

Taunton Deane Borough Council

Executive – 9 July 2014

Financial Outturn 2013/2014

Report of the Assistant Director - Resources

(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 Corporate Scrutiny 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 2013/14 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 2013/14 is a Net Expenditure position of £13.453m, which is a £0.964m (6.7%) underspend against the Final Net Budget for the year. This report explains the significant factors leading to this position. This has been driven largely by above forecast income levels in parking, planning, burials/cremations; as well as cost reductions in the final months of the year. Section 6 of the report contains a number of proposals that the Executive Councillors are minded to present to Full Council which, if approved, would allocate £0.418m of the underspend or additional budget approvals for 2014/15.

The General Fund reserves balance as at 31 March 2014 stands at £2.480m. This balance would reduce to £2.022m if the allocations of £0.418m are approved. This remains above the minimum reserves expectation within the Council's Budget Strategy (£1.5m).

The Earmarked Reserves balance as at 31 March 2014 is £13.159m, representing funds that have been set aside for specific purposes to fund expenditure in 2014/15 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. The majority of this is planned to be spent in 2014/15.

General Fund Capital

The General Fund approved Capital Programme at the end of 2014/15 was £17,973k. This relates to schemes which will be completed over the next five years. The profiled expenditure on Capital Programmes during 2014/15 was £4,350k, with £13,623k being carried forward.

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 2013/14 is a net underspend of £0.861m (3.3% of gross income). This report explains the significant factors leading to this position.

The HRA Reserve balance as at 31 March 2014 stands at £3.059m, which is above the minimum level (£1.8m) set within the Council's Budget Strategy and HRA Business Plan.

The HRA Earmarked Reserves balance as at 31 March 2014 stands at £614k. This includes £404k related to the Social Housing Development Fund, which is earmarked to fund investment in new social housing provision within the Council's own housing stock (see Appendix H).

HRA Capital

The HRA approved Capital Programme at the end of 2014/15 was £20,363k. This relates to schemes which will be completed over the next five years. The profiled expenditure on Capital Programmes during 2014/15 was £8,647k, as summarised in Table 10 below, with £11,655k being carried forward and a net underspend of £61k being reported.

2 Purpose

- 2.1 This report informs Members of the Council's financial outturn for revenue and capital expenditure in 2013/14 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 GF 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 2013/14 Financial Performance

- 3.1 Members have been presented with regular financial monitoring information, with quarterly performance reports submitted to Corporate Scrutiny and the Executive during the year. The reports provided members with: forecast outturn position and the likely impact on reserves; explanations for the forecast variances to budget; and links to operational performance.
- 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. Prudent practices have been put into place including the creation of a Business Rates Smoothing account earmarked reserve to help protect the authority from future financial fluctuations. However this is a high risk area which may impact on our ability to accurately forecast our financial position.
 - Forecasting for demand-led services has continued to be a challenge especially in the current economic climate. We plan to direct 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.
- 3.3 For the General Fund Revenue Budget, the forecast outturn as at Quarter 3 (December 2013) was a net underspend of £86k. The year end outturn position is a net underspend of £964k (6.7%). Although our actual underspend was higher than anticipated when the Q3 forecast was completed in January, this has changed largely due to much higher than expected income in some key services, plus managed reductions in spending in response to pressures identified at Q3. It is clear that the year end position is significantly different to earlier forecasts, and the Assistant Director Resources has committed to review the areas of significant change to determine where forecast estimation can be improved. Section 4 of the report below summarises the major variances to budget for the year and the main differences compared to the Quarter 3 Forecast.
- 3.4 For the HRA Revenue Budget, the forecast outturn as at Quarter 3 (December 2013) was a surplus variance of £240k (0.9% of gross income) for the year. The year end outturn position is a surplus variance of £861k (3.3%). Section 8 of the report below summarises the major variances to budget for the year and the main differences compared to the Quarter 3 Forecast.
- 3.5 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 reserves balances to the

General Fund Reserve.

- 3.6 General Fund Capital projects were reporting forecast budget carry forward of £11.654m at Q3 (December 2013). The year end outturn position is reporting actual budget carry forward of £13.623m to fund approved capital works. Please see section 7 for further information.
- 3.7 HRA Capital projects were reporting forecast budget carry forward of £10,646k (52%) at Q3 (December 2013), with a net underspend of £43k (0.2%) for the year. The year end outturn position is a net underspend of £62k (0.3%) and actual budget carry forward into 2014/15 of £11,655k (57%). Please see section 11 for further information.
- 3.8 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.

4 General Fund Revenue Account - 2013/14 Outturn

- 4.1 The General Fund (GF) Revenue Outturn for 2013/14 is Net Expenditure (before general grants and council tax) of £13.453m against a final Net Budget of £14.472k, giving an underspend of £0.964m.

Table 1: GF Outturn Summary

General Fund Outturn 2013/14	Budget £'000	Outturn £'000	Variance	
			£'000	%
Net Expenditure on Services	12,238	13,197	959	7.8
Other Operating Costs and Income	198	269	71	35.0
Earmarked Reserve Transfers	5,410	5,501	91	1.7
Unearmarked Reserve Transfers	(2,369)	(2,369)	0	0.0
Capital Financing and Debt Repayment	1,532	1,518	(14)	(0.9)
Technical Accounting Adjustments	(2,537)	(4,663)	(2,126)	83.8
Net Budget	14,472	13,453	(1,019)	(7.0)
Funding - Grants and Council Tax	(14,472)	(14,417)	55	(0.4)
Net Variance	0	(964)	(964)	

- 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:

Waste Collection & Recycling

- 4.4 This service has reported a net underspend against budget of £122k. This is mainly due to an over recovery of garden waste income due to an increase in demand for this service despite the increase in fees this year, with some minor variations on the contact price paid to budget. This service is able to forecast their year end outturn with a high degree of accuracy as the majority of income is received before the start of the financial year as customers pay upfront.
- 4.5 Over the past five years this service has seen a fluctuation in income received varying by £70k-£80k per year, as shown in Table 2 below. Whilst we have tried to budget for these fluctuations, it is very difficult to forecast accurately for these demand-led services. The forecast at Q3 was an underspend of £116k, with the outturn reported as an underspend of £122k.

Table 2: Garden Waste Income

Garden Waste Income	13/14 £000s	12/13 £000s	11/12 £000s	10/11 £000s	09/10 £000s
Actual Income Received	(474)	(403)	(322)	(396)	(475)
Decrease / (Increase) per year	(71)	(81)	74	79	
Budget	(360)	(414)	(514)	(514)	(346)
Variance to budget over (-) / under recovery	(114)	11	192	118	(129)

- 4.6 This service has already made early indications that they could be reporting a net underspend against budget in 2014/15, and this will be reflected in the Q1 forecast.

Parking

- 4.7 This service has reported a net underspend against budget of £439k. This is mainly due to an over recovery of income received for penalties (£72k) and parking income (£98k), and one-off savings from contract renegotiations for 2013/14 and 2012/13 (£165k). This service is not able to forecast their year end outturn with a high degree of accuracy 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.
- 4.8 Over the past five years this service has seen a fluctuation in income received varying by £42k-£435k per year, as shown in Table 3 below. Whilst we have tried to budget for these fluctuations, forecasting can be very difficult for these demand-led services which are also affected by environmental factors such as the weather (e.g. people having to work from home during the floods). It is also difficult to predict how one-off events (such as road work closures, concerts, and the provision of alternative parking) will change users' parking habits in the short-term and also the long-term.

Table 3: Parking Income

Parking	13/14 £000s	12/13 £000s	11/12 £000s	10/11 £000s	09/10 £000s
Actual Income Received	(3,892)	(3,782)	(3,851)	(3,893)	(4,328)
Decrease / (Increase) per year	(110)	69	42	435	
Budget	(3,683)	(4,096)	(4,433)	(4,336)	(4,161)
Variance to budget over (-) / under recovery	(209)	314	582	443	(167)
Change in budget	413	337	(97)	(175)	

- 4.9 This service will continue to use their income forecasting tool and work closely with their accountant in order to predict as accurately as possible the income due for 2014/15 and report any variances through the quarterly outturn reports. However it is important to note that there is a high level of risk that there could again be a large variance to budget due to the reasons discussed above, but also due to the impact of a temporary joint venture parking agreement with Premium Parking Solutions Ltd who will supply public parking at Firepool (commencing July / August). TDBC will only receive 50% of any income and, with a day parking rate less than that at Belvedere Road, the service is expecting TDBC parking income to fall. Initial estimates for this will be included in the Q1 forecast.

Planning Advice and Applications

- 4.10 Planning Advice: This service has reported a net underspend against budget of £47k. The over recovery of income is due to an increase in demand for pre-application advice and a spike in submission of applications, which we believe is linked to the introduction of CIL (Community Infrastructure Levy) on the 1 April 2014.
- 4.11 Applications: This service has reported a net underspend against budget of £186k. The over recovery of income is greater than predicted at Q3, with seven unexpected applications received in Q4 equating to £138k.
- 4.12 Over the past five years this service has seen a fluctuation in income received varying by £85k-£297k per year, as shown in Table 4 below. Whilst we have tried to budget for these fluctuations, it is very difficult to predict for demand-led services, especially with regards to the government bringing in new schemes e.g. CIL, and being able to forecast with confidence the improvement in economic growth.

Table 4: Planning Advice and Applications Income

Planning Advice and Applications	13/14 £000s	12/13 £000s	11/12 £000s	10/11 £000s	09/10 £000s
Actual Income Received	(992)	(907)	(610)	(704)	(554)
Decrease / (Increase) per year	(85)	(297)	94	(150)	
Budget	(764)	(779)	(587)	(496)	(773)
Variance to budget over (-) / under recovery	(228)	(128)	(23)	(208)	

- 4.13 This service will be monitoring income levels and will work closely with their accountant in order to predict as accurately as possible the income due for 2014/15 and report any variances through the quarterly outturn reports. However it is important to note that there is a high level of risk that there could again be a large variance to budget due to this service being demand-led.

Crematorium & Cemeteries

- 4.14 This service has reported a net overspend against budget of £64k, which is an improvement to the Q3 forecast of £176k. This overspend is mainly attributable to crematorium income and a general decline in funerals locally, the impact of the new crematorium opening in Pawlett, and the crematoriums in Honiton and Mendip are become busier as their profile increases.
- 4.15 In addition, the original assumption of receipts from the CAMEO scheme for the mercury abatement was also reduced as the new creators were not online until part-way through the year; the income from this scheme should increase in following years.
- 4.16 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.
- 4.17 Over the past five years this service has seen a fluctuation in income received per year varying by £17k - £177k per year, as shown in Table 5 below. This service also experiences significant variations in income received per month (for the majority of months) on a yearly basis that is inconsistent to income received in the same month the year before. Due to the nature of this demand-led service it is very difficult to predict income levels, building uncertainty into our forecasts.

Table 5: Crematorium Income

Crematorium Income	13/14 £000s	12/13 £000s	11/12 £000s	10/11 £000s	09/10 £000s
Actual Income Received	(1,331)	(1,479)	(1,302)	(1,285)	(1,347)
Decrease / (Increase) per year	148	(177)	(17)	62	
Budget	(1,443)	(1,417)	(1,340)	(1,296)	(1,519)
Variance to budget over (-) / under recovery	112	(62)	38	11	172

- 4.18 This service will continue to work closely with their accountant in order to predict as accurately as possible the income due for 2014/15 and report any variances through the quarterly outturn reports. However it is important to note that there is a high level of risk that there could again be a large variance to budget due to the nature of this service. The budget for 2014/15 for Crematorium income is £1,450k, therefore if the same level of income as 2013/14 is received, a deficit of £119k would result.

Housing Benefits

- 4.19 At Q3 this service was reporting a net over spend of £114k. The outturn position has improved to a net overspend against budget of £27k. This area has been known to report significant variances to budget at each quarter, and has done so over the past few years. 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. In addition to this, due to the economic climate and cuts in welfare benefits, the customer's ability to repay overpaid benefits is severely compromised and consequently, despite best efforts, recovery rates have deteriorated. Debts levels have significantly increased since 2011/12. It is also important to note that a 1% change can amount to £180k (based on original budget 2013/14) which is why a small change in demand can amount to large budget variation.
- 4.20 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.
- 4.21 This service will continue to work closely with their accountant and report any variances through the quarterly outturn reports. However it is important to note that 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

- 4.22 This service has reported a net underspend against budget of £117k. The overall cost to the Council has not reduced significantly from 2012/13 although there has been a reduction in the cost to the General Fund. This is due the premium being more heavily weighted towards insuring premises which has resulted in an increased cost to the HRA and a reduction to the General Fund.
- 4.23 The Forecast Outturn as at Quarter 3 (December 2013) was a £86k underspend. The main differences between the reported variances at Quarter 3 and the year end Outturn are summarised in Table 6 below.

Table 6: Main Differences between Q3 and Outturn Variances

	£'000	£'000
Q3 Forecast Underspend		(86)
Main changes to Q3 Reported Variances		
Cemeteries & Crematorium	(112)	
Housing Benefits	(87)	
Insurance	(44)	
Parking	(318)	
Planning	(145)	
Subtotal		(706)
New Variances		
Central Costs	26	
Welfare Funerals	(23)	
Assets Maintenance	66	
Council Tax Collection	(60)	
Benefits	(36)	
Strategy	(20)	
Other Minor Variances	(125)	
Subtotal		(172)
Year End Outturn Variance		(964)

- 4.24 The main changes since the Quarter 3 report are explained as follows:
- 4.25 **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.
- 4.26 **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.
- 4.27 **Insurance:** The change to forecast in Q3 is due to the release of a provision in respect of losses that have not fully materialised (MMI case), plus realignment of the apportionment of the premium between GF and HRA.
- 4.28 **Parking:** The actual income received has exceeded the Q3 forecast, through a combination of sales being higher than assumed, but also some areas where income has been under-estimated and expenditure over-estimated in earlier forecasts.
- 4.29 **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 CIL as well as growth in demand through general upturn in the economy.

Variances that have occurred in the last quarter are detailed below:

- 4.30 **Central Costs:** The overspend of £34k relates to insufficient budget of £11k for pension 'past service' costs and £23k for pension strain on redundancies through the year.
- 4.31 **Welfare Funerals:** Due to the nature of the service, setting an accurate budget is very difficult, as it is demand-led and depends upon the value of the estate as to whether it is possible to recover our costs. Whilst we were unable to recover costs of £17k from deceased estates in 2011/12, this reduced to £10k in 2012/13, and has further reduced in 2013/14 to £6k (whilst the budget forecasted in 2013/14 was £29k).
- 4.32 **Assets Maintenance:** Whilst income received was on target the overspend on maintenance was higher than expected although it was an improvement on last year's overspend of £248.7k. This is mainly due to the previous forecast under-estimating costs. This will be closely managed in 2014/15 by the new budget holder.
- 4.33 **Council Tax Collection:** The over recovery of income is due to the introduction of localised Council Tax Support, where enforcement through the courts to collect debts has greatly increased. Consequently more debt and Council Tax Collection court costs have been recovered.
- 4.34 **Benefits:** The underspend is mainly attributable to a reduction in spend against budget for external audit fees and postage costs.
- 4.35 **Strategy:** The underspend of £19k mainly relates to the previous forecast under-estimating total salary costs, plus two further temporary/fixed term posts ended earlier than expected.
- 4.36 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.
- 4.37 Treasury performance (investments and borrowing) will be provided in the separate Treasury Management Outturn 2013/14 and 2014/15 Update Information Report to be issued this month.

5 General Fund Reserves

General Reserves

- 5.1 The General Fund Reserve balance at the start of the year was £3.943m. Following supplementary allocations (e.g. Pool & JMASS) during 2013/14 the balance at the end of the current financial year has reduced to £1.516m (see **Appendix C**). The underspend of £964k will be transferred to General Reserves at the end of the financial year, resulting in a year end balance of £2,480k. Section 6 of this report includes recommendations in respect of proposed use of the underspend which, if approved, would reduce the balance to £1,683k.

General Fund Earmarked Reserves

- 5.2 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.
- 5.3 The proposed balance carried forward to support General Fund spending in future years is £13.159m. This balance has increased by £5.650m 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 2014/15.
- 5.4 Transfers to reserves at the end of the financial year have been reviewed and approved by the S151 Officer.

6 **Recommendations for the use of the 2013/14 underspend**

- 6.1 A number of options have been considered by Executive Councillors in respect of opportunities to reinvest the underspend in services. The Executive would like to put forward the following proposals to Full Council for approval:

Table 7: Supplementary Requests of Underspend 2013/14

Bid Description	Bid (£'000)
Development of IT Strategy For TDBC	50
Cemetery Extension – Taunton*	121
Grass Cutting	50
Weed Spraying	10
Street Cleansing	42
Car Park Improvements	125
Capital Grants for Parish Play Equipment/Sports Halls/Clubs	20
TOTAL requested for approval	418

*a full business case is provided in **Appendix J**

Development of IT Strategy for TDBC £50k

- 6.1.1 Additional resources are required to assist the Council in developing an IT Strategy to consider how it needs to respond to issues such as the transformation agenda and expiration of some significant contracts. The IT Strategy will also consider the enhancement of Customer access; for example the use of IT in car park charging and other innovative uses.

Cemetery Extension – Taunton £121k

- 6.1.2 Please see **Appendix J** for the Business Case Report providing details on the need for an extension to the Taunton Cemetery. It is being requested to fund the capital requirement of £121k from 2013/14 general underspends and for this to be added to the 2014/15 Capital Programme (via RCCO). Please note that TDBC will continue to search for suitable land in Wellington to extend the provision of service in that area.

Grass Cutting £50k

6.1.3 To fund Highway verge maintenance across the Borough.

Weed Spraying £10k

6.1.4 To fund one additional 'weed spraying' to the pavements in Taunton and Wellington.

Street Cleansing £42.1k

6.1.5 This is to pay for the replacement of litterbins in Station Road (£4.8k), East Reach (£4.8k), and the Town Centre (£16k). Also to fund an additional caretaker post up to the 31 March 2015 (£16.5k).

Car Park Improvements £125k

6.1.6 To fund a variety of maintenance and improvement works to include priority pothole repairs, white-lining, resurfacing North Street Wellington and Canon Street Taunton car parks, upgrading older machines, and redecorating the Orchard Multi Storey stairwell and lobby.

Capital Grant for Parish Play Equipment/Sports Halls/Clubs £20k

6.1.7 When the Capital Budget for 2014/15 was approved in February 2014, bids for funding for parish play equipment grants and clubs/village hall grants remained on the "aspirational" list but were not approved at that stage. It is now requested that £20k is allocated for these particular schemes and added to the Capital Programme for 2014/15 (via RCCO) funded by the 2013/14 underspend.

7 General Fund Capital Programme

7.1 The General Fund approved Capital Programme at the end of 2014/15 was £17,973k. This relates to schemes which will be completed over the next five years. The Council is supporting this investment through the use of Capital Grants and Contributions, Revenue Funding and Borrowing. The profiled expenditure on Capital Programmes during 2014/15 was £4,350k, with £13,623k being carried forward.

7.2 The major area of capital spend during the year was the refurbishment of Station Road Swimming Pool. Other major areas included: grant support for private and social sector housing, costs related to the ongoing Mercury Abatement Works to the Crematorium, refurbishment of three lifts at the Orchard Multi-storey Car Park, the refurbishment and extension of Wellington Pavilion, and the development of the DLO new finance system.

7.3 A summary of the General Fund Capital Programme budget and outturn for the year is included in **Appendix E**.

8 Housing Revenue Account (HRA)

8.1 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 2013/14 is a net surplus of £0.861m (3% of gross income).

Table 8: HRA Outturn Summary

	Budget	Outturn	Variance	
	£'000	£'000	£'000	%
Gross Income	(25,915)	(25,861)	54	0%
Service Expenditure	13,209	12,318	(891)	-7%
Other Operating Costs and Income	2,902	2,893	(9)	0%
Earmarked Reserve Transfers	(705)	(705)	0	0%
Capital Financing and Debt Repayment	10,138	10,123	(15)	0%
Technical Accounting Adjustments	419	419	0	0%
Unearmarked Reserve Transfers	(48)	(48)	0	0%
Net Variance	0	(861)	(861)	

8.2 The HRA Revenue Outturn 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**.

8.3 The major elements of this underspend position are summarised as follows:

8.3.1 **Rental Income:** A one-off additional week of rental income (there were 53 rent payments due on weekly rents in 2013/14) allowed an increase in budget of £456k to be allocated to Maintenance budgets which in addition to the existing budget was ultimately not needed.

8.3.2 **Provision for Bad Debt:** Provision for Bad Debt has been increased for 2 years by £423k to £503k in the HRA Business Plan to allow for the expected reduction in rent income expected due to Welfare Reform. However as Welfare reform has not yet been fully implemented, with Universal Credit currently anticipated to start in 2015, this additional budget was not needed in 2013/14 and the Business Plan Review in 2013 has been amended reflect this. In addition to this the collection of arrears have been prioritised by the Estates Team further increasing the income received from rents and reducing the Provision for Bad Debt required. Lastly a recommendation from audit to change the calculation method further reduced the provision needed. Together these have led to an overall underspend of £507k.

8.3.3 **Specialist Works:** Additional consultancy work on non-traditional dwelling construction types, and the utilisation of underspends elsewhere to fund an earlier start than budgeted for some compliance works such as legionella testing and emergency lighting, have led to an overspend of £110k in this area.

8.3.4 The large change in variance from Quarter 3 to Outturn of £621k is mainly due to a greater than expected return of over recovered costs from the DLO. The overheads recovery rate is determined at the beginning of the year based on an anticipated volume of work. As the amount of work requested of the DLO by the HRA has been higher than budgeted, this has led to an over-recovery of overheads by the DLO. The HRA ring-fence enforces that this is reconciled at year end to protect both the General Fund and the HRA. A refund was therefore due to the HRA and has been actioned. Currently this reconciliation is extremely difficult to forecast, however it is expected that the upcoming change in systems at the DLO will greatly help in monitoring this in future.

9 Housing Revenue Account Reserves

HRA Unearmarked Reserves

- 9.1 The following table summarises the movement in the HRA Reserve balance in 2013/14:

Table 9: HRA Reserve

	£'000
Balance brought forward 1 April 2013	2,246
Original Budget – Contribution to Reserves	0
Supplementary Estimates	
Joint CEO restructure costs	(12)
Customer Access project costs	(36)
Returns	0
Net Budgeted Reserves Balance	2,198
Net Underspend (Overspend) for the Year	861
Balance carried forward 31 March 2014	3,059

- 9.2 As the table shows, the HRA Reserve balance has increased from £2.246m at the start of the year to £3.059m at 31 March 2014 (approx. £518 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

- 9.3 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 2014 to support spending in future years is £614k.
- 9.4 The above balance includes £404k in the Social Housing Development Fund earmarked reserve. The opening balance on this reserve was £1,108k which was then supplemented by a £801k allocation from the HRA budget. £1,505k was then allocated in 2013/14 to fund the Social Housing Development capital programme, leaving a closing balance of £404k.

10 Recommendations for use of the 2013/14 HRA Underspend

- 10.1 The 2013/14 underspend has allowed the HRA Reserve to be increased to a level comfortably above the recommended minimum balance. This underspend has been caused by one-off items – additional rental income from an additional rent debit, and a delay in the introduction in aspects of the Welfare Reform agenda.
- 10.2 Therefore it is recommended that funds are allocated from the 2013/14 underspend for the following:

Community Development Reserve of £500k

- 10.2.1 To allow one-off investments in Community Development initiatives throughout

the Borough. The delegated authority for initiatives is proposed to be approved by the Portfolio Holder for Housing, Chair of Tenant Services Management Board and one of the Council's Statutory Officers.

Administration Support to March 2016 of £41k

10.2.2 Providing temporary administration support for area based teams for 2014/15 (part year) and 2015/16. In particular this resource will support Halcon One Team in its current operations, along with emerging multi public sector one teams in other areas of Taunton Deane.

11 HRA Capital Programme

11.1 The HRA approved Capital Programme at the end of 2014/15 was £20,363k. 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 expenditure on Capital Programmes during 2014/15 was £8,647k, as summarised in Table 10 below, with £11,655k being carried forward.

11.2 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.

11.3 **Appendix I** provides a breakdown of the HRA Capital Programme Outturn by scheme, and also sets out by scheme the proposed Carry Forward.

Table 10: HRA Capital Programme 2013/14 Outturn Summary

	£'000	%
Approved Capital Programme Budget	20,364	
Re-profiled forecast of spending to 2014/15	(11,655)	57%
Residual budget for 2013/14	8,709	
2013/14 Capital Expenditure Outturn	8,647	
Underspend	62	1%

11.4 The capital programme can be split into two distinct areas:

11.4.1 **Major Works:** Capital works on existing dwellings have increased significantly since the introduction of self-financing with spend of £6,561k in 2013/14, an increase of £1,866k (41%) from 2012/13. There is also £1,398k to fund works which have been re-profiled into 2014/15.

11.4.2 This represents a material increase in planned works such as replacement of kitchens, bathrooms, heating systems, roofs, doors, windows, adaptations, and includes the installation of over 90 Air Source Heat Pumps.

11.4.3 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.

- 11.5 **Development:** 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 with a total budget of £12,343k.
- 11.6 Total spend on the development of additional dwellings in 2013/14 is £2,086k, with the remaining £10,257k, which largely relates to the new build programmes at Creechbarrow Road and the Social Housing Development Programme the Phase 1 sites, which are scheduled into 2014/15 and 2015/16.
- 11.7 Seven dwellings which had previously been sold under Right to Buy were reacquired on the open market at a total cost of £712k 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.
- 11.8 The HRA Development Programme expenditure of £2,086k has been funded from a combination of capital receipts (including Right to Buy receipts) and from the Social Housing Development Fund.

Right to Buy Sales and ‘One for One’ Replacement

- 11.9 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).
- 11.10 During 2013/14 there were 47 RTB sales completed (37 in 2012/13, 11 in 2011/12), with total capital receipts of £2,705k, giving an average receipt of £58k. The following table summarises how the receipts have been distributed.

Table 11: 2013/14 Right To Buy Capital Receipts Distribution

	£'000
Total Capital Receipts from 47 RTB Sales	2,705
Less:	
Pooling – Payment to HM Treasury	(309)
Subtotal – Retained by Taunton Deane	2,396
Allocation to General Fund Housing Capital Programme (Enabling)	(131)
Set aside for repayment of Self Financing Debt for sold properties	(912)
Allowable transaction costs	(61)
Retained Element for ‘One for One’ scheme	1,292
Transfer to HRA Capital Receipts Reserve	1,292

- 11.11 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 £1,292k RTB retained receipts must be used towards total capital expenditure of £4,307k for new social/affordable housing schemes by March 2017.

11.12 This brings the total amount of additional receipts retained since April 2012 to £2,526k. Of this sum, £496k has already been allocated towards funding new affordable housing in the development capital programme and the remaining on track to be fully utilised within the timescales with a combination of buy backs and new build development schemes.

12 Deane DLO Trading Account

12.1 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 12: DLO Trading Account Outturn Summary

	2013/14		
	Income £'000	Expen- diture £'000	Net £'000
(Surplus)/Deficit for the year:			
Grounds Maintenance	(2,963)	2,279	(684)
Building Maintenance	(5,654)	4,859	(795)
Trading (Surplus) / Deficit Before Adjustments	(8,617)	7,138	(1,479)
Capital Charges & Income			151
Net Recharges			654
Offset IFRS* Technical Accounting Adjustments			241
Adjusted Trading (Surplus) before Contributions			(433)
Contribution to General Fund			101
Contribution from Trading Reserve			0
Trading Surplus After Adjustments and Contributions			(332)
Surplus transferred to Trading Account Reserve			332

12.2 The year end financial statements report that the DLO made an overall profit of £332k after contributing £101k to the General Fund. This surplus has been transferred to the DLO Trading Account Reserves (see below).

12.3 The DLO financial performance is up this year largely due to increasing work requests relating to the housing stock. Throughout the year work has continued to rise without the investment that would normally go with it, such as fleet and equipment. The DLO set their rates at the beginning of the year and when work increased the rates have not altered. Economies of scale and wider distribution of recharges have led to a greater than normal surplus being created.

12.4 The Trading Account Reserves Position balance brought forward of £138k relates to a retained trading surplus. The surplus for the year has enabled the DLO to set aside capital reserves to support investment in the service: £25k for fuel tanks; and £240k to fund vehicle replacement. The net trading reserve has therefore increased by £67k to £205k.

Table 13: DLO Trading Account Reserve Position

	£'000
Reserve balance brought forward 1 April	(138)
Retained Trading (Surplus) / Deficit	(332)
Transfer to Capital Replacement Reserve Fund	25
Transfer to Vehicle Replacement Reserve Fund	240
Other transfers	0
Reserve balance carried forward 31 March	(205)

Note: figures in brackets = surplus funds held

- 12.5 As agreed within the transformation plan, continuous improvement of DLO services will continue to improve all aspects of operational efficiency and effectiveness. The DLO is continuing to implement the replacement IT system with a 'go-live' date scheduled for 1st September 2014, and work also continues on the Depot Relocation Project.

Vehicle Replacement

- 12.6 The TDBC commercial vehicle fleet currently has 146 vehicles of which 5 are awaiting disposal with their replacement received in the last financial year. Of this total number approximately 60% are owned through capital purchases and 40% are leased.
- 12.7 The capital vehicles are replaced with the use of the annual capital fund (an RCCO) and the leases are funded by revenue and budgeted for within the services budgets. The procurement process for the replacements is supported by SWOne.
- 12.8 As part of the year end position approval is sought to transfer the DLO under spend of £240k into the DLO Vehicle Replacement Earmarked Reserve, with further approval to use this to support a managed fleet programme, thus adding this spending to the approved 2014/15 capital programme (funded from the reserve).

13 Deane Helpline Trading Account

- 13.1 During the year the Deane Helpline made a net overspend of £47k against the final budget. However, once IFRS and FRS17 Technical Accounting adjustments of £51k (which were not included for budget purposes) are reversed, this deficit reverts to a surplus against budget of £4k.
- 13.2 A considerable amount of work has been undertaken throughout 2013/14 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.
- 13.3 There are no funds held in the Deane Helpline Trading Account Reserve.
- 13.4 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.

14 **Taunton Unparished Area Fund (Special Expenses)**

- 14.1 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. The following table summarises the income and expenditure for the Fund in 2013/14.

Table 14: Unparished Area Fund Income (-) and Expenditure

	£	£
Fund balance brought forward 1 April		(21,101)
Correction of Previous Fund Amount*		(47,050)
Special Expenses Precept for 2013/14		(47,720)
Expenditure funded in the year:		
Taunton Town Centre Company (Make Taunton Sparkle)	14,000	
Contribution to Somerset Businesses Against Crime (SWBAC)	18,000	
Contribution to Creative Innovation Centre (CIC)	2,700	
Contribution to Wilton And Sherford Community Association	600	
New Fence at Galmington Allotments	3,108	
Traditional Swing in Vivary Park	5,000	
Safe Space - Taunton Street Pastors	2,467	
New Gymnastics Equipment at YMCA, Lisieux Way	5,401	
Additional Grounds Maintenance Work Within The Town Centre Area	750	
Additional Grass Cutting on Roadside Verges	18,375	
Replacement Entrance Gates for Rowbarton Allotments Association	1,783	
New Pyracantha Hedging for Holly Close Allotments Association	220	
Enhanced Cleansing under Railway Bridges, Taunton Station	2,600	
Total Expenditure		75,004
Fund balance in hand carried forward 31 March		(40,867)

Note: minus (-) balance = funds in hand

*It has recently come to light that the Unparished Area Fund balance in 2010/11 was inadvertently transferred to general fund reserves instead of the Unparished Area Fund reserve account. This has been corrected in 2013/14.

- 14.2 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.

15 **Business Rates Retention**

- 15.1 2013/14 is the first year of operating the business rates retention scheme. The 'rules' and supporting guidance have been updated through the year, right through to the financial year end, making accurate forecasting difficult. The required accounting arrangements result in some unexpected 'timing differences' when elements of the funding system impact on the funding position across financial years. The amounts credited to the General Fund Revenue Budget in

2013/14 are based on different sources – a combination of the 2013/14 NNDR1 (Original Budget Estimate) and the 2013/14 NNDR3 (End of Year position):

Table 15: Business Rates Breakdown

Heading	Fixed or Variable	Source
40% Standard Share of BR Income	Fixed	2013/14 NNDR1
Tariff to Government	Fixed	2013/14 NNDR1
Levy Payment to Government	Variable	2013/14 NNDR3
Safety Net Receipt from Government	Variable	2013/14 NNDR3
Share of Previous Year's Collection Fund Surplus	Fixed	2013/14 NNDR1
Section 31 Grant (Government-funded Reliefs/ Discounts)	Variable	2013/14 NNDR3

- 15.2 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 Taunton Deane Borough Council (TDBC).
- 15.3 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 16: TDBC Gain/Loss under the Retention Scheme

	Collection Fund £'000	TDBC General Fund £'000
Non Domestic Rating Income (Yield)	35,532	
*Add back Localism Reliefs	5	
*Add back ½ Small Business Rates Relief – funded by S31 Grant	1,127	
Adjusted Non Domestic Rating Income (Yield)	36,663	
40% Standard Share for TDBC		14,665
Tariff to Government (fixed amount)		(13,214)
Total Retained Income		1,451
TDBC Safety Net Threshold		2,188
NNDR Safety Net Entitlement		737

**The funding baseline is adjusted to avoid double-funding for the costs of enhanced Small Business Rates Relief, which is reimbursed to the Council via Section 31 Grant; and for Localism Reliefs to guard against authorities awarding reliefs to the extent that the authority trips into the safety net position.*

- 15.4 The following table summarises the net position in respect of retained business rates funding for the Council in 2013/14. The 'Actual for 2013/14' column reflects the information provided in 15.1 above.

Table 17: Business Rates Funding Outturn for TDBC

	Forecast Sept 2013 £'000	Forecast Dec 2013 £'000	Actual For 2013/14 £'000
40% Share of Business Rates Income (see above)	15,479	15,479	14,665
Tariff to Government (fixed amount)	(13,215)	(13,215)	(13,214)
Subtotal	2,264	2,264	1,451
Section 31 Grant – Impact of Reliefs	0	0	461
Safety Net Payment from Government	0	0	737
Total Business Rates Funding 2013/14	2,264	2,264	2,649

- 15.5 Gross rates payable increased with growth from £45,979,710 in 2012/13 to £47,639,006 in 2013/14, a 3.68% increase (2.84% RPI inflation and 0.84% net growth). 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. A potentially significant risk exists in respect of the costs of refunds and appeals, particularly where this results in refund that is back-dated to 2010 (or even earlier in a small number of cases). The total Gross Rateable Value of outstanding appeals with the Valuation Office as at 31 March 2014 = £36m.
- 15.6 Taking into account the inherent risks and uncertainties within the retention system, together with accounting timing differences referred above, it is recommended to maintain a contingency balance in a Business Rates Smoothing Account Reserve. A sum of £1.265m has been set aside (see Appendix D), providing some protection against differences which are larger than estimated. The requirement for this reserve will continue to be monitored as the retention system 'matures' and our level of certainty improves.

16 Legal Comments

- 16.1 None for the purpose of this report.

17 Links to Corporate Aims

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

18 Environmental and Community Safety Implications

- 18.1 None for the purpose of this report.

19 Equalities Impact

- 19.1 None for the purpose of this report.

20 Risk Management

- 20.1 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

21 Partnership Implications

- 21.1 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.

22 Recommendations

The Executive are recommended to:

- (a) It is recommended that the Corporate Scrutiny Committee / Executive scrutinises the Council's (revenue and capital) performance for the year 2013/14, for the General Fund and the Housing Revenue Account, noting the pre-approved carryforwards and transfers to earmarked reserves.
- (b) Approve the Carry Forward of **General Fund Capital Programme Budget** totalling £13.623m (as set out in **Appendix E**).
- (c) Recommend that Full Council approves the Carry Forward of **Housing Revenue Account Capital Programme** Budget totalling £11.655m (as set out in **Appendix I**).
- (d) Approve General Fund Supplementary Estimates in 2014/15, utilising 2013/14 underspends, in the following areas:
 - i. Recommend that Full Council approves **£50k** to fund an **IT Strategy** for the Council in 2014/15.
 - ii. Recommend that Full Council approves **£121k** to be added to the General Fund **Capital Programme** for 2014/15 to fund the **Taunton Cemetery extension**, funded by RCCO.
 - iii. Recommend that Full Council approves **£50k** to fund additional **grass cuttings** in 2014/15.
 - iv. Recommend that Full Council approves **£10k** to fund additional **weed spraying** in 2014/15.
 - v. Recommend that Full Council approves **£42.1k** to fund **Street Cleansing** works in 2014/15.
 - vi. Recommend that Full Council approves **£125k** to be added to the General Fund **Capital Programme** for 2014/15 to fund **Car Park improvements**, funded by RCCO

- vii. Recommend that Full Council approves **£20k** to be added to the General Fund **Capital Programme** for 2014/15 to fund **Play Equipment grants** in 2014/15, funded by RCCO.
- (e) Approve HRA Supplementary Estimates in 2014/15, utilising 2013/14 underspends, in the following areas:
- i. Recommend that Full Council approves **£500k** to fund **Community Development** in 2014/15, with delegated authority for initiatives to be approved by the Portfolio Holder for Housing, Chair of Tenant Services Management Board and one of the Council's Statutory Officers.
 - ii. Recommend that Full Council approves **£41k** to fund **Administration Support** in 2014/15 and 2015/16.
- (f) Recommend that Full Council approves the transfers to the **DLO Trading Account** Earmarked Reserves to fund vehicle replacements and fuel tank purchases; and for this to be added to the General Fund **Capital Programme** for 2014/15.

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
- J. Cemetery Extension Business Case

Contact Officer:

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

APPENDIX A

GENERAL FUND REVENUE ACCOUNT OUTTURN

Portfolio	Final Budget	Actual Expenditure	Variance
	£'000	£'000	£'000
Service Portfolios			
Community Leadership	618	668	50
Corporate Resources	1,990	2,357	367
Economic Development, Asset Management, Arts & Tourism	1,293	1,380	87
Environmental Services	4,219	4,455	236
General Services	266	671	405
Housing Services	2,579	2,536	(43)
Planning, Transportation & Communications	(1,431)	(1,714)	(283)
Sports, Parks & Leisure	2,703	2,844	141
Net Cost of Services	12,237	13,197	960
Other Operating Costs and Income			
Interest Payable and Debt Management Costs	0	0	0
Interest and Investment Income	(318)	(295)	23
Soft Loan	0	(15)	(15)
Capital Adjustments	(2,538)	(3,719)	(1,181)
Capital Financing from GF Revenue (RCCO)	789	789	0
Repayment of Capital Borrowing (MRP)	743	729	(14)
Transfers To/(From) Earmarked Reserves	5,411	5,501	90
Transfers To/(From) Unearmarked Reserves	(2,369)	(2,369)	0
IAS19 Pension Fund Adjustments	0	(928)	(928)
DLO Trading Account	(156)	(156)	0
Deane Helpline Trading Account	103	150	47
Authority Expenditure	13,902	12,884	(1,018)
Special Expenses	48	48	0
Borough Expenditure	13,950	12,932	(1,018)
Parish Precepts	522	522	0
Net Budget Requirement Before Funding	14,472	13,454	(1,018)
Revenue Support Grant	(3,556)	(3,556)	0
Retained Business Rates Funding	(3,559)	(3,505)	54
New Homes Bonus Grant	(1,747)	(1,747)	0
Local Services Support Grant	0	0	0
Council Tax Freeze Grant	(57)	(57)	0
Council Tax (Demand on Collection Fund)	(5,560)	(5,560)	0
Previous Year's Collection Fund Deficit/(Surplus)	7	7	0
Net Outturn for the Year	0	(964)	(964)

APPENDIX B

GENERAL FUND REVENUE ACCOUNT OUTTURN VARIANCES

Service / Heading	Explanation	Forecast Outturn Variances			Outturn
		Q1	Q2	Q3	Q4
COMMUNITY LEADERSHIP		0	0	0	(62)
Strategy	See section 4.40	0	0	0	(20)
Other minor variances					(42)
CORPORATE RESOURCES		218	128	24	(144)
Council Tax Collection	See section 4.38	0	0	0	(60)
Housing Benefit	See section 4.19	218	201	114	27
TDBC Assets	See section 4.37	0	0	(2)	64
Insurance Premium	See section 4.22	0	(73)	(73)	(117)
Benefits	See section 4.39	0	0	(15)	(51)
Other minor variances					(7)
ECONOMIC DEVELOPMENT, ASSET MANAGEMENT, ARTS & TOURISM		49	50	47	52
Priory Depot	There is currently a forecast under recovery of depot costs of £47k due to the fact that errors found in 12/13 budget were not corrected in time for the current year. However, recharge rates will be amended to ensure that the full cost of the depot is recovered in the year. Budgets have been updated and amended for 2014/15.	49	50	47	54
Other minor variances					(2)

ENVIRONMENTAL SERVICES		(92)	(87)	60	(99)
Crematorium & Cemeteries	See section 4.14	0	29	176	64
Household Waste Collection/ Recycling	See section 4.4	(92)	(116)	(116)	(122)
Welfare Funerals	See section 4.36	0	0	0	(23)
Other minor variances					(18)
GENERAL SERVICES		0	0	8	27
Central Costs	See section 4.35	0	0	8	34
Other minor variances					(7)
HOUSING SERVICES		12	(15)	(23)	(30)
Housing Standards	The overspend relates to an un-budgeted member of staff who has now been recharged below the line to the HRA, plus the costs of the energy efficiency helpline being incorrectly charged to capital instead of revenue. There is little change from Q3. £19k of debts re British Gas were written off in February 2013/2014.	0	0	35	35
B&B Accommodation	The demand for this service has been directly impacted by new Pathway to Independence (P2I) and Pathway for Adults (P4A) schemes, which has led to lower use due to successful prevention interventions. The minor change from Q3 represents an increase in demand towards the end of the year.	12	(15)	(58)	(48)
Other minor variances					(17)
PLANNING, TRANSPORT & COMMUNICATIONS		(91)	(214)	(226)	(706)
Off-Street Parking	See section 4.7	19	(77)	(121)	(439)
Public Transport Co-Ordination	The main reason for the underspend and the change from Q3 relates to the non-confirmation from Bishops Hull and Langford Budville Parish Council's that they wished to proceed in 2013-14 with the provision of new bus shelters in their parish as previously indicated.	0	0	(6)	(24)
Building Control – Fee Earning Account	This underspend is due to a current reduction in demand for this service. This service is offset by savings within the 'staffing' account.	35	35	45	75

Building Control – Staffing	This underspend is due to a current reduction in demand for this service. Consequently staff have been temporary redeployed (and charged) to Land Charges. The underspend also includes income recovered for staff costs due to new working arrangements with SDC. This service is netted off with the 'fee earning' account.	(82)	(69)	(56)	(75)
Planning Advice and Applications	See section 4.10	(63)	(103)	(88)	(233)
Other minor variances					(10)
SPORTS PARKS AND LEISURE		0	16	16	59
Community Parks and Open Spaces	Income received for pitch letting was reduced due to waterlogged pitches. The amount of budgeted income was far higher than has previously been achieved. This was recognised before the 2014/2015 budget was set and a more realistic income figure has been used.	0	16	16	32
Other minor variances					27
SUB TOTAL SERVICES		96	(122)	(94)	(903)
OTHER OPERATING COSTS & INCOME		89	(112)	8	(61)
Deane Helpline	See section 13	125	49	25	(4)
DLO	See section 12	0	0	0	0
Investment Income	The investment income is lower than budgeted for due to a combination of: (a) lower returns on investments than anticipated, and (b) a greater proportion being allocated to the HRA due to higher than expected HRA reserve levels.	0	0	29	23
MRP	An anticipated full year reduction in MRP due to the opening capital debt balance for the year being less than anticipated.	(32)	(32)	(32)	(13)
Other Minor Variances / Technical Adjustments	A number of minor variances across a wide range of cost centres, including variances in recharges.	(4)	(129)	(14)	(67)
TOTAL		185	(234)	(86)	(964)

GENERAL FUND UNEARMARKED RESERVES

APPENDIX C

	£'000	Current Budget £'000
Balance Brought Forward 1 April 2013		3,943
<u>Supplementary Estimates</u>		
Joint Management & Shared Services Project (Approved March 2013)	(67)	
Blackbrook Swimming Pool (Approved May 2013)	(1,500)	
Customer Access and Accommodation Project (Approved May 2013)	(70)	
Asset Strategy Project (Approved May 2013)	(40)	
Joint CEO Restructure Costs (Approved July 2013)	(35)	
Joint Management and Shared Services Business Case (Approved Nov 2013)	(900)	
Customer Access Strategy (Approved Dec 2013)	(144)	
Asset Strategy (Approved Dec 2013)	(90)	
Flood Relief* (Approved Feb 2014)	(40)	(2,941)
Redundancy Costs** (Approved Feb 2014)	(38)	
Mayoralty (Approved Feb 2014)	(17)	
<u>Returns</u>		
Return of Earmarked Reserves (Approved Dec 2013)	498	
SWAP trading surplus (Approved Dec 2013)	16	
		514
Budgeted Balance 31 March 2014		1,516
Underspend		964
Actual Balance		2,480
Allocation if Recommendations are approved		(418)
Residual Balance		2,022

* It is hoped all of this is not needed as contributions have been requested from the other Major Preceptors.

** Although up to £72,500 was approved only this amount was needed.

APPENDIX D

GENERAL FUND EARMARKED RESERVES

Reserve Heading	Balance at 31 March £'000	Transfers In 2013/14 £'000	Transfers Out 2013/14 £'000	Balance at 31 March £'000
Asset Management - General	338	20	-108	250
Asset Management - Leisure	773	176	-620	329
Capital Financing Reserve	991	3,372	0	4,363
CEO Initiatives	80	41	-17	104
Core Council Review	132	0	-132	0
DLO Trading Account	138	67	0	205
DLO Vehicle Replacement Reserve	0	241	0	241
Eco Towns Projects	120	0	-24	96
Growth & Regeneration Service Costs	559	50	-387	222
Homelessness Grant	123	26	0	149
Housing Enabling	208	4	-36	176
JM & SS Project	0	1,568	0	1,568
Local Plan Enquiry	362	138	-96	404
Monkton Heathfield	0	300	0	300
New Homes Bonus Reserve	1,040	1,354	-1,600	794
Performance & Client Consultancy	108	163	-60	211
Planning Delivery Grant	193	0	-41	152
Self-Insurance Fund	750	0	-250	500
Business Rates Smoothing Account Reserve	0	1,265	0	1,265
Troubled Families	246	249	-143	352
Other earmarked reserves	1,348	1,156	-1,026	1,478
GRAND TOTAL	7,509	10,190	-4,540	13,159

APPENDIX E

GENERAL FUND CAPITAL PROGRAMME OUTTURN

Scheme Heading	Budget £'000	Outturn £'000	Variance £'000	Carry Forward £'000
Swim Pool PV Cells	65	59	(6)	6
Total Community Leadership	65	59	(6)	6
PC Refresh Project	132	26	(106)	106
Members IT Equipment	8	2	(6)	6
IT Infrastructure	25	0	(25)	25
SCCC Loan	1,000	0	(1,000)	1,000
Gypsy Site	108	0	(108)	108
E-Secure Revs and Bens	10	10	0	0
Joint Mgt and Shared Service	1,010	0	(1,010)	1,010
Total Corporate Resources	2,293	38	(2,255)	2,255
Canal Grant	10	10	0	0
Waste Containers	107	71	(36)	36
Mercury Abatement	240	231	(9)	9
Chapel Roof	180	0	(180)	180
Total Environmental Services	537	312	(225)	225
Private Sector Health and Safety	0	(1)	(1)	0
Energy Efficiency	30	0	(30)	30
Landlord Acc Scheme	46	41	(5)	5
Wessex HI Loans	10	9	(1)	1
DFGs Private Sector	678	458	(220)	220
Grants to RSLs	1,541	283	(1,258)	1,258
Community Alarms	27	26	(1)	1
Total Housing Services	2,332	816	(1,516)	1,515
DLO Vehicles	180	175	(5)	5
DLO Plant	23	19	(4)	4
Project Taunton - Longrun Meadow Bridge C	108	5	(103)	103
Project Taunton - High Street Improvements	83	62	(21)	21
DLO New costing System	388	202	(186)	186
Project Taunton - Firepool	107	59	(48)	48
Project Taunton - Castle Green	295	59	(236)	236
Project Taunton - High St Retail	35	16	(19)	19
Project Taunton - Urban Growth	28	0	(28)	28
Project Taunton - Goodlands Gardens	0	(7)	(7)	0
Project Taunton - Coal Orchard	10	0	(10)	10
Project Taunton - Signage	7	6	(1)	1
Brewhouse	120	115	(5)	5
Thales	800	0	(800)	800
Creech Castle Improvements	375	0	(375)	375
Firepool Access	1,500	0	(1,500)	1,500
Total Ec Dev, Asset Management, Arts & Tourism	4,059	711	(3,348)	3,341

Scheme Heading	Budget £'000	Outturn £'000	Variance £'000	Carry Forward £'000
Accolaid Upgrade	20	20	0	0
Orchard Car Park	886	205	(681)	681
Canon Street Car Park	50	2	(48)	48
Total Planning, Transport & Communications	956	227	(729)	729
Grants to Clubs Play	178	66	(112)	112
Grants to Parishes	62	41	(21)	21
Replace Play Equip	96	90	(6)	6
Play Equip Long Run	2	2	0	0
Play Equip Greenway	1	1	0	0
Vivary Park Play	7	7	0	0
Wellington Recreation	6	6	0	0
Lambrook Green	27	35	8	0
Wellington Pavilion	269	269	0	0
Swains Lane Park	17	17	0	0
Station Road Swimming Pool	1,515	1,450	(65)	65
Wellington Skate Park	64	64	0	0
Wellington Sports Centre	126	126	0	0
Blackbrook Pool	5,353	5	(5,348)	5,348
Langford Budville Play	1	1	0	0
Taunton Athletics Club	6	6	0	0
Norton Fitzwarren Village Hall	1	1	0	0
Total Sports Parks and Leisure	7,731	2,187	(5,544)	5,552
GRAND TOTAL	17,973	4,350	(13,623)	13,623

APPENDIX F

HOUSING REVENUE ACCOUNT OUTTURN

	Original Budget 2013/14 £'000	Final Budget 2013/14 £'000	Actual 2013/14 £'000	Variance 2013/14 £'000
Income				
Dwelling Rents	(23,707)	(24,666)	(24,609)	57
Non Dwelling Rents	(588)	(588)	(574)	14
Charges for Services/Facilities	(168)	(173)	(190)	(17)
Contribution towards expenditure on estates	(189)	(189)	(189)	0
Supporting People	(299)	(299)	(299)	0
Total Income	(24,951)	(25,915)	(25,861)	54
Expenditure				
Management General	4,893	5,087	5,122	35
Maintenance	6,738	7,611	7,344	(267)
Capital Charges – depreciation	6,385	6,826	6,826	0
Provision for Bad Debt		503	(4)	(507)
Provision for Repayment of Borrowing	2,293	1,852	1,852	0
Debt Management expenses	8	8	0	(8)
IFRS Employee Benefits Adjustment	0	0	2	2
IAS19 Pension Fund Technical Adjustments	0	0	(146)	(146)
Total Expenditure	20,317	21,887	20,996	(891)
Net Cost of Services	(4,634)	(4,028)	(4,865)	(837)
Other operating costs and income				
Interest Payable	2,937	2,937	2,942	5
Interest Receivable	(35)	(35)	(49)	(14)
Net Operating Expenditure	(1,732)	(1,126)	(1,972)	(846)
Appropriations				
Transfer to/(from) Earmarked Reserve		(705)	(705)	0
Transfer Procurement Savings to GF	382	419	419	0
Revenue Contributions to Capital	1,350	1,460	1,445	(15)
(Surplus)/Deficit	0	48	(813)	(861)
Transfer to HRA Reserve Working Balance	0	(48)	813	861

APPENDIX G

HOUSING REVENUE ACCOUNT OUTTURN VARIANCES

No.	Service / Heading	Explanation	Forecast Variance			Outturn	
			Q1 £'000	Q2 £'000	Q3 £'000	Q4 £'000	Total £'000
1	Dwelling Rents	Dwelling rents are slightly lower than budget (0.2%) due to the increase in Right to Buys experienced in 2014/15 reducing rental income	(308)	(218)	543	40	57
2	Non-Dwelling Rents	Pressure on garage rents due to low take up of voids in some areas and a reduction in garage numbers due to redevelopment	13	(2)	0	3	14
3	Other Income	A small surplus on budget, however much of this is offset by additional expenditure in maintenance as it relates to leaseholder charges	12	(12)	5	(22)	(17)
4	Management	Savings from vacant posts have been partially offset by additional temporary staff	(41)	170	(92)	(154)	(117)
5	Maintenance	Early anticipated pressures in general maintenance and voids were offset by a virement from the additional rental income received for the 53rd week rent debit. However at year end the reconciliation of DLO works meant that this was no longer fully needed and so overall the budget is now underspent	654	425	(973)	(373)	(267)
6	Provision for Bad Debt	A combination of the delay in Universal Credit, a push from the Estates Team to reduce rent arrears, and a change in the way the provision is calculated (as suggested by audit) has led to additional rent income being received and a reduction in provision for bad debt	(330)	0	(73)	(104)	(507)
7	Interest Payable / Receivable	Additional interest received has led to a small underspend	0	5	(18)	4	(9)
8	Earmarked Reserves	Transfers to Social Housing Development Fund and other EMRs are on target	0	0	0	0	0
9	Revenue Contribution to Capital	Slippage within the capital budgets has led to the Revenue Contribution to Capital not being needed in 2013/14	0	(535)	535	(15)	(15)
10	Transfers to the General Fund	Transfers to the General Fund were in line with the target budget	0	38	(38)	0	0
	GRAND TOTALS	Note: A number of virements requested throughout the year have caused swings between service headings between quarters	0	(129)	(111)	(621)	(861)

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	0	0	79
CCR DLO Transformation (HRA resources)	65	0	(21)	44
Customer Access and Accommodation	0	36	0	36
Halcon Regeneration Scheme Project Costs	52	0	(28)	24
Social Housing Development Fund	1,108	801	(1,505)	404
Other Reserves	15	13	(1)	27
GRAND TOTAL	1,319	850	(1,555)	614

APPENDIX I

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME OUTTURN

Scheme Heading	Budget £'000	Outturn £'000	Variance £'000	Carry Forward £'000
Environmental Improvements	155	9	(146)	146
HRA Aids and Adaptations	135	103	(32)	0
HRA Air Source Heat Pumps	615	602	(13)	13
HRA Asbestos Works	219	218	(1)	0
HRA Bathrooms	1,035	827	(208)	208
HRA Community Alarms	100	17	(83)	83
HRA DFGs	339	282	(57)	31
HRA Door Entry Systems	245	224	(21)	21
HRA Doors	350	296	(54)	54
HRA Fascia's and Soffits	855	817	(38)	38
HRA Fire Safety Works in Communal Areas	250	156	(94)	94
HRA Heating Improvements	1,180	905	(275)	275
HRA IT Development	100	58	(42)	42
HRA Kitchens	460	412	(48)	48
HRA Meeting Halls	25	24	(1)	0
HRA Roofing	1,400	1,334	(66)	66
HRA Soundproofing	5	4	(1)	0
HRA Tenants Improvements	6	6	0	0
HRA Windows	306	255	(51)	51
Other External Insulations	2	1	(1)	0
Revise Bathroom Location	11	11	0	0
Sustainable Energy Fund	228	0	(228)	228
Total Major Works	8,021	6,561	(1,460)	1,398
HRA Creechbarrow Road	8,143	1,227	(6,916)	6,916
Buy Backs	717	712	(5)	5
Phase 1 Sites	3,483	147	(3,336)	3,336
Total Development	12,343	2,086	(10,257)	10,257
GRAND TOTAL	20,364	8,647	(11,717)	11,655

TAUNTON CEMETERY EXTENSION BUSINESS CASE

TAUNTON DEANE CEMETERIES AND CREMATORIUM**CEMETERY EXTENSION****1. Background**

- 1.1 A burial service has been provided at the Taunton Deane crematorium site since 1956, this cemetery was in situ before the crematorium opened in 1963.
- 1.2 The Council is not legally obliged to provide a burial service, but by offering this facility we are providing the community with a public service that is very welcomed whilst generating some income for the Authority.
- 1.3 Taunton Deane cemetery was originally divided into two sections; the first (Traditional Section) allowed for full grave memorials and provided a small Roman Catholic section, and the other (Lawn Headstone Section) was inter-denominational and allowed for upright headstones.
- 1.4 Since 1956 the cemetery has expanded and new sections continually planned and developed. Due to the pressures on capital resources we have been unable to provide for future demand, hence there is now an urgent need for capital funding.

2. Burial Sections

- 2.1 When the cemetery opened the service provided a separate Roman Catholic section. That section was eventually filled and now the Catholic community are content to use the main cemetery, and so Taunton Deane cemetery is currently inter-denominational.
- 2.2 In comparatively recent years our society has become increasingly diverse with many different religious, ethnic and secular groups becoming established.
- 2.3 The council's policy is to provide an inter-denominational cemetery thus meeting the needs of the majority without discriminating against any particular group. Given the difficulties experienced trying to find land to increase burial provision in Taunton and Wellington this policy would appear the only viable option.

3. Demand/Charges

- 3.1 During 2013 Taunton Deane cemetery sold 58 new graves for full burial and 49 new cremated remains graves.
- 3.2 Currently each new lawn grave will be charged at £585.00 and each cremated remains grave £429. When an interment takes place charges for burial will be

made depending on the depth of the grave required, which will be; £478, £585 or £650. Cremated remains interments are all charged at £113.

- 3.3 Before a memorial can be placed upon a grave the council will levy a memorial permit fee of £170 per headstone, this is also made against the memorial placed upon a cremated remains grave.
- 3.4 The demand for the provision of a cemetery is clearly demonstrated and the fees & charges provide the local authority with a steady income, albeit not with a high profit-making focus.

4. Current Performance

- 4.1 The service has under-recovered on income by £83k in 2013/14 mainly due to an overall reduction in the number of funerals. A new crematorium opened in Bridgwater and another in Honiton has taken some of the business. The forecast on Quarter 3 was overly pessimistic and the service has reduced the variance to budget in the last quarter as the number of funerals increased substantially. Other management action was taken to reduce costs. Total income amounted to:-

Details	Amount £
Sale of Urns and Caskets	1,252.00
Sale of Memorial Cards	2,554.99
Memorial Plaques and Tablets	23,275.83
Cremation Fees	1,275,367.12
Entries in the book of Memory	17,217.79
Interment Fees	97,162.57
Use of Chapel	4,698.16
Purchase of Rights	58,341.00

- 4.2 This means that it would not be possible this year to offer up a contribution to the proposed capital outlay. In previous years this may have been possible. It is also noteworthy that the service is required to maintain several existing cemeteries for which no income stream is available. The maintenance of cemeteries is for public benefit rather than an income generating activity.
- 4.3 It is also difficult and would be imprudent in this demand-led service to offer assurance that capital contributions could be made in future years to offset this bid.

5. Capital Bid

- 5.1 It is estimated that the cemetery will be full within the next 12 months, with only 50 burial graves available and a limited number of cremated remains graves.
- 5.2 Fortunately the land required to meet future demand is adjacent to the existing site, earmarked for burial and owned and managed by Taunton Deane Borough Council.

- 5.3 Some major preparation has already been completed; Persimmon Homes paid for the fencing and hedging around the perimeter of the field. An entrance has been provided and in consultation with the Environment Agency a small stream has been piped and levelled.
- 5.4 In order for the land to be accessible and in an appropriate condition to be used for graves, additional capital expenditure is urgently required. The timescales are particularly pressing as ideally the site would have time to establish before it is used, ie grounds and pathways etc would be mature and the site would appear complete and established. This may not be the case in this instance as the demand will be in the near future.
- 5.5 We have obtained a quote for the remaining works required and these are detailed in a quotation provided by Lance Povah, and estimated at £110k. See Appendices A and B. Further quotes will of course be obtained under procurement rules if approval is granted. A 10% contingency has been added to this figure as would be normal in construction projects.
- 5.6 Any adhoc and incremental revenue implications for the service would be limited and would be covered within the normal operating costs.

6. Funding

- 6.1 In order to fund the £121k capital outlay we could use unallocated balances within the Capital Financing Reserve. This would be a legitimate use with a tangible outcome. Alternatively, as we will be reporting a potential underspend for the Council overall this year, we could earmark this request as a first call to address the urgent need.
- 6.2 In either option, the revenue implications would be limited to a marginal reduction in interest income, when interest rates are very limited and this would avoid the need for borrowing against the service.

7. Recommendation

- 7.1 The long term provision of this service and whether it is cost effective is not addressed in this paper and will need detailed analysis and public consultation. The immediate need for the preparation of the grounds has made this an urgent request. The grounds will take time to establish and will still be “immature” in a year’s time if work started immediately.
- 7.2 The recommendation is therefore that in order to maintain this service and offer assurance to the public that the council values the service despite not being legally obligated to provide it, a capital bid be approved for £121k. The service would then have enough capacity at this site to operate for another 10 years.