget Gap	0	2,647	350	665	1,383
Budget Gap Increase on Prior Year		2,647	-2,297	315	718

Subject to roundings

16. The changes in the MTFP since the February District Executive report can be summarised as follows.

Table 5 – MTFP Funding Changes Since Feb 2020

	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k
Net Expenditure – February 2020	15,207	14,937	14,854	15,518	16,321
Investment income – Reduced return		274			
Parking income - Reduced		459	229	229	229
Reduction in Octagon net income		457			
Reduction in Westlands net income		304			
Tourism		30			
Yeovil Innovation Centre		30			
Commercial Loans Treasury Gain		-500	-500	-500	-500
Net Expenditure – June 2020	15,207	15,991	14,583	15,247	16,050
Total Funding – February 2020	-15,207	-14,653	-14,840	-15,184	-15,274
Business Rates Rebase		114	109	105	100
Collection Fund Deficit – Business Rates		278			
Council Tax Rebase		346	501	502	512
Collection Fund Deficit – Council Tax		575			
Somerset Rivers Authority - Reset		-4	-3	-5	-5
Total Funding – June	-15,207	-13,344	-14,234	-14,582	-14,667
Budget Gap – February	0	284	15	334	1,047
Net Changes Since February	0	2,363	335	331	336
Budget Gap – June	0	2,647	350	665	1,383

Note: In Table 5 above, funding is shown as a negative figure therefore 'minus' adjustments are in effect increasing the estimated funding available to the Council, and positive figures are reducing the funding available.

17. Table 6 below shows the change in assumptions has affected the projected budget gap over the coming years. Clearly, the most prominent change is in 2021/22 when the gap has increased by £2.4m. The budget gap for 2020/21 has not been adjusted as we do not

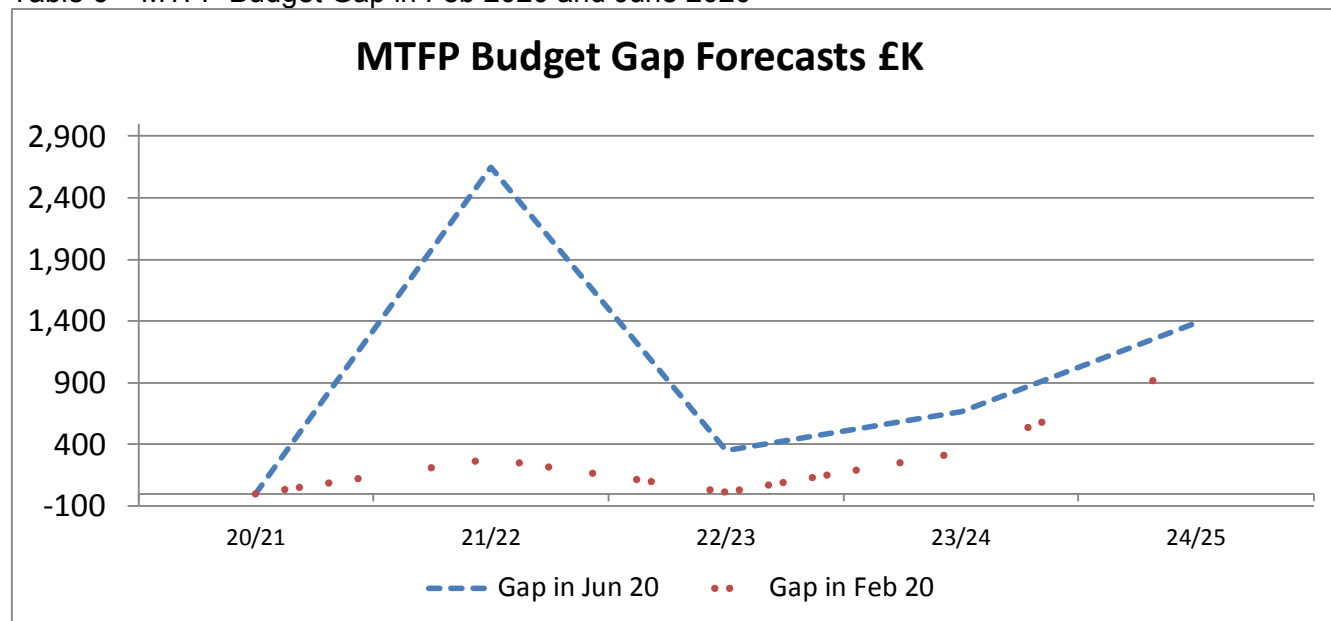


South Somerset District Council

intend to bring forward a revised budget but we will of course have to mitigate the in-year effects of the pandemic on our funding streams and costs.

18. It is notable that the budget gap beyond 2021/22 has not increased significantly as we are currently expecting a bounce-back to a significant degree with investment income improving and income streams from the Octagon and Westlands recovering. The Commercial Loans Treasury gain which relates to interest on our loan to SSDC Opium Power Ltd for our battery storage site is an added “windfall” which was not in the February estimates.

Table 6 – MTFP Budget Gap in Feb 2020 and June 2020



Savings Targets

19. In September the Executive agreed 3-Year Savings Targets rising to £2m per year by 2022/23. This was in addition to the £5.5m of savings already delivered through Transformation and the Commercial Strategy and included in the MTFP. The updated savings were summarised as below in Table 7.

Table 7 – Savings Targets 2020/21 to 2022/23

	2020/21 £k	2021/22 £k	2022/23 £k
Transformation: Non-staff efficiency savings	150	150	150
Treasury investment income	100	200	300
Commercial Services and Other Service Income	75	150	225
Commercial Investment Net Income	675	1,350	1,350
Sub-Total: Financial Strategy Savings	1,000	1,850	2,025

20. We believe these savings are still deliverable, but with consideration to the impact of Covid-19 and our revised forecasts, leading to a more challenging budget position, the savings targets may need to be increased as the costs crystallise. This would help us replenish our mitigating Earmarked Reserves. At this stage it is still a “watching brief” and a further update will be brought to Executive later in the year.

General Grant Funding

21. The forecast for 2020/21 was updated to incorporate the expected mitigation of Negative RSG. This was a welcome reprieve and is a continuing option for Central Government to help local authorities’ funding pressures. However, currently, we have no indication that the Government will mitigate this pressure in future years. For 2021/22 onwards the negative funding is forecast to be £327k per year.

Table 8 – General Grant Estimates

	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k
Negative Revenue Support Grant	0	-327	-327	-327	-327
Rural Services Delivery Grant*	166	166	166	166	166

Business Rates Retention (BRR)

22. The Business Rates Income Target and Baseline were due to be “Reset” in 2020/21, however this was deferred until 2021/22. It is an area which is continuing to be a focus for Central Government who believe that there needs to be a new Business Rates funding mechanism and one of the steps within this is to reset growth. We were hopeful that the continuing delay of the Fair Funding Review would mean that the “reset” was also deferred but this is currently still “on the table” for 2021/22.
23. The following table summarises the impact of the “reset” with the new income forecasts on the coming years.

Table 9 – Business Rates Retention Funding Estimates

	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	2024/25 £k
BRR Estimates	5,918	3,619	3,698	3,776	3,854

Business Rates Pooling

24. A Somerset Business Rates Pool (comprising the County Council and the Districts the County Council area) provided a positive impact on funding in 2018/19, with increased financial benefit from being a 75% BRR Pilot in 2019/20. The predicted benefit share for SSDC from Pooling/Pilot status in 2019/20 is c£1.2m. This is still to be finalised.
25. Through the Spending Round the Government confirmed that the Pilot was for one year only, reverting to the 50% BRR system for 2020/21. The arrangements for subsequent years remain uncertain at this stage as this is subject to the reform of the BRR system and the Fair Funding Review.
26. This is a volatile funding stream and previous forecasts suggested a Pooling gain of c£1m for South Somerset in 2020/21. Since then, the changes reflected in the earlier



South Somerset District Council

assumptions has affected the yield on all the Pool members' business rates. An overall reduction in forecast business rates revenue of 15% would see this forecast reduce to just £100k, due to the mechanics of the business rates retention system. Therefore, the Pooling Gain has not been included in the MTFP at this stage.

27. Members may recall that in the Budget papers in February 2020 we set out the funding of the Regeneration Programmes. This including the use of £1.5m of business rates pooling gains. This is now at risk and alternative funding may be required. This is discussed in Section 31.

Council Tax

28. In February the Council Tax income forecasts within the MTFP assumed that Council Tax will increase by 2.99% per year and that growth in Band D equivalent properties would be generally in excess of 1% per year with a particularly large increase of 1.8% forecast in 2021/22. Subsequently, our forecasting of council tax growth has changed significantly. We are aware that there has been an exponential growth in Universal Credit applications. Many households have been hard hit by reduced incomes and we have seen a large number of our council tax payers now being eligible for Council Tax Support which is a direct cost to the Council. Council Tax Support could increase by 150% if it stays in line with unemployment forecasts, however, a 30% increase is a more pragmatic forecast. There is also likely to be increased default as residents reprioritise their spending in order to meet their needs.
29. The under recovery of collection fund income from Council Tax and Business Rates creates a deficit which is reflected in the council's accounts in the following year. The latest communications we have had from MHCLG has given councils dispensation to spread these deficits over 3 years. For us, this does not address the issue and is short termist in approach, delaying the "pain" for later years. It is however, still an option at budget setting time.
30. We have therefore had to make some significant changes to our previous estimates reflecting the effect this will have on our council tax base. The taxbase is calculated using a number of factors and these include the percentage of taxpayers that will be eligible for some sort of relief and also an assumption is included for default, thus reducing the funding to the council. This is a difficult area to forecast and we are in unprecedented times. We suspended default letters etc. to non-payers in March and held this stance for the following three months. We were mindful that many of our residents would be anxious about their finances and it was not an appropriate time for us to be chasing debt. This however has meant that we do not yet have a true picture of the likely default rate. We have therefore taken a pragmatic approach and assumed a 1.5% reduction in Council Tax base for 2021/22 followed by a static year and then a gradual rise.
31. The Council Tax Base estimates will be completed in early December and this will give us a more robust forecast.
32. The table below is updated to show the revised estimates now included in the MTFP.



South Somerset District Council

Table 10 – Council Tax Income Forecast

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Council Tax Base					
Increase %	0.7%	-1.5%	0.0%	1.0%	1.2%
Increase in Band D Equivalents	444.7	-900.8	0	594.8	742.2
Tax Base	60,710.8	59,810.0	59,810.0	60,404.8	61,147.0
Council Tax Rate					
Increase % (MTFP assumption)	2.99%	1.99%	1.99%	1.99%	1.99%
Increase £	5.00	3.42	3.49	3.56	3.63
Band D Rate £	172.11	175.53	179.03	182.59	186.22
Council Tax Income					
Increase due to Tax Base £k	-74	155	0	-106	-136
Increase due to Tax Rate £k	-304	-205	-209	-215	-222
MTFP: Total Council Tax Income £k	10,449	10,499	10,708	11,029	11,387
Council Tax Income indicative scenarios £k:					
1% annual increase	10,247	10,397	10,604	10,923	11,277
0% annual increase	10,145	10,294	10,499	10,814	11,165

Regeneration Plans

33. Members will be aware that we have committed substantial funds to our regeneration projects in Yeovil, Chard and Wincanton. There is a significant difference between the **gross budgets** involved and the **net budgets**. This difference is the result of anticipated income generated by the scheme through such sources as: capital receipts (sales of property); revenue generated by the assets (this could be business rates or an income stream such as leisure) and; grants secured towards the schemes from other agencies or developers.
34. The **Yeovil “Refresh” project** has a net budget of £2.5m to be funded from capital receipts and nearly £1m of business rates pooling gains. These pooling gains have been significant in recent years but are at risk for 2020/21 due to the unprecedented reduction in business rates income. The net budget for the **Chard Regeneration Scheme** of £3m was anticipated to be funded from capital receipts, the 18/19 pooling gain and again £1m from future unallocated business rates pooling gains. The net budget funding of £2m for **Wincanton**, included capital receipts and a further call on business rates pooling gain. The table below shows the proposed funding of the net budgets, as included in the February Full Council report.

Table 11: Regeneration budgets



Regeneration Funding Plan	£000
Existing approvals:	
Consolidation of previous Yeovil capital budgets – funded from existing capital receipts	424
Area South Capital Fund contribution – funded from existing capital receipts	151
Agreed allocation from commercial investment (Marlborough)	500
Agreed allocation from 2018/19 business rates pooling gain	500
Agreed allocation from 2019/20 business rates pooling and pilot gain	1,425
Surplus revenue budget from 2019/20	500
Useable Capital Receipts	2,500
Sub-total	6,000
Proposed first call on future unallocated business rates pooling gains (will need contingency plan if insufficient income received)	1,500
Total Funding for Net Budget Requirement	7,500

35. Therefore, there is both a risk associated with the gross budget funding and the net budget funding, particularly the call on Business Rates pooling gains which will be impacted in year. Assumptions have been made regarding future income streams and growth in such areas as business rates income and leisure income but we must be mindful that the world has changed in the last few months and the anticipated income streams underpinning these projects may have been impacted.
36. It is not appropriate at this time to suggest that the regeneration projects are “stalled” but it is appropriate to revisit these projects in light of the latest information and challenge the assumed income streams, ensuring that the business cases are still viable and deliverable. In addition, there are indications from Government that funding pots may become available to assist with economic recovery and the revitalisation of town centres and it may be that the Council is able to secure additional grant funding towards the regeneration schemes. This will be looked at in assessing the schemes and the way forward. For the avoidance of doubt, the proposals for the Leisure Centre in Chard as part of the Chard Regeneration Plan will continue and construction is currently taking place.

How could Central Government help?

37. **Baseline Reset** – The impact on our Business Rates income in 2021/22 is estimated to be £2.161m. If this reset was deferred for a further year (as we have already built in the ongoing cost) this would substantially address our budget gap for 2021/22. (See Section 16)
38. **Income guarantee** – There could be additional support for the increase in Council Tax Support payments; a S31 payment to cover the increased empty property relief; transition grant to cover downward revaluations of business premises.
39. **New Homes Bonus (NHB)** - We have also assumed that no New Homes Bonus will be payable in 2021/22. A one-off payment has been mooted and this would offer further relief while this scheme is being reviewed.
40. **Negative RSG** – The last two years’ “negative RSG” pressures have been mitigated by Central Government. For us this payment is £327k in 2021/22 and is netted off our retained Business Rates. A further year of mitigation would help towards our efforts to recover from the additional costs and reduced income we have endured.



South Somerset District Council

41. **Technical Accountancy options** – There has also been a call to allow **Minimum Revenue Provision (MRP)** holidays for up to 3 years. This may be appropriate for some councils but we see these payments as important in addressing our Capital Financing Requirement and illustrating our liquidity and ability to reduce our debt. There has also been a call to “**capitalise**” **Covid-19 costs**, hence making it possible for councils to spread the cost and also, if necessary, borrow to fund. Again, this appears short termist and we would be reluctant to incur further debt for what is, by nature, revenue expenditure.
42. **Regeneration funding** – This area is key to our plans but now, more than ever, it is a lifeline for our businesses and communities. We will therefore continue to lobby for grant funding to help us maintain the momentum we already have with our regeneration projects. Central Government should see potential funding as a net gain for the central coffers, with additional business rates; tax income; less reliance on benefits (housing, employment etc.); and wellbeing advantages from living and working in a modern, vibrant, future-proofed environment.

Our Financial Strategy – A reminder

43. At this juncture it is important to re-affirm the key themes of our Financial Strategy as approved in September as these underpin our planning and approach to this current crisis and our financial sustainability in the future.
44. The key themes to the Strategy are:
 - a) Ensuring clear service priorities that clearly align with corporate strategy and plans;
 - b) Maximising operational efficiency and value for money through optimising benefits of the future operating model and exploring how new technologies can further improve efficiency;
 - c) Adopting robust financial control and reporting arrangements;
 - d) Developing approaches to manage and reduce demand on services in partnership with Somerset councils and other service delivery organisations;
 - e) Investing further in property, energy and new services to generate additional income that can be reinvested to maintain and improve services to our community;
 - f) Increasing the income yield from financial investments as part of a prudent treasury management approach;
 - g) Taking a more commercial approach and increasing income yield by 5% per year;
 - h) Reduce reliance on government grants such as New Homes Bonus for the funding of ongoing services;
 - i) Supporting and enabling economic and housing growth and regeneration to protect and enhance funding through local taxation and grant funding;
 - j) Focus on long term financial resilience through robust financial planning and maintaining appropriate reserves to manage risk and meet future commitments.

Conclusion and what do we need to do now?

45. **Reserves:** We have said from the beginning of this crisis that we have no immediate cashflow issues. That is not to say that we take lightly the effect the pandemic has had on our current year and forward year forecasts. We are proud of the way we have stepped up and supported our communities and that comes at a cost. We have robust finances and have been prudent enough to create resilience reserves such as our Commercial



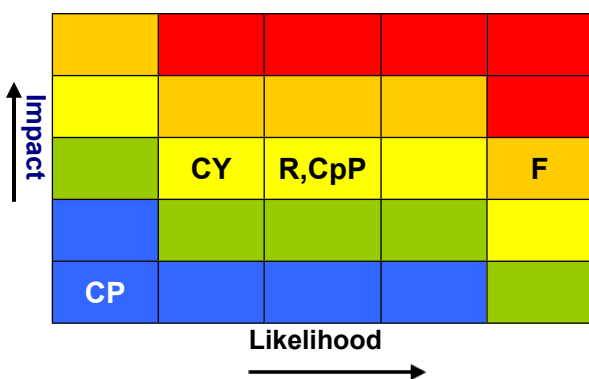
South Somerset District Council

Investment Risk Reserve; Business Rates Smoothing Reserve and our Medium Term Financial Plan Reserves. We may now find it is time to spend some of these reserves, not on the anticipated risks but on the newly presented impacts of the pandemic.

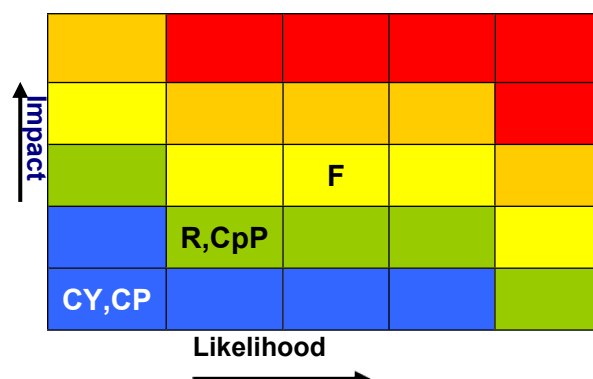
- 46. **Lobbying:** We need to continue to lobby Central Government for additional funds. Our 2020/21 impact estimates are likely to remain in the region of £8.5m excluding collection fund pressures of £853k which will crystallise in the following year (21/22), only partly mitigated by the unringfenced funding to date of £2.0m. We are pragmatic about our need to use our Commercial Risk Reserve to mitigate the risk of our Commercial investments, this is appropriate and manageable with a healthy balance in the reserve. It may also be appropriate to use our Business Rates Smoothing Reserve to mitigate the fluctuations in our Business Rates returns as they crystallise.
- 47. **Commercial income:** It is also notable that the Commercial income as a whole has been a significant factor in reducing our reliance on the traditional income streams and further focus on commercial investment may be one of our few avenues to mitigate falling income streams.
- 48. **Regeneration Programmes:** We need to review our assumptions regarding the funding of our regeneration programmes to ensure they are robust under a changed economic climate and if necessary to find alternative funding, where possible, to protect these schemes.
- 49. **Monitoring:** We will continue to provide regular updates of the in-year position and as the next budget setting period begins we will hopefully have more clarity on the level of support we can expect from Central Government and subsequently the actions we will need to take to ensure our reserves remain robust and that we can continue to deliver our services; our support for the vulnerable and our regeneration programmes which are so important to us and our communities.
- 50. **Plan for Change:** In light of these challenges, as reported at the last District Executive meeting in June, we are committed to advancing a new plan for change and development of the Council. It will take in aspects such as the digital strategy, but also look at updating our operating model, at the skills we need to develop for the future, how we manage demand and how we provide good services in the context of both higher demand and less resources.

Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations





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

51. The Financial Strategy and MTFP incorporate costs, income and funding implications directly related to the delivery the Council's aims and priorities.

Carbon Emissions and Climate Change Implications

52. Not applicable within this report.

Equality and Diversity Implications

53. Not applicable within this report.

Privacy Impact Assessment

54. Not applicable within this report.

Background Papers

55. The following report(s) may provide helpful background information in support of this report:

- Financial Strategy 2020/21 (District Executive 5 September 2019)
- 2020/21 Draft Revenue and Capital Budgets and Medium Term Financial Plan (District Executive February 2020)