

Cabinet – 9 January 2019

Financial Monitoring – 2018/19 as at 30 September 2018

This matter is the responsibility of Councillor Martin Dewdney, Lead Member for Resources and Central Support

Report Author: Andrew Stark, Interim Finance Manager and Deputy S151 Officer

1 Executive Summary

- 1.1 This report provides an update on the projected “outturn” – end of year – financial position of the Council for the financial year 2018/19 (as at 30 September 2018).
- 1.2 The current forecast outturn for the Revenue Budget is a net underspend of £150K.
- 1.3 The General Fund reserves forecast balance as at 31 March 2019 is projected to be £1.049m. The balance remains above the recommended minimum reserves level approved in the Council’s Budget Strategy (£0.7m).
- 1.4 The Earmarked Reserves projected balance is £4.241m after any transfers to and from earmarked reserves during the year. The majority of these reserves are allocated to business rates funding volatility (£1.523m), Strategic Housing Market Area Assessment (£576k), Planning Policy (£172k), Asset Maintenance and Compliance (£207k), Sustainability (£318k) and Creating a New Council/Transformation (£836k).
- 1.5 The current forecast position for the General Fund Capital Programme in 2018/19 is on target against a total approved budget of £13.893m. Forecast spend during the year is £1.947m with £10.2m projected to be spent in future years (£1.746m spent in previous years).

2 Recommendations

- 2.1 That Cabinet notes the Council’s forecast financial performance as at 31 September 2018.

3 Risk Assessment (if appropriate)

Risk Matrix

Description	Likelihood	Impact	Overall
That the Authority overspends against the approved budget	3	4	12
<i>Mitigated by regular budget monitoring reports are produced and managers actively manage the budgets under their responsibility</i>	1	4	4

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
Impact							

Likelihood of risk occurring	Indicator	Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

4 Background and Full details of the Report

- 4.1 This report provides the Council's forecast end of year financial position for 2018/19 revenue and capital budgets as at 30 September 2018.
- 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 the 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 services. 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.
- 4.5 It is clear that the organisation is undergoing major change at present with implementation of the new operating model under Transformation and the preparation for the new Somerset West and Taunton Council taking effect in April 2019. All reasonable effort is being undertaken by budget holders and finance staff to ensure that budgets remain under control during this period of disruption.

5. 2018/19 Forecast Outturn

General Fund Revenue Account – 2018/19 Forecast as at 30 September 2018

- 5.1 The Council is currently forecasting an overall net underspend of £150k. This represents 2.9% of the overall Net Revenue Budget. Table 1 below provides a summary of the forecast position for the year.
- 5.2 Shadow Scrutiny will receive an update report in respect of transformation, with costs expected to exceed budget. The best estimates of anticipated costs and the funding plan are currently being finalised and will be reported to Shadow Scrutiny in November.

Table 1 – Summary Predicted Revenue Position Q2 2018/19

	Original Budget £000	Predicted Outturn £000	Variance £000
Corporate	552	535	(17)
Operations	3,019	2,960	(59)
Housing and Communities	559	580	21
Growth and Development	531	477	(54)
Somerset Rivers Authority	25	25	0
Subtotal - Net Service Costs	4,686	4,577	(109)
Interest costs and income	120	79	(41)
Subtotal – Net Costs	4,806	4,656	(150)

	Original Budget £000	Predicted Outturn £000	Variance £000
Transfers to Earmarked Reserves	601	351	(250)
Transfers to/from General Reserves	0	0	0
NET BUDGET AND EXPENDITURE	5,407	5,007	(400)
Business Rates Funding	(1,964)	(1,713)	250
Revenue Support Grant	(170)	(170)	0
New Homes Bonus	(396)	(396)	0
Rural Services Delivery Grant	(214)	(214)	0
Council Tax	(2,216)	(2,216)	0
Collection Fund Deficit - Business Rates	(396)	(396)	0
Collection Fund Surplus - Council Tax	(51)	(51)	0
TOTAL FUNDING	(5,407)	(5,157)	250
NET UNDERSPEND FOR THE YEAR	0	(150)	(150)

- 5.3 Only significant variations to budget are included in this report, with the following overspends and underspends highlighted.

West Somerset Q2 Budget Variances

	Staff £000	Other Expend £000	Income £000	Total £000
Facilities		11		11
Public Conveniences		(13)		(13)
Street Cleansing		(57)		(57)
Private Sector Renewal		(13)		(13)
Member Services		(17)		(17)
Development Control	25		(79)	(54)
Estates	34			34
Interest Payable & Receivable		(5)	(36)	(41)
Business Rates		250		250
Transfer from Business Rates Smoothing reserve			(250)	(250)
TOTAL – over / (under) spend	59	156	(365)	(150)

- 5.4 The main variances to budget are explained as follows:-

Overspends

- a) Facilities: Overspend of £11k is due to increased security costs and cleaning which is now contracted out.
- b) Estates: Overspend of £34k is due to agency staff costs

Underspends

- c) Planning: There is a forecast underspend of £54k due to increased planning application income of £79k offset by additional agency costs of £25k.
- d) Public Conveniences: Forecast underspend of £13k, savings from business rates, water and electricity.
- e) Street Cleansing: There is a contract saving of £57k.
- f) Private Sector Renewal: There is saving on the Home Improvement Agency contracts of £13k.
- g) Member Services: There is a saving of £17k on member allowances.
- h) Interest Costs and Income: There is an underspend of £5k on interest payable as current cash flow forecasts indicated there will be no need to take on external loan borrowing during 2018/19, plus £36k additional investment interest income due to improved returns compared to budget assumptions.

Business Rates

A summary of the new Retained Funding figure is shown in the table below:

Table 2 – Business Rates Retention Estimates

Business Rates Retention Funding Estimates	2018/19 Budget £000	2018/19 Actual £000	2018/19 Difference £000
40% Standard Share of Business Rates Yield	(6,662)	(6,662)	0
Rates yield from renewable energy schemes	(30)	(30)	0
Tariff to Government	4913	4,913	0
Levy Payment	545	699	154
Safety Net Income	0	0	0
S31 Grant	(730)	(634)	96
Net Retained Business Rates Funding	(1,964)	(1,714)	250

5.5 The prediction of Business Rates retained income is £250k lower than the 2018/19 budget

5.6 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%.

- 5.7 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 £488k. This figure is not accounted for in Table 1 as it will probably change on completion of the NNDR3 return for the year 2018/19, and won't be confirmed until the end of the financial year. The aim of pooling is to increase funding to support measures for delivering financially sustainable council services and investing in growth and infrastructure initiatives.

General Fund Reserves

- 5.8 The following table shows that the current General Reserves balance is £898,976, and the current forecast underspend could increase this balance to £1,048,796 at the year end. .

Table 3 – General Reserves Balance 31 March 2019

	£000
Balance Brought Forward 1 April 2018	899
2018/19 Projected Outturn Variance – Q2 Forecast Underspend	150
Projected Balance 31 March 2019	1,049
Recommended Minimum Balance	700
Projected Balance above recommended minimum	349

- 5.9 The current recommended minimum balance is £700k – the projected balance at 31 March 2019 of £1.049m would be £349k above the recommended minimum balance. In view of the Council's future financial pressures the prudent advice is to maintain reserves above the recommended minimum, to provide limited resilience for emerging costs and to provide some flexibility to support measures to address ongoing financial sustainability.

Earmarked Reserves

- 5.10 Earmarked Reserves are amounts that have been set aside for specific purposes from existing resources, where the expenditure is expected to be incurred in future years. The table below provides a summary of the movement in earmarked reserve balances during 2018/19 financial year to date.

Table 4 – Estimated Earmarked Reserves Balance 30 September 2018

	£'000
Balance Brought Forward 1 April 2018	4,249
Transfers From Earmarked Reserves in 2018/19	(618)
Transfers To Earmarked Reserves in 2018/19	610
Current Balance	4,241

- 5.11 The table above shows that the current projected reserves balance is £4.241m

after proposed movements to and from reserves during the year have been included. Full details of earmarked reserves can be found in **Appendix A** to this report. A significant proportion of the balance (£1.523m) relates to the Business Rates Smoothing Reserve which is committed to provide a contingency for business rates funding volatility, £576k for community land fund to support bringing forward affordable housing and £738k which is committed to support Transformation and Creating a New Council.

Capital Budget Predicted Outturn 2018/19

- 5.12 The following table summarises the position for both general schemes and Hinkley-funded schemes. Actual spend up to 30 September 2018 totals £526,207 and at this stage only a small variance against budget has been reported.

Table 5 – Summary Capital Programme Forecast as at 30 September 2018

	General Schemes £'000	Hinkley Funded Schemes £'000	Total £'000
Total Programme Budget	9,618	4,275	13,893
Spend in Previous Years	1,127	619	1,746
Forecast Spend 2018/19	983	964	1,947
Forecast Spend in Later Years	7,518	2,692	10,200
Total Forecast Capital Spend	9,628	4,275	13,893
Net Underspend (-) / Overspend	0	0	0

- 5.13 A scheme by scheme analysis of the 2018/19 Programme at 30 September 2018 is set out in **Appendix B**.

6 Links to Corporate Aims / Priorities

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

7 Finance / Resource Implications

- 7.1 Contained within the body of the report.

8 Legal Implications

- 8.1 There are no legal implications associated with this report.

9 Environmental Impact Implications

- 9.1 None for the purpose of this report.

10 Safeguarding and/or Community Safety Implications

- 10.1 None for the purpose of this report.

11 Equality and Diversity Implications

11.1 None for the purpose of this report.

12 Social Value Implications

12.1 None for the purpose of this report.

13 Partnership Implications

13.1 None for the purpose of this report.

14 Health and Wellbeing Implications

14.1 None for the purpose of this report.

15 Asset Management Implications

15.1 None for the purpose of this report.

16 Consultation Implications

16.1 None for the purpose of this report.

17 Scrutiny Comments / Recommendation(s)

17.1 During the discussion, the following points were raised:-
Members requested clarification on the figures reported on the Sustainability Fund.

The Interim Finance Manager confirmed that the figures were calculated prior to Full Council and had been amended to reflect the changes.

Members requested clarification on the figures calculated for Business Rates Retention.

The Interim Finance Manager confirmed that the details were within the report and it was primarily down to paying a larger levy that was budgeted for because the Council's income had risen due to a higher compensation factor allowed against Small Business Rates Relief.

Members queried whether Hinkley Point B was the main factor that caused the volatility with the business rates calculations.

It was one of the factors but not the only one, it was based on many different calculations.

Members queried what the title Facilities included.

It included buildings and assets and the overspend covered the cost of the security guard based at West Somerset House.

Members queried what impact would the delay in the Local Government Settlement have on officers.

The delay meant that officers could not start planning for next year and they would not know the outcome of the bid for the Business Rates Retention Pilot Scheme.

Democratic Path:

- **Scrutiny – Yes**
- **Cabinet – Yes**
- **Full Council – No**

Reporting Frequency: Quarterly (except Quarter 1)

List of Appendices

Appendix A	Summary of Proposed Earmarked Reserves
Appendix B	Capital Programme Outturn 2018/19

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West Somerset Council – Summary of Earmarked Reserves

APPENDIX A

Earmarked Reserve Heading	Balance at 1 April 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £	Purpose of Reserve
District Election	38,004	9,454	0	47,458	Funds to meet the costs of Elections
Other Election Reserve	13,536	0	0	13,536	Funds to meet the additional costs of Individual Electoral Registration.
Individual Election Registration	6,437	0	0	6,437	Ring-fenced Government Grant
Planning Policy Reserve	172,057	0	0	172,057	Monies set aside and to be drawn down to cover additional costs arising and relating to the West Somerset Local Plan preparation through to examination and beyond to adoption.
West Somerset Employment Hub	3,152	0	0	3,152	Transferred to Community Outreach Fund
Planning Reserve	70,000	0	0	70,000	Monies set aside to fund specialist technical advice for major planning applications. E.g. Landscape visual impact assessments, retail studies etc.
Steam Coast Trail Reserve	7,299	0	0	7,299	WSC is working in continued partnership with Friends of the Steam Coast Trail and Sustrans to deliver the Steam Coast Trail Project.
Business Development Reserve	5,677	0	0	5,677	Funding for initiatives to support small businesses.
National grid PPA	35,382	0	0	35,382	S106 for landscape enhancements and plants
Minehead Events	396	0	0	396	Mary Portas grant – specifically earmarked.
Minehead Esplanade	59,112	0	0	59,112	
Minehead Town Centre Signage	115	0	0	115	Contribution from Minehead Chamber of Trade and Morrison s106 to fund the signs.
Strategic Housing Market Area Assessment	575,760	0	0	575,760	DCLG funding for community land fund to support bringing forward affordable housing within West Somerset.
Asset Management and Compliance	266,751	0	(60,000)	206,751	Asset maintenance compliance works to be completed.
Cuckoo Meadow Reserve	30,094	0	(13,622)	16,472	Lottery monies earmarked to be used in future years. Used for play equipment

West Somerset Council – Summary of Earmarked Reserves

APPENDIX A

Earmarked Reserve Heading	Balance at 1 April 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £	Purpose of Reserve
Housing Options	43,620	0	0	43,620	Balance of Homeless Prevention funding plus remainder of Mortgage Rescue Grant.
Estate Compliance	26,736	0	0	26,736	Asset compliance works to be completed
Assets of Community Value	5,000	0	0	5,000	Government Grant set aside to support the administration of applications under regulations. Reduction appropriate.
Inspire	3,391	0	0	3,391	Earmarked for costs under the Inspire Directive. Supports the relevant databases.
Business Rates Retention Smoothing Account	1,332,101	391,211	(250,238)	1,463,074	This is a volatile area and we are committed to mitigating the risk of Business Rates retention by setting aside an appropriate level of funds in this reserve
Sustainability Fund	158,307	210,000	0	368,307	Earmarked for initiatives such as “invest to save” plans that have a positive impact upon the underlying financial sustainability of the Council’s budget.
Budget Carry Forwards For Specific Services	294,649	0	(294,649)	0	Budgets carried forward to reflect timing of planned spend across financial years and support ongoing service delivery requirements.
Contingency to underwrite timing of delivery of transformation savings	48,000	0	0	48,000	Funding to underwrite the timing of savings through the implementation of the transformation programme.
Community Safety	13,533	0	0	13,533	External funding specifically earmarked for community safety initiatives.
Revenues and Benefits Reserve	68,024	0	0	68,024	Monies set aside to provide service resilience and to fund planned software upgrade needed for CTS Scheme developments.
Finance Reserve	44,840	0	0	44,840	These monies fund additional staff to deal with service continuity during transformation.
SWP Vehicles	33,617	0	0	33,617	To help fund our contribution to the new operating model.
SWP Recycle More	55,148	0	0	55,148	Ring fenced Recycle More fund

West Somerset Council – Summary of Earmarked Reserves

APPENDIX A

Earmarked Reserve Heading	Balance at 1 April 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £	Purpose of Reserve
Training Reserve	10,000	0	0	10,000	Monies set aside to meet future training needs across the organisation.
Online DHP Reserve	5,375	0	0	5,375	Online Software Requirement for Revenues and Benefits.
Licensing Staff Reserve	12,791	0	0	12,791	Monies set aside to fund extra resource within West Somerset Council.
Car Parking Reserve	23,000	0	0	23,000	Monies set aside in respect of maintenance and signage.
Environmental Health Reserve	4,081	0	0	4,081	Destitute Burial Reserve.
CCTV	1,565	0	0	1,565	Monies set aside to fund the repair of CCTV cameras.
Water Bathing Signs	3,316	0	0	3,316	Environmental grant specifically earmarked.
Transformation and Creating a New Council	738,213	0	0	738,213	Funding required primarily to implement the approved Transformation Business Case and also to create a new council replacing West Somerset and Taunton Deane councils.
Agile Working	20,000	0	0	20,000	Investment in technology to complement transformation changes and better enabling of agile working
Members' Technology	20,000	0	0	20,000	Funding to invest in updating members technology that complements the implementation of transformation of ways of working
Totals	4,249,079	610,665	(618,509)	4,241,235	

WEST SOMERSET COUNCIL
CAPITAL PROGRAMME Q2 2018-19

Cost Centre	Cost Centre Description	Completed Scheme £	Programme Budget £	Actual Spend In Previous Years £	Actual Spend 2018-19 £	Projected Spend 2018-19 £	Projected Spend 2019-20 and Beyond £	Forecast Total Spend £	Programme Variance 2018-19 £
	General Schemes								
1939	East Wharf Scheme	N	73,680	7,069			66,611	73,680	0
1997	Disabled Facilities Grants	N	1,244,510	564,204	128,062	350,000	330,306	1,244,510	0
2065	Other Projects - Superfast Broadband	N	240,000			70,000	170,000	240,000	0
2065	Other Projects - 7 The Esplanade	N	15,000			0	15,000	15,000	0
2077	Steam Coast Trail Project	N	502,820	346,159	103,023	109,418	47,243	502,820	0
2168	Decent Homes	N	15,910			15,910	0	15,910	0
2217	Stair Lift Recycling	N	760			760	0	760	0
2238	Cuckoo Meadow	N	2,950	(163)	2,010	1,266	1,847	2,950	0
2253	Transformation	N	196,000	25,821		87,929	82,250	196,000	0
2254	CASA Project	N	83,000	400		5,000	77,600	83,000	0
2290	Minehead Esplanade Project	N	49,900	32,337	(28,850)		17,563	49,900	0
	Total General Schemes		2,424,530	975,827	204,245	640,283	808,420	2,424,530	0
	IT Projects								
2066	IT Projects - ICT Infrastructure Projects	N	15,545	6,950	11,734		8,595	15,545	0
2066	IT Projects - Office Backup Facility	N	15,000				15,000	15,000	0
2066	IT Projects - Annual Hardware Replacement	N	11,000	2,143		8,857	0	11,000	0
2066	Server Refresh	N	20,000				20,000	20,000	0
2235	JMASS ICT Transformation	N	274,580	2,917	3,500	271,663	0	274,580	0
	Total IT Projects		336,125	12,010	15,234	280,520	43,595	336,125	0
	Major Projects								
2188	Seaward Way Mixed Proposal Development	N	3,023,225	104,225	55,941	55,941	2,863,059	3,023,225	0
2256	Somerset Waste Partnership	N	3,500,000				3,500,000	3,500,000	0
	Total Major Projects		6,523,225	104,225	55,941	55,941	6,363,059	6,523,225	0
	S106 Funded - General Schemes								
2065	Huish Champflower Village Hall	N	10,000				10,000	10,000	0
2065	Footpath Lighting Enhancement	N	41,000	35,000		6,000	0	41,000	0
2065	Dunster Parish Council - Multi Use Games Area	N	25,728		25,728		25,728	25,728	0
2065	Minehead Town Council Community Hall	N	120,000				120,000	120,000	0
2065	Watchet Bowling Club - Community Hall Project	N	135,000				135,000	135,000	0
2065	Stogursey Parish Council Youth Club Equipment	N	2,170				2,170	2,170	0
	Total S106 Funded - General Schemes		333,898	35,000	25,728	6,000	292,898	333,898	0
	S106 Funded - Hinkley Schemes								
2077	Steam Coast Trail	N	216,334		87,761	93,209	123,125	216,334	0

2239	Westfield United Church	N	110,000	101,900	3,100	8,100	0	110,000	0
2239	S BW & NP Mitigation	N	344,850				344,850	344,850	0
2239	BW TC Support Scheme	N	116,070	39,730		76,340	0	116,070	0
2239	Williton Pavilion	N	250,000	65,983	105,347	184,017	0	250,000	0
2239	Holford and District Village Hall	N	155,000				155,000	155,000	0
2239	Minehead Town Council	N	382,047				382,047	382,047	0
2239	Great Western Hotel Project (YMCA)	N	500,000				500,000	500,000	0
2239	Bridgwater Food Bank	N	110,000				110,000	110,000	0
2239	Fiddington Village Hall	N	69,000				69,000	69,000	0
2241	Empty Homes & LOTS	N	94,500			94,500	0	94,500	0
2241	Doniford Rad, Watchet	N	384,069	379,069		5,000	0	384,069	0
2249	Stogursey Leisure	N	1,240,001	31,832		200,000	1,008,169	1,240,001	0
2251	Enterprising Minehead	N	303,477	116		303,361	0	303,477	0
	Total S106 Funded - Hinkley Schemes		4,275,348	618,630	196,208	964,527	2,692,191	4,275,348	0
	TOTAL		13,893,126	1,745,692	497,356	1,947,271	10,200,163	13,893,126	0