

Somerset West and Taunton Council

Executive – 23 July 2019

Financial Monitoring – WSC and TDBC Outturn Position 2018/19

This matter is the responsibility of Cllr Ross Henley, Portfolio Holder for Corporate Resources

Report Author: Emily Collacott (Finance Business Partner)

1 Executive Summary/Purpose of Report

- 1.1 This report contains information related to WSC and TDBC's financial performance for the 2018/19 financial year. The outturn figures included are provisional subject to external audit review; the findings of which are to be reported to the Audit, Governance and Standards Committee on 31st July this year.
- 1.2 Monitoring the budget is an important part of the Council's performance management framework.
- 1.3 The revenue outturn position for the financial year 2018/19 is as follows:
 - a) The TDBC General Fund (GF) Revenue Outturn position for 2018/19 is a net underspend of £240k (1.7% of Net Budget), after reserve transfers and carry forwards.
 - b) The WSC General Fund (GF) Revenue Outturn position for 2018/19 is a net underspend of £251k (4.6% of Net Budget), after reserve transfers and carry forwards.
 - c) 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 2018/19 is a net underspend of £296k (1.1 % of gross income).
- 1.4 The capital outturn position for 2018/19 is as follows:
 - a) The total TDBC General Fund Capital Programme budget is £78.731m, including ongoing schemes from previous years and new schemes approved at the start of and during 2018/19. Of this, £16.611m has already been spent in previous years and a further £15.398m has been spent during 2018/19. The projected spend in 2019/20 and future years is £46.716m (not including new 2019/20 budget approvals). A net underspend of £7k is being reported against the overall approved budget for the Programme.
 - b) The total WSC General Fund Capital Programme budget is £15.233m, including ongoing schemes from previous years and new schemes approved at the start of and during 2018/19. Of this, £1.367m has already been spent in previous years and a further £2.510m has been spent during 2018/19. The projected spend in 2019/20 and future

years is £11.556m (not including new 2019/20 budget approvals). There are no reported variances against the overall approved budgets.

- c) The HRA approved Capital Programme at the end of 2018/19 was £24.886m. This relates to schemes which will be completed over the next five years. The actual expenditure on the Capital Programme during 2018/19 was £11.379m with £13.533m for planned investment to implement approved schemes in future years. There are no reported variances against the total approved programme.

1.5 The General Reserves positions as at 31st March 2019 were:

- a) TDBC was £2.22m, which is £0.52m above the minimum level of £1.70m.
- b) WSC was £0.98m, which is £0.28m above the minimum level of £0.70m.
- c) HRA was £2.72m, which is £0.92m above the minimum level of £1.80m.

1.6 The opening balances for the General Reserves for SWT as at 1st April 2019 were:

- a) General Fund is £3.20m, which is £0.80m above the minimum level of £2.40m
- b) HRA is £2.72m, which is £0.92m above the minimum level of £1.80m.

2 Recommendations

2.1 The Executive reviews the financial performance and end of year position for both WSC and TDBC General Fund and the Housing Revenue Account for TDBC, including pre-approved carry forwards and transfers to earmarked reserves.

2.2 The Executive is recommended to:

- a) Note the reported TDBC General Fund Revenue Budget underspend of £240k in 2018/19 and the TDBC General Reserves Balance of £2.22m as at 31 March 2019.
- b) Note the reported WSC General Fund Revenue Budget underspend of £251k in 2018/19 and the TDBC General Reserves Balance of £0.98m as at 31 March 2019.
- c) Note the reported Housing Revenue Account Budget underspend of £296k in 2018/19 and the TDBC General Reserves Balance of £2.72m as at 31 March 2019.
- d) Note that the assets for sale target for the Transformation Programme was not met in 1819 and therefore the first £1.2m of future sale of assets is required to “payback” the NHB reserve.

3 Risk Assessment

3.1 This is a retrospective report therefore no risk assessment has been completed. Risk assessments regarding budget monitoring were carried out during the year and included with the reports for both WSC and TDBC.

4 Background and Full details of the Report

- 4.1 This report informs Members of both WSC's and TDBC's financial outturn (a comparison of net spending against the budget for the year) for revenue and capital budgets in 2018/19 for the council's General Funds (GF), Housing Revenue Account (HRA) and trading services.
- 4.2 The regular monitoring of financial information was a key element in both WSC and TDBC's Council's Performance Management Framework and is now key for SWT. Crucially it enables remedial action to be taken in response to significant budget variances, some of which may be unavoidable. It also provides the opportunity to assess any consequent impact on reserves and the Council's the Medium Term Financial Plans.
- 4.3 The outturn figures contained in this report are provisional at this stage. The financial outturn has been taken into account when preparing the Council's Statement of Accounts, which was approved by the Strategic Finance Advisor (S151 Officer) on 31 May, and is now subject to review by the Council's External Auditor. Should the External Auditor identify any changes to the Accounts these will be reported the Audit, Governance and Standards Committee on 31st July this year.
- 4.4 The outturn position reported for the General Fund contains some estimated figures for government subsidies on housing benefit and the total of business rates retention funding. These are based on unaudited claims, and it is possible that final figures post-audit could change. Should the final figures differ significantly from those used in this report an updated position will be provided as part of 2019/20 budget monitoring reports.

5 2018/19 Financial Performance

- 5.1 Members will be aware from previous experience that the position can change between 'in-year' projections and the final outturn position, mainly due to demand-led service costs and income levels. The budget monitoring process involves a regular review of all budgets. Budget Holders, with support and advice from their accountants, 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 budget monitoring reports.
- 5.2 Forecasting for demand-led services has continued to be a challenge especially in the current economic climate.
- 5.3 The Councils have continued to operate within the framework of their Budget Strategy and the overall financial standing at the end of the financial year is sound. The Reserve balances for the General Fund and the HRA are above their respective recommended minimums. The outturn for both Councils show that they continue to face challenges around profiling capital spend, and we will seek to improve accuracy of forecasting between financial years within the consolidated SWT Capital Programme.

6 Taunton Deane - Revenue Budget Outturn Summary

- 6.1 The General Fund Revenue Outturn position for 2018/19 is a net underspend of £240k (1.7% of Net Budget).

Table 1: TDBC General Fund Revenue Outturn Summary

General Fund Outturn 2018/19	Budget	Outturn	Variance	
	£'000	£'000	£'000	%
Net Cost of Services	17,623	17,553	-70	-0.5%
Interest and Investment Income	-444	-908	-464	-3.4%
Transfers from Earmarked Reserves	-1,704	-1,704	0	-
Transfers from General Reserves	-335	-335	0	-
Deane Helpline	135	166	31	0.2%
Capital and Other Adjustments	-1,500	-1,500	0	-
Net Budget	13,775	13,272	-503	-3.6%
Funding	-13,775	-13,512	263	2%
Variance	0	-240	-240	-1.7%

Note: Negative figures represent income / underspend

- 6.2 The Forecast Outturn as at Quarter 3 (December 2018), after approval to transfer £335k from general reserves for Transformation, was a £124k underspend. The main differences between the reported variances at Quarter 3 and the year-end Outturn are summarised in Table 2 below.

Table 2: Taunton Deane Main Differences between Q3 and Outturn Variances

	Q3	Change	Q4
	£000	£000	£000
Deane Helpline	0	31	31
Planning	76	18	94
Recycling	-76	-19	-95
Waste Collection	102	-58	44
Bereavement Services	-64	-55	-119
Environmental Health	-24	-18	-42
HR	46	0	46
Legal Services	46	-27	19
Conducting Elections	-26	-50	-76
Democratic Services	0	30	30
ICT	45	0	45
Council Tax Collection Costs	22	35	57
Rent Allowances/Rebates	-104	-421	-525
Revenues & Benefits	-163	106	-57
Housing Bed & Breakfast Accommodation	0	309	309
Shopmobility	-20	-1	-21
Leisure	-38	-44	-82
Community Safety	51	4	55
Asset Management	47	199	246

	Q3 £000	Change £000	Q4 £000
Transformation Costs	0	386	386
DLO Grounds & Nursery	100	-274	-174
Insurance	0	35	35
Interest Costs & Investment Income	-144	-320	-464
Business Rates	617	-354	263
Transfer from Earmarked Reserve	-617	354	-263
Other	0	18	18
TOTAL – over / (under) spend	-124	-116	-240

- 6.3 The main variances to budget and significant changes to the Quarter 3 position are explained as follows:
- 6.4 Deane Helpline: Overspend relates to higher cost of agency and staffing costs.
- 6.5 Planning: Increased income of £61k has been invested in the delivery of planning services however, due to the challenging market for planning specialist roles we have required agency staff to backfill which has contributed to increased spending of £155k, giving an overspend of £94k.
- 6.6 Recycling: The service has received additional income from green waste collection services of £95k with demand for the service exceeding budget expectations. This is a demand-led service and the position can fluctuate.
- 6.7 Waste Collection: Additional volume costs (extra properties) of £44k have been charged for the year by Somerset Waste Partnership.
- 6.8 Bereavement Services: This is a demand led service and usage has increased during the year producing additional income for the service of £249k. This has been offset by planned maintenance by contractors, additional staffing of £35k to cover upturn in workload and additional cremator maintenance and repair of £60k and £35k for the purchase, lease and repair of plant and machinery. Giving net additional income of £119k.
- 6.9 Environmental Health: There is additional income of £24k from the WH Smith court case income and staff savings of £18k, resulting in underspend of £42k.
- 6.10 Human Resources: There are additional employee insurance and payroll software costs of £46k.
- 6.11 Legal: Additional costs incurred in respect of legal input required for delivery of major projects.
- 6.12 Conducting Elections: Additional income and reduced election costs has resulted in and underspend of £76k.
- 6.13 Democratic Services: The partial closure of Deane House required the use of additional facilities for committee meetings.

- 6.14 ICT: Smartphone and 8*8 telephony rollout has increased revenue costs by £45k but enables greater efficiency and agile working.
- 6.15 Council Tax Collection: There was a shortfall of income of £57k in respect of reduced recovery action.
- 6.16 Rent Allowances/Rebates: There is a surplus under HB Subsidy arrangements of £525k, due to higher recoupment of rent allowances and rent rebates. (the variance equates to 0.49% of gross expenditure)
- 6.17 Revenues & Benefits: Additional new burdens income of £57k has been received from the government for various welfare reforms.
- 6.18 Housing Bed & Breakfast Accommodation: Cost of Bed and Breakfast expenditure has exceeded budget estimates by £309k. The council has a statutory duty to house people who find themselves homeless. The numbers of homeless have increased in 2018/19 compared to 2017/18. In April the Homelessness Reduction Act placed extra duties on the council to house the homeless until accommodation can be provided. In 2017/18 councils only had a duty to house the homeless for 28 days.
- 6.19 Shopmobility: Savings on electricity, maintenance and grant has given underspend of £21k.
- 6.20 Leisure: An additional contract item for the spa from GLL has not materialised giving a saving of £82k.
- 6.21 Community Safety: There is a budget error in the CCTV contract of £55k.
- 6.22 Asset Management: There is a projected overspend of £246k. The use of agency to cover a number of vacancies staff has led to one-off overspend of £246k on staff costs. This reflects the challenging market for property specialist roles.
- 6.23 Transformation: The overspend within the Transformation programme is due to the Redundancy costs being £1,075k higher than the revised budget of £5,280k, approved by both WSC and TDBC Full Councils in December 2018. £382k of this overspend is funded by saving elsewhere within the transformation programme. This gives a net total estimated overspend of £693k against the approved Transformation budget. Of which £386k is funded by Taunton Deane GF, £114k has been recharged to West Somerset per the agreement and £193k has been charged to the HRA.
- 6.24 DLO Grounds & Nursery: Underspend of £174k relates to a reduction in staffing due to the transformation process. Several senior members of staff left during the year.
- 6.25 Insurance: Premiums have increased during the year giving overspend of £35k.
- 6.26 Interest Costs and Investment Income: Additional investment income of £294k has been received due to improved returns. There has been no long term borrowing in 2018/19 which has given a saving of £170k in interest costs.
- 6.27 Business Rates: The forecast of Business Rates (BR) retained income is £263k lower

than the 2018/19 budget. This is primarily due to accounting timing differences, where business rates income is projected to exceed budget – which will be received through the Collection Fund Surplus in 2019/20 – but this leads to a higher levy costs which we must account for in this financial year. The increase income reflects net growth, reduced provisions for appeals/refunds and a higher compensation factor allowed against Small Business Rates Relief. The budget assumed 50% whereas the actual percentage is 69.7%. S31 grants are also lower than budgeted. This has been offset by a contribution from the BR smoothing reserve, therefore it doesn't impact the bottom line position.

- 6.28 The Council is part of the Somerset Business Rates Pool and should receive a pool dividend for its sharing of the pooling gain, which is currently estimated at £716k (subject to audit). The majority of this will be needed to meet the approved funding for transformation programme and transition resources approved by the Council in December 2018. The balance has been set aside within the Business Rates Smoothing Reserve.

7 Taunton Deane – Carry Forwards

- 7.1 In arriving at the net underspend of £240k for 2018/19 there are £928k of budget carry forwards, which have been approved by the S151 Officer under delegated powers. These are summarised and explained below:

Table 3: Taunton Deane Carry Forwards

		£
Parks Improvement Grant	Grant from MHCLG for parks improvement. Used for operation clean sweep.	18,430
Leisure Procurement	Balance of funding required for ongoing support for leisure procurement.	25,000
Housing Enabling	Funding for the development of new housing around the Hinkley area.	565,760
Homelessness	Grant empowers councils to support the full range of homelessness services to prioritise homelessness prevention.	202,570
Cricket World Cup	Funding approved for the Cricket World Cup and projects to enhance the town.	37,000
MHCLG EU Exit Prep	Communications work which has been delayed due to the delay in Brexit.	17,480
Operation Clean Sweep	Monies received from MHCLG for cleaning the city used for operation clean sweep.	20,580
Finance	Required upgrade of the e5 finance system was delayed.	41,500
Total Carry Forwards		928,320

8 Taunton Deane Business Rates

- 8.1 The Business Rates Retention (BRR) funding system is proving to be both challenging and volatile, with the Council facing significant risks particularly in respect of appeals against rateable values by rate payers. The required accounting arrangements also

result in some ‘timing differences’ which can skew the funding position across financial years.

- 8.2 TDBC’s share of business rates funding is directly linked to the total amount of business rates due and collected in the area. The amounts credited to the General Fund Revenue Budget in 2018/19 are based on business rates yield and BRR figures from different sources – a combination of the 2018/19 NNDR1 (Original Budget Estimate) and the 2018/19 NNDR3 (End of Year position):

Business Rates Funding Timing Differences

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

- 8.3 At the end of the financial year there will be a Surplus or Deficit on the Business Rates Collection Fund, and this sum will be distributed in future years based on Standard Shares – so 40% for Taunton Deane Borough Council.
- 8.4 The following table summarises the net position in respect of retained business rates funding for Taunton Deane in 2018/19 based on required accounting entries.

Table 4: Business Rates Funding Outturn 2018/19

	Original Budget	Actual
	£000	£000
40% Share of Business Rates Income	-15,219	-15,219
Tariff to Government (fixed amount)	12,781	12,781
Section 31 Grant funding for enhanced Small Business Rates Relief/Flooding Relief/Retail Reliefs	-1,358	-1,519
Renewable Energy Rates – 100% retained by TDBC	-171	-166
50% Levy Payment	375	793
Sub Total	-3,592	-3,330
Previous Year’s Collection Fund Deficit	937	937
Sub-Total Retained Business Rates Funding 2018/19	-2,655	-2,393
Business Rates Pool Dividend	0	-716
Total Retained Business Rates Funding 2018/19	-2,655	-3,109

- 8.5 Taking into account the inherent risks and uncertainties within the retention system, together with accounting timing differences referred above, a prudent balance is maintained in the Business Rates Smoothing Account Reserve. The balance on this reserve as at March 2019 is £1.605m providing funding to offset future Collection Fund

deficits plus resilience to further funding volatility in future years.

9 Taunton Deane - General Reserves

9.1 The following table summarises the movement on the General Reserves Balance during the year.

Table 5: General Reserve Balance

	£'000
Balance Brought Forward 1 April 2018	2,299
Transformation Programme	-335
Technical Accounting Adjustment	19
Budgeted Balance 31 March 2019	1,983
Outturn 2018/19	240
Balance Carried Forward 31 March 2019	2,223
Recommended Minimum Balance	1,700
Balance above recommended minimum	523

9.2 The balance as at 31 March 2019 (subject to audit) is £2.223m. This is £523k above the recommended balance of £1.7m, and a net reduction of just £76k compared to the opening balance.

9.3 Keeping reserves stable is important for financial resilience. In view of the financial risks within the 2019/20 budget for SWT and the financial uncertainty around business rates funding beyond 2019/20, holding reserves above the minimum requirement is recommended.

10 Taunton Deane – General Fund Earmarked Reserves – Appendix A

10.1 The Council can also set aside funds for specific purposes to be used in future years. **Appendix A** provides a summary of the earmarked reserves and their movement during the year. The proposed balance carried forward to support General Fund spending in future years is £14.194m. This balance has decreased by £7.512m during the year.

10.2 Taken out of context, reductions in reserves may be seen as a potential sign of future financial stress. For TDBC (and WSC) the reduction in earmarked reserves reflects planned spending on one-off costs rather than a general ‘propping up’ of the annual budget. However, the risks in particular relate to:

- Use of reserves to fund transition and service resilience one-off costs, that relies on successful benefit realisation for ongoing financial performance;
- Use of £1.2m from NHB reserves to cover for timing of flexible capital receipts – which needs this value of capital income to be secured during 2019/20 or 2020/21.

11 Taunton Deane - Deane DLO Trading Account

11.1 Due to the changes in the structure of the DLO in the year 2017/18 only the grounds maintenance service remains within the DLO in 2018/19. NB with the instigation of the

new Council in April 2019 there will be no areas of work reported as a separate trading account after 2018/19.

- 11.2 The following table provides a summary of the financial performance during the year. The difference between the outturn position and table 6 is capital charges which are shown in the trading account to reflect the true position but for the outturn are reversed as part of the technical accounting adjustments required for the Statement of Accounts.

Table 6: Grounds DLO Trading Account Position

DLO Trading Account	£000
Total Income	-3,486
Operating Costs	3,212
Net Operating Income	-274
Recharges and Capital Charges (excluding IAS19 accounting adjustments)	100
Net surplus for the Year	-174

12 Taunton Deane - Deane Helpline Trading Account

- 12.1 The Deane Helpline has reported a net deficit of £0.166m for the year. As the Council set a deficit budget of £0.135m the outturn reflects a net overspend of £0.031m against the final budget and represents the net cost of the service to the General Fund. The summary of the trading account is as follows:

Table 7: Deane Helpline Trading Account Position

Deane Helpline Trading Account	£000
Total Income	-1,127
Operating Costs	1,125
Net Operating Income	-2
Recharges and Capital Charges (excluding IAS19 accounting adjustments)	168
Net Deficit for the Year	166
Budget for the Year	135
Overspend against Budget	31

13 Land Charges, Licensing and Taxi Licensing

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

Table 8: Licensing and Land Charges Self-Financing Reserves

	Balance Brought Forward £	Under/(over)-recovery £	Balance Carried Forward £
Land Charges	(99,550)	(72,550)	(27,000)
Licencing	19,823	21,300	41,123
Taxi-Licencing	0	25,000	25,000

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 plus funding provided towards the impact of Council Tax Support on the Unparished area tax base. The following table summarises the income and expenditure for the Fund in 2018/19.

Table 9: Unparished Area Fund Income and Expenditure

	£	£
Fund balance brought forward 1 April		-58,456
Special Expenses Precept and CTRS Grant for 2018/19		-45,534
<i>Expenditure funded in the year:</i>		
Clear Mount Walk of overgrowth	1,152	
Holway Local Action Group – litter pick	720	
Wilton & Sherford Community Association - noticeboard	700	
Samaritans – equipment for outreach team	2,044	
YMCA – Heating system	2,450	
Priorswood Community Centre - handrails	2,047	
Taunton Pubwatch – Insurance etc:	675	
Beadon Rd and Allington Close – metal benches	2,200	
Allington Close – Concrete table tennis table	2,100	
Stand Against Violence – Prevention workshops in schools	1,200	
Rowbarton Allotments – shackle padlocks	889	
1 st Taunton St Peter’s Guides – cost of hall hire and census	330	
Hamilton Park Playing Fields - noticeboard	237	
6ft Tommy’s War Remembrance	1,294	
Total Expenditure		18,038
Fund Balance in hand carried forward 31 March		-85,952

Note: minus (-) = funds in hand

- 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. The Taunton Charter Trustees have requested the new Council transfer responsibility for the Unparished Area Fund to them in 2019/20, as separately reported.

15 Taunton Deane - General Fund Capital Programme – Appendix B

- 15.1 The total capital programme budget, including schemes brought forward from previous years, is £78.731m. Of this, £16.611m has already been spent in previous years and a

further £15.398m has been spent during 2018/19. The projected spend of approved budget profiled into future years is £46.716m. A net underspend of £7k is being reported against the overall approved budget for the Programme. A summary of the General fund Capital Programme and outturn for the year, is included in **Appendix B**.

15.2 The main areas of spend during the year includes:

- £3.1m on Growth Programme schemes
- £0.9m on transformation capital costs
- £2.1m on site and lease acquisition at Lisieux Way in Taunton
- £4.5m on Deane House project
- £0.7m on loan to Somerset Coast YMCA for Hotel in Taunton
- £0.5m on Disabled Facilities Grants

16 Taunton Deane – Housing Revenue Account (HRA)

16.1 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 Outturn for 2018/19 is a net underspend of £296k (1.1% of gross income). Table 10 below shows a high level summary of the outturn position.

Table 10: HRA Outturn Summary

	Budget £'000	Outturn £'000	Variance	
			£'000	%
Gross Income	-26,644	-26,641	3	-
Service Expenditure	14,302	14,079	-223	-2.21%
Other Operating Costs and Income	7,898	7,764	-134	-0.8%
Unearmarked Reserve Transfers	13	0	-13	-
Capital Financing and Debt Repayment	4,431	4,502	71	0.2%
Total	0	-296	-296	-1.1%

16.2 The Forecast Outturn as at Quarter 3 (December 2018) was £356k, after approval to transfer £356k from HRA general reserves for Transformation. Subsequent budget variances lead to a net surplus of £296k at the end of the financial year. The main differences between the reported variances at Quarter 3 and the year-end Outturn are summarised in Table 11 below.

Table 11: Main Differences between Q3 and Outturn Variances

	Q3 £000	Change £000	Q4 £000
Leasehold Income	-65	11	-54
Housing Management	-351	-486	-837
Grounds Maintenance	122	256	378
Building Services	0	-250	-250
Responsive Maintenance	-172	132	-40
Voids	0	439	439
Insurance	93	0	93
Interest Receivable	66	73	139

	Q3 £000	Change £000	Q4 £000
Interest Payable	0	-68	-68
Movement in Bad Debt	0	-296	-296
Depreciation	0	130	130
Transformation	0	193	193
Others	-49	-74	-123
Total	-356	-60	-296

- 16.3 The main variances to budget and significant changes to the Quarter 3 position are explained as follows:
- 16.4 Leasehold Income: Income from leaseholders was forecast to be higher than budgeted by £65k in Qtr3 to reflect the increased cost of maintenance on shared blocks. The final outturn is £54k higher than budgeted.
- 16.5 Housing Management: There have been significant spending reductions seen in tenant empowerment, the service development team and supported housing due to a number of vacant posts which had contributed to the forecast underspend of £351k in Qtr3. The final outturn is £837k underspent is mainly due to the aforementioned vacancies (£630k), a reduction in travel costs (£33k) a reduction in grant spend (£80k) and also due to an underspend against budget on Projects (£94k) due to a focus on Transformation activities.
- 16.6 Grounds Maintenance: a new service level agreement came into force from 18/19 onwards that did not reflect the budget that had been set for 2018/19 which has resulted in the overspend £378k.
- 16.7 Building Services: The final outturn position for building services is an underspend of £250k against budget due to £150k over recovery of income on external jobs and £100k underspend on costs.
- 16.8 Responsive Maintenance: A forecast underspend on responsive maintenance costs was forecasted in Qtr3 of £172k. This was due to a reduction on subcontractor spend as a result of better scheduling and securing cover for vacant posts. The final outturn position was underspend of £40k. Although electrical contractor spend was reduced as suggested, other areas of contractor spend increased due to losing key skills within the workforce during Transformation, which will be addressed through the recruitment process. There was also a great amount of drainage work undertaken, which has triggered a review with a view to capitalising some of this work in a programme.
- 16.9 Voids: The final outturn position on Voids is overspend of £439k. Although the volume of voids has remained approximately the same as previous years, there has been an increase in the amount of 'major' voids we have undertaken as opposed to a 'minor' voids. A major void is a property in significant state of disrepair, and/or requires upgrades to high cost components such as kitchens, bathrooms and heating systems. Typically the ratio annually is 75:25 minor : major, but for 2018/19 this ratio changed to around 50:50 minor : major.

- 16.10 Insurance: Insurance costs were reported to overspend by £93k in Qtr3 as seen in the final outturn position. This increase in price levied by our insurers is predominantly as a result of the windstorm/flood modelling but also linked in with the historic global catastrophes (the 3 hurricanes in one year), Grenfell tower and the fact re-insurance costs are increasing.
- 16.11 Interest Receivable: In Qtr3 it was reported that changes to reserve balances meant that the interest received on investments was forecast to be lower than budgeted by £66k. The final outturn position was that no interest receivable was received due to a reduction in investments and an increase in spending.
- 16.12 Interest Payable: The final amounts of interest payable on our loans was £68K less than budgeted due the continuation of low Bank of England base rates on some of our variable loans and lower rates of new borrowing than anticipated.
- 16.13 Movement in Bad Debt: Whilst Universal Credit for new claimants has been fully implemented, existing claimants still remain on the old scheme with no confirmation of when they may transfer. As a consequence recovery of debts remains higher than expected with a reduction in impairment of bad debts by £93k (against a budgeted increase of £69k), giving an underspend of £162k. However we have also seen £299k worth of debts being written off and funds of £433k being released from earmarked reserves resulting in a net underspend of £134k.
- 16.14 Depreciation: the revaluation of the componentisation of depreciation for dwellings at year end for 2018/19 was over budget by £279k, which was partially offset by underspend on the depreciation calculations for other land and buildings of £149k. These are yearend accounting adjustment that cannot be forecasted prior to closing the final accounts.
- 16.15 Transformation: The HRA share of overspend within the Transformation programme due to higher redundancy costs. (see 6.23).

17 HRA Un-earmarked Reserves

- 17.1 The following table summarises the movement on the HRA General Reserve Balance.

Table 12: HRA Reserve Balance

	£'000
Balance Brought Forward 1 April 2018	2,778
Transformation Programme Funding	-356
Outturn 2018/19	296
Balance Carried Forward 31 March 2019	2,718
Recommended Minimum Balance	1,800
Balance above recommended minimum	918

- 17.2 The balance at 31 March 2019 (subject to audit) is £2.718m and is £918k above the recommended balance of £1.800m.

18 HRA Earmarked Reserves – Appendix A

- 18.1 The Council can also set aside HRA funds for specific purposes to be used in future years. **Appendix A** provides a summary of the HRA earmarked reserves and the movements during the year. The balance at 31 March 2019 committed to support spending in future years is £2.719m.
- 18.2 The HRA earmarked reserves balance includes the Social Housing Development fund at £1.340m. Also included within these reserves is £474k for the Electrical Testing contract.

19 HRA – Proposed Carry Forwards

- 19.1 In arriving at the net overspend for 2018/19 there are £161k of budget carry forwards. These are summarised and explained below:

Table 13: HRA Carry Forwards

		£
Housing Enabling	Funding from Government ring fenced for North Taunton regeneration projects	161,230
Total		161,230

20 HRA Capital Programme – Appendix B

- 20.1 The HRA approved Capital Programme at the end of 2018/19 was £24.886m. 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 actual spend on the Capital Programme during 2018/19 was £11.379m with £13.534m being carried forward to be spent in future years.
- 20.2 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. The HRA Capital Programme and outturn for the year is included in Appendix B.

21 West Somerset - Revenue Budget Outturn Summary

- 21.1 The General Fund Revenue Outturn position for 2018/19 is a net underspend of £251k (4.6% of Net Budget). Table 13 below provides a high-level summary of the outturn position:

Table 14: West Somerset GF Outturn Summary

General Fund Outturn 2018/19	Budget	Outturn	Variance	
	£'000	£'000	£'000	%
Net Cost of Services	8,157	7,952	-205	-3.8%
Capital Financing	-1,852	-1,852	0	-
Interest and Investment Income	120	74	-46	-0.8%
Transfers from Earmarked Reserves	-848	-1,071	-223	-4.1%
Transfers from General Reserves	-170	-170	0	-
Net Budget	5,407	4,933	-474	-8.7%

General Fund Outturn 2018/19	Budget	Outturn	Variance	
	£'000	£'000	£'000	%
Funding	-5,407	-5,184	223	4.1%
Variance	0	-251	-251	-4.6%

21.2 The Forecast Outturn as at Quarter 3 (December 2018) after approval to transfer £170k from the general reserve for Transformation, was a net underspend of £380k. The main differences between the reported variances at Quarter 3 and the year-end Outturn are summarised in Table 10 below.

Table 15: West Somerset Main Differences between Q3 and Outturn Variances

	Q3 £000	Change £000	Q4 £000
Street Cleansing/Public Conveniences/Waste	-55	-35	-90
Environmental Health/Private Sector Renewal	-66	-17	-83
Member Services	-17	10	-7
Planning	-88	91	3
Off-street Parking	0	-35	-35
HR/Legal/Facilities	11	42	53
Finance	0	-14	-14
Estates/Assets	0	-102	-102
Elections	-22	2	-20
Rent Allowances/Rebates	-42	130	88
Revenues/Benefits	-60	47	-13
Interest Payable & Receivable	-41	-5	-46
Business Rates	433	-211	222
Reserve Transfers	-433	211	-222
Other		15	15
TOTAL – over / (-)underspend	-380	129	-251

21.3 The main variances to budget and significant changes to the Quarter 3 position are explained as follows:

21.4 Street Cleansing/Public Conveniences/Waste: There is a waste contract saving of £12k. PCs underspend of £13k are business rates and utility savings. There are Street Cleansing contract savings of £65k. Resulting in an overall underspend of £90k.

21.5 Environmental Health/Private Sector Renewal: Underspend of £38k is due to additional income from pest control service and water sampling service. There is also a saving on the Home Improvement Agency contracts of £45k.

21.6 Member Services: There is a saving of £7k on member allowances as not all members took up their full allowance.

21.7 Planning: Additional application fees of £129k has been offset by additional agency staffing and consultancy costs of £132k.

21.8 Off-street Parking: Additional income from parking fees.

- 21.9 Human Resources/Legal/Facilities: There is overspend in agency staffing costs of £38k. Legal costs in respect of work carried out for West Somerset by the legal partnership is £9k higher than had been budgeted for. Overspend on Facilities of £6k is due to increased security costs and cleaning which is now contracted out.
- 21.10 Finance: The additional agency staffing costs of £25k was offset by not using the £39k for revenue funding of capital expenditure.
- 21.11 Elections: There are savings on election expenditure of £20k.
- 21.12 Estates/Assets: Savings on asset maintenance works of £94k and additional rental income from Roughmoor Enterprise Centre of £21k has been reduced by £13k of increased rent and business rates expenditure.
- 21.13 Rent Allowances/Rebates: There is a deficit under the Housing Benefit subsidy arrangements of £88k.
- 21.14 Revenues and Benefits: Additional grant income from government in respect of welfare reforms is offset by the lower court cost income due to reduced recovery action.
- 21.15 Interest Payable and Receivable: There is an underspend of £5k on interest payable as there was no need to take on external loan borrowing during 2018/19, plus £41k additional investment interest income due to improved returns.
- 21.16 Business Rates: The prediction of Business Rates retained income is £222k lower than the 2018/19 budget. This is primarily down to paying a larger levy than budgeted for as the Council's income has risen due to higher compensation factor allowed against Small Business Rates Relief. The budget assumed 50% whereas the actual percentage is 65.2%. This has been offset by a contribution from the BR smoothing reserve, therefore it doesn't impact the bottom line position.
- 21.17 The Council is part of the Somerset Business Rates Pool and should receive a pool dividend for its sharing of the pooling gain, which is currently estimated at £555k. The aim of pooling is to increase funding to support measures for delivering financially sustainable council services and investing in growth and infrastructure initiatives.

22 West Somerset – Carry Forwards

- 22.1 In arriving at the net underspend of £251k for 2018/19 there are £207k of budget carry forwards. These are summarised and explained below:

Table 16: West Somerset Carry Forwards

		£
West Somerset House	Refurb of West Somerset House office space.	40,000
Operation Clean Sweep	Monies received from MHCLG for cleaning the area used for operation clean sweep.	6,112
Parks Improvement Grant	Grant from MHCLG for parks improvement. Used for operation clean sweep.	10,000

		£
Homelessness	The grant empowers councils to support the full range of homelessness services giving councils the flexibility to prioritise homelessness prevention.	126,959
MHCLG EU Exit Prep Monies	Communications work which has been delayed due to the delay in Brexit.	17,480
West Somerset Opportunity Area	Funds are required for projects that the Council is delivering in 2019/20 under the West Somerset Opportunities Area programme.	6,240
Total		206,791

23 West Somerset – General Reserves

23.1 The following table summarises the movement on the General Reserves Balance during the year.

Table 17: General Reserve Balance

	£'000
Balance Brought Forward 1 April 2018	899
Transformation Programme funding	-174
Outturn 2018/19	251
Technical Accounting Adjustment	5
Balance Carried Forward 31 March 2019	981
Recommended Minimum Balance	700
Projected Balance above recommended minimum	281

23.2 The balance as at 31 March 2019 (subject to audit) is £981k. This is £281k above the recommended balance of £700k.

23.3 As with the TDBC closing balance, keeping reserves stable is important for financial resilience in the face of future financial risks.

24 West Somerset Council – General Fund Earmarked Reserves – Appendix C

24.1 The Council can also set aside funds for specific purposes to be used in future years. **Appendix C** provides a summary of the earmarked reserves and their movement during the year. The proposed balance carried forward to support General Fund spending in future years is £4.048m. This balance has decreased by £201k during the year.

25 West Somerset - General Fund Capital Programme – Appendix D

25.1 The total capital programme budget including schemes brought forward from previous years is £15.233m. Of this, £1.366m has already been spent in previous years and a further £2.510m has been spent during 2018/19. The projected spend to be carried forward is £11.357m. A net underspend of nil is being reported against the overall approved budget for the Programme. A summary of the General fund Capital Programme and outturn for the year, is included in **Appendix D**.

26 West Somerset Business Rates

- 26.1 The following table summarises the net position in respect of retained business rates funding for the Council in 2018/19 based on required accounting entries.

Table 18: Business Rates Funding Outturn 2018/19

	Original Budget £'000	Actual £'000
40% Share of Business Rates Income	-6,662	-6,662
Tariff to Government (fixed amount)	4,913	4,913
Section 31 Grant funding for enhanced Small Business Rates Relief/Flooding Relief/Retail Reliefs	-730	-736
Renewable Energy Rates – 100% retained by TDBC	-30	-29
50% Levy Payment to Government	545	773
Sub Total	-1,964	-1,741
Previous Year's Collection Fund Deficit	-396	-396
Sub-Total Retained Business Rates Funding 2018/19	-2,360	-2,137
Business Rates Pool Dividend	0	-555
Total Retained Business Rates Funding 2018/19	-2,360	-2,692

27 Transformation Programme

- 27.1 The estimated overall costs of implementing the Transformation Programme and Creating a New Council were approved in the High Level Business Case approved by TDBC Full Council in July 2016 and WSC Full Council in September 2016. The total estimated costs approved were £7.1m. In December 2018 both WSC and TDBC's Full Council's approved the increase to the transformation programme of £2.4m, giving a revised programme budget of £9.5m.
- 27.2 When the high level business case for transformation was prepared it was thought that the majority of spend relating to technology would be able to be capitalised. As the project has progressed this has not been the case. We weren't able to capitalise all the costs for the Firmstep platform, some system consolidations and a few other minor items. Part of the agreed funding for the capital part of the high level business case was from revenue resources and therefore this funding has been reallocate from capital to revenue. The capital programme budgets remaining for SWT will be updated to reflect this change.
- 27.3 The table below shows the current spend position for the transformation programme. As previously mentioned the redundancy costs are £1,075k higher than the revised budget of £5,280k, approved by both WSC and TDBC Full Councils in December 2018. £382k of this overspend is funded by saving elsewhere within the transformation programme. There are still items to be delivered from the programme, mainly around IT, and therefore it is estimated that £1.13m will be spent in 2019/20. Therefore this gives a net estimated overspend of £693k against the total approved Transformation budget, which has been funded within the 2018/19 financial year.

Table 19 – Transformation Costs

	West Somerset £'000	Taunton GF £'000	Total GF £'000	HRA £'000	Grand Total £'000
Revenue					
2016/17	5	25	30	0	30
2017/18	89	531	620	310	930
2018/19	290	961	1,251	529	1,780
2019/20 onwards			294	113	407
Total Revenue	384	1,517	2,195	952	3,147
Capital					
2016/17	0	5	5	0	5
2017/18	26	144	170	0	170
2018/19	75	288	363	168	531
2019/20 onwards			9	3	12
Total Capital	101	437	547	171	718
Redundancy	1,161	3,489	4,650	1,705	6,355
Total Transformation	1,646	5,443	7,392	2,828	10,220

27.4 During 2018/19 the assets for sale target within the High Level Business case for TDBC had not been met. Therefore £1.2m was used from NHB reserves (as per the Full Council decision) to cover the costs incurred curing 2018/19 regarding the use of flexible capital receipts. This requires the first £1.2m of assets sale income secured during 2019/20 or 2020/21 to be ring-fenced to replenish the NHB reserve.

28 Somerset West and Taunton Council

28.1 The reserves balances as at 31st March 2019 from both West Somerset Council and Taunton Deane Borough Council have been amalgamated to become the opening balances for Somerset West and Taunton as at 1st April 2019. Tables 20 and 21 below show the positions for the GF and HRA.

28.2 The Shadow Authority approved a capital programme for Somerset West and Taunton in February 2019. The approved capital budgets for the new authority were £17.774m for the General Fund, including part of the overall allocations for NHB Growth Schemes and Community Infrastructure Levy, and £9.586m for the HRA.

29 Somerset West and Taunton General Reserves

29.1 As part of budget setting it was agreed to use £15k of general reserves for climate change. Therefore the balance as at 31 March 2020 is forecast as £3.189m. This is £789k above the recommended balance of £2.4m

Table 20: General Fund General Reserve Balance

	£'000
Balance transferred from Taunton Deane Borough Council	2,223
Balance transferred from West Somerset Council	981
Opening Balance 1 April 2019	3,204
Approved use in 19/20 budget for Climate Change	-15
Current Balance	3,189
Recommended Minimum Balance	2,400
Projected Balance above recommended minimum	789

- 29.2 During 2019/20 there is no planned use of the HRA Unearmarked Reserve Balance therefore the balance as at 31 March 2020 is forecast as £3.204m. This is £918k above the recommended balance of £1.8m.

Table 21: HRA Un-earmarked Reserve Balance

	£'000
Opening Balance 1 April 2019 transferred from TDBC	2,718
Current Balance	2,718
Recommended Minimum Balance	1,800
Projected Balance above recommended minimum	918

30 Somerset West and Taunton Earmarked Reserves – Appendix E

- 30.1 Appendix E provides a summary of the earmarked reserves and the movement to date held by Somerset West and Taunton. The General Fund total after 2019/20 budget transfers and 2018/19 carry forward approvals is £23.089m. The HRA is £2.532m.

31 Somerset West and Taunton Capital Programme – Appendix F and G

- 32 **Appendix F** shows the General Fund Capital programme for SWT including the slippage from the predecessor authorities. This totals £69.215 million, comprising the original approved budget of £17.774 million and slippage of £39.886 million from TDBC and £11.555 million from WSC.

- 32.1 **Appendix G** shows the HRA Capital programme for SWT including the slippage from TDBC. This totals £23.093 million, comprising the original approved budget of £9.586 million and slippage of £13.507 million from TDBC.

33 Link to Corporate Aims / Priorities

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

34 Finance/Resource Implications

- 34.1 Contained within the body of the report.

35 Legal Implication

35.1 There are no legal implications associated with this report.

36 Environmental Impact Implications

36.1 None for the purpose of this report.

37 Safeguarding and/or Community Safety Implications

37.1 None for the purpose of this report.

38 Equality and Diversity Implications

38.1 None for the purpose of this report.

39 Social Value Implications

39.1 None for the purpose of this report.

40 Partnership Implications

40.1 A wide range of council services are provided through partnership arrangements e.g. GLL (formerly Tone Leisure) for leisure services and Somerset Waste Partnership for Waste and Recycling services. The cost of these services is reflected in the Council's financial outturn position for the year.

41 Health and Wellbeing Implications

41.1 None for the purpose of this report

42 Asset Management Implications

42.1 None for the purpose of this report.

43 Data Protection Implications

43.1 None for the purpose of this report.

44 Consultation Implications

44.1 None for the purpose of this report.

45 Scrutiny Comments / Recommendation(s)

45.1 The chair of the Scrutiny request that the report be taken to the August meeting for review. Therefore there are no scrutiny comments to report.

Democratic Path:

- Executive – 23 July 2019
- Full Council – 30 July 2019
- Scrutiny Committee – 07 August 2019

Reporting Frequency: Annual

List of Appendices (delete if not applicable)

Appendix A	TDBC General Fund and Housing Revenue Account Earmarked Reserves Summary
Appendix B	TDBC General Fund and Housing Revenue Account Capital Programme Outturn Summary
Appendix C	WSC General Fund Earmarked Reserves Summary
Appendix D	WSC General Fund Capital Programme Outturn Summary
Appendix E	SWT General Fund and HRA Earmarked Reserves Summary
Appendix F	SWT General Fund Capital Programme Summary
Appendix G	SWT Housing Revenue Account Capital Programme Summary

Contact Officers

Name	Steve Meers
Direct Dial	01823 219488
Email	s.meers@tauntondeane.gov.uk

Name	Emily Collacott
Direct Dial	01823 218742
Email	e.collacott@tauntondeane.gov.uk

Name	Paul Fitzgerald
Direct Dial	01823 217557
Email	p.fitzgerald@tauntondeane.gov.uk