

Taunton Deane Borough Council

Executive – 8 July 2015

Financial Outturn 2014/2015

Report of the Finance Manager

(This matter is the responsibility of Executive Councillor Williams, Leader of the Council)

IMPORTANT – PLEASE NOTE:

In order for this performance information to be debated in the most efficient manner at the Executive committee, we would encourage Members who have queries with any aspect of the report to contact the appropriate officer(s) named (at the end of the report) before the meeting so that information can be collated in advance or relevant officers can be invited to the meeting.

1 Executive Summary

This report contains information related to the Council's financial performance for 2014/15 financial year. The outturn figures included are **provisional subject to external audit review**; the findings of which are to be reported to Corporate Governance Committee in September this year.

General Fund Revenue

The General Fund (GF) Revenue Outturn for 2014/15 is a Net Expenditure position of £13.901m, which is a £0.222m (1.7%) underspend against the Final Net Budget for the year. This report explains the significant factors leading to this position. The financial position in respect of retained business rates has again highlighted the significant risks to this funding stream through appeals and refunds, with net outstanding appeals increasing from Gross Rateable Value £34m in March 2014 to £48m in March 2015. Provisions related to a large increase in appeals lodged in March 2015 has effectively fully allocated the Council's contingency for business rate funding volatility. It is therefore proposed to recommend Full Council allocates the £0.222m underspend to the Business Rates Smoothing Reserve.

The General Fund reserves balance as at 31 March 2015 stands at £2.109m. This balance will reduce to £1.887m if Council approves the allocation of the 2014/15 underspend to the Business Rates Smoothing Reserve. The balance remains above the minimum reserves expectation within the Council's Budget Strategy (£1.5m).

The Earmarked Reserves balance as at 31 March 2015 is £15.308m, representing funds that have been set aside for specific purposes to fund expenditure in 2015/16 or later years. This has grown largely in respect of funds committed to support future capital programme spending, a new business rates smoothing reserve, and funding set aside to support service restructuring and transformation projects and provide service resilience. The majority of this is planned to be spent in 2015/16.

General Fund Capital

The General Fund profiled Capital Programme at the end of 2014/15 was £4.365m. The profiled expenditure on Capital Programmes during 2014/15 was £2.351m, with £2.374m being carried forward to support delivery of approved schemes in 2015/16.

Housing Revenue Account (HRA) Revenue

The HRA is a 'Self-Financing' account for the Council's Housing Landlord function, which is budgeted to 'break even' (net of approved transfers to/from HRA Reserves). The HRA Outturn for 2014/15 is a net underspend of £1.269m (4.8% of gross income). This report explains the significant factors leading to this position. Section 11 of the report contains a number of proposals which, if approved, would allocated £0.776m of the net underspend to support investment in housing services.

The HRA Reserve balance as at 31 March 2015 stands at £3.484m, which is above the minimum level (£1.8m) set within the Council's Budget Strategy and HRA Business Plan. This balance would reduce to £2.708m if the allocations of £0.776m are approved.

The HRA Earmarked Reserves balance as at 31 March 2015 stands at £2.222m. This includes £112k related to the Social Housing Development Fund, which is earmarked for a range of purposes including to fund investment in new social housing provision within the Council's own housing stock, capital funding, the Community Development Fund, and maintenance contracts (see Appendix H).

HRA Capital

The HRA approved Capital Programme at the end of 2014/15 was £24.907m. This relates to schemes which will be completed over the next five years. The actual expenditure on Capital Programmes during 2014/15 was £9.869m, as summarised in Table 13 below, with £14.793m for planned investment to implement approved schemes in future years. The underspend reported in 2014/15 against the overall programme is £245k, related to disabled facilities adaptations.

2 Introduction and Purpose

- 2.1 This report informs Members of the Council's financial outturn for revenue and capital expenditure in 2014/15 for the Council's General Fund (GF), Housing Revenue Account (HRA) and trading services.
- 2.2 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 effects of wider economic pressure.
- 2.3 The outturn figures contained in this report are provisional at this stage. The financial outturn will be taken into account when preparing the Council's Statement of Accounts, which is due to be approved by the Strategic Director (S151 Officer) by the end of June, and is then subject to review by the Council's External Auditor. Should the External Auditor identify any changes to the Accounts these will be reported to Corporate Governance Committee in September this year.
- 2.4 The outturn position reported for the General Fund contains some estimated

figures for government subsidies on housing benefit and the total of business rates retention funding. These are based on unaudited claims, and it is possible that final figures post-audit could change. Should the final figures differ from those used in this report a further report will be presented to Members giving the updated position on subsidy and any implications for the Council's reserves.

3 2014/15 Financial Performance

3.1 Members will be aware from previous experience that the position can change between 'in year' projections and the final outturn position. The budget monitoring process involves a detailed review of all budgets. Budget Holders, with support and advice from their accountants, regularly review the position and update their forecasts based on currently available information and knowledge of service requirements for the remainder of the year. As with any forecast there is always a risk that assumptions and estimates will differ from the eventual outcome, and a number of risks and uncertainties have been highlighted in previous quarterly reports. The outturn has been reasonably close to forecast in the majority of budgets. However, there are high value differences on a small number of budgets that have contributed to the overall change since Q3.

3.2 There have been a number of significant challenges faced by the Council this year, and these have had an impact on the overall financial position for the authority. These include:

- The new Business Rates Retention scheme has presented some challenges during the year for the authority. This is a high risk area which may impact on our ability to accurately forecast our financial position. The new regime has again proved to be volatile. There has been a huge increase in appeals by rate payers to the Valuation Office in March 2015, which has adversely affected our funding position at the year end.
- Forecasting for demand-led services has continued to be a challenge especially in the current economic climate. We have directed more focus on the higher risk / more volatile areas, with accountants supporting Budget Holders with more detailed trend analysis to further improve our forecasting in the future.
- The Council has undertaken major restructuring throughout the year with the implementation of joint management and shared services (JMASS) with West Somerset. This has required significant changes to accounting arrangements including restructuring of cost centres and budget accountability to support the new structure of the councils.

3.3 For the General Fund Revenue Budget, the forecast outturn as at Quarter 3 (December 2014) was a net underspend of £102k. The year-end outturn position is a net underspend of £222k (1.7%). Although our actual underspend was higher than anticipated when the Q3 forecast was completed in January, this is influenced largely by a net income with Housing Benefit where a small percentage change has a high value impact on our outturn. Section 4 of the report summarises the major variances to budget for the year and the main differences compared to the Quarter 3 Forecast.

- 3.4 General Fund capital projects year end outturn position is a net expenditure of £2.351m against a budget of £4.365m. A budget carry forward of £2.374m for approved schemes due to slippage and updated profiling of projected spending across financial years, leaving a reported overspend of £360k. The balance of reported 'overspend' essentially relates to s106 capital schemes that are fully funded through planning obligations.
- 3.5 For the HRA Revenue Budget, the forecast outturn as at Quarter 3 (December 2014) was a surplus variance of £92k (0.4% of gross income) for the year. The year-end outturn position is a surplus variance of £1.269m (4.8%). Section 9 of the report below summarises the major variances to budget for the year and the main differences compared to the Quarter 3 Forecast.
- 3.6 HRA Capital projects year end outturn position is a net underspend of £245k, after taking into account budgets that have been re-profiled into future years for approved schemes. Please see section 15 for further information.
- 3.7 The Council has continued to operate within the framework of its Budget Strategy and the overall financial standing at the end of the financial year is sound. The Reserve balances for both the General Fund and the HRA are above their respective recommended minimum. An annual review of all Earmarked Reserves will continue with the aim of returning any surplus reserve balances to the General Fund Reserve. The Council continues to face challenges around profiling capital spend, and we will seek to improve accuracy of forecasting between financial years.

4 General Fund Revenue Account - 2014/15 Outturn

- 4.1 The General Fund (GF) Revenue Outturn for 2014/15 is Net Expenditure (before general grants and council tax) of £13.679m against a final Net Budget of £13.901m, giving an underspend of £0.222m. Table 1 below provides a high-level summary of the outturn.

Table 1: GF Outturn Summary

General Fund Outturn 2014/15	Budget £'000	Outturn £'000	Variance	
			£'000	%
Net Expenditure on Services	12,977	13,000	23	0.2
Other Operating Costs and Income	279	223	56	20.1
Earmarked Reserve Transfers	2,940	2,024	(917)	1.7
Unearmarked Reserve Transfers	(429)	(429)	0	0.0
Capital Financing and Debt Repayment	940	1,824	884	94.0
Technical Accounting Adjustments	(2,806)	(2,835)	(29)	1.0
Net Budget	13,901	13,807	(94)	(0.7)
Funding - Grants and Council Tax	(13,901)	(14,029)	(128)	(0.9)
Net Variance	0	(222)	(222)	

- 4.2 A Summary Statement of the General Fund Revenue Outturn by Portfolio is provided in Appendix A, and an explanation of the budget variances reported each quarter and at the year-end is provided in Appendix B.
- 4.3 The major underspends and overspends for the year relate predominantly to

demand-led services where it is more difficult to predict income levels, and are summarised as follows:

Parking

- 4.4 This service has reported a net underspend against budget of £109k (3%). This is mainly due to higher than estimated income received for penalties (£41k) and parking income (£109k), partly offset by increased spending above budget of £41k on maintenance works funded from the income surplus. Whilst income trend is monitored carefully there is a risk of variances to budget as the majority of income is directly attributable to demand for public parking services within the town centre (approx. 95% of budget), which can be volatile. It is also difficult to predict how one-off events (such as road work closures, concerts, and the provision of alternative parking) as well as environmental factors such as the weather (e.g. people having to work from home during the floods) will change users' parking habits in the short-term and also the long-term.

Planning Advice and Applications

- 4.5 The Planning service is reporting a net underspend against income budget of £105k, comprising a surplus income of £58k in respect of pre-application advice and £47k(6%) in respect of planning application fees. Historically income for the service has fluctuated, with the planning service being sensitive to market conditions.

Crematorium & Cemeteries

- 4.6 This service has reported a net overspend against budget of £129k, which is an improvement to the Q3 forecast overspend of £187k. This is mainly attributable to a reduction in income for cremations and burials, which may be influenced by the availability of the new crematorium opening in Pawlett, and the crematoria in Honiton and Mendip have become busier as their profile increases. The reduction in income has been partially mitigated by a reduction in the use of the overtime budget due to the drop in work, the installation of more efficient cremators, and by minor savings this year in gas consumption due to the heat exchanger, as well as an underspend on Cemeteries operating costs.
- 4.7 Similar to other demand-based services, income levels have fluctuated. There is no discernable pattern of income trend month to month or year to year, building uncertainty into our budget estimates and forecasts.

Housing Benefits

- 4.8 At Q3 this service was reporting to be on budget, with the Assistant Director Resources reporting that forecasting during the year is volatile and difficult to predict with accuracy. This is due to this service being demand-led and experiencing continuous fluctuations in the number of people claiming benefits which is of course outside of TDBC control, and in recovery of overpayments. The outturn position has changed to a net underspend against budget of £184k. It is important to note that a 1% change can amount to £180k (based on original budget 2014/15) which is why a small change in demand can amount to large budget variation.

- 4.9 We have analysed the four-weekly rent allowance payments made over the last four years, and there is on average an increasing trend year on year in total payments made, however there are some four-weekly peaks and troughs during the years. There is a high level of risk that there could again be a large variance to budget due to the factors mentioned above, as well as understanding how the full implementation of Universal Credit will affect us in the future.

Insurance Premium

- 4.10 This service has reported a net overspend against budget of £52k. This is due to the increase in premiums charged by our insurance providers. Consequently the Council has re-tendered the element of insurance that had increased dramatically and has mitigated an even larger overspend.

Summary of Main Changes from Q3 to Outturn

- 4.11 The Forecast Outturn as at Quarter 3 (December 2014) was a £102k underspend. The main differences between the reported variances at Quarter 3 and the year-end Outturn are summarised in Table 2 below.

Table 2: Main Differences between Q3 and Outturn Variances

	£'000	£'000
Q3 Forecast Underspend		(102)
Main changes to Q3 Reported Variances		
Cemeteries & Crematorium	(58)	
Housing Benefits	(184)	
Planning	(49)	
TDBC Assets	60	
Parking	46	
Bus Shelters	23	
Enforcement	12	
Revs & Bens	13	
Deane Helpline	9	
Subtotal		(128)
New Variances		
Investment Income	(55)	
Other Minor Variances	63	
Subtotal		8
Year End Outturn Variance		(222)

- 4.12 The main changes since the Quarter 3 report are explained as follows:
- 4.13 **Cemeteries & Crematorium:** The number of funerals increased significantly in the last quarter, which is a reversal of the trend in the previous year when there was a severe winter, and was contrary to the basis of estimates in the Q3 forecast.
- 4.14 **Housing Benefits:** The change in forecast from Q3 is due to the entitlement to benefits by claimants, subsidy entitlement and overpayment recovery rates. These are volatile and fluctuate significantly throughout the year, consequently making accurate forecasting difficult.
- 4.15 **Parking:** The actual income received has exceeded the Q3 forecast, however

the income budget was increased due to approved budget virements – allocating part of the income surplus in the year – resulting in a reduction in the final surplus against budget.

- 4.16 **Planning:** The service has adopted a cautious approach to forecasting planning income, and actual income has significantly exceeded the reported forecast. We believe this is driven by growth in demand through general upturn in the economy.
- 4.17 **TDBC Assets:** This is due principally to under recovery of rental income from the Market House due to the conclusion of the lease to enable the authority to redevelop the building.
- 4.18 The General Fund Revenue Account outturn position for the year incorporates the overall performance of the DLO and Deane Helpline Trading Accounts, which are further explained later in this report.
- 4.19 Treasury performance (investments and borrowing) will be provided in the separate Treasury Management Outturn 2014/15 and 2015/16 Update Information Report to be issued later.

Carry Forwards to 2015/16

- 4.20 In arriving at the net underspend of £222k for 2014/15, there are some recommended budget carry forwards where Member approval is sought. These are summarised and explained below:

Table 3: Carry Forwards for Approvals

		£
Health and Safety	Provision for additional one-off costs following DSE equipment / stress assessments in 2015/16	8,900
Food Safety	Additional food safety programme costs in 2015/16	29,000
Resources service resilience	Key services of Revenues & Benefits and Finance have had forecast savings during the year, e.g. for staff vacancies, however the Assistant Director Resources has planned for these savings to be retained to provide service resilience in the short term, a) to mitigate a reduction in New Burdens funding; b) to mitigate impact of Systems Harmonisation project on service performance and HB Subsidy risk; c) Funding for approved Empty Property temp post; d) Resilience and maternity cover costs in Finance	288,787
Corporate Services resilience	Retain various underspends in Corporate Services to support SWONE contract succession planning	90,960
Community Leisure	Retain underspend to fund one-off allocation towards Play Pitch Strategy update during 2015/16 (which is important for planning compliance and facilitating bids for grant funding)	7,370
Housing Options	One off costs related to a legal case	5,000

Housing Strategy	Retain 2014/158 underspend to fund costs related to Somerset Housing Market Area Assessment, SIP Membership and service training in 2015/16	13,000
Total		443,017

- 4.21 These funds have been transferred to earmarked reserves at the end of the financial year pending confirmation of budget carry forward approval.

5 Business Rates Retention

- 5.1 As referred earlier in this report, 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.

Collection Fund Position

- 5.2 Gross rates payable (before mandatory and discretionary reliefs) increased through inflation and growth by £1,575,762 (3.31%), from £47,639,006 in 2013/14 to £49,214,768 in 2014/15 (1.95% capped RPI inflation and 1.36% net growth). After taking into account reliefs, costs of collection, write-offs, additions and deletions during the year, and provisions for appeals and bad debts, the net NNDR income for the year to be shared between preceptors – TDBC, SCC, Fire Authority and Government – is £36,017,634. This figure is significantly below previous estimates due to a large increase in appeals at the financial year end – see below.
- 5.3 Taking into account income from rate payers, costs and losses on collection, provisions for bad debts and appeals refunds, and distribution of budgeted shares to preceptors, the Business Rates Collection Fund has a year-end deficit of £4.938m, and this sum will be distributed in future years based on Standard Shares – so £1.975m (40%) for TDBC. The major reason behind the deficit was a large increase in the number of appeals lodged in March 2015. The total Gross Rateable Value of outstanding appeals with the Valuation Office increased from £34m at 31 March 2014 to £48m at 31 March 2015. Outstanding appeals had reduced to £26m at end of February 2015 but a huge spike in appeals received in March (reported by the VOA in May 2015) resulted in the total outstanding amount at the year end. We have made a prudent provision for costs of refunds and appeals, particularly where this results in refunds that will be back-dated to 2010 (or even earlier in a small number of cases), totalling £7.34m. The Council's share of this provision is £2.94m.

General Fund Retained Business Rates Funding

- 5.4 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):

- 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):

- Section 31 Grant (Government-funded Reliefs/ Discounts)
- Levy Payment to Government
- Safety Net Receipt from Government

- 5.5 The General Fund budget for retained business rates funding for 2014/15 was set at £2.345m. This comprises forecast income of £2.69m less the estimated 2013/14 Collection Fund deficit of £0.345m. The actual Retained Funding recorded income for 2014/15 is £3.050m, however this outturn does not reflect the 'true' position taking into account the loss on the Collection Fund in 2014/15. The difference between actual of £3.050m and budget of £2.345m has been transferred to the Business Rates Smoothing Reserve to offset the distribution of the Collection Fund Deficit in future years. The following table summarises the net position in respect of retained business rates funding for the Council in 2014/15.

Table 4: Business Rates Funding Outturn 2014/15

	£000
40% Share of Business Rates Income	15,462
Tariff to Government (fixed amount)	(13,472)
Section 31 Tax Loss Compensation Grant for government-funded reliefs	675
Previous Years Estimated Collection Fund Deficit	(345)
Renewable Energy Rates – 100% retained by TDBC	98
Safety Net Payment due from Government	632
Total Retained Business Rates Funding 2014/15	3,050
Less: Transfer to Smoothing Reserve	(705)
Funding used in 2014/15	2,345

- 5.6 The following table summarises the gain/loss for the council under the retention system 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: TDBC Gain/Loss under the Retention Scheme

	Collection Fund £'000	General Fund £'000
Non Domestic Rating Income (Yield)	36,018	
Add back ½ Small Business Rates Relief funded by S31 Grant	1,658	
Adjusted Non Domestic Rating Income (Yield)	37,676	
40% Standard Share for TDBC		15,071
Tariff to Government (fixed amount)		(13,472)
Total Retained Income		1,599
TDBC Safety Net Threshold		2,231
NNDR Safety Net Entitlement		632

- 5.7 The table shows that our real retained funding due for the year is below the safety net threshold included as part of the Settlement Funding Assessment, resulting in a safety net payment due from Government of £632k.
- 5.8 Taking into account the inherent risks and uncertainties within the retention system, together with accounting timing differences referred above, a contingency balance is maintained in the Business Rates Smoothing Account Reserve. The balance on this reserve as at March 2015 is £1.970m providing funding to offset Collection Fund deficit which we will need to repay in subsequent years.

6 General Fund Reserves

General Reserves

- 6.1 The General Fund Reserve balance at the start of the year was £2.537m. Following supplementary allocations during 2014/15 the balance at the end of the current financial year has reduced to £1.887m (see **Appendix C**). The net underspend of £222k for the year is transferred to General Reserves at the end of the financial year, resulting in a year-end balance of £2.109m.
- 6.2 It is **recommended that the whole amount of the £222k underspend for 2014/15 is allocated to the Business Rates Smoothing Reserve**, to provide resilience for funding volatility. The level of appeals in 2014/15 means there is a high risk that the 2015/16 business rates funding budget is over-estimated which would result in an increase in the Collection Fund Deficit. This recommendation if approved would reduce general reserves to £1.887m which remains above the £1.5m recommended minimum.

General Fund Earmarked Reserves

- 6.3 The Council can also set aside funds for specific purposes to be used in future years. **Appendix D** provides a summary of the earmarked reserves and their movement during the year.
- 6.4 The proposed balance carried forward to support General Fund spending in future years is £15.308m. This balance has increased by £2.197m during the year, mainly due to setting aside approved funds committed to supporting the Joint Management and Shared Service Transformation Project, to protect the authority from fluctuations in the new Business Rates Retention Scheme, and to future capital programmes. The majority of this is planned to be spent in 2015/16.
- 6.5 Transfers to reserves at the end of the financial year have been reviewed and approved by the deputy S151 Officer.

7 Deane DLO Trading Account

- 7.1 The DLO has two distinct areas operating as Building Maintenance and Grounds Maintenance (including the Nursery). The following table provides a summary of the financial performance.

Table 6: DLO Trading Account Outturn Summary

	2014/15		
	Income £'000	Spend £'000	Net £'000
(Surplus)/Deficit for the year:			
Grounds Maintenance	(3,210)	2,915	(295)
Building Maintenance	(6,117)	5,318	(799)
Operating (Surplus) / Deficit Before Recharges	(9,327)	8,233	(1,094)
Capital Charges & Income			164
Net Recharges			720
Adjusted Trading (Surplus) before Contributions			(210)
Contribution to General Fund			101
Trading Surplus After Adjustments and Contributions			(109)
Surplus transferred to Trading Account Reserve			109

- 7.2 The year-end financial statements report that the DLO made an overall profit of £109k after contributing £101k to the General Fund. This surplus has been transferred to the DLO Trading Account Reserves (see table below) increasing the reserve balance to £314k.

Table 7: DLO Trading Account Reserve Position

	£'000
Reserve balance brought forward 1 April	(205)
Retained Trading (Surplus) / Deficit	(109)
Reserve balance carried forward 31 March	(314)

Note: figures in brackets = surplus funds held

- 7.3 During the year the DLO has implemented a new financial system aimed at delivering improvements to customer service and financial information. Following a period of 'bedding in' and updating key business processes this change will improve key operating and financial information. Complexities involved in the implementation have resulted in delays in obtaining up to date budget monitoring information, making budget monitoring more difficult during the year. Looking forward, another key project is the relocation of the DLO depot, which will provide operational challenges. The DLO reserves position provides some resilience in the event the financial performance of the DLO is affected during the relocation project.

Vehicle Replacement

- 7.4 The TDBC commercial vehicle fleet currently has 146 vehicles. Of this total number approximately 60% are owned through capital purchases and 40% are leased. The capital vehicles are replaced with the use of the annual capital fund (an RCCO) and any unspent balances are held in the vehicle replacement earmarked reserve which has a balance of £341k at the end of 2014/15, to be spent in future years.

8 Deane Helpline Trading Account

- 8.1 The Deane Helpline has reported a net deficit of £49k for the year, which is an underspend of £34k against the final budget and represents the net cost of the

service to the General Fund. A considerable amount of work has been undertaken throughout 2014/15 to reduce costs and to increase income; and although operating the service within existing budgetary constraints will continue to be challenging, every effort is being made to ensure that potential difficulties and problems are managed. The summary of the trading account is as follows:

Deane Helpline Trading Account	£000
Total Income	976
Operating Costs	947
Recharges and Capital Charges (excluding IFRS accounting adjustments)	78
Net Deficit for the Year	49
Budget for the Year	83
Underspend against Budget	(34)

- 8.2 The fundamental service review of Deane Helpline to address the costs to the General Fund of operating the service is ongoing, and various options are being explored.

9 Land Charges, Licencing and Taxi Licencing

- 9.1 Under regulations the Council needs to report how its Licencing and Land Charges services perform in the financial year. These services set fees and charges based on estimated reasonable costs, and aim to break even each year. However, due to fluctuations in demand and costs the services may report an under- or over-recovery in any one year and the Council therefore transfers any surplus/deficit to a self-financing reserve. During the next round of fees and charges setting adjustments will be made with the view achieving a break-even position on a three year rolling basis.

Table 8: Licencing and Land Charges Self-Financing Reserves

	Balance Brought Forward £	(under)/over-recovery in 2014/15 £	Balance Carried Forward £
Land Charges	10,700	13,980	24,680
Licencing	16,990	(40,170)	(23,180)
Taxi-Licencing	0	3,640	3,640

10 Taunton Unparished Area Fund (Special Expenses)

- 10.1 The Council sets an annual budget for the Unparished Area of Taunton, which is funded through a "Special Expenses" Council Tax charge to households in the area plus funding provided towards the impact of Council Tax Support on the unparished area tax base. The following table summarises the income and expenditure for the Fund in 2014/15.

Table 9: Unparished Area Fund Income and Expenditure

	£	£
Fund balance brought forward 1 April		(40,860)
Special Expenses Precept and CTRS Grant for 2014/15		(48,510)

	£	£
Expenditure funded in the year:		
Taunton Deane Male Voice Choir	2,080	
Clovermarle Stroke Club	1,000	
Somerset Art Works	1,000	
Oakwood Church	1,000	
North Taunton partnership	1,000	
Supreme Youth Project	1,000	
St Peter's Church	1,000	
YMCA Pre School	500	
Holway LAT	1,920	
Apple FM	1,500	
Priory Community Association	500	
Taunton CAB	5,000	
Victoria Park Action Group	1,800	
Creative Innovation Centre CIC	2,500	
Taunton Deane Male Voice Choir	910	
North Taunton partnership	2,176	
Dog bin and Post	242	
Children's Play equipment various	700	
Children's play equipment Thames Drive	150	
Blagdon Village Boules Club	543	
Verge Cutting	10,000	
Total Expenditure		36,520
Fund balance in hand carried forward 31 March		(52,850)

Note: minus (-) balance = funds in hand

- 10.2 The Fund is generally used to support minor works, worthwhile community activities and individual projects. Bids for funding are considered by the Unparished Area Panel, and allocations to third parties have been published in the Weekly Bulletin through the year.

11 General Fund Capital Programme

- 11.1 The total approved General Fund Capital Programme is £14.921m, and of this total amount the profiled Capital Budget for 2014/15 was £4.365m. The Council is supporting this investment through the use of Capital Grants and Contributions, Revenue Funding and Borrowing. The actual expenditure on Capital Programmes during 2014/15 was £2.351m. The major area of capital spend during the year was the refurbishment of Blackbrook Pool. Other spending included: grant support for private and social sector housing, costs related to the purchase of vehicles and plant for the DLO, and the development of the DLO new finance system.
- 11.2 It is recommended that £2.374m of the 2014/15 capital budget, representing slippage on approved schemes or where budget profiles across financial years need to be updated, is carried forward for schemes that will be delivered or completed in 2015/16. A summary of the General Fund Capital Programme budget and outturn for the year, including an analysis of the recommended carry forwards, is included in **Appendix E**.

12 Housing Revenue Account (HRA)

- 12.1 The HRA is a 'Self-Financing' account for the Council's Housing Landlord function, which is budgeted to break-even (net of approved transfers to/from HRA Reserves). The HRA Revenue Outturn for 2014/15 is a net surplus of £1.269m (4.8% of gross income).

Table 10: HRA Outturn Summary

	Budget	Outturn	Variance	
	£'000	£'000	£'000	%
Gross Income	(26,230)	(26,694)	(464)	2%
Service Expenditure	13,271	12,526	(745)	-6%
Other Operating Costs and Income	2,887	2,955	68	2%
Earmarked Reserve Transfers	1,108	1,108	0	0%
Capital Financing and Debt Repayment	9,556	9,557	1	0%
Technical Accounting Adjustments	252	123	(129)	-51%
Unearmarked Reserve Transfers	(844)	(844)	0	0%
Net Variance	0	(1,269)	(1,269)	4.8%

- 12.2 The HRA Revenue Outturn for 2014/15 is provided in more detail in **Appendix F**, and an explanation of the budget variances reported each quarter and at the year-end is provided in **Appendix G**. The major elements of this underspend position are summarised as follows:
- 12.3 **Rental Income:** Rental income is £264k higher than budget. This is mainly due to rent loss in respect of void properties being considerably lower than the budgeted 2%.
- 12.4 **Management Costs:** A number of factors have led to a total underspend of £357k. Many of these can be linked to the restructure during 2014/15 such as underspends on salaries, travel, training and other staffing costs totalling £185k. The recharge from the General Fund for support services was also lower than budgeted. Other areas of underspend include £33k in estates and lettings costs and £30k in the HRA share of the fixed pension deficit recovery lump sum contribution.
- 12.5 An additional budget of £41k which was agreed by members in July 2014 for Administration Support for the Area One Teams was ultimately not needed. Police Innovation funding was secured to support the Area One Teams leaving this budget unallocated.
- 12.6 The new DLO costings system, Open Contractor (OC), has been implemented which will make improvements in the monitoring of finances. Due to the complexities involved in the implementation, there was a significant delay in obtaining up to date budget monitoring information. This unfortunately prevented accurate budget monitoring throughout the year. This also impacted greatly on Responsive and Planned Maintenance. Ongoing improvements in the data available from OC should allow costs to be monitored more closely in future years.
- 12.7 **Planned Maintenance:** The two large planned maintenance contracts which were budgeted to start in 2014/15 have been re-profiled to commence in 2015/16. The budgets for the three year Electrical Testing contract, and the five year Pre-Planned Maintenance (PPM) contract have been put in an earmarked

reserve to fund the works at a later date. The DLO have been carrying out PPM (external decoration) throughout the year, whilst the procurement exercise is underway.

- 12.8 **Responsive Maintenance:** General Maintenance and spend on void properties were overspent by £100k and £76k respectively. Spend on other responsive maintenance was £346k lower than budget giving an overall underspend of £170k. This is a considerably better position than had been previously forecast. An overspend forecast in Q2 and Q3 led to management action to control spending where possible without amending the lettable standard.
- 12.9 **Provision for Bad Debt:** Provision for bad debt has been increased in the HRA Business Plan to allow for the expected increased risk to rent income collection due to Welfare Reform. However as welfare reform has not yet been fully implemented, with Universal Credit having only been partially rolled out in Taunton Deane and not being introduced until April 2015, this additional budget was not required in full in 2014/15, leading to an underspend of £138k.

13 Housing Revenue Account Reserves

HRA Unearmarked Reserves

- 13.1 The following table summarises the movement in the HRA Reserve balance in 2014/15:

Table 11: HRA Reserve

	£'000
Balance brought forward 1 April 2014	3,059
Supplementary Estimates and Returns:	
Community Development Fund (Approved July 2014)	-500
Administration Support (Approved July 2014)	-41
JMASS Restructure Costs (Approved July 2014)	-347
Accommodation Project (Approved August 2014)	-40
Return of Unused JMASS Restructure Costs (Approved July 2014)	84
Net Budgeted Reserves Balance	2,215
Net Underspend (Overspend) for the Year	1,269
Balance carried forward 31 March 2015	3,484
Recommended allocations utilising 2014/15 underspend (see 14 below)	(776)
Projected Balance if recommended allocations are approved	2,708

- 13.2 As the table shows, the HRA Reserve balance has increased from £3.059m at the start of the year to £3.484m at 31 March 2015 (approx. £598 per property). This balance is significantly above the recommended minimum amount of approx. £1.8m (approx. £300 per property) stated within the Council's Budget Strategy and the HRA Business Plan.

HRA Earmarked Reserves

- 13.3 The Council can also set aside HRA funds for specific purposes to be used in future years. **Appendix H** provides a summary of the HRA earmarked reserves and the movements during the year. The balance at 31 March 2015 committed to support spending in future years is £2.222m.

- 13.4 The HRA earmarked reserves include balance includes the Social Housing Development Fund. The opening balance on this reserve was £404k which was then supplemented by a £503k allocation from the HRA budget (including income of £3k from the sale of land). £795k has been used during 2014/15 to fund the Social Housing Development capital programme, leaving a balance of £112k at the end of the year.
- 13.5 Also included is £1.174m for the Electrical Testing and Pre Planned Maintenance contracts which have been pushed back by a year as reported in 12.7 above. This is due to delays in procurement which is now on track to be delivered in 2015/16.
- 13.6 The Community Development Fund was agreed as a supplementary estimate of £500k by members in July 2014. Although this fund has been largely committed, only £75k was actually paid out in 2014/15 and so the remainder of £425k is in a reserve and is likely to be fully used in 2015/16.

14 Recommendations for use of the 2014/15 HRA Underspend

- 14.1 The 2014/15 underspend has allowed the HRA Reserve to remain at a level comfortably above the recommended minimum balance.
- 14.2 It is recommended that funds are allocated from the 2014/15 underspend for the following:

Table 12: Summary of Recommendations for use of the HRA Underspend

Description	£000
HRA Business Plan review	150
Pre-void and Tenant Property Inspections	160
Lettings Contingency Budget	100
Sheltered Housing Review Project Manager	60
Mental Health Support	41
Employment Support Three Year Programme	138
Extension of Area Co-ordinator Posts	127
TOTAL requested for approval	776

Business Plan Review (£150k Est.)

- 14.3 With the introduction of HRA Self Financing in 2012, the Council's Housing Service has been operating in accordance with a 30 year Business Plan. Much has been achieved in this time, whilst there is a range of further areas in the service to address. Since the Business Plan was first created much has changed in the external operating environment for the service at both national and local levels. This environment has a profound impact on the financial aspects of the Business Plan but also may impact on longer term priorities and aspirations. In addition, the service has matured and learnt from operating in a self-financed environment and has also learnt much from evolving new services such as new build and area working.
- 14.4 In this time we have undertaken three annual reviews of the business plan and made necessary financial and policy adjustments accordingly. However the time is now appropriate through 2015 to undertake a more fundamental review of the

business plan, to refresh our direction of travel to ensure we fully maximise the opportunities that self-financing affords us but equally managing the risks of a complex business and a dynamic operating environment and manage the impact of emerging Government policies eg Right to Buy. Consequently we are seeking to secure the sum of £150K to support this work over the coming months via internal project management and some external support and challenge.

14.5 The tasks required for the business plan review include:-

- Refresh and review the baseline financial position, including a health check of the stock investment data.
- Undertake sensitivity and stress testing of the business plan to support the modelling of future decision making in areas such as rent policy, major works programme, housing development pipeline and regeneration projects, changes in Government policy and demographic changes ahead.
- Review Business Plan priorities and objectives and undertake a new consultation exercise to shape these and inform decision making.
- Update the Business Plan document, financial modelling and debt profiling, and progress through decision making.
- Arising out of the above, follow on work required will include the development of a new Asset Management Plan to set a refreshed course based on the performance of our existing stock, to consider the potential impact of the new Right to Buy proposals, and a Development Strategy arising out of us now being a successful house builder; a plan that will provide the future direction for new build volumes set against the regeneration of our non-traditional stock.

Pre-void and Tenant Property Inspections for Two Years of £160k

14.6 An increasing prevalence of major damage and neglect in properties from a minority of tenants is impacting the voids budget, leaving less money for meeting the Lettable Standard for new tenants. This budget is to fund an officer to inspect properties where we believe that neglect and damage is happening. This will send out a strong and visible message to tenants to comply with their tenancy agreement in looking after their property. We also intend to fund an officer to undertake pre-void inspections to allow issues to be identified early in the void process, to give the opportunity for tenants to make good their property and allow us to better recharge for damage. This will also allow us to better advertise the property for example where it has been adapted, reducing the likelihood of expensive adaptations being removed for subsequent tenants. The funding will cover these posts for two years allowing a proper evaluation of this preventative approach and to evaluate whether the posts pay for themselves in reduced voids costs.

Lettings Contingency Budget for Two Years of £100k

14.7 With pressure on the voids budget we have needed to apply the Lettable Standard more stringently with little scope to spend above and beyond this. In practise the Voids Manager is sometimes aware of additional works needed to let

the property (e.g. for hard-to-let properties), or needed for the circumstances of the tenant (e.g. a large family may require more kitchen cupboards). The proposed budget of £50k p.a. for two years represents an additional 3% on the voids budget of £1.6m and allows discretion when needed to ensure the property is let quickly and the critical needs of a tenant are met.

Sheltered Housing Review Project Management to October 2016 of £60k

- 14.8 We need to undertake a fundamental review of our Supported Housing provision in light of Supporting People grant funding and current re-commissioning of Extra Care contracts by SCC, to encompass both the physical environments and the service offer. This work will seek to establish a sustainable model of Sheltered Housing provision provided in accommodation that is appropriate for current standards and bring forward fundamental decisions regarding the current Extra Care facilities and services provided by the Council.

Mental Health Support of £41k

- 14.9 The three Area Community Managers and One Team Co-ordinators are reporting mental health as an issue within many of our households. 56% of our tenants have a member of their household whose day-to-day activities are limited due to a health problem and we know that Mental Health will be a significant proportion of this. This has been escalated and is one of the three strategic priorities for the One Teams in Taunton Deane. The £41k would be used to bring in support for our tenants and therefore help us to provide a better One Team response to support them in addressing a range of issues that they may have.

Employment Support Three Year Programme of £138k

- 14.10 In 2014/15 we set aside £138k as a contingency in case Universal Credit and other Welfare Reform measures would affect tenants' ability to pay their rent. We know that Universal Credit will be ramped up over the next three years and works on the basis that people are better off in work. We propose to use this £138k over three years to provide support to tenants to have the skills and confidence to access work. In the long term this will help protect our rental income. This proposed approach is common-place across many Registered Providers and seen as sensible both in terms of supporting tenants and protecting income.

Funding of Area Co-ordinator Post for Two Years of £127k

- 14.11 The Halcon One Team model has proven an enormous success for our tenants in Halcon and we have now created additional One Teams in North Taunton and Wellington. The concept of multi-agency staff collaborating through frequent meetings by a Co-ordinator to reach targeted, joined-up solutions for tenants has proved its worth. Funding for the three Co-ordinator posts from the Police Innovation Fund (PIF) will end in March 2016. We propose to set aside £127k to fund a One Team Co-ordinator for a further two years (2016/17 and 2017/18). This is a commitment in principle on the basis that the Police are able to secure match-funding of their £127k PIF underspend and that other partners can contribute toward the third post. This would secure three Co-ordinators for our One Team areas until March 2018 and possibly some shared admin support. Longer term it is hoped that the Bath University evaluation will provide a compelling case to other major partners (Adults Social Care, Childrens Social

Care, Health etc) to jointly commission the model with us into the future beyond 2018.

- 14.12 While the HRA Reserve balance will remain above the minimum recommended balance a number of issues that will impact the financial position of the HRA are already known and will be included within the HRA Business Plan Review. An example of this is the current low inflation rates. Over 90% of the income received by the HRA is directly linked to inflation rates and therefore the ongoing low rates will greatly impact on the income levels within the HRA. Further recommendations for the reserve will therefore develop from the review of the ongoing risks, priorities and commitments of the HRA.

15 **HRA Capital Programme**

- 15.1 The HRA approved Capital Programme at the end of 2014/15 was £24,908.4m. This relates to schemes which will be completed over the next five years. The Council is supporting this investment through the use of Capital Receipts, Revenue Funding and Borrowing. The profiled budget on Capital Programmes during 2014/15 was £19.697m, as summarised in Table 12 below, with £9,583k being carried forward and a net underspend of £245k being reported.
- 15.2 The major areas of capital spend during the year related to the capital maintenance for the existing housing stock and the development and acquisition of new stock.
- 15.3 **Appendix I** provides a breakdown of the HRA Capital Programme Outturn by scheme, and also sets out by scheme the proposed Carry Forward.

Table 13: HRA Capital Programme 2013/14 Outturn Summary

	£'000	%
Approved Capital Programme Budget	24,908	
Profiled in later years	(5,211)	
2014/15 Capital Budget	19,697	
Re-profiled forecast of spending Carried Forward to 2015/16	(9,583)	38%
Residual budget for 2014/15	10,114	
2014/15 actual capital expenditure	9,869	
Underspend	245	1%

- 15.4 The capital programme can be split into two distinct areas:

Major Works:

- 15.5 Capital works on existing dwellings have increased significantly since the introduction of self-financing. The planned works include replacement of kitchens, bathrooms, heating systems, roofs, doors, windows, adaptations, and Air Source Heat Pumps. A full breakdown is shown in Appendix I.
- 15.6 The major works capital expenditure has been fully funded from the Major Repairs Reserve. The Major Repairs Reserve is credited with the Major Repairs Allowance, which is charged to the HRA Revenue Budget based on the cost of depreciation to provide funding for capital maintenance of the stock.

Development:

- 15.7 Self-financing has also allowed investment in HRA stock by building new dwellings and acquiring stock through buying back properties that had previously been sold under Right to Buy. Total spend on the development of additional dwellings in 2014/15 is £4.720m bringing the total since self-financing to £6.806m. A further investment of £9.531m is budgeted in future years, largely related to the Creechbarrow Road, Weavers Arms and final stages of the three Phase One sites.
- 15.8 Seven dwellings which had previously been sold under Right to Buy were re-acquired on the open market at a total cost of £672k and put into the housing stock to rent. Each one had an individual business case to ensure value is added to the 30 year HRA Business Plan.
- 15.9 The HRA Development Programme expenditure of £4.720m has been funded from a combination of capital receipts (including Right to Buy receipts), the Social Housing Development Fund and borrowing as agreed for each scheme.

Right to Buy Sales and 'One for One' Replacement

- 15.10 In June 2012 the Council signed up to the Agreement to participate in the Government's 'one for one' Right to Buy (RTB) replacement scheme. This means that the Council can keep a significant proportion of capital receipts from RTB sales, provided the funding is used towards the replacement of affordable housing (either within the HRA, or through General Fund supported affordable housing schemes).
- 15.11 During 2014/15 there were 35 RTB sales completed (47 in 2013/14, 37 in 2012/13, 11 in 2011/12), with total capital receipts of £2.317m, giving an average receipt of £66k. The following table summarises how the receipts have been distributed.

Table 14: 2014/15 Right to Buy Capital Receipts Distribution

	£'000
Total Capital Receipts from 35 RTB Sales	2,317
Less: Pooling – Payment to HM Treasury	(339)
Subtotal – Retained by Taunton Deane	1,978
Allocation to General Fund Housing Capital Programme (Enabling)	(147)
Set aside for repayment of Self Financing Debt for sold properties	(710)
Allowable transaction costs	(46)
Retained Element for 'One for One' scheme	1,075
Transfer to HRA Capital Receipts Reserve	1,075

- 15.12 The 'one for one' Agreement means that the retained element of RTB income must be used to fund investment in new social/affordable housing within three years of receipt, and must not exceed 30% of total investment. In other words, every £3 of RTB funding used must be matched by £7 from other sources. Therefore £1.075m RTB retained receipts must be used towards total capital expenditure of £3.582m for new social/affordable housing schemes by March 2018.
- 15.13 The total amount of additional receipts retained since April 2012 is £3.595m. Of this sum, £2.695m has already been allocated towards funding new affordable housing in the development capital programme and the remaining is on track to

be fully utilised within the timescales with a combination of buy backs and new build development schemes.

16 Corporate Scrutiny Comments

- 16.1 The financial position was reported to Corporate Scrutiny on 25 June 2015. The committee discussed the report in some detail, and supported the recommendations. The following summarises the salient comments and questions arising:
- 16.2 Business rates retention: Members recognised there are complicated accounting arrangements, and sought clarification of the impact on the financial position. The Assistant Director Resources provided an overview, including the key message that the “real” position is that business rates funding is well below budget for the year and this is essentially due to the sharp increase in appeals by businesses. The Council has made a financial provision based on estimated refunds for unresolved appeals, and also maintains a ‘smoothing reserve’ to deal with accounting timing differences. Members have requested a focussed session on business rates, and the Assistant Director Resources will arrange for this to be covered in a future Members Briefing.
- 16.3 DLO Nursery: Sought clarification of surplus reported by the Nursery. It was reported that Turnover was £111k, with main customers being the Council’s General Fund and HRA services, and a net surplus of £2k has been achieved.
- 16.4 Earmarked Reserves: Sought clarification of timing of spend. The AD Resources indicated that a significant proportion of the reserves balance was projected to be spent e.g. on capital projects such as new pool at Blackbrook. The finance team will work with responsible managers to review and update spend forecasts to aid future reporting.
- 16.5 Investment income: Sought clarification of increase in forecast. This has arisen for a variety of factors such as investments made producing better returns, amounts invested being higher than earlier projected due to later timing of spend e.g. for revenue and capital budget carry forwards.
- 16.6 Licensing: Sought clarification of reported under-recovery in respect of licensing, with details to be circulated to Members of Scrutiny shortly.
- 16.7 HRA Business Plan Review: Sought clarification on the costs of the Review, and as part of this the intended use of HRA reserves. The Director for Housing and Communities indicated that the costs identified are an outline estimate and detailed costings will be developed. The review will also consider appropriate use of reserves taking into account refreshed priorities and also increased risks for the HRA.
- 16.8 HRA Right to Buy: Sought clarification on the impact of new government policy in respect of right to buy disposals. The Director for Housing and Communities indicated that the details of the proposals are not yet clear, and this will be worked through as part of the proposed refresh of the Business Plan and reported to Members later this year.
- 16.9 HRA Aids and Adaptations / DFG: Requested explanation for the underspend in

the capital programme and whether it is appropriate to review the budget. The DFG budget is thought appropriate, reason for underspend this year was a number of refusals for works and jobs therefore falling out of the programme due to people moving, change in circumstances or refusal to pay customer contribution. The HRA DFG budget was reviewed in a previous HRA Business Plan review and a proposed 5% year on year uplift was frozen. This will again be reviewed this year as part of the Business Plan review process to balance uptake trends with likely impact of ageing demographic profile.

- 16.10 Employment Support: In light of our request for use of some HRA underspend for Skills Development for tenants, is there an opportunity for a joint approach with Job Centre Plus. The Director for Housing and Communities confirmed we will be consulting widely with partners and service providers to ensure our offer is co-ordinated with others.

17 Legal Comments

- 17.1 None for the purpose of this report.

18 Links to Corporate Aims

- 18.1 The financial performance of the Council underpins the delivery of corporate priorities and therefore all Corporate Aims.

19 Environmental and Community Safety Implications

- 19.1 None for the purpose of this report.

20 Equalities Impact

- 20.1 None for the purpose of this report.

21 Risk Management

- 21.1 Financial controls are operated throughout the year to manage financial risks, which are subject to review through internal and external audit, as well as through reporting to the Corporate Governance Committee

22 Partnership Implications

- 22.1 A wide range of council services are provided through partnership arrangements e.g. Tone Leisure for leisure services. The cost of these services is reflected in the Council's financial outturn position for the year.

23 Recommendations

- 23.1 The Executive reviews the Council's financial performance and end of year position for the General Fund and the Housing Revenue Account, including pre-approved carry forwards and transfers to earmarked reserves.

23.2 The Executive is recommended to:-

- (a) It is recommended that the Executive notes the reported General Fund Revenue Budget underspend of £222k in 2014/15 and the General Reserves Balance of £2.109m as at 31 March 2015.
- (b) It is recommended the Executive recommends to Full Council the transfer of £222k from General Reserves to the Business Rates Smoothing Reserve at the beginning of 2015/16.
- (c) It is recommended the Executive recommends that Full Council approves General Fund Revenue Budget Carry Forwards totalling £443k (as set out in table 6 of the report).
- (d) It is recommended the Executive recommends that Full Council approves a General Fund Capital Programme Budget Carry Forward totalling £2.374m (as set out in Appendix E).
- (e) It is recommended the Executive recommends that Full Council approves a Housing Revenue Account Capital Programme Budget Carry Forward totalling £9.583m (as set out in Appendix I).
- (f) It is recommended the Executive recommends that Full Council approves £776,000 Supplementary Budget allocations for the HRA, utilising 2014/15 underspends, for the following areas:
 - i. £150k to fund a full review of the HRA Business Plan in 2015/16.
 - ii. £160k to fund Pre-Void and Tenant Inspections in 2015/16 and 2016/17, with any balance across financial years held in an earmarked reserve.
 - iii. £100k to fund a Lettings Contingency Budget in 2015/16 and 2016/17, with any balance across financial years held in an earmarked reserve.
 - iv. £60k to fund a Sheltered Housing Project Management to October 2016.
 - v. £41k to fund Mental Health Support for tenants.
 - vi. £138k to fund Employment and Skills Development in 2015/16, 2016/17 and 2017/18, with any balance across financial years held in an earmarked reserve.
 - vii. £127k to fund a One Team Co-ordinator post in 2016/17 and 2017/18, with funding to be held in an earmarked reserve.

Appendices

- A. General Fund Revenue Account Outturn Summary
- B. General Fund Revenue Account Outturn Variances
- C. General Fund Unearmarked Reserve Summary
- D. General Fund Earmarked Reserves Summary

- E. General Fund Capital Programme Outturn Summary
- F. Housing Revenue Account Outturn Summary
- G. Housing Revenue Account Outturn Variances
- H. Housing Revenue Account Earmarked Reserves Summary
- I. Housing Revenue Account Capital Programme Outturn Summary

Contact Officers

Paul Fitzgerald
Assistant Director – Resources
p.fitzgerald@tauntondeane.gov.uk
01823 358680

Steve Plenty
Finance Manager
splenty@westsomeset.gov.uk
01984 635217

APPENDIX A

GENERAL FUND REVENUE ACCOUNT OUTTURN

Portfolio	Final Budget £'000	Actual Expenditure £'000	Variance £'000
Service Portfolios			
Community Leadership	912	814	(98)
Corporate Resources	1,141	1,263	122
Economic Development, Asset Management, Arts & Tourism	1,138	1,415	277
Environmental Services	4,239	4,304	65
General Services	1,593	1,780	187
Housing Services	2,569	1,880	(689)
Planning, Transportation & Communications	(1,471)	(1,470)	1
Sports, Parks & Leisure	2,857	3,016	158
Net Cost of Services	12,977	13,000	23
Other Operating Costs and Income			
Interest Payable and Debt Management Costs	0	0	0
Interest and Investment Income	(314)	(370)	(56)
IFRS Accounting Adjustments	0	(745)	(745)
Capital Adjustments	(2,702)	(2,426)	276
Capital Financing from GF Revenue (RCCO)	570	1,404	834
Repayment of Capital Borrowing (MRP)	693	543	(150)
Transfers To/(From) Earmarked Reserves	2,532	2,162	(370)
Transfers To/(From) Unearmarked Reserves	(429)	(429)	0
DLO Trading Account	(101)	(101)	0
Deane Helpline Trading Account	83	49	(34)
Authority Expenditure	13,309	13,087	(222)
Unparished Area Fund	48	48	0
Borough Expenditure	13,357	13,135	(222)
Parish Precepts	545	545	0
Net Budget Requirement Before Funding	13,902	13,680	(222)
Revenue Support Grant	(2,766)	(2,767)	(1)
Retained Business Rates Funding	(3,052)	(3,051)	1
New Homes Bonus Grant	(2,311)	(2,311)	0
Council Tax (Demand on Collection Fund)	(5,739)	(5,739)	0
Previous Year's Collection Fund Deficit/(Surplus)	(35)	(35)	0
Net Outturn for the Year	0	(222)	(222)

APPENDIX B

GENERAL FUND REVENUE ACCOUNT OUTTURN VARIANCES

The major variances are explained in section 4 of the report

Cost Centre Description	Forecast Variance Updates				
	Q1 £k	Q2 £k	Q3 £k	Q4 £K	Total £k
Housing Benefit	(100)	100	0	(184)	(184)
Waste Collection & Recycling	(78)	78	0	0	0
Crematorium and Cemeteries	248	(67)	6	(58)	123
Parking (off street)	(163)	13	(5)	46	(109)
Planning Advice and Applications	(6)	(69)	19	(30)	(105)
SUB TOTAL	(99)	55	(5)	(226)	(275)
Insurance	0	52	0	0	52
Internal Audit	0	(23)	23	0	0
Revs & Bens	0	(46)	(9)	13	(42)
Postages	0	(18)	18	0	0
Enforcement	0	(12)	0	12	0
TDBC Assets	0	0	88	60	148
Deane House	0	0	(14)	0	(14)
Bus Shelter Maintenance	0	0	(23)	23	0
Other Variances	0	(12)	(83)	14	(81)
SUB TOTAL	0	(59)	0	122	63
TOTAL	(99)	(4)	(5)	(104)	(212)
Deane Helpline	(12)	(7)	0	9	(10)
GRAND TOTAL	(111)	(11)	(5)	(95)	(222)

APPENDIX C

GENERAL FUND UNEARMARKED RESERVES

	£000	£000
Balance Brought Forward 1 April 2014		2,537
<u>Supplementary Estimates and Returns</u>		
Use of 2013/14 Underspend (Approved Aug 2014):		
Development of IT Strategy for TDBC	-50	
Taunton Cemetery Extension	-121	
Grass Cutting	-50	
Weed Spraying	-10	
Street Cleansing	-42	
Car Park Improvements	-125	
Capital Grants for Parish Play Equipment/Sports Halls / Clubs	-20	
Unparished Area of Taunton for Play Equipment	-20	
Alternative budget for mayoralty (Approved Feb 2014)	-17	
Deane House Accommodation Project (August 2014)	-210	
Flood Relief (Approved Feb 2014)	-40	
Arts and Creative Industries (Approved Feb 2015)	-10	
Surplus Earmarked Reserves (Approved Dec 2014)	65	
Budgeted Balance March 2015		1,887
Outturn 2014/15 transferred to reserves		222
Actual Balance Carried Forward 31 March 2015		2,109
Recommended transfer to Business Rates Smoothing Reserve 1 April 2015		-222
Projected Balance 1 April 2015 if recommended transfer approved		1,887

APPENDIX D

GENERAL FUND EARMARKED RESERVES

Reserve Heading	Balance at 31 March	Transfers In 2014/15	Transfers Out 2014/15	Balance at 31 March
	£'000	£'000	£'000	£'000
Asset Management - General	250	0	0	250
Asset Management - Leisure	329	643	(614)	358
Capital Financing Reserve	4,363	481	(1,231)	3,613
CEO Initiatives	104	30	(41)	93
DLO Trading Account	205	121	(12)	314
DLO Vehicle Replacement Reserve	241	341	(241)	341
Eco Towns Projects	96	46	(24)	142
Growth & Regeneration Service Costs	222	295	(216)	301
Homelessness Grant	149	0	0	149
Housing Enabling	176	7	(5)	178
JMASS Project	1,418	510	(1030)	898
Local Plan Enquiry	404	24	(239)	189
Monkton Heathfield	300	249	(33)	516
New Homes Bonus Reserve	794	2,106	(459)	2,441
Performance & Client Consultancy	211	79	(95)	195
Planning Delivery Grant	152	0	(25)	127
Self-Insurance Fund	500	0	0	500
Business Rates Smoothing Account Reserve	1,265	705	0	1,970
Troubled Families	352	0	(303)	49
Other earmarked reserves	1,478	1,845	(1,020)	2,303
GRAND TOTAL	13,009	7,482	(5,285)	15,206

APPENDIX E

GENERAL FUND CAPITAL PROGRAMME OUTTURN

Scheme Heading	Budget £'000	Outturn £'000	Variance £'000	Carry Forward £'000
PC Refresh Project	166	164	(2)	0
IT Infrastructure	25	2	(23)	23
SCCC Loan	300	300	0	0
Gypsy Site	25	0	(25)	25
Special Expenses Area Play Grants	0	3	3	0
Joint Mgt and Shared Service	40	25	(15)	15
Total Corporate Resources	556	494	(62)	63
Canal Grant	10	10	0	0
Waste Containers	86	84	(2)	0
Mercury Abatement	9	5	(4)	0
Cemetery Extension- Crematorium	3	43	40	0
Crematorium Chapel Roof	180	0	(180)	180
Total Environmental Services	288	142	(146)	180
Private Sector Health and Safety	10	10	0	0
Energy Efficiency	30	0	(30)	30
Landlord Acc Scheme	12	7	(5)	5
Wessex HI Loans	42	31	(10)	10
DFGs Private Sector	325	220	(104)	104
Grants to RSLs	500	44	(456)	456
Community Alarms	25	25	0	0
Total Housing Services	944	337	(605)	605
DLO Vehicles	440	335	(105)	105
DLO Plant	26	19	(7)	7
Project Taunton - Longrun Meadow Bridge C	25	0	(25)	25
Project Taunton - High Street Improvements	43	42	(1)	0
DLO New costing System	186	84	(102)	102
Project Taunton – Firepool Demolition Unit 5	47	65	17	0
Project Taunton - Castle Green	0	18	18	0
Project Taunton - High St Retail	3	0	(3)	3
Project Taunton - Urban Growth	28	0	(28)	28
Project Taunton - Coal Orchard	3	0	(3)	3
Project Taunton - Signage	1	1	(0)	0
Brewhouse	5	0	(5)	5
Thales Site	10	0	(10)	10
Creech Castle Improvements	375	0	(375)	375
Firepool Access	50	17	(33)	33
Total Ec Dev, Asset Management, Arts & Tourism	1,242	581	(662)	696
Car Park Improvements	54	12	(42)	42
Canon Street Car Park	49	48	(1)	0
Total Planning, Transport & Communications	103	60	(43)	42
Grants to Clubs Play	75	79	4	0
Grants to Parishes Play Equipment	29	21	(8)	8
Replace Play Equip	26	22	(4)	4
Station Road Swimming Pool	116	88	(28)	28
Blackbrook Pool	984	236	(748)	748
<i>Section 106-funded schemes:</i>				
Long Run Meadow Play Equipment	0	4	4	0

Scheme Heading	Budget £'000	Outturn £'000	Variance £'000	Carry Forward £'000
Vivary Park Play	0	5	5	0
French Weir Park	0	4	4	0
Wellington Recreation	0	2	2	0
Wellington Pavilion	0	1	1	0
Wellington Sports Centre	0	48	48	0
Wellington Skate Park	0	9	9	0
Wellington Mud Jumps	0	1	1	0
Aginhills Milton Hill Bus Shelters	2	16	14	0
Farriers Green	0	60	60	0
West Monkton Cricket Club	0	5	5	0
Stoney Furlong	0	5	5	0
Wiveliscombe Swimming Pool	0	9	9	0
Hudson Way	0	5	5	0
Churchinford	0	5	5	0
Leycroft Park	0	4	4	0
North Curry	0	16	16	0
Hamilton Park	0	2	2	0
Staplegrove Village Hall	0	7	7	0
Milverton	0	16	16	0
Sampford Arundel	0	10	10	0
Langford Budville Play	0	17	17	0
Taunton Athletics Club	0	19	19	0
Norton Fitzwarren Village Hall	0	20	20	0
Total Sports Parks and Leisure	1,232	736	(496)	788
GRAND TOTAL	4,365	2,351	(2,014)	2,374

APPENDIX F

HOUSING REVENUE ACCOUNT OUTTURN

	Original Budget £'000	Final Budget £'000	Actual £'000	Variance £'000
Income				
Dwelling Rents	(24,279)	(24,300)	(24,545)	(245)
Non Dwelling Rents	(557)	(557)	(576)	(19)
Charges for Services/Facilities (Service Charges, Rechargeable Repairs, Leaseholder Charges)	(913)	(913)	(1,099)	(186)
Contributions Towards Expenditure	(460)	(460)	(474)	(14)
Total Income	(26,209)	(26,230)	(26,694)	(464)
Expenditure				
Repairs and Maintenance	7,151	5,977	5,781	(196)
Supervision & Management	6,761	7,061	6,658	(403)
Capital Charges – Depreciation and Impairment	6,709	6,709	6,700	(9)
Debt Management Expenses	8	8	0	(8)
Provision for Bad Debt	225	225	87	(138)
Total Expenditure	20,854	19,980	19,226	(754)
Other Costs & Income				
CDC Costs	202	202	256	54
Interest Payable	2,831	2,763	2,778	15
Interest and Investment Income	(53)	(78)	(79)	(1)
Revenue Contribution to Capital	1,041	1,836	1,846	10
Provision for Repayment of Debt	511	511	511	0
Social Housing Development Fund	500	500	500	0
Procurement Savings	323	252	123	(129)
Transfers To/(From) Earmarked & Other Reserves	0	264	264	0
Total Other Costs & Income	5,355	6,250	6,199	(51)
NET (SUPLUS)/DEFICIT FOR THE YEAR	0	0	(1,269)	(1,269)

APPENDIX G

HOUSING REVENUE ACCOUNT OUTTURN VARIANCES

No.	Service / Heading	Explanation	Forecast Variance		Outturn	
			Q2 £'000	Q3 £'000	Q4 £'000	Total £'000
1	Dwelling Rents	Rent loss due to void properties is lower than the budgeted 2%	(289)	(27)	71	(245)
2	Non-Dwelling Rents	Rental income on garages was higher than budgeted	(31)	10	2	(19)
3	Other Income	In line with dwelling rents, additional service charges have been received due to lower void loss. In addition charges to leaseholders have been higher than expected. This is counteracted by additional expenditure below.	(76)	(32)	(92)	(200)
4	Management	A number of factors have led to lower than budgeted spend in management costs. Salaries, training and travel costs have been lower than budgeted, as have the recharges from the General Fund for support services. These will have all been impacted by the restructure which has been ongoing through the year but will settle down now the new structure has now been fully implemented. The £41k budget for administration support for the Area One Teams has not been needed due to the award of Police Innovation funding.	(38)	(35)	(284)	(357)
5	Maintenance	Management action put in place to reduce the forecasted overspends in General Maintenance and spend on Void properties was successful, reducing these collective overspends to £174k. Cost of Responsive Heating maintenance was £289k lower than budget. This is largely due to a reduction in replacements of heating systems (early failures not included within the capital programme).	(279)	709	(626)	(196)
6	Provision for Bad Debt	The increased provision for bad debt, as included in the Business Plan, has not yet been fully needed. In previous quarters it was assumed that this would be put in a reserve until needed however the future need for this will now be included within the next Business Plan Review.	0	0	(138)	(138)
7	Interest Payable / Receivable	Changes throughout the year on the interest payable on existing borrowing and the investment income received have led to a small variance	0	(4)	18	14

No.	Service / Heading	Explanation	Forecast Variance		Outturn	
			Q2 £'000	Q3 £'000	Q4 £'000	Total £'000
8	Capital Financing and Debt Repayment		0	0	1	1
9	Transfers to the General Fund	Provision made for procurement savings were not fully needed in 2014/15	0	0	(129)	(129)
	GRAND TOTALS	Note: A number of virements and reserve transfers requested throughout the year have caused swings between service headings between quarters	(713)	621	(1,177)	(1,269)

HOUSING REVENUE ACCOUNT EARMARKED RESERVES

Reserve Heading	Balance 1 April £'000	Transfers In £'000	Transfers Out £'000	Balance 31 March £'000
Capital Financing Reserve - HRA Projects	79			79
CCR DLO Transformation (HRA resources)	44		(38)	6
Customer Access and Accommodation	36	19		55
Halcon Regeneration Scheme Project Costs	24			24
Social Housing Development Fund	404	503	(795)	112
Community Development Fund		425		425
Electrical Testing Contract		700		700
Planned External Maintenance Contract		474		474
HRA Insurance		86		86
Other Reserves	27	234		261
GRAND TOTAL	614	2,441	(833)	2,222

APPENDIX I

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME OUTTURN

Scheme Heading	Total Approved Budget £'000	Budget in 2014/15 £'000	Outturn £'000	Variance £'000	Slippage from 2014/15 Budget £'000	Total Budget in Future Years* £'000
HRA Kitchens	1,043	540	322	(218)	218	721
HRA Bathrooms	1,260	1,260	967	(293)	293	293
HRA Roofing	490	490	519	29		
HRA Windows	220	220	124	(96)	96	96
HRA Heating Imps	1,135	595	461	(134)	134	674
HRA Doors	550	550	379	(171)	171	171
HRA Fire Safety Work	255	255	86	(169)	169	169
HRA Fascias and Soffits	1,000	650	591	(59)	59	409
HRA Heat Pumps	800	800	786	(14)	14	14
HRA Door Entry Systems	208	143	171	28		65
HRA Meeting Halls	25	25	4	(21)		
HRA Asbestos Works	259	259	228	(31)		
HRA Tenants Imps	5	5		(5)		
Other Ext Insulation	5	5		(5)		
Garages	40	40	32	(8)		
Sewerage Treatment	1	1		(1)		
HRA Unadopted Areas	20	20	3	(17)		
HRA Lifts	125	125	119	(6)		
Sustainable Energy Fund	455	455	9	(446)	446	446
Environmental Improvements	301	301	39	(262)	262	262
HRA Community Alarms	83	83	17	(66)	66	66
Extentions	160					160
HRA Aids and Adaptations	119	119	95	(24)		
HRA DFGs	346	346	162	(184)		
Total Major Works	8,905	7,287	5,114	(2,173)	1,928	3,546
HRA PV Systems	1,509	1,509		(1,509)	1,509	1,509
HRA IT Development	242	45	35	(10)	10	207
Total Other	1,751	1,554	35	(1,519)	1,519	1,716
HRA Creechbarrow Road	6,916	3,521	2,054	(1,467)	1,467	4,862
HRA Vale View	1,000	1,000	747	(253)	253	253
HRA Bacon Drive	1,020	1,020	470	(550)	550	550
HRA Normandy Drive	982	982	616	(366)	366	366
HRA Weavers Arms	3,500	3,500	161	(3,339)	3,339	3,339
HRA Buybacks	833	833	672	(161)	161	161
Total Development	14,251	10,856	4,720	(6,136)	6,136	9,531
GRAND TOTAL	24,907	19,697	9,869	(9,828)	9,583	14,793

*This doesn't include any additional budgets approved as part of budget setting for 2015/16.