

# Somerset West and Taunton Council

## SWT Executive – 20 November 2019

### Financial Monitoring – 2019/20 as at 30 September 2019

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#### **1 Executive Summary**

- 1.1 This report provides an update on the projected outturn financial position of the Council for the financial year 2019/20 (as at 30 September 2019).
- 1.2 Monitoring the budget is an important part of the Council's performance management framework. Reporting is undertaken regularly to the Senior Leadership Team, with periodic reporting to the Executive Committee. Reporting is primarily 'by exception' and focusses on the forecast position for the year as a whole compared to the Annual Budget. Forecasts are compiled by budget holders, with support and advice as appropriate from finance specialists (accountants) and case officers. Forecasts will take into account known / committed items as well as assumptions about future performance and demand.
- 1.3 The current revenue forecast outturn for the financial year 2019/20 is summarised as follows. These are the best estimates at the mid-point of the financial year based on information currently available:
  - a) General Fund (GF) Revenue Budget = forecast net overspend of £795k. This report includes a request to approve an in-year budget increase to offset the majority of this forecast cost pressure.
  - b) Housing Revenue Account (HRA) Revenue Budget = forecast net underspend of £19k.
- 1.4 The current Capital Programme forecast position for 2019/20 is as follows:
  - (a) The General Fund Capital Programme budget is £53.503m. No significant variations to budget are currently reported.
  - (b) The HRA Capital Programme budget for 2019/20 is £23.093m. As previously reported, it is expected costs will be phased over more than one year so a proportion of the budget will need to be carried forward at the end of the financial year.

The Capital Programmes are shown in detail in Appendices A and B.

- 1.5 The General Fund general reserves balance as at 31 March 2020 is projected to be

£2.744m (subject to risks identified). The opening balance has been adjusted due to an accounting error correction in last year's accounts, as explained in this report. The balance is below the operational target of £3m, but above the financial resilience target of £2.4m as approved in the Council's Financial Strategy in September 2019.

- 1.6 The General Fund earmarked reserves balance at the beginning of the year was £18.242m. The net movement in year is currently an increase of £4.721m, mainly contributions to the New Homes Bonus and Business Rates Smoothing earmarked reserves. A number of allocations from reserves are applied at the end of the financial year and will be included in the Outturn report at that stage.
- 1.7 The Housing Revenue Account (HRA) general reserve balance as at 31 March 2020 is projected to be £2.711m (subject to risks identified). This is above the current recommended operational target level (£2.4m) set within the Council's Finance Strategy and HRA Business Plan.
- 1.8 The HRA earmarked reserves balance at the beginning of the year was £2.719m, with £1.379m committed to be spent within the next three years and the remaining £1.340m for the Social Housing Development Fund will be used as required to fund social housing development.

## **2 Recommendations**

- 2.1 It is recommended that Executive notes the Council's forecast financial performance for 2019/20 financial year as at 30 September 2019.
- 2.2 The Executive recommends that Full Council approves a Supplementary Budget of £747,000 in the General Fund Revenue Budget for transitional and service resilience costs in 2019/20, funded from the New Homes Bonus / Growth earmarked reserve.
- 2.3 The Executive approves a virement within the HRA Revenue Budget of £339,000, from in year underspend and managed savings to transitional and service resilience costs in 2019/20.
- 2.4 The Executive notes the risk to funding of future growth programme priorities, and commits to reviewing future options through the budget setting process.

## **3 Risk Assessment**

- 3.1 Financial forecasts are based on known information and projections based on assumptions. As such any forecast carries an element of risk. The current forecasts included in this report are considered reasonable, and based on experience it is feasible the year end position could change, where it is reasonable to assume volatility of say +/- £100k compared to the mid-year forecast.
- 3.2 Salient in year budget risks are summarised in sections 8 and 11 in this report. The Council manages financial risk in a number of ways including setting prudent budgets, carrying out appropriate monitoring and control of spend, operating robust financial procedures, and so on. The Council also holds both general and earmarked reserves which include contingencies to manage budget risk.

## 4 Background and Full details of the Report

- 4.1 This report provides the Council's forecast end of year financial position for revenue and capital expenditure as at 30 September 2019 for the Council's General Fund (GF) and Housing Revenue Account (HRA).
- 4.2 The regular monitoring of financial information is a key element in the Council's Performance Management Framework. 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 Medium Term Financial Plan.
- 4.3 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 detailed review of the more volatile budgets and a proportionate review of low risk/low volatility budget areas.
- 4.4 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 some unforeseen changes could influence the position at the year-end, and a number of risks and uncertainties are highlighted within this report. However, the following forecast is considered to be reasonable based on current information.

## 5 General Fund Revenue Budget – 2019/20 Forecast Outturn

- 5.1 The Council is currently forecasting an overall net overspend of £795k (3.5% of £22.3m Net Budget), as summarised below.

**Table 1 - General Fund Revenue Outturn Summary 2019/20**

	Current Budget £'000	Outturn £'000	Variance	
			£'000	%
Performance and Governance	10,948	10,928	-20	-0.1%
Communication and Engagement	562	562	0	0.0%
Customer	-979	-788	191	0.9%
Localities	4,708	4,797	89	0.4%
Commercial Investment	1,880	2,041	161	0.7%
Strategy	662	662	0	0.0%
Transition and service resilience	-	747	747	100.0%
<b>Net Cost of Services</b>	<b>17,781</b>	<b>18,949</b>	<b>1,168</b>	<b>6.6%</b>
Interest and Investment Income	-969	-1,342	-373	-1.7%
Transfers from Earmarked Reserves	7,056	7,056	0	0.0%
Transfers from General Reserves	-65	-65	0	0.0%
Capital and Other Adjustments	-1,471	-1,471	0	0.0%
<b>Net Budget</b>	<b>22,332</b>	<b>23,127</b>	<b>795</b>	<b>3.5%</b>
Funding	-22,332	-22,332	0	0.0%
<b>Variance</b>	<b>0</b>	<b>795</b>	<b>795</b>	<b>3.5%</b>

5.2 The table below provides more detail on the significant variance forecast for the year.

**Table 2 - Summary of Significant Forecast Variances for the Year**

	Staffing £'000	Other Expenditure £'000	Income £'000	Total £'000
Members allowances	n/a	21	0	21
Operational and Deane Helpline Rota	16	0	0	16
Operation Clean Sweep	n/a	50	0	50
Phase 2 Information Project	n/a	20	0	20
B&B/Homelessness	n/a	82	0	82
Performance & Governance	n/a	50	0	50
Pest Control	n/a	-17	46	29
Community Grants	n/a	10	0	10
Insurance	n/a	-281	0	-281
IT Comms	n/a	170	0	170
Community Safety	n/a	10	0	10
Pollution Control	n/a	15	0	15
Welfare Funerals	n/a	10	19	29
Shopmobility	n/a	-28	0	-28
Car parking	n/a	-62	129	67
Asset Management	n/a	161	0	161
Transition and service resilience	747	0	0	747
Interest Receivable	n/a	0	-76	-76
Interest Payable	n/a	-297	0	-297
<b>TOTAL – over / (-)underspend</b>	<b>763</b>	<b>-86</b>	<b>118</b>	<b>795</b>

5.3 The main variances to budget are explained as follows:

- a) **Members Allowances:** The allowance scheme agreed in March 2019 and executive arrangements approved by Members in May 2019 is projected to cost £21k more than the original budget estimate set by the Shadow Council in February 2019.
- b) **Operational and Deane Helpline Rota:** An increase in the standby payments has been applied to ensure that we have the necessary skills and resources available. The payment had not be altered for some time and had fallen behind what is reasonable for the commitment required when undertaking this role.
- c) **Operation Clean Sweep:** Additional costs associated with an intensive clean up, repair and refurbishment of Taunton’s street scene and wider public areas, carried out during Spring 2019. The intensive cleaning equipment used as part of this work has also been deployed in other parts of the district.
- d) **Phase 2 Information Project:** This work is required for GDPR compliance and will cost an additional £20k.
- e) **B&B Homelessness:** The cost of Bed and Breakfast expenditure is forecast to exceed the budget by £82k. The inception of the Homeless Reduction Act (HRA),

has resulted in a marked increase in approaches for advice and assistance and has extended the timescales under the relief stage of the act. Officers investigate and try to relieve homelessness within 56 days before making a decision to accept or discharge the application for homelessness. Any emergency accommodation offered under our statutory duty to eligible clients will be throughout this 56 day period. A further financial burden are clients assessed as being intentionally homeless (ie no duty owed) who previously would have had a homeless decision made quickly and averting the need for B&B. These families are now placed in B&B until either alternative accommodation is secured or a duty is decided.

- f) **Performance & Governance:** As previously reported, a budget error has been identified that will be corrected for 2020/21 base position but results in a variance this year.
- g) **Pest Control:** The discretionary Pest Control service was previously operated with a subsidy as the cost of delivering it exceeded the income. The historic income budget of £29k remained within the budget approved in February, however the service is no longer providing the service and should be removed, which is why the accounts show a budget variance. This will be corrected for 2020/21.
- h) **Community Grants:** Grants offered have marginally exceeded the budget.
- i) **Insurance:** Following procurement of updated insurance arrangements for the new authority, premiums have significantly reduced. Insurance cover levels have been maintained so this represents a significant saving. The total savings against budget across both the HRA and the General fund is £408k. A provisional assumption has been made that the General fund will benefit from 68% of the savings against the budget. This amounts to £281k.
- j) **IT Comms:** BT costs account for the majority of the overspend, most of which is due to lines no longer being recharged out to individual areas. In addition there are 200 more mobile phone contracts than originally budgeted, and the requirement for 8x8 licences was underestimated with 150 more 8x8 standard users than budgeted. Officers are currently reviewing mobile phone usage with the aim of reducing the number of phones in use as well as working with Vodafone to review contracts to control and reduce costs. We are also updating our policies on the use of mobile phones for different roles and on ICT usage generally. This will help to reduce costs in-year.
- k) **Community Safety:** This is mainly the result of insufficient inflation costs estimate within the budget for the CCTV contract.
- l) **Pollution Control:** Private water sampling income is lower than budget as at the end of September as we are a bit behind on our expected delivery of work at the mid-year point. This will be impacted further in the near future due to staff turnover.

- m) **Welfare Funerals:** This is mainly due to income held awaiting a probate claim by relatives which wasn't carried forward from last year, and a predicted overspend on funerals based on last year's number of funerals.
- n) **Shopmobility:** The contract is below the amount budgeted for and no further costs are anticipated, providing a net underspend for the year.
- o) **Car parking:** Income is currently forecast to be under budget and parking enforcement contract costs are also expected to exceed the budget estimate. This is partly offset by a net underspend on maintenance and business rates.
- p) **Asset Management:** The overspend is mainly due to additional security implemented at West Somerset House in Williton for health and safety reasons, costs of business rates negotiations which will yield savings in the longer term, and professional advice on asset based projects and cases such as valuations as backlog cases are addressed and key projects progressed.
- q) **Interest Receivable:** Treasury investment income is forecast to exceed the budget by £76k. The S151 plans to exercise further placement of cash balances in strategic funds planned to be held for the long term and producing higher returns than very low risk alternative investment options. This approach is in line with the approved Treasury Strategy.
- r) **Interest Payable:** The General Fund has had minimal need to externalise its borrowing requirement this year and continues to prioritise use of 'internal borrowing'. The current forecast assumes no additional external borrowing this year, however this may change depending the scale of capital expenditure in the second half of the year. It is likely that any external borrowing will focus on short term inter-authority lending which would keep costs to a minimum.

## 6 Transitional and Service Resilience – Supplementary Budget Requirement

- 6.1 The new Council was implemented on 1 April 2019, formed as part of the wider transformation plans agreed by its predecessor Councils. The expected financial savings from the transformation business case were factored into the budget and medium term financial plan from this financial year. The predecessor Councils, and Shadow Council for the new authority, approved temporary additional resources to fund transition costs this year as the implementation of programme of change is ongoing. Additional resources have also been previously agreed to support service resilience and quality where the disruption during the change programme has had a deeper impact.
- 6.2 The Council's leadership has identified ongoing pressures this year as some of the expected service process efficiencies and greater customer access to self-service are taking time to be fully delivered, putting service standards at risk. In order to protect service standards and maintain capacity to manage these changes, additional staff resources have been maintained and are needed for a longer period. Significant detailed analysis of staff costs has been completed in recent weeks to ensure forecasts are robust and financial information is sound. As a result of this, costs are projected to

exceed the current General Fund budget provision by £747,000 this financial year, and this is reflected in the forecast outturn within this report. The risk of a cost pressure was highlighted to Members in the previous budget monitoring report earlier this year.

- 6.3 There is insufficient headroom in General Reserves to meet this cost pressure, therefore it is proposed to utilise New Homes Bonus funding currently held in earmarked reserves. As highlighted in the Financial Strategy update to Scrutiny Committee in November 2019, there is a high degree of uncertainty and therefore cautious forecasting in respect of future New Homes Bonus income. It is highly probable NHB income will be lower than previous financial planning assumptions, therefore the leadership team (officers and Executive Councillors) will need to review priorities and plans, and it is recommended that this is considered as part of the budget setting process for 2020/21. The remaining net overspend of £48k will be managed as part of the budget monitoring process.
- 6.4 Similarly, transition and service resilience cost pressures of £339k are forecast within the HRA this financial year. It is expected that this can be offset by underspends in other budget areas within the HRA, as shown section 10 below.

## **7 General Fund (GF) Reserves**

- 7.1 Following the completion of the audit for the final accounts for Taunton Deane Borough Council, and accounting adjustment has been recorded in 2018/19 which amends the General Reserves balance transferred to SWTC on 1 April 2019. This amendment corrects an accounting error in respect of the debtors balance on 31 March 2019, which has reduced by £347k. The reserves balance transferred from Taunton Deane and West Somerset Councils on 1 April is therefore corrected to £2.857m.
- 7.2 Table 3 below summarises the movement in GF General Reserves to 30 September 2019. The forecast balance as at 31 March 2020 is £2.744m, this would be £256k below the recommended operational minimum balance of £3m. The balance is only a forecast and can change which means it must be caveated at this stage. If the position at the end of the financial year remains below the recommended operational balance, plans will need to be implemented to increase reserves in future years.

**Table 3 - General Reserve Balance**

	<b>£000</b>
<b>Balance Brought Forward 1 April 2019 (as corrected per 7.1 above)</b>	<b>2,857</b>
Approved Transfers to date	-65
2019/20 Projected Outturn Variance – Month 6 Forecast (assuming NHB is approved to fund transition and service resilience cost pressures)	-48
<b>Projected Balance 31 March 2020</b>	<b>2,744</b>
Operational Minimum Balance	3,000
Projected Balance below recommended minimum	-256
Financial Resilience Minimum Balance	2,400
Projected Balance above recommended minimum	344

- 7.3 The projected balance remains above the minimum requirement for financial resilience purposes, but is projected below the operational target. It is therefore recommended that Members seek to increase General Reserves in future as part of the ongoing financial

strategy. It is important that the leadership team and Members consider the need to increase reserves in the short to medium term when considering financial decisions.

### **Earmarked Reserves**

7.4 The General Fund Earmarked Reserves brought forward balance for 2019/20 is £18.242m. In-year movements to date amount to an additional £4.721m, which included the recent approvals to fund the new Director posts and continued subsidy to the park and ride service in Taunton. The current balance as at 31 July is to £22.963m.

7.5 The following table details those reserves with balances greater than £500,000.

**Table 4 - GF Earmarked Reserves**

	<b>Opening Balance</b>	<b>Transfers To/From</b>	<b>Closing Balance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
New Homes Bonus	6,168	3,089	9,142
Business Rates Smoothing	3,547	2,869	6,416
General Funds General Carry Forwards	1,135	-1,135	0
Garden Town	944	0	944
Transformation	728	0	728
Transition	648	0	648
Strategic Housing Market Assessment	576	0	576
Revenue Reserves held for Capital Projects	888	0	888
Other; with an individual balance less than £500k	3,608	-102	3,506
<b>TOTAL</b>	<b>18,242</b>	<b>4,721</b>	<b>22,963</b>

7.6 Earmarked reserves are reviewed during the year. This is in order to confirm they align to current priorities, and to identify any surplus balances that can be redirected to mitigate in-year financial risks or be returned to general reserves.

## **8 General Fund - Risk and Uncertainty**

8.1 Budgets and forecasts are based on known information and the best estimates of the Council's future spending and income. Income and expenditure over the 2019/20 financial year is estimated by budget holders and then reported through the budget monitoring process. During this process risks and uncertainties are identified which could impact on the financial projections, but for which the likelihood, and/or amount are uncertain. The Council carries protection against risk and uncertainty in a number of ways, such as insurances and maintaining reserves. This is a prudent approach and helps to mitigate unforeseen pressures.

8.2 The following general risks and uncertainties have been identified:

- a) **Fluctuation in demand for services:** We operate a number of demand-led services and the levels of demand do not always follow a recognisable trend. We therefore have to caveat the forecasts in these areas to account for fluctuations.

- b) **Forecasting Assumptions:** It is conceivable that, whilst budget holders are optimistic that they will spend all of their budget, experience shows we could see underspends of £50k-£100k by year-end caused by the cumulative effect of minor underspends in a number of service areas.
- c) **Year-end Adjustments:** Certain items are not determined or finalised until the financial year-end. For example, the final assessment of provisions required for bad debts, and final allocations of support service recharges. These can result in potentially significant differences to current forecasts.
- d) **Business Rates:** There are inherent risks and uncertainties within the Business Rates Retention system. The Council's share of business rates funding is directly linked to the total amount of business rates due and collected in the area, which can fluctuate throughout the year and be affected by the result of Rateable Value changes e.g. as a result of Appeals.
- e) **Recruitment costs:** There is a risk of no savings within salary budgets to take into account these costs – these costs are normally covered by vacancy savings in-year.
- f) **Interest receivable:** This has been forecast on the basis that interest rates will remain as they are currently. However, interest rates are unpredictable and there is a risk that interest rates could decrease further, and investment fund performance is susceptible to financial markets.

## **9 General Fund Capital Programme**

- 9.1 The current capital programme budget is £53.5m, which is to be funded by a combination of Capital Grants and Contributions, Capital Receipts, Revenue Funding, Reserves and Borrowing. No potential overspends have been identified at this stage.
- 9.2 The major growth and regeneration projects account for £36.3m of the total capital budget. Due to the nature of capital projects the costs are likely to be incurred over more than one financial year. Budget Holders are projecting that £11.573m will be spent during 2019/20 with the remainder due to be spent in future years. Within this total, the largest projects are: Coal Orchard regeneration, Great Western Railway development loan, Seaward Way development, Employment Site Enabling, Major Transport Schemes and Watchet East Quay development loan. There is also an amount of up to £7m identified in respect of planned loans to Somerset Waste Partnership, however it is probable that only £5m will be needed in practice.
- 9.3 The following table summarises the current capital programme.

**Table 5 - GF Capital Programme Summary**

	SWTC Approved Budget 19/20	TDBC Schemes Brought Forward	WSC Schemes Brought Forward	Total
	£'000	£'000	£'000	£'000
Growth Programme	2,027	4,190	0	6,217
IT Projects	154	544	354	1,052
Major Projects	7,500	16,250	6,362	30,112
Housing	1,695	2,703	567	4,965
Other Projects	398	486	463	1,347
S106 – General			271	271
S106 – Hinkley Funded			3,539	3,539
CIL – Infrastructure Projects	6,000			6,000
<b>TOTAL</b>	<b>17,774</b>	<b>24,173</b>	<b>11,556</b>	<b>53,503</b>

**10 Housing Revenue Account (HRA)**

- 10.1 The HRA is a ring-fenced, self-financing account used to manage the Council's housing stock of some 5,700 properties, with the Council operating as the Landlord.
- 10.2 The majority of the HRA income is in the form of rent for council dwellings. HRA income is used to meet the costs of managing and maintaining the housing stock, as well as meeting the repayment of capital debt and interest costs.
- 10.3 The HRA budget for 2019/20 is budgeted to break-even (net of approved transfers to/from HRA Reserves).
- 10.4 The current year end forecast outturn position for the Housing Revenue Account for 2019/20 is a net underspend of £19k. The Month 4 forecast was a £17k overspend.

**Table 6 - HRA Outturn Summary**

	Budget £'000	Outturn £'000	Variance	
			£'000	%
Gross Income	-26,217	-26,217	-	0.0%
Service Expenditure	13,814	13,387	-428	-3.1%
Transition and service resilience costs	-	339	339	-
Other Operating Costs and Income	9,381	9,451	70	0.7%
Unearmarked Reserve Transfers	-	-	-	0.0%
Capital Financing and Debt Repayment	2,992	2,992	-	0.0%
Total	-30	-49	-19	-0.1%

- 10.5 The variances forecasted for the year are described below.
- 10.6 **Right To Buy:** the original budget estimated that 46 properties would be sold to existing tenants under the RTB scheme. However the current forecast is that there will be only 36 RTB sales (34 sales in 2018/19; 53 sales in 2017/18). Therefore an under-recovery of RTB admin fee grant income is being reported of £13k (although a positive impact on

rental income assumptions is likely as a result).

- 10.7 **Insurance:** following an authority wide re-tender exercise for insurance premiums the new authority has been successful at significantly reducing their annual premiums. Whilst a provisional saving against budget of £66k is being reported. Officers are working through the premiums to identify the actual savings against budget to be realised by the HRA.
- 10.8 **Repairs and Maintenance:** Overall this is a very demand led and reactive service based on the needs of the tenants. There are also a number of uncontrollable variables associated with this service such as the weather (e.g. cold winters causing burst pipes), condition of properties when returned (e.g. void refurbishments), consumer demand on minor internal / external repairs (e.g. broken door or fence) and the type of repair work required. The current forecast is an underspend of £375k based on 6 months' worth of data, however it is highly likely this forecast will change and consequently this variance should be regarded with caution.
- 10.9 **Interest Receivable:** the actual interest receivable in 2018/19 was nil due to internal borrowings exceeding investments. The expectation is that this situation will arise again and therefore a variance of £70k is now being reported.
- 10.10 Transition and Service Resilience: see section 6 above.

## 11 **HRA Risks and Uncertainty**

- 11.1 Budgets and forecasts are based on known information and the best estimates of the Council's future income and expenditure activity. Income and expenditure over the financial year is estimated by budget holders and then reported through the budget monitoring process. During this process any risks and uncertainties are identified which could impact financial projections, but for which the likelihood and/or amount are uncertain.
- 11.2 There are also a number of areas where the financial impact is not known until the end of the financial year such as depreciation charges and change in provision for bad debt.
- 11.3 The service is in discovery mode and the 2019/20 budgets are still being reviewed for accuracy in relation to the new Somerset West and Taunton operating model and staffing structure. This could result in variances being identified and reported in future reporting cycles.
- 11.4 The current areas of risk and uncertainty being reported include:
  - a) **Tenancy Management:** The current year spend to date is low against budget due to the embedding of a new team in a new operating model. There may be an underspend but this will not be known with certainty until later in the year to allow the service time to explore the demands of this service against current budget provision.

- b) **Dwelling Rental Income:** There may be a reduction in general needs dwelling rental income due to the impact of additional voids resulting from the decants in relation to the North Taunton Regeneration scheme. Officers are currently working through the time-tabling of activities to identify when and financially how much this will impact the service.
- c) **Interest Payable:** There is a risk that the HRA may need to externalise its internal borrowing from the General Fund. The HRA may also need to take on more borrowing to finance capital schemes such as buybacks. As a consequence the interest payable may increase on any additional loans taken.

## **12 HRA Capital Programme**

- 12.1 The HRA approved Capital Programme is £23.093m. This consists of £9.586m of new schemes approved for 2019/20 plus £13.507m carried forward from the previous financial year. In addition, a supplementary budget was approved by Full Council on the 16 July 2019 for Laxton Road for £331k funded by RTB Receipts. The Capital Programme relates to schemes which will be completed over the next five years.
- 12.2 The Council is supporting this investment through the use of the Major Repairs Reserve, Capital Receipts, Revenue Funding and Borrowing.
- 12.3 **Appendix B** provides a breakdown of the HRA Capital Programme projected outturn by scheme and the actual spend incurred within the first four months of the year.
- 12.4 **Delegated Authority:** On the 8 Oct 2019 Full Council approved the request for the Housing Director / Head of Function in consultation with the Housing Portfolio Holder to be granted delegated authority to make changes to the profile of budgeted spend for all of the HRA capital schemes, whilst remaining within the approved Capital Programme for 2019-20. Any virements will be reported as part of Appendix A to SLT on a bi-monthly basis and to Members on a 4-monthly basis.
- 12.5 The capital programme can be split into three distinct areas:
- 12.6 **Major Works:** The original budget of £7.322m is funded by the Major Repairs Reserve and relates to spend on major works on existing dwellings such as kitchens, bathrooms, heating systems, roofs, doors and windows.
- 12.7 **Improvements:** The original budget of £2.710m is funded by the Major Repairs Reserve and relates to spend on improvements such as disabled facilities adaptations, asbestos removal and environmental improvements.
- 12.8 Due to timing of spend it is feasible that part of the approved budget will roll forward into 2020/21 for Major and Improvement Works at the end of the current financial year. This is due to the substantial disruption caused by transformation – implementing a new staffing and operational model – and also due to the number of significant contracts for works coming to the end of their contract period during 2019/20 making it necessary to review the delivery of capital works and improvements schemes in the future as part of the HRA Business Plan review.

12.9 **Housing Development:** The remaining budget of £13.061m is for the provision of new housing through schemes such as North Taunton Regeneration, Weavers Arms and other buybacks to increase the Council’s housing stock.

### 13 **HRA Earmarked Reserves**

13.1 The HRA Earmarked Reserves (EMR) at the beginning of 2019/20 were £2.719m (see Table 7 below). Of this, half the funds have been specifically committed to be spent within the next three financial years. The other half relates to the Social Housing Development Fund which will be used as required to fund social housing development feasibility studies and usage approved through the Housing Programme Board.

**Table 7 - Balance of HRA Earmarked Reserves held at 1 April 2019**

Description	Balance b/f
	£'000
HRA Carry Forwards	186
HRA Electrical Testing	474
HRA Employment and Skills Dev	102
HRA One Teams	50
Leasehold Schemes HRA Advanced Payments	9
Social Housing Development Fund	1,340
HRA Contribution to Transformation	380
HRA Contribution to Transition	178
<b>HRA Total</b>	<b>2,719</b>

### 14 **HRA General Reserves**

14.1 The HRA reserves at the start of the year were £2.718m. This is £318k above the recommended operational reserve level of £2.4m, providing a level of resilience in light of the significant contractual risk in relation to North Taunton and other risks identified in this report. On the 30 July 2019 Full Council approved a Structural Change to the Senior Leadership Team and one-off additional funding of £26k from HRA general balances for 2019/20.

14.2 The current outturn position is forecast to be a net underspend of £19k. If this is the position at year end then this will be added to general balances.

**Table 3: HRA Reserve Balance**

	£k
Balance Brought Forward 1 April 2019	2,718
Approved In-Year Transfers	-26
Forecast Outturn 2019/20 (as at 30 September 2019)	19
<b>Forecast Balance Carried Forward 31 March 2019</b>	<b>2,711</b>
Recommended Operational Balance	2,400
Forecast Balance above recommended operational balance	650

## 15 Links to Corporate Aims / Priorities

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

## 16 Partnership Implications

16.1 A wide range of Council services are provided through partnership arrangements e.g. SLM 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.

## 17 Other Implications

17.1 None for the purpose of this report.

### Democratic Path:

- **Scrutiny – No**
- **Executive – 20 November 2019**
- **Full Council – TBC**

**Reporting Frequency: 4 Monthly**

### List of Appendices

Appendix A	General Fund Capital Programme
Appendix B	Housing Revenue Account Capital Programme

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