

To:

Members of Scrutiny Committee

(Councillors P H Murphy (Chairman), R Lillis (Vice Chairman), D Archer, A Behan, R Clifford, G S Dowding, B Maitland-Walker, J Parbrook, and R Woods)

Members of Cabinet

(Councillor A Trollope-Bellew (Leader), M Chilcott (Deputy Leader), M Dewdney, K J Mills, C Morgan, S J Pugsley, K H Turner, D J Westcott)

Our Ref CS

Contact Emily McGuinness emcguinness@westsomerset.gov.uk

Date 28 July 2015

**THE PRESS AND PUBLIC ARE WELCOME TO ATTEND THE MEETING
THIS DOCUMENT CAN BE MADE AVAILABLE IN LARGE PRINT, BRAILLE, TAPE FORMAT
OR IN OTHER LANGUAGES ON REQUEST**

Dear Councillor

I hereby give you notice to attend the following meeting:

SCRUTINY COMMITTEE

Date: Thursday 6 August 2015

Time: 3.30 pm

Venue: Council Chamber, Council Offices, Williton

There will be a pre-meeting held in the Grabbist Room at 2.30pm to which all Scrutiny Members are invited.

Please note that this meeting may be recorded. At the start of the meeting the Chairman will confirm if all or part of the meeting is being recorded.

You should be aware that the Council is a Data Controller under the Data Protection Act. Data collected during the recording will be retained in accordance with the Council's policy.

Therefore unless you advise otherwise, by entering the Council Chamber and speaking during Public Participation you are consenting to being recorded and to the possible use of the sound recording for access via the website or for training purposes. If you have any queries regarding this please contact Committee Services on 01643 703704.

Yours sincerely



BRUCE LANG

Proper Officer

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RISK SCORING MATRIX

Report writers score risks in reports uses the scoring matrix below

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
Impact							

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

- Mitigating actions for high ('High' or above) scoring risks are to be reflected in Service Plans, managed by the Group Manager and implemented by Service Lead Officers;
- Lower scoring risks will either be accepted with no mitigating actions or included in work plans with appropriate mitigating actions that are managed by Service Lead Officers.

SCRUTINY COMMITTEE

Meeting to be held on Thursday 6 August 2015 at 3.30 pm

Council Chamber, Williton

AGENDA

1. Apologies for Absence

2. Minutes

Minutes of the Scrutiny Committee held on 9 July 2015, to be approved and signed as a correct record – **SEE ATTACHED.**

3. Declarations of Interest

To receive and record any declarations of interest in respect of any matters included on the Agenda for consideration at this Meeting.

4. Public Participation

The Chairman to advise the Committee of any items on which members of the public have requested to speak and advise those members of the public present of the details of the Council's public participation scheme.

For those members of the public wishing to speak at this meeting there are a few points you might like to note.

A three-minute time limit applies to each speaker and you will be asked to speak before Councillors debate the issue. There will be no further opportunity for comment at a later stage. Your comments should be addressed to the Chairman and any ruling made by the Chair is not open to discussion. If a response is needed it will be given either orally at the meeting or a written reply made within five working days of the meeting.

5. Notes of Key Cabinet Decisions/Action Points

To review the Key Cabinet Decisions/Action Points from the Cabinet Meeting held on 5 August, 2015 – **TO BE CIRCULATED AT MEETING.**

6. Cabinet Forward Plan

To review the latest Cabinet Forward Plan for the months of July onwards, published on 5 August 2015 – **TO BE CIRCULATED AT MEETING.**

7. Financial Outturn Report 2014/15.

To consider Report No. WSC 122/15 to be presented by Steve Plenty, Finance Manager. - **SEE ATTACHED**

The purpose of this report is to provide Members with details of the Council's financial outturn position for both revenue and capital budgets, together with information regarding end of year reserve balances, for the financial year 2014/15.

8. Medium Term Financial Plan 2016/17.

To consider Report No. WSC 123/15 to be presented by Paul Fitzgerald, Assistant Director – Resources. – **SEE ATTACHED**

The purpose of this report is to share the latest Medium Term Financial Plan (MTFP) forecasts for the Council's net spending and funding and highlighting the projected budget gap to be addressed over the immediate and short to medium term.

9. Scrutiny Committee Work Plan

To receive items and review the Scrutiny Committee Work plan for 2014/15. - **SEE ATTACHED**

Members of the Scrutiny Committee are asked to consider the proposal to include an item in the Scrutiny Work Programme relating to Ambulance Service Provision in West Somerset as detailed in the attached document

COUNCILLORS ARE REMINDED TO CHECK THEIR POST TRAYS

The Council's Vision:

To enable people to live, work and prosper in West Somerset

The Council's Corporate Priorities:

- Local Democracy:
Securing local democracy and accountability in West Somerset, based in West Somerset, elected by the people of West Somerset and responsible to the people of West Somerset.
- New Nuclear Development at Hinkley Point
Maximising opportunities for West Somerset communities and businesses to benefit from the development whilst protecting local communities and the environment.

SCRUTINY COMMITTEE

Minutes of the Meeting held on 9 July 2015 at 3.30 pm

Present:

Councillor P H MurphyChairman

Councillor D Archer
Councillor S Dowding
Councillor R Woods

Councillor A Behan
Councillor J Parbrook

Members in Attendance:

Councillor M Chilcott
Councillor R Thomas

Councillor M Dewdney
Councillor D J Westcott

Officers in Attendance:

Assistant Director – Energy Infrastructure (A Goodchild)
Democratic Services Coordinator (E McGuinness)
Corporate Strategy and Performance Manager (P Harding)
Corporate Strategy and Performance Officer (H Stevenson)
Administrative Support (A Randell)

SC86 Apologies for Absence

Apologies were received from Councillor R Lillis (Vice-Chairman) and Councillor B Maitland-Walker.

SC87 Minutes

(Minutes of the Meeting of the Scrutiny Committee held on 11 June 2015 – circulated with the Agenda.)

RESOLVED that the Minutes of the Scrutiny Committee held on 11 June 2015 be confirmed as a correct record.

SC88 Declarations of Interest

Members present at the meeting declared the following personal interests in their capacity as a Member of a County, Parish or Town Council:

Name	Minute No.	Description of Interest	Personal or Prejudicial or Disclosable Pecuniary	Action Taken
Cllr P H Murphy	All Items	Watchet	Personal	Spoke and voted
Cllr D Archer	All Items	Minehead	Personal	Spoke and voted
Cllr J Parbrook	All Items	Minehead	Personal	Spoke and voted

SC87 Notes of Key Cabinet Decisions/Action Points

(Copy of Notes of Cabinet Decisions/Action Points, circulated with the agenda.)

RESOLVED that the Key Cabinet Decisions/Action Points from the meeting held on 3 June 2015, be noted.

The Scrutiny Committee were content to note that Councillors Murphy and Lillis would continue to monitor the provision of Secondary education in West Somerset and would bring any matters of interest to the attention of the Committee as appropriate.

SC88 Cabinet Forward Plan

(Copy of the Cabinet Forward Plan published 3 June 2015, circulated with the agenda.)

RESOLVED that the Cabinet Forward Plan published on 3 June 2015, be noted.

SC89 Presentation by Tom Maughan – Group Mobilisation Manager – Vocare

The purpose of the presentation was to respond to a request from members of this Committee for VOCARE to update members about the roll out of new arrangements for GP Out of Hours and NHS 111 provision in West Somerset.

The presentation outlined the background information to the contract along with the services in areas of West Somerset that would be provided with the new out of hour's provision.

Members requested contact details of the following organisations which have subsequently been provided by Vocare:-

Telephone: 0300 123 8924

E-mail: somerset.governance@nhs.net

Address: Somerset Doctors Urgent Care
Wellington House
Queen Street
Taunton

TA1 3UF

Website: <http://www.somersetduc.nhs.uk/>

Patient Participation Group Contacts:

gphillman@hotmail.com

Christine.Lincoln@somersetccg.nhs.uk

During the course of discussion the following points were made:-

- The out of hour's provision for Minehead was discussed. It was intended that a GP would provide out of hours service in Minehead alongside a treatment center in the community hospital. Patients would have the ability to be booked in for treatment in the community center.
- Some doctors working in out of hour's provision were continued from previous providers.
- The script when the 111 line is called was questioned. This was a national response in terms of the referral methods and developed by clinicians. Staff were trained in relation to call responses to ensure the response is appropriate.
- Reassurance was given that when needed, calls were referred to the in hours GP and discussion could be had with nurses out of hours.
- In terms of timescales of the service it was envisaged that the goal would be to have a Doctor based at Minehead. It was requested that emphasis be put on this.
- Complaints and compliments made about the service were considered in detail along with patient participation groups; effective use of the GP's time was encouraged with the whole area being covered including high demand areas.
- The possibility of employing GP's into the area that were currently employed elsewhere was requested by members to be considered. Comfort call procedures were used in instances where patients were waiting for non-emergency responses and in situations where patient situations could deteriorate.
- Councillors were concerned that the amount of compliments were lower than complaints. Reassurance was given that complaints were fully investigated.
- Members commented that the positive news of response times be revealed so that members of the public are aware of the success of the service.
- Work done in the out of hours service was commended along with the presentation to Scrutiny from councilors.
- It was requested that an update report be brought back to the committee in 12 months.

Resolved that:-

- (i) The presentation and progress of Vocare out of hours service provision was noted.

SC90 Corporate Performance Report Quarter 4 Outturn 2014/15

Considered report, WSC 107/15 previously circulated.

The purpose of the report was to provide members with an update on progress in delivering the council's corporate priorities and the performance of council services for the period from 1st April 2014 to 31st March 2015. The report also provided an overview of the outcome of the latest Council satisfaction survey. The performance report monitors and reports on the delivery of the corporate priorities, the associated objectives and actions.

During the course of discussion the following points were made:-

- Discussion took place in relation to the disabled facilities grant (KPI 52)
- Waiting times were effected by a reduced budget. There was a 61 week average with demand outstripping supply in terms of the disabled facilities grant.
- The grant had been reduced from £240,000 to £184,000. This would increase back to £240,000 in the next financial year.
- At present 22 were on the waiting list for adaptations. Adaptations could cost up to £30k. There had been instances where those on the list were waiting a year before the need for adaptations is met.
- It was considered that the 22 week target was unrealistic due to the cut in the budget.
- Members requested to find out if there would be a waiting period after the occupational therapist is consulted.
- Consideration was given in instances where adaptations have been made, such as stair lifts etc. on homes which were then made available to new tenants that had the need for these adaptations.
- It was suggested that there should be a change in targets due to the future increased demand in grants due to the ageing population, in addition accounting for the saving these adaptations had on keeping patients out of hospital beds.
- It was proposed that the Housing Partnership Manager to attend Community PAG to give a more detailed presentation relating to disabled facilities grants, this was supported by the Scrutiny committee.

Resolved that:-

- Scrutiny recommend that KPI 52 is amended to reflect the change in resources and the subsequent impact on performance. Scrutiny would support the target being amended from 22 weeks to 40 weeks.
- Scrutiny members ask that the committee is proactively involved in the proposed review of the current performance measures to reflect new and emerging Corporate Plan priorities
- That an item is included on a future community PAG agenda to ask Christian Trevelyan to attend and discuss the matter of Disabled Facilities Grants in more detail.

SC91 Revenue and Capital Outturn 2014

Councillor Chilcott reported to the committee that this item had been withdrawn from the agenda and would be considered at the August Scrutiny committee.

SC92 Hinkley Point C – Section 106 Agreement Community Impact Mitigation Fund

Considered the report WSC 109/15, previously circulated.

The purpose of the report to the Scrutiny committee was to provide an update on the first 12 months of the operation of the Community Impact Mitigation (CIM) Fund and propose suggested Terms of Reference for a Task and Finish Group on this subject. The aim of the review is to determine whether or not organisations within West Somerset have access to the necessary information, guidance and support to enable them to make successful applications to the CIM fund.

During the course of discussion the following points were made:-

- The timescales for the CIM applications were discussed; there was a 10 week timescale if the application was over £25,000 and 8 weeks for an application under £25,000
- There had been 121 formal expressions of interest shown. The numbers of telephone calls along with initial enquiries had been monitored, over 300 conversations had been held.
- The work done in relation to the CIM fund was commended by members.
- Applications that were not likely to be successful were informed at an early stage to ensure quality of advice and that time isn't wasted.
- Members considered if all communities were being reached giving them the information of the CIM fund. This would be part of the role of the task and finish group to ensure that all groups that can apply are aware.
- It was accepted that more work could always be done to further push the fund, however taking into account the current position with the Hinkley project it was considered important that the fund is still available for applications when the project starts.
- In some respects delays had been advantageous, including in the formation of the task and finish group. It was important to continue the relationship with the community foundation and Justin Sergeant to continue to shape how £12.8 million would be administered.
- Detailed to members that applications were considered on their validity and merit, in line with the legally agreed assessment criteria not on location.
- Members were in favour of supporting the task and finish group. In the first meeting the scope and terms of reference would be decided. The outcomes of the task and finish group would be drawn up by the end of the year. This would act as a refresh going into the New Year with the outcomes being timetabled for Cabinet in November and Council in December.

Resolved that:-

The Scrutiny Committee recommend that a Task and Finish group be set up to further assess whether or not the objectives of the corporate plan are being met.

SC93 **Scrutiny Committee Work Plan**

(Copy of the Cabinet Forward Plan published 3 June 2015, circulated with the agenda.)

The Committee agreed to add ambulance service response times and provision to be considered at the committee in September.

The Committee were in agreement to cancel the August meeting if no further items were needed to be added to the agenda.

RESOLVED that the Cabinet Forward Plan published on 3 June 2015, be noted.

The meeting closed at 5.38 pm.

Report Number: WSC 122/15
Presented by: Cllr M Chilcott, Lead Member for Resources
Author of the Report: Steve Plenty, Finance Manager
Contact Details:
Tel. No. Direct Line 01984 635217
Email: sjplenty@westsomerset.gov.uk

Report to a Meeting of: SCRUTINY COMMITTEE
To be Held on: 6th August 2015
*Date Entered on Executive Forward Plan
Or Agreement for Urgency Granted:*

REVENUE AND CAPITAL OUTTURN 2014/15

1. **PURPOSE OF REPORT**

- 1.1 The purpose of this report is to provide Members with details of the Council's financial outturn position for both revenue and capital budgets, together with information regarding end of year reserve balances, for the financial year 2014/15.

2. **CONTRIBUTION TO CORPORATE PRIORITIES**

- 2.1 The Council's financial performance is directly linked to the 'Local Democracy' priority in terms of local accountability and maximising government funding. Additionally, financial performance and monitoring of financial information is crucial to monitoring the progress being made in delivering all Council services.

3. **RECOMMENDATIONS**

- 3.1 It is recommended that Scrutiny notes the reported General Fund Revenue Budget net overspend of £228,348.
- 3.2 It is recommended that Scrutiny notes the outcome of Cabinet's consideration prior to final agreement by Full Council I to transfer £2,183,884 to the Business Rates Smoothing Reserve to mitigate the deficit on the Collection Fund in 2014/15 and the estimated deficit in 2015/16 due to the outcome of the recent Hinkley Point appeal, as well as future risks in this area.
- 3.3 It is recommended that Scrutiny notes the outcome of Cabinet's consideration prior to final agreement by Full Council to approve a Supplementary 2015/16 Revenue Budget allocation of £40,000 for essential asset maintenance and health and safety works to be funded from the Sustainability Earmarked Reserve.
- 3.4 It is recommended that Scrutiny notes the transfers to and from Earmarked Reserves as set out in Table 4 and Appendix B of this report, and supports the recommended Budget Carry Forward of 2014/15 underspends for specific service costs in 2015/16 totalling £206,394 as set out in Appendix B.
- 3.5 It is recommended that Scrutiny notes the outcome of Cabinet's consideration prior to final agreement by Full Council to approve Capital Programme Budget Carry Forwards totalling

£577,719 for general schemes to be funded using capital receipts, capital grant and S106 contributions (as set out in Appendix C of this report).

3.6 It is recommended that Scrutiny notes the outcome of Cabinet’s consideration prior to final agreement by Full Council to approve Capital Programme Budget Carry Forwards totalling £1,026,174 for Hinkley S106-funded schemes (as set out in Appendix C of this report).

3.7 That Scrutiny notes the net overspend of £39,204 in relation to the Capital Programme for general schemes in the current year and that this overspend has been funded from the useable capital receipts reserve.

4. RISK ASSESSMENT (IF APPLICABLE)

Risk Matrix

Description	Likelihood	Impact	Overall
That the Authority overspends against the approved budget	3	4	12
<i>Regular budget monitoring reports are produced and managers actively manage the budgets under their responsibility</i>	1	4	4

4.1 The scoring of the risks identified in the above table has been based on the scoring matrix. Each risk has been assessed and scored both before the mitigation measures have been actioned and after they have.

5. BACKGROUND INFORMATION

5.1 Members have received financial performance information throughout the year, with reports submitted to Scrutiny and Cabinet in line with the agreed reporting arrangements. This report provides details of the position at the end of the financial year, and enables Members to compare in year forecasts with the actual outturn (end of year) position. It also describes how the year end position impacts on the important objective for achieving financial sustainability.

5.2 Effective financial management forms an important part of the Council’s overall performance management framework. It is also vital that the Council maintains strong financial management and control in the face of continuing and unprecedented financial pressures as funding for council services is squeezed, and our community continues to face up to the effects of wider economic pressures.

5.3 The Outturn figures in this report are provisional (pending end of year audit) and have been used as part of the completion of the Unaudited Statement of Accounts, which has been approved by the S151 Officer. Should the External Auditor identify any changes to the Accounts these will be reported to the Audit Committee in September 2015.

5.4 This report provides some detail behind the financial performance for the year. The high level headline information can be summarised as follows:

- The Outturn against the revised Revenue Budget is a net overspend of £228,348. Despite achieving an underspend against controllable budgets, the Council has had to account for the impact of a substantial business rates appeal, which has pushed the authority into an overspend position. As well as triggering a financial problem from 2014/15, the impact of this appeal will be felt on our ongoing financial position (see report later on the agenda - MTFP Report).
- The General Reserves Balance at the end of the financial year (subject to audit) is £529,899, which is just above the recommended minimum balance of £500,000.

- Total Capital Expenditure for the year after taking into account the use of funding from capital grants plus S106 contributions, produces a £39,204 overspend against revised budget. This overspend has been funded using the Capital Receipts Reserve.

5.5 2014/15 has been the second year of Business Rates Retention. This continues to provide risks for the Council, as reported to Members previously. This report provides a summary of the overall impact during the year, which is significantly affected by the outcome of the Hinkley B Rateable Value appeal.

6. **REVENUE BUDGET OUTTURN 2014/15 AND RESERVES**

6.1 The Council has reported an overall net overspend of £228,348. This comprises of a £121,846 underspend in respect of net expenditure on services before reserve transfers, plus a further underspend in respect of surplus funding received during the year of £1,509,698. However this is offset by an over spend against transfer to / from earmarked reserves of £1,859,892. For information the forecast outturn as at Q3 (April to December 2014) was a projected underspend of £60,833.

6.2 Below is a table showing the main variances between Q3 and the final outturn position:

Table 1 –Main Differences between Q3 and Outturn Variances 2014/15

	Q3 £000	Change £000	Q4 £000
Legal	(13)	(16)	(29)
Corporate and Democratic Core		(21)	(21)
Coast Protection		(30)	(30)
Building Control	59	0	59
Public Conveniences – All	13	10	23
Open Spaces	12	(24)	(12)
Garden Waste (accounting timing difference)		65	65
Street Cleansing	20	(10)	10
Council Tax Benefit	10	0	10
Housing Benefits	(82)	40	(42)
Finance	(12)	12	0
Estates – Assets	(11)	36	25
Private Sector Renewal	38	(3)	35
Development Control	(37)	(55)	(92)
Salaries / Shared Service Costs		(67)	(67)
Transfers From Earmarked Reserves	0	(109)	(109)
Transfers To Earmarked Reserves	0	1,969	1,969
Business Rates Funding	0	(1,445)	(1,445)
Collection Fund Surplus (budget error)		(46)	(46)
Others	(58)	(17)	(75)
TOTAL – over / (under) spend	(61)	289	228

6.3 The main changes since the Q3 report are explained below:

- **Legal:** Underspend in relation to the Mendip District Council legal contract as well as lower than expected general legal fees.
- **Corporate and Democratic Core:** Lower than budgeted Audit Fees as external audit costs have reduced.
- **Coast Protection:** Includes a budget that was created to provide revenue funding of £25,000 to fund the Blue Anchor Coastal Protection Scheme, however the scheme was discontinued meaning the revenue funding was not required.

- **Building Control:** Lower than budgeted income received during the year, partly as a result of increased competition from private sector suppliers.
- **Public Conveniences:** Approved savings target that was included in the budget were not fully achieved.
- **Open Spaces:** General underspends against budget.
- **Waste:** The reported overspend is essentially due to a correction to historic accounting practices for the treatment of garden waste kerbside collection service. The majority of income for 2015/16 garden waste service is received from customers in February/March of 2014/15 financial year, whereas the cost of the service is paid for during 2015/16. It is therefore appropriate to transfer (accrue) the income in 2015/16 so that income and costs are reported in the same accounting year.
- **Street Cleansing:** Approved savings target that was included in the budget were not fully achieved.
- **Housing Benefits:** Ongoing Benefit Adjustments – Payments recovered from ongoing benefits in respect of Housing Benefit overpayments.
- **Estates – Assets:** Generally income received higher than budgeted however this has been offset by the setting aside of funding for essential works on general asset compliance and Dulverton Mill Leat which members approved to be funded/offset by in-year underspends.
- **Development Control:** Increased application fees received compared to prediction at Q3 and budget. During Q4 applications in respect of Premier Inn / Brewers Fayre and Lidl were received, which contributed to the surplus income for the year.
- **Salaries / Shared Service costs:** Through the period of restructuring to implement the shared service structure there have been vacancies or delayed appointments in some posts which have resulted in savings against budget.
- **Transfers from Earmarked Reserves:** Earmarked reserve balances have been reviewed in light of the impact of the business rates refund costs on the outturn and general balances, and it is proposed to return monies to the General Fund.
- **Transfers to Earmarked Reserves:** An additional sum transferred to the Business Rates Smoothing Reserve to provide for the Collection Fund loss reported in 2014/15 and the predicted loss in 2015/16.
- **Business Rates Funding:** The impact of the major cost of appeals results the Council being due to receive a “safety net payment” to maintain funding in year close to the funding baseline. This payment will partly offset the Council’s share of the Collection Fund loss referred in previous bullet point.
- **Collection Fund:** This was a budget error for the omission of the previous year’s surplus on the Council Tax Collection Fund which was identified as part of the year-end closedown process.

6.4 Table 2 below provides a summary the revenue budget and outturn for the year.

Table 2 – Summary Revenue Outturn 2014/15

	Revised Budget £	Outturn £	Variance £
Corporate Operations	389,396	385,295	-4,101
Housing and Communities	3,872,661	3,817,325	-55,336
Growth and Development	343,629	393,079	49,450
Hinkley Central Support Recharges	288,882	200,306	-88,576
	-122,059	-115,683	6,376
Subtotal - Net Service Costs	4,772,509	4,680,322	-92,187
Interest costs and income	7,850	3,191	-4,659
Revenue Contribution for Capital Outlay (RCCO)	25,000	0	-25,000
Provision for capital debt repayment	200,400	200,400	0
Subtotal – Net Costs before reserve transfers	5,005,759	4,883,913	-121,846
Transfers from Earmarked Reserves	-602,164	--712,026	-109,862

	Revised Budget £	Outturn £	Variance £
Transfers to Earmarked Reserves	1,267,679	3,237,433	1,969,754
Transfers to/from General Reserves	-233,619	-233,619	0
NET BUDGET AND EXPENDITURE	5,437,655	7,175,701	1,738,046
<i>"Below the line" Funding items:</i>			
Business Rates Funding	-1,876,810	-3,321,464	-1,444,654
Revenue Support Grant	-1,224,738	-1,224,738	0
New Homes Bonus	-443,644	-447,252	-3,608
Other Grants	50,581	35,045	-15,536
Council Tax	-1,823,221	-1,869,121	-45,900
Estimated Surplus on 13/14 NNDR	-119,823	-119,823	0
TOTAL FUNDING	-5,437,655	-6,947,353	-1,509,698
NET OVERSPEND FOR THE YEAR	0	228,348	228,348

- 6.5 Further analysis and commentary on the main variances reported for the year is provided in **Appendix A**. The net underspend automatically transfers to General Fund Reserves as part of the financial year end process.

General Reserves

- 6.6 The following table summarises the movement on the General Reserves Balance during the year. The reserve balance as at 31 March 2015 is £529,899, which is £461,967 less than at the start of the financial year.

Table 3 – General Reserves Balance 31 March 2015

	Actual £
Balance Brought Forward 1 April 2014	991,866
Original Budget	-321,108
Supplementary Estimates:	
Sand Clearance	-10,000
Blenheim Gardens	-5,500
Blue Anchor Coastal Protection	-25,000
Planning Policy – Local Plan	-74,750
2014/15 In Year Budget Savings	95,158
Transfer of Uncommitted Earmarked Reserve Balances	107,581
2014/15 Outturn Overspend	-228,348
Balance Carried Forward 31 March 2015	529,899

- 6.7 As a result of the reported overspend in the year, the year-end balance is now only very marginally above the current recommended minimum balance within the Council's financial strategy. The financial challenge is well reported and this balance provides very little resilience to cover any additional costs or funding reductions arising in 2015/16.

Supplementary Budget Approvals – Allocations from Reserves

- 6.8 There are emerging essential asset maintenance costs totalling £40,000 that are not sufficiently covered within the existing approved budget for 2015/16. It is proposed that a supplementary budget is approved to cover these costs to enable the works to be completed, however there is insufficient capacity within general reserves for these to be affordable from general balances therefore – as the costs are identified as essential – the funding is withdrawn from the Sustainability earmarked reserve. The funding is needed for:

- a) Quayside Road Minehead £5,000
West Somerset has previously carried out slope management works along the rear of properties at Minehead harbour to prevent any soil or rock slippage, including the introduction of high tensile nets and fixings. However a Quayside resident property owner has raised concerns about the trees and banking at the rear of their property and officers from both Property Services and Open spaces have visited to assess the situation. There are some accessibility issues and in order to complete a full assessment a large tree at the rear of the property will require cutting back and a full survey of the area and holding nets undertaken, with an estimated cost of £5000. It is anticipated the survey will identify further works required of a maintenance/replacement nature which may be extensive and costly.
- b) Minehead Harbour £10,000
During 2015 we have carried out a large amount of maintenance works at Minehead harbour in order for it to continue as a working harbour, including removing a large amount of stone/pebbles from the harbour entrance, removing sand along the edge of the slipway, and renewing the majority of the boundary tubular fencing. However we have identified additional works required including: replace timber harbour uprights which protect the boats when either being launched or berthed; recasting/re-fixing access steps leading to the moorings in order to prevent slips or accidents; replacing a number of the signs in use on the harbour that have corroded and become sharp. We estimate costs of up to £10,000 for these works.
- c) Compliance Works £25,000
Following approval to allocate £40,000 in 2014/15 to fund essential compliance reviews for council assets, the council's Property Service is on track to complete the initial compliance surveys. The Council has a large number of commercial premises, some of which are covered by lease agreements or party to alternative contractual arrangements. All will need to comply with the various aspects of legislation which will relate to their individual occupation. Most if not all premises will need an asbestos survey, an electrical test, legionella testing and require a fire risk assessment. If occupied by West Somerset staff they will also require PAT testing. This also includes all public conveniences, shelters, band stands, light houses and marinas. We are working through the survey stages and it is expected this will identify compliance associated works that will need to be completed to bring the properties in line with legal requirements. A budget increase of £25,000 is requested based on existing demands, and a further request may be needed depending on the findings of the compliance reports.

Earmarked Reserves

- 6.9 Earmarked Reserves are amounts that have been set aside for specific purposes from existing resources, where the expenditure is expected to be incurred in future years. The table below provides a summary of the movement in earmarked reserve balances during 2014/15 financial year, highlighting that earmarked reserve balances have increased by £2,525,407 to a total of £3,861,246 at 31 March 2015.

Table 4 – Earmarked Reserves Balance 31 March 2015

	Actual £
Balance Brought Forward 1 April 2014	1,375,939
Transfers to Revenue Account	-605,711
Transfers from Revenue Account	3,131,118
Balance Carried Forward 31 March 2015	3,901,346

- 6.10 The following paragraphs 6.11-6.20 provide explanation for the larger items included within the earmarked reserves balances. Further detail for all earmarked reserves is provided in **Appendix B**.

- 6.11 **Area Based Grant:** Was a general grant allocated directly to local authorities as additional revenue funding. It is allocated according to specific policy criteria rather than general formulae. Local authorities are free to use all of this non-ringfenced funding as they see fit to support the delivery of local, regional and national priorities in their areas. Members have previously earmarked the balance remaining to fund the employment costs of the Economic Regeneration Manager.
- 6.12 **Sustainability Reserve:** Earmarked for initiatives that have a positive impact upon the long term sustainability of the Authority.
- 6.13 **Joint Management and Shared Services:** During 2014/15 Members will be aware that as a result of bringing the entire officer teams of Taunton Deane Borough Council and West Somerset Council together during 2014/15 it has resulted in savings of £121,647 being achieved. This represents delivery of savings in year earlier than prudently allowed for within the business case, and as agreed through the Joint Partnership Advisory Group (JPAG), this sum has been transferred to the JMASS Earmarked Reserve to provide essential funding to support the transformation of services in the future. The JMASS Reserve balance is currently £275,714.
- 6.14 **Business Rates Smoothing Reserve:** With regards to net Business Rates Retention funding and the outstanding Hinkley Point appeal during 2014/15, it was recommended and approved throughout the year that any predicted retained growth would be transferred to the Business Rates Smoothing Reserve on top of the amount agreed as part of the 2014/15 original budget setting process. This was to assist with mitigating any potential impact of a successful appeal. Now that the appeal has been settled, this has proven to be a wise strategy however the accrued reserve balance is not sufficient to cover the full impact of the Collection Fund loss now being reported in 2014/15 and the predicted loss to be incurred in 2015/16. Therefore an additional £2,183,984 has been transferred to the Smoothing Reserve at the year-end leaving the balance in March 2015 as £2,930,156. Whilst this may appear 'large' it is forecast that this balance will be needed in full to mitigate the Collection Fund deficit over the next two years. This leaves no contingency for additional losses.
- 6.15 **Land Charges:** Government grant specifically earmarked for providing refunds of personal searches following the introduction of Environmental Information Regulations (EIR).
- 6.16 **Discretionary Housing Payments Reserve:** Government grant specifically ring-fenced for discretionary housing payments.
- 6.17 **Homelessness Prevention:** Homelessness prevention grant received as part of Revenue Support Grant, therefore appropriate sum has been earmarked in 2014/15 along with the remainder of the Mortgage Rescue Grant.
- 6.18 **Assets of Community Value:** Government Grant set aside to support the administration of applications under regulations.
- 6.19 **Planning Policy Reserve:** As recognised in Member reports in 2014/15, monies have been set aside to be drawn down in 2015/16 to cover additional costs arising and relating to the West Somerset Local Plan preparation through to examination and beyond to adoption.
- 6.20 **General Budget Carry Forwards:** Funds have been transferred to earmarked reserves in respect of requests to carry forward budget underspends to support service costs in 2015/16. These total £278,452 and are set out in detail in Appendix B.

7. **BUSINESS RATES RETENTION**

- 7.1 The Business Rates Retention (BRR) funding system is proving to be both challenging and volatile, with the Council facing significant risks particularly in respect of appeals against rateable values by rate payers. The required accounting arrangements also result in some 'timing differences' which can skew the funding position across financial years.

General Fund Retained Business Rates Funding

- 7.2 The council's share of business rates funding is directly linked to the total amount of business rates due and collected in the area. The amounts credited to the General Fund Revenue Budget in 2014/15 are based on business rates yield and BRR figures from different sources – a combination of the 2014/15 NNDR1 (Original Budget Estimate) and the 2014/15 NNDR3 (End of Year position):

Business Rates Funding Timing Differences

In Year Funding based on NNDR1 Original Budget Estimates (fixed amount for the year based on budget):
<ul style="list-style-type: none"> • 40% Standard Share of BR Income • Tariff to Government • Share of Previous Year's Collection Fund Surplus/Deficit
In Year Funding based on NNDR3 actual amounts due for the year (variable amount for the year based on actuals):
<ul style="list-style-type: none"> • Section 31 Grant (Government-funded Reliefs/ Discounts) • Levy Payment to Government • Safety Net Receipt from Government

- 7.3 At the end of the financial year there will be a Surplus or Deficit on the Business Rates Collection Fund, and this sum will be distributed in future years based on Standard Shares – so 40% for West Somerset Council.
- 7.4 The following table summarises the gain/loss for the council under the retention scheme by comparing the retained business rates income with the Funding Baseline set by Government. This will determine business rates income growth, which directly relates to the calculation of the Levy or Safety Net Payment due to/from central Government.

Table 5 – West Somerset Council Gain/Loss under the Retention Scheme

	Collection Fund	General Fund
Non Domestic Rating Income (Yield)	6,003,490	
Add back ½ Small Business Rates Relief plus Other Reliefs– funded by S31 Grant	853,047	
Adjusted Non Domestic Rating Income (Yield)	6,856,537	
40% Standard Share for WSC		2,742,615
Tariff to Government (fixed amount)		-2,979,434
Total Retained Income (negative = cost)		-236,819
WSC Business Rates Baseline		1,071,130
Safety Net Threshold		990,795
Safety Net Entitlement from Government		1,227,614

- 7.5 As the Table reports, our retained income amount is a 'cost' or 'loss' of £236,819. Under the Retention scheme our funding is protected so that it cannot fall below the Safety Net. As a result we will receive a safety net payment from government estimated at £1,227,614, to bring our actual retained funding from business rates back up to £990,795.

- 7.6 The following table summarises the net position in respect of retained business rates funding for the Council in 2014/15 based on required accounting entries.

Table 6 – Business Rates Funding Outturn for West Somerset Council

	Forecast Sept 2014 £	Forecast Dec 2014 £	Actual For 2014/15 £
40% Share of Business Rates Income	4,720,092	4,720,092	4,720,092
Tariff to Government (fixed amount)	-2,979,434	-2,979,434	-2,979,434
Section 31 Grant Funding for enhanced Small Business Rates Relief / Flooding Relief	323,461	354,616	353,192
50% Levy Payment to Government	-415,895	-432,694	0
Safety Net Entitlement from Government	0	0	1,227,614
Subtotal	1,648,224	1,662,580	3,321,464
Previous Year's Collection Fund Surplus	119,823	119,823	119,823
Total Retained Business Rates Funding 2014/15	1,768,047	1,782,403	3,441,287

- 7.7 As has been previously reported, the introduction of the Business Rates Retention system has introduced new financial risks for the Council. The council's share of business rates funding is directly linked to the total amount of business rates due and collected in the area. Although the total retained funding accounted in 2014/15 is above previous forecast, this is skewed by the timing differences in the required accounting and the fact that West Somerset has now accounted for a safety net payment from Government within its funding of £1,227,614. In reality the actual amount due for the year is below the reported amount, with the cost of appeals (see below) resulting in a very large deficit in the business rates Collection Fund.
- 7.8 As formally published by the Valuation Office Agency (VOA) on 6 May, the outcome of the Hinkley B appeal results in their Gross Rateable Value reducing to £8,000,000 (as at 1 April 2010) – a reduction of £3,180,000 in the 2010 Valuation. There has also been a spike in other appeals at the end of the final months of the financial year, it is assumed driven in part by a change in regulations introduced from April 2015. We have increased the provision for cost of appeals as part of the 2014/15 outturn to reflect these factors. The total provision on 31 March 2015 for estimated appeals and refunds for appeals is £7,946,041. The Council's share of this provision is £3,178,426 (40%).
- 7.9 The Council will need to pay additional funds into the Collection Fund in 2015/16 and 2016/17 to bring the Fund back into balance, and has set aside funds during the year into the Business Rates Smoothing earmarked reserve. As part of the outturn, the increase of £2,183,984 in the final quarter of the year has been transferred to the BR Smoothing Reserve, subject to formal approval by Cabinet and Council. The year-end balance on the Reserve is £2,930,156 (see 6.14 above; Appendix B). The Council's 40% share of the Collection Fund Deficit as at 31 March 2015 is £2,405,130. It is also projected there will be a further deficit in 2015/16 due to ongoing impact of appeals on annual business rates income, which together with the 2014/15 deficit will use up the majority of the Smoothing Reserve balance.
- 7.10 In summary our income in 2014/15 appears to be higher due to accounting for the safety net, but in reality this is not the real position and members need to take note of collection fund deficit.

8. **CAPITAL BUDGET OUTTURN 2014/15**

- 8.1 The final Capital Programme budget for 2014/15 for General Schemes was £1,043,935, with actual spend incurred during the year of £505,420 on these schemes, funded through a combination of capital receipts plus grant funding received for disabled facilities grants. Budget carry forward is requested to complete approved schemes in the Programme totalling £577,719, with an actual overspend reported of £39,204 (3.8%).
- 8.2 The key areas of spend included: Watchet CCTV installation; disabled facilities grants; asset disposal costs; IT hardware and upgrades; and various other schemes. The main area of overspend related to the costs associated with the completion of the disposal of land at Townsend Farm, Carhampton.
- 8.3 During 2014/15 a number of Capital Budget allocations were approved for schemes funded through Hinkley S106 contributions, totalling £1,374,288. The costs for these schemes is expected to be incurred over more than one year, with £348,114 actually spent during 2014/15 and £1,026,174 carried forward to complete the approved schemes in subsequent years.
- 8.4 The following table summarises the position for both general schemes and Hinkley-funded programmes:

Table 7 – Summary Capital Programme Outturn 2014/15

	General Schemes £	Hinkley Funded Schemes £	Total £
Original Capital Budget 2014/15	672,618	0	672,618
Supplementary Budget Approvals	371,317	1,374,288	1,745,605
Revised Capital Budget 2014/15	1,043,935	1,374,288	2,418,223
Actual Spend in 2014/15	505,420	348,114	853,534
Carry Forward Requests	577,719	1,026,174	1,603,893
Actual Plus Carry Forward Commitment	1,083,139	1,374,288	2,457,427
Net Overspend	39,204	0	39,204

- 8.5 A scheme by scheme analysis summary of the 2014/15 Outturn by Scheme is set out in **Appendix C**.
- 8.6 There has been no increase in the underlying capital borrowing requirement during the year.
- 8.7 The overall General Fund capital funding position remains very limited for the Council, and it needs to be borne in mind that the approved capital programme for 2015/16 requires funding of £472,637 from the Useable Capital Receipts Reserve. Below is a table showing the latest forecast of the reserve, and shows that there is only a small uncommitted balance on the reserve (not including new receipts in 2015/16). The Council has allocated £1.8m of capital receipts during 2014/15 to reduce capital debt, as part of the agreed strategy to reduce debt by a total of £3.5m using receipts from asset sales.

Table 8 – Useable Capital Receipts Reserve Balance 31 March 2015

	Actual £
Balance Brought Forward 1 April 2014	786,566
Capital Receipts Received in 2014/15	2,051,488
Capital Receipts Used in 2014/15	-141,473
Repayment of capital borrowing	-1,800,000
Schemes carried over from 2014/15	-421,182
Balance Carried Forward 31 March 2015	475,399

2015/16 Approved Capital Programme (Appendix D)	-472,367
Uncommitted Balance	2,762

8.8 For information, details of the approved 2015/16 Capital Programme are set out in **Appendix D** of this report.

9. FINANCIAL/RESOURCE IMPLICATIONS

9.1 Contained within the body of the report.

10. COMMENTS ON BEHALF OF SECTION 151 OFFICER

10.1 Business Rates Retention and the settlement of the Hinkley Point appeal has been hugely significant to West Somerset Council and retained funding has been drastically affected as a result of this.

10.2 Accounting for this has resulted in an over spend of £228,348 being reported on the General Fund, which is not good news and means general reserves are now effectively at the minimum acceptable level.

10.3 The Business Rates Smoothing Reserve addresses the currently identified Collection Fund loss as a result of this appeal settlement, however it does not provide any contingency for further losses in the future.

10.4 It should also be noted that we are continuing to see unfunded costs emerging such as additional £40,000 requested for asset issues within this report.

10.5 The Capital Programme has reported a relatively small overspend, mainly related to the costs of disposing of identified surplus assets reflecting the complex nature of the particular disposal. Capital reserves have effectively all been committed to fund current approved schemes in 2014/15 and 2015/16 capital programmes. This presents an ongoing risk in terms of limited funds to meet planned debt repayment and respond to urgent/reactive capital spending requirements.

10.6 The Council is now facing a very serious financial challenge. The significant savings achieved in Phase 1 of the JMASS project has been eliminated (and more) by the impact of this one Business Rates appeal, which of course is completely out of the Councils control . Had this not happened, then the Council would have been looking at an underspend against budget (due to strong financial management), and would have been in a stronger position for the years ahead. The report later on this agenda on the MTFP shows the scale of the challenge and the Council must now focus on this as a priority. Phase 2 of the JMASS project is now underway and will report back to Councils on the way forward re transformation in the autumn.

11. EQUALITY & DIVERSITY IMPLICATIONS

Members need to demonstrate that they have consciously thought about the three aims of the Public Sector Equality Duty as part of the decision making process.

The three aims the authority **must** have due regard for:

- Eliminate discrimination, harassment, victimisation
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it

11.1 None directly in this report.

12. CRIME AND DISORDER IMPLICATIONS

12.1 None directly in this report.

13. CONSULTATION IMPLICATIONS

13.1 None directly in this report.

14. ASSET MANAGEMENT IMPLICATIONS

14.1 None directly in this report.

15. ENVIRONMENTAL IMPACT IMPLICATIONS

15.1 None directly in this report.

16. HEALTH & WELLBEING

16.1 None directly in this report.

17. LEGAL IMPLICATIONS

17.1 None directly in this report.

SUMMARY OF REVENUE VARIANCES TO REVISED BUDGET 2014/15

Group and Detail	Q3 Forecast Variance £	Q4 Actual Variance £	Comments
Corporate			
Legal	-13,104	-29,401	Underspend in relation to the Mendip District Council legal contract.
Other minor variances	-6,045	25,300	
Group Total	-19,149	-4,101	
Operations			
Corporate and Democratic Core		-21,230	Lower than budgeted audit fees
West Somerset House		-11,872	Lower than budgeted running costs
Building Control	58,679	58,893	Reduction in predicted application fees being received. This is due to the demand for the service being below levels including in the budget estimates. The service operates in competition with other providers and is also affected by the volatility within the construction market.
Public Conveniences	12,656	27,384	Approved savings budget not achieved
Open Spaces	11,987	-11,968	General Underspends against budget
Street Cleansing	20,309	10,251	Approved savings budget not achieved
Waste		64,594	Change in accounting treatment, moving of garden waste collection income to receipts in advance as relates to the 2015/16 financial year.
Council Tax Benefit	10,000	10,000	Correction to original budget / assumption in this area as reported through budget monitoring during the year.
Housing Benefits	-81,500	-42,328	Ongoing Benefit Adjustments – Payments held to clear debts with the Housing Benefits system and therefore not actually paid to the claimant.
Finance	-12,190	-15,444	Underspend in respect of bailiff fees and past service pension costs.
Salaries / shared service costs		-67,545	
Other minor variances	-25,977	-56,071	
Group Total	-6,036	-55,336	

<i>Housing and Communities</i>			
Estates – Assets	-11,039	24,570	Generally income received higher than budgeted however this has been offset by the setting aside monies for essential works on general asset compliance and Dulverton Mill Leat which members approved to be funded from in-year underspends.
Homelessness Administration		-16,349	Underspend in relation to homelessness prevention fund (demand led).
Private Sector Renewal	37,500	33,298	Sedgemoor contract for 2013/14 not paid or accrued therefore both 2013/14 and 2014/15 to be paid in the current financial year.
Other minor variances	-21,948	7,931	
Group Total	4,513	49,450	
<i>Growth and Development</i>			
Development Control	-37,273	-92,401	Increased application fees received compared to prediction and budget.
Other variances	-2,888	10,201	
Group Total	-40,161	-82,200	
<i>Other Variances</i>			
Interest and other income		-4,659	Under spend on predicted external loan interest costs together with increased investment returns.
Revenue Contribution For Capital Outlay		-25,000	Supplementary Estimate requested in year with regard to the Blue Anchor Coastal Protection Scheme however the scheme was abandoned therefore budget not required.
Transfers To / From Earmarked Reserves		1,859,892	Additional transfers required at year-end in light of the settled Hinkley Point Business Rates Appeal.
Funding Variances		-1,509,698	Credit for previous year's Council Tax Collection Fund Surplus (not included in budget), extra New Homes Bonus Funding and New Burdens Grant received. Also includes a safety net payment to be received from Central Government as a result of the Hinkley Point Business Rates appeal.
Total Underspend (-) / Overspend for the Year	-60,833	228,348	

SUMMARY OF EARMARKED RESERVES 2014/15

Earmarked Reserve Account	1 April Balance £	Transfers In	Transfers Out	Transfers Between Accounts	31 March Balance £	Comments
Area Based Grant	113,634		-29,250		84,384	Approved that £9,004 was returned to general fund balances with balance committed to fund 40% of the employment costs of the Economic Regeneration Manager.
Sustainability Reserve	57,698				57,698	Earmarked for initiatives that have a positive impact upon the long term sustainability of the Council
JMASS Reserve	374,983	121,647	-241,116	20,200	275,714	£150,000 in respect of Central Government (Transformation Challenge Grant) received. The other £224,983 is the remainder of the £358,000 allocated as part of the Business Case report following the payment of redundancy costs. It was also decided to amalgamate JMASS reserves and therefore the £20,200 set aside as part of the Business Case approval has been moved to this reserve (see below). Transfers in of £121,647 during 2014/15 were as a result of salary savings achieved from the restructure of Tiers 4, 5 and 6. Transfers out of -£241,116 during 2014/15 were as a result of the funding of severance payments as part of the restructure.
JMASS Project Reserve	20,200			-20,200	0	£20,200 set aside as part of the Business Case approval. Moved to the JMASS reserve above.
Business Rates Retention Smoothing Account	269,663	2,660,493			2,930,156	£219,823 transferred as part of the setting of the 2014/15 budget. As part of Q1 forecast, a surplus of £192,345 for retained BR is currently projected. As at Q2 a further surplus of £49,985 for retained BR is predicted. As at Q3 a further surplus of £14,356 for retained BR is predicted. It is again proposed to earmark these funds at this stage. At outturn a further £2,183,984 is to be earmarked following the outcome of the Hinkley Point appeal to set aside funds to mitigate the effect of 14/15 actual deficit and the projected 15-16 deficit figure on the Collection Fund.).

Earmarked Reserve Account	1 April Balance £	Transfers In	Transfers Out	Transfers Between Accounts	31 March Balance £	Comments
Community Safety	4,455		-922		3,533	External funding specifically earmarked for community safety initiatives
Land Charges	28,530		-3,019		25,511	Government grant specifically earmarked for providing refunds when due
Tourism	15,911		-3,804		12,107	Specifically earmarked for tourism and is topped up by ENPA
Seaside Towns	20,083		-22,273	2,190	0	Specifically earmarked for initiatives in Minehead
New Homes Bonus	113,850		-113,850		0	£51,820 to be used in 2014/15 for Rural Housing project and HIA contract. Approved that £62,030 was returned to general fund balances.
Minehead Events	9,651		-7,065	-2,190	396	Mary Portas grant – specifically earmarked
Housing Benefit Admin	11,782		-6,963	-4,819	0	Government Grant – specifically earmarked to provide support in times of recession
Council Tax Reform	49,308	59,659	-68,459	-40,508	0	Government Grant – specifically earmarked to support implementation of Council Tax Reforms
Benefits External Processing	1,657	10,621		-12,278	0	Underspend from Previous External Processing Benefit funded from Benefit Reform Grants
DHP Reserve	44,861				44,861	Government Grant – specifically ring-fenced for Discretionary Hardship Payments
Other Election Reserve	26,771		-3,108		23,663	Funds to meet the additional costs of IER.
Water Bathing Signs	1,266				1,266	Environmental grant specifically earmarked
Land Charges Surplus / Deficit	31,547		-31,547		0	Approved that £31,547 was returned to general fund balances.
Inspire	7,131				7,131	Earmarked for costs under the Inspire Directive
Transparency Code	2,588				2,588	Earmarked to meet the cost of complying with the transparency code
Exmoor at your Fingertips	1,780				1,780	LARC Fund to fund the “Exmoor at your Fingertip” project
Roughmoor Signage	1,011		-1,011		0	Contribution from business to fund sign for Roughmoor Enterprise centre. Works have been carried out.

Earmarked Reserve Account	1 April Balance £	Transfers In	Transfers Out	Transfers Between Accounts	31 March Balance £	Comments
Minehead Town Centre Signage	885		-385		500	Contribution from Minehead Chamber of Trade and Morrison s106 to fund the signs
Our Place	2,500	8,434			10,934	Contribution for the Our Place project
Eat Exmoor	500		-400	-100	0	Contribution from SCC for the Eat Exmoor Project
National Grid PPA	16,911		-16,911		0	Earmarked to part fund the post of Nuclear Programme Manager. Monies have been utilised.
CCTV	4,000		-2,435		1,565	Underspend in 13-14 earmarked to fund the purchase of a new CCTV camera
Homelessness Prevention	66,120		-22,500		43,620	£50,000 Homeless Prevention Grant (part of RSG) plus remainder of Mortgage Rescue Grant
Section 31 - Flooding	13,486		-13,486		0	Funds to support businesses after the winter flooding. Monies have been used to support businesses.
Planning Staff Salary	6,000		-6,000		0	Part of the 13-14 planning application fees income earmarked to fund additional salary costs in the planning service in 14-15. Monies have been utilised.
Coast Protection	2,275		-2,275		0	Underspend in 13-14 earmarked to fund sand clearance costs in 14-15. Works have been carried out.
Morrison's Footpath	6,000				6,000	Earmarked to part fund the footpath upgrade
Council Tax Discount Scheme	5,000		-5,000		0	Approved that £5,000 was returned to general fund balances.
Community Right to Challenge	8,547		-3,547		5,000	Government Grant set aside to support the administration of applications under regulations.
Assets of Community Value	7,855	2,145			10,000	Government Grant set aside to support the administration of applications under regulations.
Planning Policy Reserve		61,725			61,725	Monies set aside and to be drawn down in 2015/16 to cover additional costs arising and relating to the West Somerset Local Plan preparation through to examination and beyond to adoption.
Sub Total	1,348,439	2,924,724	-605,326	-57,705	3,610,132	

Earmarked Reserve Account	1 April Balance £	Transfers In	Transfers Out	Transfers Between Accounts	31 March Balance £	Comments
Budget Carry Forwards For Specific Services						
District Election Reserve	20,000	10,000			30,000	Earmarked for costs of 2015 elections
Watchet Harbour Dredging	7,500	5,700			13,200	Underspend in 13-14 earmarked to fund additional dredging in 14-15. Works have been carried out.
Customer Service Equipment Reserve		666			666	Specialised Chair Required (Health and Safety)
Car Parking Reserve		15,767			15,767	Monies set aside in respect of maintenance and signage required during 15-16
Environmental Health Reserve		3,718			3,718	Destitute Burial Reserve
Minehead Harbour Dredging Reserve		5,500			5,500	Earmarking of 14-15 unused budget carried forward to 15-16
Online DHP Reserve		5,375			5,375	Online Software Requirement
Compliance Works – Estates		27,121	-385		26,736	Carry forward of unused budget agreed as part of 14-15 financial monitoring reports
Strategic Housing Market Area Assessment Reserve		1,000			1,000	Contribution towards the Strategic Housing Market Area Assessment in 15-16
Business Development Reserve		3,095		100	3,195	Funding from various sources (Somerset Skills & Learning £500, Chairman Fund £1,500, Hinkley C S106 £1,000 plus £100 from Eat Exmoor ER) to fund initiatives to support small businesses
Planning Reserve		20,000			20,000	Carry forward of £20,000 from planning fee income to fund specialist technical advice for major planning applications. E.g. Landscape visual impact assessments, retail studies etc.

Earmarked Reserve Account	1 April Balance £	Transfers In	Transfers Out	Transfers Between Accounts	31 March Balance £	Comments
Somerset Growth Board		957			957	Growth Board core costs for 2015/16.
Dulverton Mill Leat		12,195			12,195	Carry forward of unused budget agreed as part of 14-15 financial monitoring reports
Hinkley Corporate Cost Reserve		50,000			50,000	To Earmark Hinkley Contribution to the Corporate Core (Full Cost as we are still under the SPW Agreement at 31st March) to cover salary cost in the event that the transition to the DCO is significantly delayed or does not happen.
Revenues and Benefits Reserve		10,300		57,605	67,905	Transfer to earmarked reserve to mitigate reduction in New Burdens grant.
Training Reserve		10,000			10,000	Underspend carried forward to 2015/16
Licensing Staff Reserve		10,000			10,000	To fund extra resource within West Somerset Council.
Finance Reserve		15,000			15,000	Underspend to provide resilience / maternity cover cost share
Total - Budget Carry Forwards For Specific Services	27,500	206,394	-385	57,705	291,214	
GRAND TOTAL	1,375,939	3,131,118	-605,711	0	3,901,346	

CAPITAL PROGRAMME OUTTURN 2014/15**General Schemes**

Capital Scheme	Original Budget £	Revised Budget £	Actual Spend £	Variance Against Revised Budget £	Proposed Carry Forward £	Proposed Funding Of Carry Forward Requests		
						Capital Receipts £	Grants £	S106 £
General Funded Schemes								
Dulverton Weir		20,000	17,809	(2,191)	2,191	2,191		
IT Hardware Replacement Programme and Microsoft Licence	44,636	44,636	43,996	(640)				
Seaward Way (Housing Land) Disposal Costs	20,000	20,000	(1,500)	(21,500)	21,500	21,500		
Seaward Way (Leisure Land) Disposal Costs	16,000	16,000	8,792	(7,208)	7,208	7,208		
Watchet Harbour Impounding Wall	19,100	19,100	770	(18,330)	18,330	18,330		
Watchet Harbour Concrete Columns	27,000	27,000	3,426	(23,574)	23,574	23,574		
Watchet Harbour Ladder	3,000	3,000		(3,000)	3,000	3,000		
Street Cleaning Vehicles	138,000	138,000		(138,000)	138,000	138,000		
Former Aquasplash Site Disposal Costs	13,900	13,900		(13,900)	13,900	13,900		
Former Visitor Information Centre Disposal Costs	4,200	4,200		(4,200)	4,200	4,200		
Townsend Farm Disposal Costs	3,000	3,000	35,482	32,482				
Watchet CCTV Installation	65,000	65,000	66,807	1,807				
Disabled Facilities Grants	183,782	183,782	111,502	(72,280)	72,280		72,280	
Shared Service Costs With TDBC (JMASS IT)	135,000	135,000	10,405	(124,595)	124,595	124,595		
East Wharf Scheme		70,000	5,316	(64,684)	64,684	64,684		
Decent Homes			1,542	1,542				
Clanville Housing			1,250	1,250				
Fuel Poverty / Energy Efficiency			1,424	1,424				
Stair Lift Recycling			1,339	1,339				
Sub Total General Fund	672,618	762,618	308,360	(454,258)	493,462	421,182	72,280	0
General S106 Funded Schemes								
Minehead Heritage Trail		48,053	29,310	(18,743)	18,743			18,743
Burgage Road Play Area		2,000		(2,000)	2,000			2,000
Culvercliffe Play Area		6,250	6,250					

Capital Scheme	Original Budget £	Revised Budget £	Actual Spend £	Variance Against Revised Budget £	Proposed Carry Forward £	Proposed Funding Of Carry Forward Requests		
						Capital Receipts £	Grants £	S106 £
Watchet Outdoor Gym Project		24,995		(24,995)	24,995			24,995
Beechfield Affordable Housing Project		161,500	161,500					
Illuminations Project		38,519		(38,519)	38,519			38,519
Sub Total General S106		281,317	197,060	(84,257)	84,257			84,257
Total General Schemes	672,618	1,043,935	505,420	(538,515)	577,719	421,182	72,280	84,257

Hinkley S106 Funded Schemes

Capital Scheme	Original Budget £	Revised Budget £	Actual Spend £	Variance Against Revised Budget £	Proposed Carry Forward £	Proposed Funding Of Carry Forward Requests		
						Capital Receipts £	Grants £	S106 £
Tropiquaria		40,000	40,000					
Old Croft House		56,000	56,000					
SYCSA		9,600	9,600					
SDC – 3 Crowns Scheme		183,390	183,390					
Tropiquaria Play Equipment		37,350	19,879	(17,471)	17,471			17,471
Burgage Road		90,373	39,245	(51,128)	51,128			51,128
Steam Coast Trail		4,000		(4,000)	4,000			4,000
HTAP Action Plan		125,385		(125,385)	125,385			125,385
YMCA Somerset Coast		37,800		(37,800)	37,800			37,800
SHAL Housing Association		80,000		(80,000)	80,000			80,000
Williton Bowling Club		13,000		(13,000)	13,000			13,000
Stogursey Parish Council		2,640		(2,640)	2,640			2,640
Westfield United Church		110,000		(110,000)	110,000			110,000
Roadwater Village Trust		25,000		(25,000)	25,000			25,000
Living Over The Shop		204,750		(204,750)	204,750			204,750
First Time Buyers		105,000		(105,000)	105,000			105,000
Wembdon Village Hall		250,000		(250,000)	250,000			250,000
Total Hinkley S106	0	1,374,288	348,114	(1,026,174)	1,026,174	0	0	1,026,174

Approved Capital Programme 2015/16

Capital Scheme	Draft Budget £	Proposed Funding		
		Capital Receipts £	Grants £	Revenue Funding £
Superfast Broadband Previously approved contribution to enhanced coverage (includes £109,000 expected carry forward from 2014/15)	240,000	240,000	0	0
Shared Services ICT Projects JMASS ICT Business Case £356k less £135k in 2014/15	221,000	221,000	0	0
Disabled Facilities Grants To enable the adaption of homes for the disabled	241,000	0	241,000	0
7 The Esplanade, Watchet To prevent further water ingress and to make the building watertight	15,000	0	0	15,000
Microsoft License Fee Annual license fee for use of Microsoft Office software	12,000	0	0	12,000
IS Annual Projects To replace applications which will be unsupported by Microsoft from July 2015	61,000	11,367	0	49,633
TOTAL	790,000	472,367	241,000	76,633

Report Number: WSC 123/15
Presented by: Cllr Chilcott, Lead Member for Resources and Central Services
Author of the Report: Paul Fitzgerald, Assistant Director – Resources
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Report to a Meeting of: Scrutiny
To be Held on: 6th AUGUST 2015
Date Entered on Executive Forward Plan Or Agreement for Urgency Granted: Not applicable

MEDIUM TERM FINANCIAL PLAN

1. PURPOSE OF REPORT

- 1.1 To share the latest Medium Term Financial Plan (MTFP) forecasts for the Council's net spending and funding and highlighting the projected budget gap to be addressed over the immediate and short to medium term.

2. CONTRIBUTION TO CORPORATE PRIORITIES

- 2.1 The development of a realistic and deliverable MTFP is key to the future sustainability of the Council and the valuable services it delivers to the community of West Somerset.

3. RECOMMENDATIONS

- 3.1 Members of Scrutiny are requested to note the updated MTFP position and key messages in respect of achieving ongoing financial sustainability.

4. RISK ASSESSMENT (IF APPLICABLE)

Risk Matrix

Description	Likelihood	Impact	Overall
The Authority fails to develop a sustainable financial plan for 2016/17 and beyond.			
<i>Mitigation: Members support and approve delivery of key actions to produce a balanced budget</i>	2	4	8

The scoring of the risks identified in the above table has been based on the scoring matrix. Each risk has been assessed and scored both before the mitigation measures have been actioned and after they have.

5. BACKGROUND INFORMATION

- 5.1 The financial history of West Somerset Council has been well documented and is widely understood. The Council has made good progress over recent years and this was recognised in the external auditors (Grant Thornton) report in 2013. Importantly, Councillors recognise and understand that more has to be done as the financial challenges ahead are considerable.
- 5.2 The Council's partnership with Taunton Deane Borough Council has contributed to the delivery of savings, through "joining up" the Officer structures of the two Councils. Alongside other key decisions to address the budget gap for 2015/16, the savings enabled the Council to set a balanced budget for 2015/16.
- 5.3 When the current budget was approved in February 2015, Members were advised of a projected budget gap in future years of £297,000 in 2016 rising to an estimated £1.24m by 2019.
- 5.4 Since February a significant update to our funding has been confirmed through the settlement of a business rates appeal on the Hinkley B power station. It is also sensible to review the key assumptions used in preparing our financial forecasts and to reflect any new information since the previous update.
- 5.5 This report therefore sets out to provide Members with updated financial projections to underpin the budget setting process, reflecting as much as possible what is "known", and providing "best estimates" on areas of uncertainty. The Medium Term Financial Plan (MTFP) will continue to be updated as new information emerges and further updates shared with Members at key points in the budget process.
- 5.6 On 8 July 2015 the Chancellor issued a Budget Statement which set out the direction of travel in terms of government policy and measures to address the national economic deficit. The budget reinforced our expectations that austerity measures will continue through this parliamentary period, as they had in the previous one, and we can expect a further squeeze on public spending.
- 5.7 Locally, the JMASS Business Case explained that further opportunities for driving out savings – by looking at service redesign and transformation - would be explored after the joining up of the workforce. This work will be undertaken in the coming months, and importantly will seek to align with the future priorities of the Councils. It will be important for our financial sustainability that savings can be delivered in the near term as well as over the longer term.

6. MEDIUM TERM FINANCIAL PLAN (MTFP)

- 6.1 The following table sets out a summary of the council's latest forecasts of costs and funding. The latest estimated Budget Gap for 2016/17 is £566,000, rising to approximately £1.5m by 2020. This gap of £1.5m is equivalent (in cash terms) to 31% of the current 2015/16 Net Expenditure Budget.

Table 1: Medium Term Financial Plan Forecast

	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Forecast Net Expenditure	4,962,066	5,220,306	5,332,436	5,517,694	5,705,104	5,832,729
Earmarked Reserve Transfers	-149,928	-2,780,202	0	0	0	0
General Reserve Transfers	0	0	0	0	0	0
WSC NET BUDGET	4,812,138	2,440,104	5,332,436	5,517,694	5,705,104	5,832,729
Parish precepts	870,603	870,603	870,603	870,603	870,603	870,603
TOTAL NET BUDGET	5,682,741	3,310,707	6,203,039	6,388,297	6,575,707	6,703,332
Retained Business Rates	-1,554,776	-1,437,620	-1,469,181	-1,500,299	-1,533,172	-1,565,843
Collection Fund Surplus(-) / Deficit – Business Rates	149,928	2,780,202	0	0	0	0
Revenue Support Grant	-880,491	-572,319	-286,159	-143,079	0	0
New Homes Bonus	-571,015	-710,068	-774,086	-690,310	-594,909	-585,221
Council Tax Freeze Grant	0	0	0	0	0	0
Council Tax – WSC	-1,885,584	-1,934,551	-1,984,855	-2,036,378	-2,089,259	-2,143,531
Collection Fund Surplus(-) / Deficit – Council Tax	-70,200	0	0	0	0	0
WSC NET FUNDING	-4,812,138	-1,874,356	-4,514,281	-4,370,066	-4,217,340	-4,294,595
Council Tax – Parishes	-870,603	-870,603	-870,603	-870,603	-870,603	-870,603
TOTAL FUNDING	-5,682,741	-2,744,959	-5,384,884	-5,240,669	-5,087,943	-5,165,198
Budget Gap – In Year	0	565,748	252,407	329,473	340,136	50,371
Budget Gap – Cumulative	0	565,748	818,155	1,147,628	1,487,764	1,538,134

6.2 A major item within the MTFP as shown in the table above relates to a projected deficit on the Business Rates Collection Fund. This is explained later in this report, and relates to the reduction in business rates payable due to appeals, and extensively due to the appeal and refund in respect of Hinkley B power station.

7. KEY EXPENDITURE ASSUMPTIONS

7.1 The following key assumptions have been used in refreshing our financial forecasts in respect of net expenditure:

- a) Staff Pay award estimated at 1% in 2016, then rising to 2% each year thereafter. [Note - it is acknowledged the July 2015 Budget limited public sector pay to 1%, however it is important to be clear that the Budget statement relates to pay levels set by Government and that local government pay is settled through negotiation.]
- b) Contract price inflation estimates are included
- c) Inflation based on RPI applied to business rates settlement funding. Business rates yield reduced by 11.4% reflecting ongoing impact of appeals and other reductions in rateable values in the area.
- d) General price increases are projected to be absorbed within existing budgets
- e) Pension Deficit Recovery lump sum payments projected to increase by £50k each year based on latest actuarial valuation (total bill in 2019/20 £460k = 8.1% of forecast Net Expenditure Budget).
- f) National Insurance: “Contracting Out” reduction in NI costs of 3.4% ends in March 2016; this is projected to increase costs by c£55k in 2016/17.

- g) Reduction in Housing Benefit and Council Tax Rebate Admin Grant, due to transfer of fraud investigation to DWP and general reductions in funding.
- h) JMASS: Net savings per the Business Case have previously been included in financial forecasts. No assumptions included at this stage in respect of costs or savings for transformation of services.
- i) Interest costs: Projected to remain at £15,000 for foreseeable future, to prudently allow for potential need to maintain loan financing.
- j) Debt repayment: The Council plans to set aside £1.7m of new capital receipts to repay debt. The estimated timing of this projected repayment has been updated to take place in 2016/17, pending actual receipts from planned asset sales.
- k) Planned use of Revenue Contributions to Capital Outlay (RCCO) of £100,000 in 2016/17 to fund the Capital Programme.

8. **KEY FUNDING ASSUMPTIONS**

8.1 The projected funding position is summarised in Table 1 above as part of the overall MTFP summary. It is evident that funding is expected to fall in cash terms by c11% in cash terms (or estimated 19% in real terms). This section of the report sets out further information in respect of our key funding streams.

Business Rates

8.2 The Business Rates Retention system was introduced in April 2013, and results in the Council sharing in the benefits and risks around business rates growth within the district. A significant risk within the system relates to appeals and refunds, and this has been proven to be a major factor for West Somerset Council through the reduction in yield – and significant refunds – in respect of Hinkley B power station and provisions in respect of appeals lodged by businesses but yet to be settled. Further information specifically in respect of the Hinkley appeal is included in the 2014/15 Financial Outturn Report.

8.3 It is projected that the main budget for net retained business rates funding will reduce in 2016/17 by 7.5% or £117,000. This is a net reduction comprising a number of different elements to the funding mechanism, as summarised in the table below.

Table: Rates Retention Funding Estimates

	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
40% Standard Share of Business Rates Yield	4,607,581	4,149,520	4,226,200	4,302,880	4,388,080	4,473,280
Rates yield from renewable energy schemes	10,000	10,146	10,334	10,521	10,729	10,938
Tariff to Government	-3,036,366	-3,080,646	-3,137,578	-3,194,510	-3,257,768	-3,321,026
Levy Payment	-434,864	-178,578	-181,876	-185,174	-188,837	-192,501
S31 Grant	408,425	537,178	552,101	566,582	580,968	595,152
Net Retained Business Rates Funding	1,554,776	1,437,620	1,469,181	1,500,299	1,533,172	1,565,843

8.4 Of key importance is that the 2016/17 budget includes a requirement to pay some £2.8m to offset our 40% share of the projected Collection Fund Deficit, which arises substantially due to the provision for appeals refunds. The Council has set aside

funds within its Business Rates Smoothing earmarked reserve in 2014/15 to mitigate the budget impact of the above payment in 2016/17.

Revenue Support Grant (RSG)

- 8.5 The MTFP assumption at Budget Setting in February 2015 was for RSG funding from Government to reduce by 35% in 2016/17 and then decline year on year to £zero in 2020/21. In view of the strong messages from the new Government about ongoing pressure on public funding it is prudent to revise our forecasts in respect of this general grant. It is now estimated that the RSG grant funding will end on 2018/19 and thus reduce to £zero in 2019/20. It is expected we will have greater certainty over this grant funding through the Spending Review in the autumn and annual Settlement Funding Assessment in December.

Table: Revenue Support Grant Forecast

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£	£	£	£	£	£
Estimated reduction		-35%	-50%	-50%	-100%	
Funding Base	1,224,738	880,491	572,319	286,159	143,079	0
Council Tax Freeze Grant rolled in	20,547					
Projected Reduction	-364,794	-308,172	-286,160	-143,080	-143,079	0
Forecast RSG	880,491	572,319	286,159	143,079	0	0

New Homes Bonus

- 8.6 New Homes Bonus (NHB) grant system started in April 2011, and provides funding linked to housing growth. It is unringfenced funding, and each year's award is paid in grant on a 6-year rolling basis. The current MTFP assumption is that NHB Grant is used in its entirety as general funding to support the annual budget for services. However, Members are reminded of the aspiration within the current budget strategy to seek to reduce reliance on NHB for day to day service costs, and provide some flexibility to support one costs such as projects and capital spending. The NHB forecast has not changed since February 2015, but will be reviewed again during the summer to inform the ongoing budget setting process.

Table: New Homes Bonus Grant Forecast

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£	£	£	£	£	£
Confirmed Grant:						
2011/12 Allocation	91,342	91,342	0	0	0	0
2012/13 Allocation	147,213	147,213	147,213	0	0	0
2013/14 Allocation	145,401	145,401	145,401	145,401	0	0
2014/15 Allocation	59,688	59,688	59,688	59,688	59,688	0
2015/16 Allocation	127,371	127,371	127,371	127,371	127,371	127,371
Estimates:						
2016/17 Allocation	0	139,053	139,053	139,053	139,053	139,053
2017/18 Allocation	0	0	155,360	155,360	155,360	155,360
2018/19 Allocation	0	0	0	63,437	63,437	63,437
2019/20 Allocation	0	0	0	0	50,000	50,000
2020/21 Allocation	0	0	0	0	0	50,000
Totals	571,015	710,068	774,086	690,310	594,909	585,221

- 8.7 It should be noted the risk in respect of this grant – if the grant, which should be confirmed in December, is different to the above estimates this will directly affect the overall estimated Budget Gap included currently in the MTFP.

Council Tax

- 8.8 Council tax income is affected by the movement in the Tax Base and the rate of tax that is set by this Council. The Council Tax Base comprises a count of the net chargeable properties, taking into account a forecast of entitlements to discounts and council tax rebate, net growth in housing numbers in the District, and estimated net non-collection rate (for bad debts and differences between assumptions and real outcomes). The current base budget information for 2015/16 includes the following:

2015/16 Council Tax Base, stated as “Band D Equivalents”	13,414.8
2015/16 Council Tax Band D Charge	£140.56
2015/16 Council Tax Income (Precept Demand on Collection Fund)	£1,885,584

- 8.9 Members will make decisions regarding the Council Tax rate for 2016/17 when the Council’s Budget is approved in February 2016. For financial planning purposes the MTFP includes *officer* assumptions:

- An annual Council Tax increase of 1.99% from 2016/17
- An annual increase of 0.6% in the Tax Base (Band D Equivalents)

- 8.10 To help appreciate the impact of future tax decisions by the Council on the Council’s financial position, a 1% change in the Council Tax rate affects the Council’s income by £19,000 per year. Setting a rate below the forecast 1.99% within the MTFP would increase the Budget Gap for 2016/17 and beyond, and would need to be mitigated through other budgetary measures.

Table: Council Tax Income Forecast

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Impact of Tax Base increase £		11,315	11,612	11,915	12,211	12,530
Assumed 1.99% Band D increase £		37,652	38,692	39,608	40,670	41,742
Forecast Council Tax	1,885,584	1,934,551	1,984,855	2,036,378	2,089,259	2,143,531

- 8.11 Indications from Government are that council tax increases will remain low through the next Parliament. We therefore assume there will continue to be a tax increase limit above which a local referendum would be required. At this stage it is not known whether a future tax freeze grant incentive will be available for 2016/17 or later years.

9. RESERVES

General Reserves

- 9.1 General Reserves are “usable reserves” i.e. real funds that the Council can use to support one-off spending. The **recommended minimum reserves balance is £500k** – to provide protection for unforeseen costs/losses and fluctuations in income and expenditure in any given year.

- 9.2 The Reserves balance as at 1 April 2015 stands at £530,000 (subject to confirmation through the completion of the audit of the 2014/15 Accounts). This provides minimal flexibility to deal with any financial issues arising in the current financial year, and Members **cannot rely on using reserves to address the Budget Gap** in future years.
- 9.3 The 2015/16 Budget does not include any planned transfers to or from the General Reserve balance, and this also applies in future years in the current MTFP forecasts. However, as the balance has reduced to very close to the recommended minimum, and the Council continues to face ongoing financial risks it would be sensible to be able to plan to increase the reserves balance if affordable – this will be considered through the development of an updated Budget Strategy.

Earmarked Reserves

- 9.4 Earmarked Reserves are funds set aside for specific purposes or specified contingencies. As with General Reserves, it is advisable to use Earmarked Reserves for one-off spending.
- 9.5 As detailed in the 2014/15 Financial Outturn Report, the earmarked reserves balance as at 1 April 2015 is £3,901,000. This includes £2,930,000 held in the Business Rates Smoothing Reserve which is required to be used in 2015/16 and 2016/17 to offset the deficit in the Collection Fund. In addition, the balance includes £291,000 in respect of funding for Budget Carry Forwards from 2014/15, which will be drawn down and added to the 2015/16 budget once formally approved by Members.
- 9.6 The intention is to review the earmarked reserves again over the summer as part of the annual budget process, where it is expected current balances will be challenged to ensure they continue to be required for the purpose intended, and that this reflects the key priorities and affordability of such planned spending.

10. CAPITAL FINANCING

- 10.1 The underlying capital borrowing position – known as the Capital Financing Requirement” – as at 1 April 2015 is £5,632,700. Borrowing can be supported by physical loan(s) – “External Borrowing” – and/or by using cash balances from reserves and working capital “Internal Borrowing”.
- 10.2 Capital borrowing is usually repaid in two ways:
- Charges to the Revenue Budget for debt repayment (known as Minimum Revenue Provision – “MRP”)
 - Using capital receipts – “set aside to repay debt” – rather than used to fund new capital expenditure.
- 10.3 The following table summarises the projected capital borrowing and charges to revenue assumed in the MTFP. This has been updated to take a more prudent approach in terms of potential timing of capital receipts from planned asset sales during 2015/16 and 2016/17, and shows the projected underlying borrowing potentially reducing to c£3m by 2020/21 on current projections.

Table: Capital Financing Requirement (CFR)

	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
CFR Brought Forward	5,632,700	5,407,400	3,491,100	3,351,500	3,217,400	3,088,700
Annual MRP	-225,300	-216,300	-139,600	-134,100	-128,700	-123,500
Repaid using capital receipts	0	-1,700,000	0	0	0	0
CFR Carried Forward	5,407,400	3,491,100	3,351,500	3,217,400	3,088,700	2,965,200

10.4 The minimum revenue provision (MRP) is generally calculated based on 4% of the reducing balance. The use of capital receipts to offset part of the CFR balance has the effect therefore of reducing the annual MRP cost – which helps to reduce the projected budget gap. The current MRP projection assumes £1.7m of capital receipts will be set aside in 2016/17. Any changes in terms of amount or timing of capital receipts available to repay debt would mean the MRP forecast will need to be updated. This is a risk area for our financial planning.

Table: Minimum Revenue Provision Estimates

	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
MRP Base Budget		225,300	216,300	139,600	134,100	128,700
Impact of additional borrowing		0	0	0	0	0
Impact of reducing balance		-9,000	-8,700	-5,500	-5,400	-5,200
Savings by using Capital Receipts to reduce debt		0	-68,000	0	0	0
Budget Estimate	225,300	216,300	139,600	134,100	128,700	123,500

11. FINANCIAL/RESOURCE IMPLICATIONS

11.1 Included within main body of the report above.

12. COMMENTS ON BEHALF OF SECTION 151 OFFICER

12.1 Members will continue to face some tough decisions around priorities in order for our services to be affordable. It is clear we cannot afford to deliver services in the same way and/or at the same level as now. Despite balancing the budget for 2015/16 and the work undertaken already to reduce costs, the financial position remains very serious for the authority. The long standing priority of achieving financial sustainability remains key, and this will be harder to achieve as funding continues to fall and pressure on service costs increases. The excellent progress in achieving this over the last year has been somewhat negated by the impact of the business rates appeal on Hinkley B. The Council is facing a serious financial challenge and Members will need to take some difficult decisions over the coming weeks and months. A reduction in the Councils net budget position is essential to the future sustainability of the Council.

12.2 Proposals in terms of an updated budget strategy will be considered in the coming weeks, with officers working with the new Council to bring forward a clear strategy to Members in September.

- 12.3 The work being progressed in the second phase of JMASS will clarify the potential for transformation and will bring further choices to Members. Transformation will bring benefits and further savings, but may not be enough to balance the budget and deliver resources to fund all the Councils ambitions.
13. **EQUALITIES & DIVERSITY IMPLICATIONS, CRIME AND DISORDER IMPLICATIONS, CONSULTATION IMPLICATIONS, ASSET MANAGEMENT IMPLICATIONS, ENVIRONMENTAL IMPACT IMPLICATIONS, HEALTH & WELLBEING, LEGAL IMPLICATIONS**
- 13.1 There are no implications directly as a result of this report. It will be important for Members to assess the impact for such factors through the corporate/service and financial planning and decision process.

SCRUTINY COMMITTEE – WORKPLAN 2015/16

August	September	October	November	December	January	February	March
Notes of key Cabinet Decisions/Action Points	Notes of key Cabinet Decisions/Action Points	Notes of key Cabinet Decisions/Action Points	Notes of key Cabinet Decisions/Action Points	Notes of key Cabinet Decisions/Action Points	Notes of any Key Cabinet Decisions / Action Points	Notes of and Key Cabinet Decisions / Action Points	Notes of and Key Cabinet Decisions / Action Points
Cabinet Forward Plan	Cabinet Forward Plan	Cabinet Forward Plan	Cabinet Forward Plan	Cabinet Forward Plan	Cabinet Forward Plan	Cabinet Forward Plan	Cabinet Forward Plan
Revenue and Capital Outturn 2014/15	Somerset Rivers Authority - Funding Options	Empty Homes Report - Mark Leeman (Strategy and Partnerships Lead)	Corporate Performance (6 month review) April-Sept 15/16				
Medium Term Financial Plan- Update report. Cllr Mandy Chilcott / Steve Plenty		South Western Ambulance Service -	Financial Monitoring (6 month review) April-Sept 15/16				
			CIM Fund Task and Finish Group report.				
Scrutiny Committee Workplan Review	Scrutiny Committee Workplan Review	Scrutiny Committee Workplan Review	Scrutiny Committee Workplan Review	Scrutiny Committee Workplan Review			

Note: Members of the Scrutiny Committee and all other Members of West Somerset Council are invited to contribute items for inclusion in the work programme. Please contact Sam Rawle, Scrutiny Officer, who will assist you in submitting your item.