

Taunton Deane Borough Council

Council Meeting – 22 July 2014

Part I

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

(a) Councillor Williams

Financial Outturn 2013/2014

The Executive has recently considered a report concerning the Council's financial performance for the 2013/2014 financial year.

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 continues to be squeezed.

During the last financial year, Members have been presented with regular financial monitoring information, with quarterly performance reports submitted to both the Corporate Scrutiny Committee and the Executive.

There has 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 included:-

- The new Business Rates Retention scheme where 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; and
- Forecasting for demand-led services. It is planned to direct more focus on the higher risk / more volatile areas, with more detailed trend analysis to improve forecasting in the future.

A summary of the Council's Financial Performance for 2013/2014 is as follows:-

General Fund (GF) Revenue - The GF Revenue Outturn for 2013/2014 is a Net Expenditure position of £13,453,000, which is a £964,000 (6.7%) underspend against the Final Net Budget for the year. 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.

The following proposals are those the Executive wishes to recommend for approval which would allocate £418,000 of the underspend or additional budget approvals for 2014/2015:-

Supplementary Requests of Underspend 2013/2014

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

The GF reserves balance as at 31 March 2014 stood at £2,480,000. This balance will reduce to £2,062,000 if the above allocations of £418,000 are approved. This balance remains above the minimum reserves expectation within the Council's Budget Strategy (£1,500,000).

The Earmarked Reserves balance as at 31 March 2014 was £13,009,000, representing funds that have been set aside for specific purposes to fund expenditure in 2014/2015 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.

General Fund (GF) Capital - The GF approved Capital Programme at the end of 2014/2015 was £17,973,000. This relates to schemes which will be completed over the next five years. The profiled expenditure on Capital Programmes during 2014/2015 was £4,350,000, with £13,623,000 being carried forward.

Housing Revenue Account (HRA) Revenue - The HRA was a 'Self-Financing' account for the Council's Housing Landlord function, which is budgeted to 'break even'. The HRA Outturn for 2013/2014 is a net underspend of £861,000 (3.3% of gross income).

The Executive has recommended that funding should be allocated from the underspend for the following projects:-

- Community Development Reserve – to allow one-off investments in Community Development - £500,000; and
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- Administration Support for area based teams to March 2016 - £41,000.

The HRA Reserve balance as at 31 March 2014 stood at £3,059,000, which was above the minimum level (£1,800,000) set within the Council's Budget Strategy and HRA Business Plan.

The HRA Earmarked Reserves balance as at 31 March 2014 stood at £614,000. This includes £404,000 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.

Housing Revenue Account (HRA) Capital - The HRA approved Capital Programme at the end of 2014/2015 was £20,363,000. This related to schemes which will be completed over the next five years. The profiled expenditure on Capital Programmes during 2014/2015 was £8,647,000, with £11,655,000 being carried forward and a net underspend of £61,000 being reported.

Deane DLO Trading Account - The year-end financial statements reported that the DLO had made an overall profit of £332,000 after contributing £101,000 to the General Fund.

Although this surplus has been transferred to the DLO Trading Account Reserves approval is now sought to transfer £25,000 of this underspend to the Capital Replacement Reserve Fund to enable fuel tanks to be replaced and £240,000 into the DLO Vehicle Replacement Earmarked Reserve. Approval is therefore required to use the latter amount to support a managed fleet programme.

Deane Helpline Trading Account - The Deane Helpline had made a net overspend of £47,000 against the final budget. However, once Technical Accounting adjustments of £51,000 had been reversed, this deficit reverted to a surplus against budget of £4,000.

Taunton Unparished Area Fund (Special Expenses) - Total expenditure from the fund during 2013/2014 amounted to £75,004. Currently, £40,867 remains unallocated.

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 refunds that are back-dated to 2010.

Taking into account the inherent risks and uncertainties within the retention system, together with accounting timing differences, it is recommended to maintain a contingency balance in a Business Rates Smoothing Account Reserve. A sum of £1,265,000 has been set aside, 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 the Council's level of certainty improves.

It is **recommended** that:-

- (a) The Council's (revenue and capital) performance for the year 2013/2014, for the General Fund and the Housing Revenue Account, including the pre-approved carry-forwards and transfers to earmarked reserves, be noted;

- (b) The Carry Forward of General Fund Capital Programme Budget totalling £13,623,000 be approved;
- (c) The Carry Forward of Housing Revenue Account Capital Programme Budget totalling £11,655,000;
- (d) General Fund Supplementary Estimates in 2014/2015 in the following areas, utilising 2013/2014 underspends, be supported and that the following be approved:-
 - i. £50,000 to fund an IT Strategy for the Council in 2014/2015.
 - ii. £121,000 to be added to the General Fund Capital Programme for 2014/2015 to fund the Taunton Cemetery extension, funded by a Revenue Contribution to Capital outlay (RCCO).
 - iii. £50,000 to fund additional grass cuttings in 2014/2015.
 - iv. £10,000 to fund additional weed spraying in 2014/2015.
 - v. £42,100 to fund Street Cleansing works in 2014/2015.
 - vi. £125,000 be added to the General Fund Capital Programme for 2014/2015 to fund Car Park improvements, funded by a RCCO; and
 - vii. £20,000 be added to the General Fund Capital Programme for 2014/2015 to fund Play Equipment grants in 2014/2015, funded by a RCCO.
- (e) HRA Supplementary Estimates in 2014/2015 in the following areas, utilising 2013/14 underspends, be supported and that the following be approved:-
 - i. £500,000 to fund Community Development in 2014/2015, with delegated authority for initiatives to be approved by the Portfolio Holder for Housing, Chairman of the Tenant Services Management Board and one of the Council's Statutory Officers; and
 - ii. £41,000 to fund Administration Support in 2014/2015 and 2015/2016.
- (f) 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 2014/2015 be also approved.

(b) Councillor Mrs Herbert

COACH Project

The Executive has recently given consideration to the proposed provision of a Centre for Outdoor Activity and Community Hub (COACH) on a site at French Weir,

Taunton. The facility will be both a building, including a floodable boat store, and a community facility.

The intention was to provide a sustainable and functional permanent home for a wide variety of clubs and Community Groups as detailed in the business plan and the replacement of the public toilets as the current ones were sited on land that was required for the COACH scheme.

The Council has been working on the project since 2011 and provisional approval to grant a lease of the land had previously been agreed subject to planning permission, funding and a business case. Planning permission had been granted in November 2013.

In addition, an application was submitted to Sport England for grant funding earlier in the year. Initial discussions with Sport England have shown a good level of support for the project due to its unique nature.

With regard to contributory funding from the Council, Executive Councillor Norman Cavill agreed last year to accept the Trustees' proceeds from the sale of land at Castle Street, Tangier (the site of the former Taunton Youth and Community Centre) on the understanding that the money would be ring fenced for capital funding of youth projects to be agreed at the appropriate time.

To support the COACH project in their application to Sport England, the Executive was of the view that a proportion of these funds - £200,000 - should be earmarked for the project as the required funding.

The proposed term of the lease is proposed to be 125 years from a date to be agreed at a peppercorn rent. The lease will provide that the land shall be developed and used in accordance with the planning permission granted and that there shall be no rights to assign or sublet (save for casual hiring).

All the other terms and conditions, including those relating to the provision of replacement public toilets, would be agreed by the Council's Property Estates Team in consultation with the Executive Councillors for Leisure and Property.

It is **recommended** that:-

- (a) The grant of a long lease to the COACH Trustees at a peppercorn rent on the terms and conditions set out in the report to the Executive be approved;
- (b) A proportion of the funds - £200,000 – from the sale of the former Taunton Youth and Community Centre be assigned as funding for the COACH project to support the application for funding made to Sport England; and
- (c) When the funds are forthcoming from the sale, they be added to the Council's Capital Programme.

(c) Councillor Cavill

Council Accommodation

Consideration has recently been given to a report concerning the future of Taunton Deane Borough Council's Office Accommodation following an options appraisal exercise in December 2013.

The two options which have been under consideration over the past six months are a new build at Firepool, Taunton and a move to County Hall.

The Deane House was built in 1987 and has seen little refurbishment since then. It performs at EPC (Energy Performance Certificate) Level E and some of its infrastructure is coming to the end of its natural life. The building now needs significant investment.

The Council also has the challenge of meeting an unprecedented budgetary challenge and is considering all ways of cutting overhead costs in order to safeguard investment in front line services.

The review undertaken has focused on the future of the Council's main office base and has looked at options for this. Whilst a detailed financial and qualitative evaluation of the two options has been undertaken, in making the key leadership decision on a preferred future solution, the Council has to be mindful of a number of key factors.

The Deane House currently offers 4,355 sqm NIA (Net Internal Area) and occupancy surveys have shown that desks are vacant for 40% of the time. The Deane House costs around £650,000 per annum to occupy. Staying at The Deane House would involve significant additional cost although, in any event, the building was too large for the Council's current requirements.

A full Condition Survey has been carried out on the building with recommendations of what work is needed to make it fit for purpose. The offices would require some £4,300,000 of expenditure on M&E and backlog, of which in the region of £3,000,000 would need to be spent during the course of the next 2-5 years.

Other organisations which had chosen to rationalise their office accommodation have at the same time incorporated new ways of working. The outcome of introducing these was to reduce the amount of office space provided utilising the fact that desk spaces were occupied on for example a 60% basis. The terminology that has been adopted for this is "Smart Office".

The evaluation of the Council's accommodation needs has included a range of qualitative criteria, including the importance of a flexible accommodation solution. In addition, the evaluation has focussed on a "best assessment" of the accommodation

needs for the Council as currently understood. However, it is important to note that this context continues to evolve and change with increasing pace, and as such, the accommodation requirement is likely to continue to alter.

A DTZ study from as far back as 2008 stated the following two key findings from its survey of local authorities' approach to accommodation:-

- Reductions in space per employee and improved sustainability credentials were cited as the main achievements; nearly half of the Councils believed that major change projects had significantly contributed to improvements in staff performance.
- Over 40% of respondents reported significant success in implementing new work space strategies including flexible working, improvements in space utilisation ratios and reductions in staff to desk ratios.

During the second half of 2013 an internal review and high level option appraisal had been undertaken culminating in the following resolution being made by the Executive:-

- (1) The Key Principles against which the Council's future accommodation needs would be made be accepted as the correct ones;
- (2) Option 3 – Move to County Hall and Option 4 – New build at Firepool be adopted as the preferred options for the provision of the main office base of Taunton Deane Borough Council as the options which best met the Key Principles; and
- (3) Officers be requested to carry out full feasibility reports on the preferred options.

Following this resolution, the property consultancy DTZ was appointed to undertake the detailed feasibility study of the two preferred options.

The review process has now included consideration of the potential increased usage of West Somerset House in Williton to accommodate the single staff structure supporting both Councils. There is the potential for additional workstations to be provided there on the basis of a more efficient desk layout and the introduction of Smart Office ways of working, thereby reducing the Taunton space requirement.

The appraisal process has brought together two areas of analysis - financial and non financial. Once both the financial and non-financial scores are finalised, the two scores are combined to derive an Overall Value for Money Outcome and the overall weighting is financial 60% and non-financial 40% as it has been agreed that the financial aspects carry more weighting.

The following is the outcome of the Overall Value for Money assessment:-

	60%	40%	100%	VFM Ranking
	Financial Scoring	Qualitative Scoring	Total Combined Scoring	
DH SQ+	48.67	95.15	67.26	4
SCC 25- Year Lease	97.68	100.00	98.61	1
Firepool LL	73.46	98.79	83.59	2
Firepool 25 Year Lease	76.09	68.48	73.05	3

The above exercise has concluded that, when combining the Financial and Non-Financial scores, an accommodation solution at County Hall is shown the best overall Value for Money Option. A Virtual Freehold at Firepool ranks in second place. Remaining in occupation of The Deane House and investing in the building fabric and services, ranks in last place.

Both the main options under consideration have assumed the subsequent disposal of The Deane House and the wider site. However, there was now a clear commitment to reinvest the amount of any receipt obtained for The Deane House and site in an income generating investment.

Any agreement to move Taunton Deane Borough Council's accommodation from The Deane House to either County Hall or Firepool will involve many substantial next steps and tasks to implement and require significant resource.

Some cost estimates have been acquired to support the project via external project management support and other professional services. These will be subject to further negotiation and suitable scrutiny via procurement. The anticipated third party costs to see the project through to completion in 2017 are in the region of £250,000. This figure included the costs associated with the disposal of The Deane House site.

It is **recommended** that:-

- (1) It be agreed that the Council's preferred option for its future main office accommodation, reception and Member debating space is at County Hall, Taunton subject to Somerset County Council confirming its intent to develop the site and the agreement of Heads of Terms, detailed commercial negotiations and design;
- (2) Delegated authority be granted to the Director of Housing and Communities to progress this project to completion, in consultation with the Portfolio Holder for Asset Management;
- (3) A Supplementary Estimate of £250,000 for project related costs, funded by £210,000 (84%) from General Fund (GF) Reserves and £40,000 (16%) from the Housing Revenue Account (HRA) Reserves based on the current level of usage of The Deane House by GF and HRA services;
- (4) Approval be granted to initiate steps to facilitate either the disposal of The

Deane House site on the most favourable terms or entering into a regeneration project which will enable retention of the site and derives benefit to the Council; and

- (5) Subject to (4) above, a suitable investment be made in an income deriving asset of equivalent value to the receipt derived from The Deane House site disposal.