

2020/21 Revenue Budget Monitoring Report for the Period Ending 31st March 2021

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Purpose of the Report

1. The purpose of this report is to provide Members with the actual spending and income (“outturn”) against the Council’s approved Revenue Budget for the financial year, and to explain the variations against budget.

Forward Plan

2. This report appeared on the District Executive Forward Plan with an anticipated Committee date of July 2021.

Public Interest

3. The Council is accountable to the public for its financial performance. This report details the financial management performance for the last financial year (2020/21), and 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 District Executive recommend that the Chief Executive:
 - (a) Notes the net spending for the year of £15,188,955, the variance position compared to final budget, and the explanations of variances from budget holders for the 2020/21 financial year;
 - (b) Approves budget carry forwards of £364,860 into the 2021/22 budget (as shown in Appendix B);
 - (c) Approves the budget virements in paragraph 45, table 9;
 - (d) Notes the virements in Appendix E;
 - (e) Notes the use of the specific reserves in paragraph 38 and the transfers to and from balances outlined in the General Fund table paragraph 40, table 7;

(f) Notes the position of the Area Committee balances in paragraph 42.

Background

5. Full Council approved the original 2020/21 budget in February 2020. 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 highlight the anticipated variances from budgets and incorporates comments from the budget holders on the reasons for the variance, this is the final report for the year.
7. The impact of COVID-19 on the Council's finances has been continually monitored throughout the financial year, the support received from central government in the form of tranche grants and a number of service specific grants has meant that the variance to budget for the year is significantly different from the projected position reported to committee in the quarter 3 revenue budget monitoring report.
8. It should be noted that it has been challenging for officers to project the expenditure and income for the year due to the changing government measures. In addition, the uncertainty around whether service grant application will be successful has also meant a prudent assumption that the grant will not be received had been assumed.
9. However, the Council has successfully secured grant funding, in addition to the tranche grant. Applications to the Cultural Recovery Fund and the National Leisure Recovery Fund were successful which has contributed the year end position being better than anticipated. Details of grant funding received and the allocation to services is included in the report.

Summary of the Revenue Financial Position and Outturn

10. Overall, the outturn position for the year shows a net underspend against approved budget. Table 2 includes the areas where the variance is over £100,000, the variance includes the COVID grant allocation to services. Table 3 provides the outturn position excluding the grant allocation in order that the 'true' variance by service can be seen.
11. The table below shows a high-level summary by directorate of the revenue outturn position. The overall outturn in 2020/21 was £364,701 underspent (or 2.40%) against the final budget.

Table 1 – Revenue Budget Outturn 2020/21

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 £'000
Chief Executive	366	64	430	803	373	373
Strategy & Commissioning	2,861	491	3,352	3,165	-189	-106
Support Services	4,054	-2,061	1,993	862	-1,130	-1,130
Service Delivery	2,495	778	3,273	4,144	871	1,102
Commercial Services & Income Generation	5,431	1,075	6,506	6,215	-290	-239
Total	15,207	347	15,554	15,189	-365	0

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

12. 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.

13. The Services with significant variances (over £100,000) after carry forwards are as follows:

Table 2 – significant Differences between Outturn and Budget (inc COVID grant)

Service	Variance		Budget Holders' Comments
	£'000	F or A	
Management Board	273	Adverse	Additional employment related costs
Octagon	-232	Favourable	The Octagon Theatre and Westlands Entertainment Venue were one of the most impacted services due to the COVID-19 Pandemic leading to the closure of the venues for the majority of the year. This has severely affected income and many expenditure areas. During the year expenditure was kept to a minimum with the redeployment of staff and freezing vacant posts helping to limit the financial impact. Successful grant bids to the Cultural Recovery Fund has supported both venues.
Streetscene	-229	Favourable	Overspends on premises and transport costs within Horticulture and Street Cleansing. Income exceeded budget, with surpluses in Horticulture, Plant Nursery and Street Cleansing, this is partially due to commuted sums and grant monies received.
Countryside	-120	Favourable	Significant expenditure for grant funded project work (including extra Cultural Recovery Funded salaries) has been incurred in year. Additional income has been received including recovery funds and enhanced land management payments. Despite two months of closure Ninesprings Cafe exceeded its income target due



			to residents and visitors using the Country Parks and facilities heavily throughout the pandemic.
Commercial Investments	322	Adverse	<p>Reduced rental income with main part being due to a lease re-gear; additional insurance income due to timings of recovery.</p> <p>Savings on salary costs and on repairs and maintenance as most leases tenant repairing; overspend on consultants/project costs/legal fees due to high levels of management activity; overspend on premises insurance and on Council Tax on Marlborough due to extended sales period; saving on interest and MRP costs</p>
Car Parking	138	Adverse	<p>Income seriously impacted by COVID lockdowns. Income shortfall partially offset by the receipt of income compensation grant from central government.</p> <p>Underspend of on service charges and savings on staffing costs due to vacancy</p>
Revenues and Benefits	693	Adverse	Bad debt provision has been increased in year, this is due to the suspension on recovery for 20/21 due to COVID 19
Housing	-127	Favourable	Additional spend due to COVID 19 related work, the spend has been funded from COVID grants. Change in bad debt provision and underspend on various homeless budgets.
Building Control	211	Adverse	<p>Continued use of agency staff has resulted in an overspend on the staffing budgets.</p> <p>Income affected by COVID 19 restrictions in place in the financial year</p>
Development Management	587	Adverse	There has been an overspend on salary budgets due to agency staff usage, this is an essential need due to an increase in applications received and to address the backlog. There are also overspends against consultancy fees due to the need for expert knowledge required on certain applications. There has also been an overspend on refunds.
Locality Team	-102	Favourable	<p>Underspend due to vacancies. Activity reduced or stopped due to COVID.</p> <p>Additional funding received in respect of COVID Compliance work.</p>
Finance Corporate Costs	-1,559	Favourable	Underspend on insurance budgets, this offsets the variance on the transformation element. Additional expenditure on interest payable on external borrowing. Budgets to be amended in 2021/22.
Support Service Functions	566	Adverse	<p>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.</p> <p>There is a shortfall in income from legal fees and costs recovered.</p>

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



14. In order to provide an indication of the impact that COVID-19 has had on the Council's revenue budget the table below includes information on the total grant received by directorate in order that an indication of the impact on services can be seen.

15. The total grant allocated consists of the tranche grant, income compensation, job retention and other service related grants such as the grant received by the Arts & Entertainment Service from the Cultural Recovery Fund.

Table 3 – Allocation of COVID Grants to service

Directorate	Final Budget £'000	Actual Spend £'000	COVID Grant Allocation £'000	Actual Spend Excl COVID Grant Allocation £'000	Variation on Spend £'000	Budget carry Forward requested £'000	Variation on Spend after Carry Forwards £'000
Chief Executive	430	803	0	803	373	0	373
Strategy & Commissioning	3,352	3,165	708	3,873	521	83	604
Support Services	1,993	862	311	1,173	-820	0	-820
Service Delivery	3,273	4,144	752	4,896	1,623	231	1,854
Commercial Services & Income Generation	6,506	6,215	2,924	9,139	2,633	51	2,684
Total	15,554	15,189	4,695	19,884	4,330	365	4,695

COVID Funding

16. The Council received 5 tranches of funding from Central Government in 2020/21 and a number of other grants which are generally service specific. 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 4.

Table 4 – 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
Other Grants		
Income Compensation	1,038,230	
Job Retention	509,826	
Leisure Recovery Fund	341,542	
Cultural Recovery Fund	348,787	



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Other Grants	204,866	
Total Other Grants		2,443,251
Total Grant Funding Received		4,901,555

Allocation of Grants to Services

17. The tranche grant has been allocated based on additional expenditure incurred by the service due to the pandemic.
18. The income compensation and job retention grants have been allocated to the specific service as detailed in the claim submitted to central government. The remaining 'other grants' were applied for by the specific service and have been directly allocated to the service to cover additional expenditure on loss of income.
19. £0.207m of other grants has been carried forward to 2021/22 and the specific service have commitments to spend the grant in the financial year.
20. It should be noted that a further £0.838m of Central Government COVID funding has been received in May 2021 and will be allocated to services to fund the associated additional COVID related expenditure as required.

Delivery of Savings

21. As part of effective financial planning and control it is important to monitor that savings proposed in the 2020/21 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. The table only highlights 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	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	40.0	0
Sales, Fees and Charges - Countryside	4.0	0	4.0
Increase in rental income	66.7	66.7	0
Increase in service charges	39.0	24.8	14.2
Total Major Savings	330.7	201.5	129.2

(Negative figures = excess, positive figures = shortfall)



22. Table 5 shows that a significant element of the major savings target for 2020/21 has not been achieved. The shortfall on its own is not material to the overall financial performance for the year, especially given COVID-19.

Carry Forwards

23. 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.
24. 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.
25. Carry forward requests (Appendix B) have been reviewed by the Senior Leadership Team and the recommended budget carry forward is £364,860 and the District Executive is recommended to approve these. It should be noted that the carry forwards requested are significantly more than previous years.
26. The budget carry forward requests are significant and are a result of the pressure on services due to the pandemic, this has meant that a number of the projects and service priorities planned for 2020/21 have had to be put on hold. Therefore a budget carry forward request has been made in order that these essential projects and service priorities can be delivered in 2021/22.
27. 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 2021/22 on this occasion.

Council Tax Scheme

28. The Council Tax Support Scheme (CTS) provides for discounted tax charges to households with lower income. The authority set an estimated budget for 2020/21 of £9.397m within the Council Tax Base for annual CTS discounts. A total of £9.798m has been allocated as at 31st March 2021. 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 c14.37% for 2020/21). For information, the budget for 2021/22 is £10.402m.
29. A Hardship Scheme is in place for extreme circumstances with a budget of £30K for the year. By the end of 2020/21 the Council had received 63 requests for hardship relief, of which 48 were successful. The amount awarded for the financial



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year was £14,177 compared to 121 successful claims at a value of £18,166 in 2019/20.

Non Domestic Rates

30. 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 2020/21 this distribution is (Gov 50%, SSDC 40%, SCC 9%, Fire 1%).
31. For 2020/21 we are reporting a deficit of £10,223,929, which has mainly resulted from the impact of COVID-19, combined with variances in reliefs/discounts awarded and non-collection losses (bad debts). During 2020/21, the Council received additional S31 grants to offset the reliefs given to businesses during lockdown. Under current collection fund accounting rules, the S31 grants received this year will not be discharged against the Collection Fund deficit until 2021/22, thereby inflating General Fund balances at the end of the 2020/21 financial year.
32. This could lead to potentially misleading 2020/21 accounts, showing a significant increase in available reserves that are not actually available but earmarked against the following year's collection fund deficit. To mitigate against this, the S31 grant income of £11.840m has been transferred into a new earmarked reserve
33. Revenue Outturn report reflects a transfer of £1.658m into the NNDR Volatility Reserve, which then stands at £4.592m for future volatility on Non Domestic Rates as shown in table 4.

Discretionary Housing Payments (DHP)

34. The Government DHP funding allocation for 2020/21 is up to £316K. In addition to this, the Council is permitted to spend up to £474K 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 431 DHP applications, 373 of which were successful with a total award value of £266K. The total sum paid represents 84.12% of the Government DHP grant.
35. 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

36. In addition to the funds available in the Revenue Budget, the Council also holds funds in reserves and balances.
37. 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.

38. 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 6 – Reserves Movements and Balances

Reserve	Balance at 01/01/21 £'000	Transfers In/ Out £'000	Balance at 31/03/21 £'000	Reason for Transfer
Capital				
Usable Capital Receipts	-18,247	174	-18,073	
Internal Borrowing Reserve	-203	54	-149	
Revenue				
Capital Reserve	-1,096	-68	-1,164	
Election Reserve	-174	-40	-214	
Sports Facilities Reserve	-41	-10	-51	
Yeovil Athletic Track Repairs Fund	-179	-19	-198	
Bristol to Weymouth Rail Reserve	-74	3	-71	
Treasury Management Reserve	-600	-150	-750	
Revenue Grants Reserve	-453	-6,590	-7,043	
Medium Term Financial Plan Support Fund	-3,277	-1,603	-4,880	
Council Tax/Housing Benefits Reserve	-842	-449	-1,291	
Closed Churchyards Reserve	-15	-4	-19	
Deposit Guarantee Claims Reserve	-3	-9	-12	
Park Homes Replacement Reserve	-256	-30	-286	
Artificial Grass Pitch Reserve	-146	-16	-162	
Business Support Scheme (Flooding)	-111	10	-101	
Regeneration Fund	-3,203	207	-2,996	
NNDR Volatility Reserve	-2,696	-1,896	-4,592	
Ticket Levy Reserve	-92	-28	-120	
Community Safety Reserve	-47	3	-44	
Housing & Homelessness Reserve	-457	16	-441	
Commercial Investment Risk Reserve	-6,300	-306	-6,606	
Spatial Policy Reserve	-254	-4	-250	
Climate Change Fund	-227	60	-167	
Local Government Change Reserve	-199	199	0	
Community Resilience Reserve	-50	-76	-126	
NNDR S31 Coll. Fund 20/21	0	-11,840	-11,840	

(Negative figures = income, positive figures = costs)

39. 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 £225,378.

General Fund Balance

40. 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 7 - General Fund Balance

General Fund Balances	£'000
Balance at 1 April 2020	-5,099
Area & Economic Development Balances	115
2020/21 Carry forwards	341
A303 Funding	5
Underspend on Revenue Budget at outturn for 2020/21	-365
Support for 2020/21 budget	1,885
General Fund Balance at 31st March 2021	-3,118
Area & Economic Development Balances	115
Commitments	247
Unallocated General Fund Balance at 31st March 2021	-2,756
Recommended carry forwards (Appendix B) if approved	365
Final Unallocated General Fund Balance	-2,391

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

41. 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.

Area and Group Balances

42. 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 2020/21 financial year:

Table 8 – Area Balances

	Area East	Area North	Area West	Area South	Total
	£'000	£'000	£'000	£'000	£'000
Position at start of financial year	-49	-24	-46		-119
Allocations to/from reserve during year	0	0	6	0	0



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Position at end of financial year	-49	-24	-40	0	-113
Less commitments not yet spent	46	15	0	0	61
Unallocated balance available	-3	-9	-40	0	-52

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

43. The table shows that area balances have had a small reduction of £6,000 during the year. There remains an overall uncommitted balance of £52,580. Allocations of the Area Reserves are detailed in Appendix C.

Budget Transfers (“Virements”)

44. 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.

45. All virements outside of the criteria set out above require the approval of District Executive and, such virements are detailed in the table below.

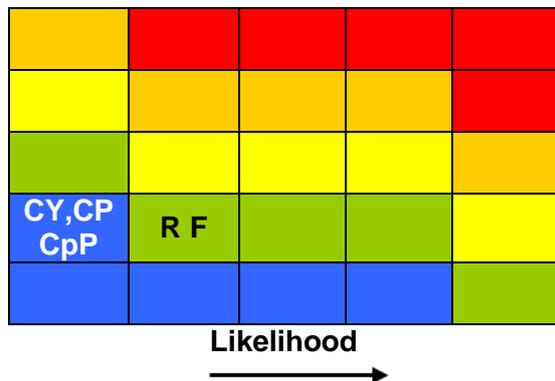
Table 9 – Virements for District Executive

Amount £	From	To	Description
50,000	Support Services	Transformation	Postage saving to Transformation – non pay
42,900	Other Income & Expenditure	Various	Allocation of COVID 19 grants
30,500	Other Income & Expenditure	Various	Allocation of COVID 19 grants
28,000	Policy & Performance	Procurement & Risk Management	Funding the Procurement Specialist from the underspend in the Specialist - Projects, Programmes & Portfolios post
807,230	Other Income & Expenditure	Various	Funding of COVID expenditure
513,840	Other Income & Expenditure	Goldenstones & Support Services Case Officers	COVID Grant allocation
152,890	Other Income & Expenditure	Car Parks	COVID Grant allocation

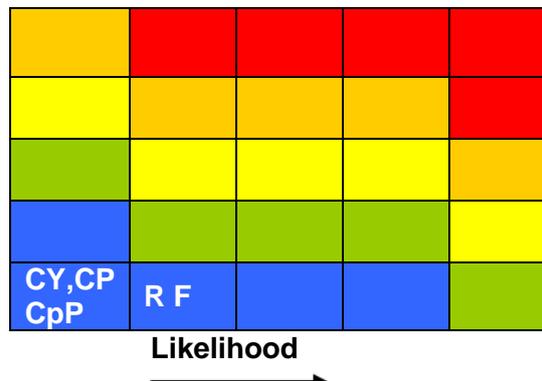
Risk Matrix

46. The risk matrix below represents the risk assessment of the financial health of the Council based on performance during 2020/21 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 outturn position 2020/21
- Appendix B – Carry forwards 2020/21
- Appendix C - Area Reserves
- Appendix D - Usable Reserves
- Appendix E – Virements