

Revenue Outturn Report for 2019/20

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Strategic Director: Nicola Hix, Support Services
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Purpose of Report

1. To inform Members of the actual spend against budgets for the 2019/20 financial year.

Forward Plan

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

Public Interest

3. The Council is accountable to the public for its financial performance. This report demonstrates the financial management performance for the last financial year (2019/20), describing larger differences between planned and actual net spending during the year, and summarises the end of year position for reserves and balances.

Recommendations

4. The Executive is recommended to:
 - (a) Note the net spending for the year of £16,357,133, an underspend of £834,349 (4.85%) compared to final budget, and explanations of variances from budget holders for the 2019/20 financial year as shown in paragraphs 7-10;
 - (b) Approve budget carry forwards of £340,670 into the 2020/21 budget (as shown in Appendix B);
 - (c) Approve individual service overspends are funded from general balances and the net underspend of £493,679 after carry forwards is returned to general balances;
 - (d) Approve the budget virements in paragraph 38, table 7;
 - (e) Note the virements in Appendix E;
 - (f) Note the use of the specific reserves in paragraph 31 and the transfers to and from balances outlined in the General Fund table paragraph 32, table 5;
 - (g) Note the position of the Area Committee balances in paragraph 35.

5. Full Council approved the original 2019/20 budget in February 2019. This represents the financial plans that the District 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. District Executive has received regular budget monitoring reports throughout the year which have highlighted variances from budgets and comments from the budget holders.

Summary of Revenue Outturn Position

7. Overall, the outturn position for the year shows a net underspend against approved budget. The main reason for the underspend is the achievement of surplus income from commercial investments which has significantly exceeded the budget and helped to offset some in year spending pressures. Surplus income was also achieved on the treasury income performance, which reflects the diversification into long-term strategic (pooled) investments, which returned a higher yield.
8. The table below shows a high-level summary by Directorate of the revenue outturn position. It shows the overall outturn for SSDC Services in 2019/20 was £834,349 underspent (or 4.85%) against the final budget.

Table 1 – Revenue Budget Outturn 2019/20

Directorate	Original Budget £'000	Movement During the Year £'000	Final Budget £'000	Actual Spend £'000	Variation on Spend £'000	Variation on Spend after Carry Forwards
Chief Executive	641	-87	555	560	5	5
Strategy	1,720	973	2,693	2,427	-266	-169
Support Services	4,712	-728	3,984	4,274	290	300
Service Delivery	2,460	190	2,650	2,662	13	217
Commercial Services & Income Generation	6,664	646	7,310	6,434	-876	-847
Total	16,197	994	17,192	16,357	-834	-494

(Negative figures = income / reduction in budget, positive figures = costs)

9. Budget holders have been asked to provide an explanation of the variance in their service, giving reasons for the overall under or overspend. Appendix A to this report sets out the detail of the outturn position on Council spending and the carry forwards requested under the financial procedure rules.
10. The Services with significant variances (over £100,000) after carry forwards are as follows:

Table 2 – Significant Differences Between Outturn and Budget

Service	Service Manager	Variance £'000	Budget Holders' Comments
Commercial Investments	Robert Orrett	-812.3 F	£880k attributable to additional rental income due to progress of the Commercial Strategy ahead of budget.



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Service	Service Manager	Variance £'000		Budget Holders' Comments
Building Control	Nigel Marston	198.8	A	Pay budgets were overspent due the use of agency staff employed to meet the resource requirements.
Development Management	Nigel Marston	282.7	A	Pay budgets were overspent due the use of agency staff employed to meet the resource requirements. Application numbers around average for the year, but larger fee applications have reduced resulting in under achievement of income.
Finance Corporate Costs	Nicola Hix	-194.3	F	Net over achievement of income meant that £1m could be moved to the Medium Term Financial Support Fund Reserve for budget pressures in 20/21, and £0.3m to the Treasury Management Risk Reserve.
Support Service Functions	Toffer Beatie	450.9	A	Software and hardware maintenance costs along with network connectivity have been centralised, however this was not reflected in the budget which remained in individual services budgets. This resulted in an adverse variance shown on this budget, but hidden underspends across other service variances. Virements to correct this going forward will be completed in 2020/21 in line with Digital Strategy Implementation.

F = Favourable (underspent and/or income surplus), A = Adverse (overspent and/or income shortfall)

Delivery of Savings

11. As part of effective financial planning and control it is important to monitor that savings proposed in the 2019/20 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 – 2019/20 Budgeted Major Savings (over £25,000)

Description	Income/ Saving Target £'000	Actual Saving at Year-End £'000	Shortfall £'000
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	0	15
Sales, Fees and Charges - Licensing	9.3	9.3	0
Sales, Fees and Charges - Welfare/Careline	12.4	8.4	4
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	45.0	90
Insurance Premiums Procurement saving	50.0	50.0	0
Total Major Savings	1,016.7	907.7	109

(Negative figures = excess, positive figures = shortfall)



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12. As reported throughout 2019/20 one-off service resilience transitional costs of £494,900 for 2019/20 were agreed by District Executive 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.

Carry Forwards

13. In the Financial Procedure Rules, Managers can request that specific underspends (minimum of £5,000 for any specific purpose) may be carried forward to the following year. However, those rules also state that District Executive may waive this depending on corporate need.

14. The accounting rules require that grants need to be accounted for in the year they are actually paid/received and not when committed. Therefore, the carry forward on the grant budgets reflects the commitments to pay grants that have been made by the various committees.

15. Specific carry forward requests amounting to £340,670 are shown in Appendix B and the District Executive is recommended to approve these. This would effectively result in a net underspend after carry forwards of £493,679.

16. Under the Council's Financial Procedure Rules, District Executive can approve an overspend of a maximum of £25,000 to be carried forward into the following year unless District Executive agree that they are funded from General Balances. The service areas that would need to carry the overspend forward would have difficulty finding savings to compensate and, in considering also the fact the overall outturn is below budget, it is recommended that no overspends are carried forward to individual services in 2020/21 on this occasion.

Council Tax Scheme

17. The Council Tax Support Scheme (CTS) provides for discounted tax charges to households with lower income. The authority has set an estimated budget for 2019/20 of £9.042m within the Council Tax Base for annual CTS discounts. A total of £8.908m has been allocated as at 31st March 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 c14.3% for 2019/20). For information, the budget for 2020/21 is £9.397m.

18. A Hardship Scheme is in place for extreme circumstances with a budget of £30K for the year. By the end of 2019/20 the Council had received 121 requests for hardship relief, of which 108 were successful. The amount awarded for the financial year was £18,166 compared to 97 successful claims at a value of £14,330 in 2018/19.

19. The in-year collection rate for Council Tax was 96.91% for 2019/20 compared to 97.38% for 2018/19. The number of people opting to pay by 12 instalments rather than 10 continues to increase (currently 16,834 households). In respect of prior years' outstanding debt, at the end of 2019/20 we had reduced the total of £7.567m outstanding by £2.243m.

Non Domestic Rates



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20. The in-year collection rate for Non Domestic Rates at 31 March 2020 was 96.64% for 2019/20 compared to 97.49% for 2018/19. In respect of prior years' outstanding debt, at the end of 2019/20 we had reduced the total of £2.628m outstanding by £918K.
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. For 2019/20 this distribution is based on the one-off 75% BRR Pilot arrangements (Gov 25%, SSDC 44%, SCC 30%, Fire 1%).
22. The final business rates funding end of the year position for 2019/20 has delivered positive news regarding the resources available to SSDC both from our individual in year income position and the gain due being part of the Somerset Business Rates Pool. For 2019/20 we are reporting a total surplus of £681,620.
23. The surplus results from a number of factors including higher business rates net growth than budgeted; variances in reliefs/discounts awarded and non-collection losses (bad debts).
24. This Revenue Outturn report reflects a transfer of the £681,620 surplus to the NNDR Volatility Reserve. This reserve then stands at £2.696m for future volatility on Non Domestic Rates as shown in table 4.

Council Tax Reforms

25. 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 199 such properties at the end of March 2020. 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 208. 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.
26. 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 was previously 50%). Further changes will come into effect from 1st April 2020.

Discretionary Housing Payments

27. The Government DHP funding allocation for 2019/20 is up to £233K. In addition to this, the Council is permitted to spend up to £349K of its own money on DHP awards, although no budget has been set for this discretion. By the end of the year we had processed 420 DHP applications, 355 of which were successful with a total award value of £206K. The total sum paid represents 88.41% of the Government DHP grant.



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28. 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 above paragraph.

Reserves, Balances and Contingency

29. In addition to the funds available in the Revenue Budget, the Council also holds funds in reserves and balances.

30. Reserves are amounts that have been set aside from annual revenue budgets to meet specific known events that will happen in the future. An example of such a reserve is the amount set aside annually to cover the cost of South Somerset District Council elections that occur every four years. The complete list of specific Reserves and the current balance on each one is provided at Appendix D.

31. The table below shows all transfers in or out of each one that has been actioned under the authority delegated in the Financial Procedure Rules during the last quarter. Transfers out of specific reserves that require reporting to District Executive for noting are as follows:

Table 4 – Reserves Movements and Balances

Reserve	Balance at 01/01/20 £'000	Transfers In/ Out £'000	Balance at 31/03/20 £'000	Reason for Transfer
Capital				
Useable Capital Receipts	-22,303	5,425	-16,878	Funding of capital expenditure during 2019/20 £6,469k less capital receipts of £1,044k received during quarter 4.
Internal Capital Loans Reserve	-554	351	-203	Funding of capital expenditure from internal borrowing.
Revenue				
Capital Reserve	-1,331	405	-926	Release of Capital Contributions to fund capital schemes in 19/20 £550k; Repayment of Solar PV -£1k; Repayment of Westland's loan -£65k; Revenue Contributions to Capital Outlay: Electric and Air Conditioning upgrade at Octagon -£43k Refurbishment of Goldenstones changing rooms -£36k
Yeovil Athletic Track Fund	-160	-19	-179	Annual contribution to athletic track sinking fund for maintenance
Bristol to Weymouth Rail Reserve	-28	-47	-75	Surplus on partnership spend for 2019/20
Transformation Reserve	-166	27	-139	Transfers to fund Transformation Programme costs during 2019/20



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Reserve	Balance at 01/01/20 £'000	Transfers In/ Out £'000	Balance at 31/03/20 £'000	Reason for Transfer
Revenue Grants Reserve	-467	11	-456	Release of grants for expenditure in 2019/20 Queen Camel Neighbourhood Plan £4k High Street clean up fund £5K LA Parks improvement fund £19K Unspent Brexit grant returned to reserve at year end £17k
MTFP Support Fund	-2,277	-1,000	-3,277	Additional treasury interest used to top up fund
Council Tax/Housing Benefits Reserve	-766	62	-704	Council Tax annexe grant -£55k received Funding for outsourced work and adjustment for transitional resources £28k Settlement of the 2018/19 Housing Benefit Subsidy £89k
Closed Churchyards	-17	2	-15	Additional contributions towards work in closed churchyards
Deposit Guarantee Claims Reserve	-4	1	-3	Year-end adjustment to amount needed in reserve based on need
Park Homes Replacement Reserve	-226	-30	-256	Budgeted contribution from revenue towards Park Homes future replacements
Artificial Grass Pitch Reserve	-124	-22	-146	Revenue surplus transferred into reserve for future maintenance
Business Support Scheme (Flooding)	-120	9	-111	Funding for River Parrett works
Regeneration Fund	-1,382	-1,883	-3,265	Budgeted contributions from revenue and business rates into the reserve - £1,925k Final year end transfers to fund Regeneration programmes costs during 2019/20 in Chard, Wincanton and Yeovil £42k
NNDR Volatility Fund	-1,455	-1,241	-2,696	Budget contribution to reserve of £559k and additional £682k NND income into reserve
Ticket Levy Reserve	-163	77	-86	Ticket levies and contributions into reserve of £59k Release of ticket levy funds £136k



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Reserve	Balance at 01/01/20 £'000	Transfers In/ Out £'000	Balance at 31/03/20 £'000	Reason for Transfer
Waste Reserve	-294	-194	-100	Funding released for Recycle-more project
Community Safety Fund	-70	2	-68	Year-end adjustment to fund spend during 2019/20
Housing & Homelessness Reserve	-385	-17	-402	Year-end adjustment to match Flexible Homelessness Grant to actual revenue spend
Commercial Investment Risk Reserve	-6,243	-57	-6,300	Budgeted from additional income achieved from commercial investment purchases set aside to mitigate future risks that may occur
Spatial Policy Reserve	-362	57	-305	Consolidation of grant received and grants spent within Spatial Policy during 2019/20
Climate Change Fund	-350	56	-294	Funding of climate change activities during 2019/20

(Negative figures = income / balance available, positive figures = costs / use of funds available)

32. A memorandum account has now been set up to record Building Control surpluses and deficits on the chargeable work. On a rolling three-year basis, taking into account the below the line costs, Building Control has made a deficit of £168,161.
33. **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

General Fund Balances	£'000
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
A303 Funding	12
Underspend on Revenue Budget at outturn for 2019/20	-834
Support for 2019/20 budget	-786
General Fund Balance at 31st March 2020	-5,099
Area & Economic Development Balances	121
Commitments	145
Unallocated General Fund Balance at 31st March 2020	-4,833
Recommended carry forwards (Appendix B) if approved	341
Final Unallocated General Fund Balance	-4,492

(Negative figures = Balances held and transfers in, positive figures = transfers from balances / funding allocations)



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34. Within the Financial Strategy the current assessment for a minimum balance to be maintained in the General Fund Balance is in the range £2.8m to £3.1m. The current balance exceeds this minimum, however, the surplus may be required to fund the unplanned costs related to Covid-19 during 2020/21, as detailed in the Financial Strategy report.

Area and Group Balances

35. Each Area Committee has balances of funds that can be used during the year based on accumulated budget allocations set aside but not yet spent. The table below summarised the movement and balances for each area for 2019/20 financial year:

Table 6 – Area Balances

	Area East £	Area North £	Area West £	Area South £	Total £
Position at start of financial year	-49,190	-23,900	-46,220	0	-119,310
Allocations to/from reserve during year	0	0	0	0	0
Position at end of financial year	-49,190	-23,900	-46,220	0	-119,310
Less commitments not yet spent	45,730	10,000	0	0	55,730
Unallocated balance available	-3,460	-13,900	-46,220	0	-63,580

(Negative figures = income / balance available, positive figures = costs / use of funds available)

36. The table shows that area balances have not reduced during the year. There remains an overall uncommitted balance of £63,580. Allocations of the Area Reserves are detailed in Appendix C.

Budget Transfers (“Virements”)

37. Under the Financial Procedure Rules, providing that the Section 151 Officer has been notified in advance, Directors and 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 E for District Executive to note and have been approved by the S151 Officer.

38. 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 7 – Virements for District Executive to note

Amount £	From	To	Details
66,910	Learning and Development	Various	Allocation of training budget

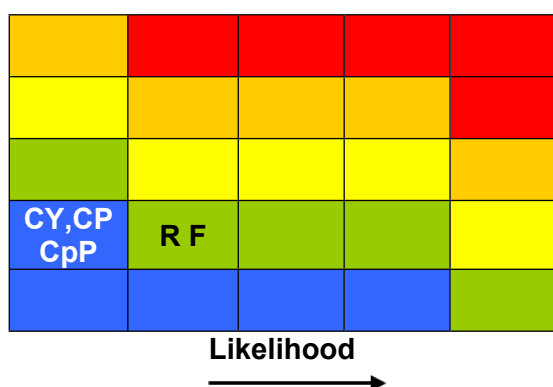


39. Under the Financial Procedure Rules any adjustments to stock or stores accounts exceeding £1,000 shall be reported to Committee. Following stock checks on the 31st March 2020 no adjustments exceeding £1,000 were required.

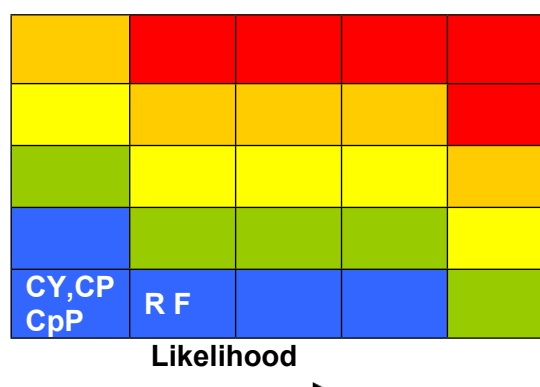
Risk Matrix

40. The risk matrix below represents the risk assessment of the financial health of the Council based on performance during 2019/20 and the end of year balances position.

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Key

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

Background Papers

- Appendix A - District Executive detailed budgets out turn position 2019/20
 - Appendix B – Carry forwards 2019/20
 - Appendix C - Area Reserves
 - Appendix D - Usable Reserves
 - Appendix E - Virements
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