



2020/21 Revenue Budget Monitoring Report for the Period Ending 31st December 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 4th February 2021.

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 31st December 2020. It also incorporates the impact Covid-19 has had on Council finances. 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 the 2020/21 forecast financial position of the Council;
 - b. notes the predicted variance to approved Directorate Budgets as detailed in paragraphs 10 and 12;
 - c. notes the budget virements made under delegated authority as detailed in Appendix B;
 - d. approves the budget virements included in paragraph 16, Table 4;
 - e. notes the transfers made to and from reserves outlined in paragraph 30 Table 6, the Area Reserves as detailed in Appendix C, and the Corporate Reserves as detailed in Appendix D.



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 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 report for the year, which is completed at the end of Quarter 3 (1st October to 31st December 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. Our demand-led services are particularly difficult to forecast, but we use trend analysis to make these areas as accurate as possible.
7. We are continually monitoring the effect of COVID-19 on the Council's finances, and it is important to recognise there are still a number of assumptions at this stage and it is very hard to judge the full impact on 2020/21 budget as further Government measures could also affect this. The budget monitoring report was previously adapted to include information which would have been reported previously in the 'Update Report on the Impact of Covid-19 on the Council' report presented to Executive. Incorporating this report allows Members to see the full picture in one report for the financial year 2020/21.
8. NB. It is important to emphasise that the returns which we have made to the Ministry of Housing, Communities and Local Government (MHCLG) and which have been reported in our Covid-19 updates, have been gross, as instructed in their guidance. What we present here is the figures following the mitigation i.e. after we have implemented management actions and other mitigations such as furlough payments.

Summary of the Current Revenue Financial Position and Forecast Outturn

9. Managers have 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 services affected by COVID-19. Appendix A to this report sets out the position as at the end of quarter 3 and details the forecast outturn for 2020/21.
10. The Council has received 5 tranches of funding from Central Government so far. Tranche 1 was ringfenced grant has been utilised in full to provide Council Tax reductions for those in receipt of CTS therefore is excluded from the revenue budget. The remaining unringfenced grants are shown in table 1.

Table 1 – COVID Funding

	£	£
Central Government COVID Funding		
Tranche 2 - Covid Response 1 (New Burdens)	64,586	
Tranche 3 - Covid Response 2 (New Burdens)	1,672,767	
Tranche 4 - Covid Response 3 (New Burdens)	266,968	
Tranche 5 - Covid Response 4 (New Burdens)	453,983	
Total Unringfenced Grant		2,458,304

11. Appendix A shows there is currently a net forecast overspend of £2.550m (16.37%) for 2020/21. Of the unringfenced funding shown above, £816,330 has been distributed across the revenue budgets for expenditure directly incurred as a result of COVID-19 up until the end of November 2020. An additional £156,570 has been allocated to cover COVID-19 related capital expenditure up to the end of November 2020. The remaining £1,485,400 remains unallocated at present to allow for, further COVID direct expenditure and also pending the outcome of potential income to be received from the Central Government Income Compensation Scheme. Allocating the remaining grant will reduce the potential overspend to £1.062m (6.82%) for 2020/21.
12. We have now submitted two returns to MHCLG under the 'Income Compensation Scheme'. As previously reported, the Scheme requires councils to cover the first 5% of the income loss, based on budget and then the Government will reimburse 75p in the pound thereafter of the net loss (after underspends in expenditure is deducted). Hence, the Council will need to subsume another 25p in the pound of the net loss. The total claim for 1st April to 30th November 2020 showed a claim of £784k made to Central Government, of which we have now received £471K of this in relation to Qtr 1. This claim does not include the loss on all of our income streams as areas such as Treasury income and Commercial Investment Income are excluded.
13. Table 2 below details the services with major variances forecast for 2020/21 as predicted at 31st December 2020.

(see following page)

Table 2 – Major Variances (+/- £50,000)

Directorate	Service	Forecast Variance £'000	Explanation of variance
Strategic Management	Non Pay Transformation	100	Shortfall in identifying savings during 2020/21 due to Covid19 budget pressures
Commercial Services and Income Generation	Arts and Entertainment	117	The ongoing restrictions has meant that income and expenditure trends are significantly different from the norm, this has resulted in large projected variances on both income and expenditure budgets. The service has been successful with applications to the Cultural Recovery Grant scheme and other schemes, the grants received has reduced the shortfall of income which is a result of the venues being closed. In addition, savings on employment budgets have been made due to staff being redeployed and non-recruitment to vacant posts. Work is continuing to limit the impact that the venue closure has on the expenditure and income budgets.
	Streetscene	-60	Income is currently exceeding budget, with surpluses in Horticulture, Plant Nursery and Street Cleansing, this is due to additional commuted sums and grant monies.
	Waste / Recycling	706	SSDC's share of Somerset Waste Partnership's budget variance in relation to costs of, kerbside collections, recycling sites and recycle more. This figure also relates to a delay in the roll-out of the Recycle More programme.
	Income / Opportunity Development (YIC)	111	Anticipated that there will be a shortfall of income against budget due to tenants vacating, income from room hire is also less than anticipated due to restrictions in place. These variances are partially offset by expected underspends on utilities and maintenance budgets
	Countryside	-126	Expenditure lower than forecast due to redeployments. Significant extra grant income secured in respect of the Heritage Fund project and a further amount received from the Cultural Recovery Fund. Ninesprings Café income higher than anticipated in the quarter but current restrictions will impact on this going forward
	Property Services - Case Team	-62	Underspend on employment budgets due to vacant posts.
	Operational Properties	-60	Underspends on expenditure budgets associated with public offices and other operational buildings

Directorate	Service	Forecast Variance £'000	Explanation of variance
	Car Parking	950	Income projected to be less than the budget due to the current restrictions. The loss is partially offset by savings on various expenditure budgets.
Service Delivery	Building Control	250	The forecast year end variance is based on the service having to run with agency staffing due to difficulties in recruitment. Income affected by COVID-19 lockdown with continued uncertainty along with material supply issues on site.
	Development Control	322	The additional cost of agency staff to support the planning service and a reduction in planning fees received will result in a year end overspend
	Revenues and Benefits	681	No court cost income due to suspension of Magistrate hearings and the need to increase the bad debt provision for outstanding costs from previous years.
	Localities	-60	Underspend due to staff vacancies but being utilised across over areas of Service Delivery
	Service Delivery Lead Specialists	50	Budget variance due mainly to agency cover in the role of Lead Specialist – Planning.
	Service Delivery Managers	92	Budget variance due to the Planning improvement project, increased project manager costs, full time people Manager and cover arrangements for people re-tasked into these roles.
	Support Services	Finance Corporate Costs	-528
Support Services Functions		150	The variance to date is partially due to payments in advance in respect of IT expenditure. There has been an increase in OH and counselling, which is representative of wellbeing issues across the Council. There is a shortfall in income from legal fees and costs recovered.

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

14. COVID-19 has had a significant impact on the Council finances and it is important that we can quantify this and mitigate where possible to ensure we remain on a robust, sustainable financial footing. Managers in the affected areas are continually monitoring income and expenditure trends together with their Finance Specialist. A large amount of work has done to apply for savings and cut costs where possible to bring spending and income in line with the approved budgets. It has already been recognised this will not be possible in all areas.



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15. The approved base budget as at 1st April 2020 was £15.207m for 2020/21, which was increased to £15.553m to include £340.7k budget carried forward from the previous financial year.

Table 3 – Net Budget Reconciliation

	£'000
Approved base budget as at April 2020	15,207
2020/21 Carry forwards	340
Area West Reserve Funding for Blackdown Hills AONB Connections Project	6
Revised Budget as at 31st December 2020	15,553

Budget Virements

16. 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 £50,000, 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 £50,000 per virement. All virements outside of the criteria set out above require the approval of District Executive, there are no such virements this quarter.

Table 4 – Virements over £50,000

Amount £	From	To	Details
63,380	Other income & Expenditure	Wellbeing Hub	Funding of redeployment of staff to Wellbeing hub from Covid19 Grant (April to August)
142,770	Other income & Expenditure	Wellbeing Hub & Customer Connect	Funding of redeployment of staff to Wellbeing hub and Customer Connect from Covid19 Grant (April to September)
90,850	Other income & Expenditure	Various	Allocation of Covid19 Grant for associated spend (October)
87,010	Other income & Expenditure	Various	Allocation of Covid19 Grant for associated spend (November)
69,310	Other income & Expenditure	Various	Allocation of Covid19 Grant for associated spend (November)
344,820	Various	Information System	Transfer of IT budgets to Information Systems as per Digital Strategy
484,910	Information Systems	Support Services Specialist Team	Savings target & salary adjustment as per Digital Strategy
54,390	Various	Information Systems	Transfer of IT budgets to Information Systems as per Digital Strategy

Delivery of Savings

17. 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 – 2020/21 Budgeted Major Savings (over £25,000)

Description	Income/ Saving Target £'000	Forecast Saving at Year-End £'000	Shortfall £'000
Transformation – Non pay (Additional savings identified outside of the business case agreed by Council)	150.0	50.0	100.0
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	0	40
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	70.0	260.7

(Negative figures = shortfall)

18. Table 5 shows that a significant element of the major savings target for 2020/21 may not be achieved. 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.

Council Tax Support and Council Tax

19. The Council Tax Support Scheme (CTS) provides for discounted tax charges to households with lower incomes. The Authority has set an estimate for 2020/21 of £9.397m within the Council Tax Base for annual CTS discounts. A total of £9.772m has been allocated as at the 31st December 2020. The cost of the 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 shares is C14.4% for 2020/21).

20. 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. This grant related to 2020/21 only. A total of £1.042m has been awarded as at 31st December 2020.



21. 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 61 requests for hardship relief of which 48 were successful. The amount awarded to the end of quarter 3 was £13,608.
22. The in-year collection rate for Council Tax is 81.55% for 2020/21 compared to 82.90% for quarter 3 last year. At the end of quarter 3, we had reduced the total of £9.334m outstanding debt relating to previous years by £1.614m.
23. It is necessary to make a one off provision for outstanding court costs incurred in previous financial years of approximately £460k. This is shown as a revenue cost in appendix A.

Non Domestic Rates

24. The in-year collection rate for Non Domestic Rates is 77.87% for 2020/21 compared to 80.82% for quarter 3 last year. The downturn in collection is due to the impact of Covid19 on the local economy. At the end of quarter 3, we had reduced the total of £3.696m outstanding debt relating to previous years by £812k.
25. Non Domestic Rates income that we collect is distributed between Central Government, SSDC, the County Council, and the 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

26. 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 for 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.
27. At the end of December 2020, there were 147 long-term empty properties (unfurnished and unoccupied for 2 years or more). At the same point last year, there were 133 properties. Of the current 147, 63 have been empty for more than 5 years and are subject to the increased premium of 200%.

Discretionary Housing Payments (DHP)

28. The Government DHP funding allocation for 2020/21 has increased 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 3, we had processed 352 DHP applications, 307 of which were successful with a total award value of £194,310. A further £22,334 is committed



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up to the end of this financial year. The total sum paid and committed (£216,644) represents 68.60% of the Government DHP grant.

29. 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

30. 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.

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

Table 6 – Reserves Movements

Reserve	Balance at 01/10/2020 £'000	Transfers £'000	Balance at 31/12/2020 £'000	Reason for Transfer
Capital				
Usable Capital Receipts	-18,245	-2	-18,247	Payment of Housing pooling payment and receipt of repaid grants
Revenue				
Capital Reserve	-1,092	-4	-1,096	Receipt of photovoltaic incomer
Bristol to Weymouth Rail Reserve	-75	1	-74	Funding of in year revenue expenditure for a website and equipment
Transformation Reserve	-101	9	-92	Funding of Ignite transformation access work
Council Tax/Housing Benefits Reserve	-805	-37	-842	Funding for transitional resources (£75k) less revenues new burdens grant received and balance of CTS Hardship Grant (£112k) transferred to reserve.
Regeneration Fund	-3,265	62	-3,203	Funding of regeneration scheme salary costs
Ticket Levy Reserve	-85	-7	-92	Ticket levies to reserve movements
Housing & Homelessness Reserve	-420	-37	-457	Receipt of Government Grants



Reserve	Balance at 01/10/2020 £'000	Transfers £'000	Balance at 31/12/2020 £'000	Reason for Transfer
Spatial Policy Reserve	-305	51	-254	Local planning initiatives funded from government grants received in prior years
Climate Change Fund	-294	67	-227	Funding of climate change projects and staff costs
Community Resilience Reserve	0	-50	-50	Government new burdens grants allocated to future community resilience projects

(Negative figures = income, positive figures = costs)

General Fund Balance

32. 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

	£'000
Balance at 1 st April 2020	-5,099
Area & Economic Development Balances	115
2020/21 Carry Forwards	341
Commitments	252
Current Estimated overspend in 2020/21 (worse case call on reserves)	2,547
Support for 2020/21 Budget	883
COVID Grant Funding Balance	-1,485
Unallocated General Fund Balance at 31st December 2020	-2,446
Income Compensation Claim 2 (August to November)	-446
Unallocated General Fund Balance at 31st December 2020 (Incl claim)	-2,892

(Negative figures = income, positive figures = costs)

33. 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 September do not meet this requirement and it will be necessary to allocate certain earmarked reserves (such as the Commercial Investment Risk Reserve) to mitigate some of the overspend and return the General Fund Balance to an appropriate level.

Financial Implications

34. 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.

35. Details of the current key risks are listed in the table below with an update from the responsible officer.

Table 8 - Risks

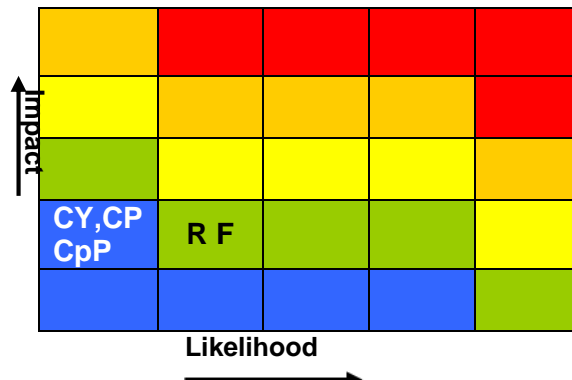
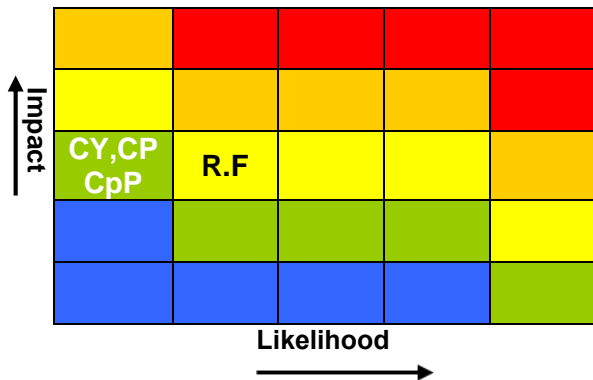
Current Risk	Responsible Officer	Officer's Update
Interest Rates	S151 Officer	Interest rates remain low with the possibility of being cut to zero or even going into negative territory. Low interest rates reduce the cost of borrowing with the adverse impact being the return on investments will be lower. 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 down by 2.95% compared to the previous year's quarter 3. Paragraph 24 provides information for this decrease. 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. A total of £1.042m has been awarded as at 31 st December 2020. 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 2021.
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.
Covid-19	S151 Officer	We continue to monitor the effects of the pandemic on our service provision and budget. We continue to work with our Local Authority counterparts to lobby for adequate funding from Central Government to mitigate our increased costs and offset relevant areas of our income. We have adequate reserves to offset these pressures but we are mindful that we also have ambitious plans for regeneration which rely on significant funding in order to progress.



Risk Matrix

Risk Profile before officer recommendations

Risk Profile after officer recommendations



Key

Categories	Colours (for further detail please refer to Risk management strategy)
R - Reputation	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

Council Plan Implications

36. 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

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

Equality and Diversity Implications

38. 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

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

Background Papers

40. Budget Setting reports to Full Council in February 2020