

# **Taunton Deane Borough Council**

## **Council Meeting – 14 July 2015**

### **Part I**

To deal with written questions to, and receive recommendations to the Council from, the Executive.

## **Councillor John Williams**

### **Financial Outturn 2014/2015**

The Executive has now had the opportunity to consider the Council's financial outturn for revenue and capital expenditure in 2014/2015 for the Council's General Fund (GF), Housing Revenue Account (HRA) and trading services.

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.

The outturn figures 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 (Section 151 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 the Corporate Governance Committee later in the year.

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.

#### **2014/2015 Financial Performance**

Members will be aware from previous experience that the position can change between 'in year' projections and the final outturn position. 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 Quarter 3.

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 The Council's ability to accurately forecast the 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. The Council has directed more focus on the higher risk / more volatile areas, with accountants supporting Budget Holders with more detailed trend analysis to further improve 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.

A summary of the Outturn is as follows:-

### ***General Fund Revenue***

The General Fund (GF) Revenue Outturn for 2014/2015 is a Net Expenditure position of £13,901,000, which is a £222,000 (1.7%) underspend against the Final Net Budget for the year. 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 £34,000,000 in March 2014 to £48,000,000 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 allocate the £222,000 underspend to the Business Rates Smoothing Reserve. Carry Forwards of £443,000 are also proposed.

The GF Reserves balance as at 31 March 2015 stands at £2,109,000. This balance will reduce to £1,887,000 if the allocation of the 2014/2015 underspend to the Business Rates Smoothing Reserve is approved. The balance remains above the minimum reserves expectation within the Council's Budget Strategy (£1,500,000).

The Earmarked Reserves balance as at 31 March 2015 is £15,308,000, representing funds that have been set aside for specific purposes to fund expenditure in 2015/2016 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 2015/2016.

### ***Deane DLO Trading Account***

The DLO had made an overall profit of £109,000 after contributing £101,000 to the

General Fund. This surplus had been transferred to the DLO Trading Account Reserves increasing the reserve balance to £314,000.

### ***Deane Helpline Trading Account***

The Deane Helpline had reported a net deficit of £49,000 for the year, which was an underspend of £34,000 against the final budget and represented the net cost of the service to the General Fund.

### ***General Fund Capital***

The General Fund profiled Capital Programme at the end of 2014/2015 was £4,365,000. The profiled expenditure on Capital Programmes during 2014/2015 was £2,351,000, with £2,374,000 being carried forward to support delivery of approved schemes in 2015/2016.

### ***Housing Revenue Account Revenue***

The Housing Revenue Account (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 2014/2015 is a net underspend of £1,269,000 (4.8% of gross income). Approval is sought for a number of proposals which, if approved, would allocated £776,000 of the net underspend to support investment in housing services.

The HRA Reserve balance as at 31 March 2015 stands at £3,484,000, which is above the minimum level (£1,800,000) set within the Council's Budget Strategy and HRA Business Plan. This balance would reduce to £2,708,000 if the allocations of £776,000 are approved.

The HRA Earmarked Reserves balance as at 31 March 2015 stands at £2,222,000. This includes £112,000 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.

### ***HRA Capital***

The HRA approved Capital Programme at the end of 2014/2015 was £24,907,000. This relates to schemes which will be completed over the next five years. The actual expenditure on Capital Programmes during 2014/2015 was £9,869,000, with £14,793,000 for planned investment to implement approved schemes in future years. The underspend reported in 2014/2015 against the overall programme is £245,000, related to disabled facilities adaptations. A Carry Forward of £9,583,000 is also proposed.

The Corporate Scrutiny Committee considered the Financial Outturn at its meeting on 25 June 2015 and the views expressed by Members had been taken into account by the Executive. The Scrutiny Committee had supported the proposals outlined.

In the circumstances, it is **recommended** that:-

- (a) The reported General Fund Revenue Budget underspend of £222,000 in 2014/2015 and the General Reserves Balance of £2,109,000 as at 31 March 2015 be noted;
- (b) The transfer of £222,000 from General Reserves to the Business Rates Smoothing Reserve at the beginning of 2015/2016 be approved;
- (c) The General Fund Revenue Budget Carry Forwards totalling £443,000 be approved;
- (d) A General Fund Capital Programme Budget Carry Forward totalling £2,374,000 be approved;
- (e) A Housing Revenue Account Capital Programme Budget Carry Forward totalling £9,583,000 be approved; and
- (f) £776,000 of Supplementary Budget allocations for the Housing Revenue Account, utilising 2014/2015 underspends be also approved for the following areas:-
  - i. £150,000 to fund a full review of the Housing Revenue Account Business Plan in 2015/2016;
  - ii. £160,000 to fund Pre-Void and Tenant Inspections in 2015/2016 and 2016/2017, with any balance across financial years held in an earmarked reserve;
  - iii. £100,000 to fund a Lettings Contingency Budget in 2015/2016 and 2016/2017, with any balance across financial years held in an earmarked reserve;
  - iv. £60,000 to fund a Sheltered Housing Project Management to October 2016;
  - v. £41,000 to fund Mental Health Support for tenants;
  - vi. £138,000 to fund Employment and Skills Development in 2015/2016, 2016/2017 and 2017/2018, with any balance across financial years held in an earmarked reserve; and
  - vii. £127,000 to fund a One Team Co-ordinator post in 2016/2017 and 2017/2018, with funding to be held in an earmarked reserve.