

1. Executive Summary

This report is the final report for the financial year 2022/23 and outlines the outturn position for revenue (including overall delivery on savings, transformation, and additional income plans), capital, and reserves.

a. Revenue Budget

After accounting for all service expenditure and contingencies the final outturn position is £19.106m against a net budget of £19.781m. This gives a £0.676m underspend which represents a favourable variance of 3.42%. Overall, there has been a £0.259m favourable movement since the position as at 31 December 2022.

Table 1 provides a summary of budget, projections, and variances on a service-by-service basis with further detail and mitigations that were taken by the responsible director outlined in the body of the report.

	Outturn Position - 2022/23		
	Budget	Actual	Variance
Chief Executive	£1,948,130	£2,086,150	£138,020
Commercial Services	£2,078,190	£3,047,240	£969,050
Place & Recovery	£546,750	£900,896	£354,146
Strategy & Support Services	£10,903,430	£8,580,960	(£2,322,470)
Service Delivery	£4,304,770	£4,490,435	£185,665
Net Budget	£19,781,270	£19,105,680	(£675,590)

The significant variances were:

Commercial Services & Income Generation

- **Streetscene** - a £0.427m adverse variance against the service budget (22% of service budget); a deterioration of £0.150m from quarter 3.
- **Commercial Property** - a £0.684m adverse variance against the service budget (11% of service budget); no variance was anticipated at quarter 3.

Place & Recovery

- **Regeneration** - a £0.330m adverse variance against their budget. This budget is funded from an earmarked reserve, a decision was taken to protect the reserve position of the new council. Therefore, the anticipated reserve transfers didn't take place in year. This decision was taken in the last quarter of 2022/23.

Strategy & Support Services

- **Sports Facilities** - a £0.233m favourable variance against the service budget (25% of service budget); a deterioration of £0.150m from quarter 3.
- **Finance Corporate Costs** - a £0.232m favourable variance against the service budget (23% of service budget); a deterioration of £0.293m from quarter 3.

- **Support Service Lead Specialists** - a £0.247m favourable variance against the service budget (58% of service budget); a deterioration of £0.198m from quarter 3.

a. Capital Programme

The year-end forecast position as reported at quarter three, was £21.258m. This report shows the outturn position for 2022/23 of £17.776m. The Capital Programme for Somerset Council was based on the predicted outturn as at quarter 2 for all Somerset Authorities. Appendix 5b outlines the 2022/23 budget with the final expenditure for 2022/23 shown against each project and a request if needed to carry forward some or all of the remaining budget into 2023/24 along with the financing requirement. Detail of the reasons behind the variances can be found within the capital programme section of this report.

4. Background

Full Council approved the revenue budget of £19.714m for 2022/23 in February 2022. Budget monitoring is delegated to Executive and Scrutiny and revenue service reports have been presented regularly with a full overview of revenue and capital quarterly. This report outlines the final year-end position of services against the 2022/23 revised budget, approved at Full Council in December 2022 of £19.781m (the current budget includes carry forwards and reserve movements) as at the end of March 2023.

General Fund Revenue Budget

5. Final Outturn Position

Table 2 shows the final outturn position against the current budget.

	Outturn Position - 2022/23		
	Budget	Actual	Variance
<u>Expenditure</u>			
Employees	£22,101,640	£21,404,577	(£697,063)
Premises	£4,366,660	£4,384,187	£17,527
Transport	£725,220	£818,484	£93,264
Supplies & Services	£9,915,990	£10,957,205	£1,041,215
Third Party Payments	£18,378,850	£17,252,127	(£1,126,723)
Housing Benefits payments	£27,348,150	£25,657,087	(£1,691,063)
Capital Financing	£3,729,970	£3,439,768	(£290,202)
Revenue Reserve transfers	(£2,746,930)	(£1,614,668)	£1,132,262
	£83,819,550	£82,298,767	(£1,520,783)
Income	(£64,038,280)	(£63,193,087)	£845,193
Net Budget	£19,781,270	£19,105,680	(£675,590)

Employees

There is a significant underspend due to several posts being vacant across the authority for a significant period. The spend on agency staff has increased during the year due to challenges of recruiting due to LGR. The underspend is the variance after taking account of the additional cost incurred when using agency staff.

Transport

The budget was overspent at year end, this is due to cost of fuel remaining high. Additional expenditure has been incurred in respect of purchase of equipment, these purchases cannot be capitalised due to the low value but in this budget will be exceeded at year end.

Supplies and Services

This category of expenditure covers a wide range of costs with the year end position being an overspend of £999k, this is due to a combination of several factors including:

- There are running costs in respect of the elections in May 2022 of £309k, however the income to offset this overspend has been received from Somerset County Council and the relevant Parish Councils so the net position is nil.
- There is additional spend in respect of consultants and legal fees.
- There is additional spend in respect of network charges, software and hardware maintenance. An element of the additional costs has been partially offset by underspends on rental and copy charges, and telephony related costs.
- Additional costs have been incurred in respect of the 2020/21 external audit of accounts. The final audit fee has been reviewed and agreed by the Public Sector Audit Appointments board and the additional costs have been included in the figures being reported.

Third Party Payments

There is an underspend, this partially relates to Council Tax Rebate payments. In total, the Council received £9.3m funding for the payments and at year end spent of £8.5m. The balance of the funding received will be repaid to Central Government in 2023/24.

Other spend in this group relates to the contractual payments to the Leisure facilities contractor and payments in respect of Somerset Waste Partnership.

The budget in respect of Waste and Recycling was revised as part of the quarter two budget review. The budget was revised to incorporate the projected underspend for the Council as advised by the waste partnership.

Housing Benefit payments

At the end of the financial year there was an underspend of £1.691m, it was anticipated at quarter 3 that the payments would be in line with budget.

Capital Financing

There is an underspend on the capital financing budgets, the budget in respect interest payable on external borrowing was increased to reflect the interest in increase rates and the level of external borrowing that is required to fund an element of the capital programme.

Whilst higher rates of interest are being incurred, the level of external borrowing was less than anticipated resulting in an underspend on the budget.

Revenue Reserve transfers

The approved budget included a significant amount of funding from earmarked reserves to fund various expenditure items. These would generally be to fund employee costs or project expenditure. The required funding from the various reserves is less than anticipated due to posts being vacant or the project work not progressing as anticipated. The unused funding will remain in the earmarked reserve and will transfer to the new authority from 1 April 2023.

Government Grants

The budget variance mainly relates to Housing Benefits Subsidy that the Council receives towards the Housing Benefit payments. The subsidy is paid based on an estimate of the value of housing payments that will be made during the year. Any shortfall in income received during the year will be recouped at the end of the financial year once the final claim is submitted.

Other grants and contributions

Much of the year end variance in this area is in relation to the grant received to the fund the spend on the cost of elections held in May 2022.

Sales

The income from sales exceeded the budget, this is due to the income at the Octagon Theatre and Westlands Entertainment Centre exceeding the annual budget.

Fees and charges

The year end variance in respect of fees and charges relates a number of income sources:

- Horticulture – income on this area was significantly less than the annual budget
- Development Services – The fee income in respect of planning application fees was less than the budget.
- Recycling – income from recycling credits was less than budgeted
- Car Parking – income parking fees exceeded the budget
- Rental income – income receivable for rental and service charges in respect of commercial and operational properties was less than the annual budget.
- Miscellaneous income – a significant amount of additional income was received in year, with income to fund the cost of elections and a dividend payment was received from a council owned company which is partly owned.

Investment income

The investment income was higher than the budget with a surplus of £369k. Most of the additional income is in respect of loan repayments from the Council's partly owned company.

6. Carry Forward Requests

There are no carry forward requests

7. Impact on General Fund Reserves

The final underspend of £0.676m will be transferred to General Fund Balances. The general fund balance as at 31 March 2023 for South Somerset District Council is £6.232m

8. Table 3 Service Details of year end position

	Outturn Position - 2022/23		
	Budget	Actual	Variance
Chief Executive	£1,948,130	£2,086,150	£138,020
Commercial Services	£2,078,190	£3,047,240	£969,050
Place & Recovery	£546,750	£900,896	£354,146
Strategy & Support Services	£10,903,430	£8,580,960	(£2,322,470)
Service Delivery	£4,304,770	£4,490,435	£185,665
Net Budget	£19,781,270	£19,105,680	(£675,590)

Chief Executive Table 4

	Annual Budget	Actual	Variance
Employees	£1,639,820	£1,654,895	£15,075
Transport	£2,100	£2,342	£242
Premises	£0	£8,143	£8,143
Supplies & Services	£800,170	£914,724	£114,554
Third Party Payments	£20,000	£20,000	£0
Use of Balances	(£513,960)	(£513,954)	£6
Income	£0	£0	£0
Net Budget	£1,948,130	£2,086,150	£138,020

The spend in respect of consultants and professional fees exceeded the budget by £115k. The remaining overspend was in respect of employees budgets with employer pension contributions and agency staff costs being overspent.

Commercial Services – Table 5

	Annual Budget	Actual	Variance
Employees	£5,454,520	£5,468,368	£13,848
Premises	£3,889,480	£3,868,035	(£21,445)
Transport	£539,200	£653,524	£114,324
Supplies & Services	£3,018,850	£3,531,599	£512,749
Third Party Payments	£6,871,270	£6,796,460	(£74,810)
Capital Charges	£104,760	£109,755	£4,995
Use of Balances	(£157,940)	£59,523	£217,463
Income	(£17,641,950)	(£17,440,025)	£201,925
Net Budget	£2,078,190	£3,047,240	£969,050

The overspend in this directorate is in a number of budget areas, the main areas of overspend are detailed below:

- **Transport Costs** – Fuel costs exceeded the budget due to the higher fuel prices in year
- **Supplies & Services** – Performance costs, provisions for café and bar and adverts and promotion costs at the Westlands Entertainment Centre and Octagon Theatre were more than the annual budget (£370k). this additional spend was more than offset by additional income from ticket sales for performances at the venues.

The spend in respect of consultants and professional fees across the service areas in the directorate was more than the budget. The major overspend was in the Property Services area (£133k).

- **Income** – The income budget for the directorate is in the region of £17.64m, there was a £202k shortfall against the budget which is a 1.14% variance. Some of the sources of income that exceeded the budget were Car Parking fees, Admission charges and sale of provisions at Westlands and the Octagon Theatre

Place and Recovery – Table 6

	Annual Budget	Actual	Variance
Employees	£427,410	£492,184	£64,774
Transport	£1,150	£1,758	£608
Premises	£0	£850	£850
Supplies & Services	£778,310	£872,865	£94,555
Use of Balances	(£593,120)	(£280,125)	£312,995
Income	(£67,000)	(£186,637)	(£119,637)
Net Budget	£546,750	£900,896	£354,146

- **Regeneration** - a £0.330m adverse variance against their budget. This budget is funded from an earmarked reserve, a decision was taken to protect the reserve position of the new council. Therefore, the anticipated reserve transfers didn't not take place in year. This decision was taken in the last quarter of 2022/23.

Strategy & Support Services – Table 7

	Annual Budget	Actual	Variance
Employees	£6,541,990	£6,257,925	(£284,065)
Transport	£47,690	£36,599	(£11,091)
Premises	£384,990	£408,583	£23,593
Supplies & Services	£3,297,410	£3,282,455	(£14,955)
Third Party Payments	£961,740	£738,226	(£223,514)
Capital Charges	£3,625,210	£3,330,013	(£295,197)
Use of Balances	(£465,250)	(£345,309)	£119,941
Income	(£3,490,350)	(£5,127,532)	(£1,637,182)
Net Budget	£10,903,430	£8,580,960	(£2,322,470)

- **Employees** – A significant element of the underspend is in respect of salaries and pension costs due to vacant posts; this has been partially offset by additional costs being incurred in respect of agency staff.
- **Third Party Payments** – The contractual payment to the Leisure Facilities operator was less than the budget.
- **Capital Charges** – The interest payable on external borrowing was less than the budget. This is due to less external borrowing being required than anticipated in year and the impact of interest rate increases not being reflected in spend until the latter part of the financial year.
- **Income** – The interest receivable on investments was more than the budget. This is partially due to the interest on lending to third parties being more than budgeted.

There was also a significant amount of miscellaneous income received with income to fund the cost of elections and a dividend payment being received from a partly owned council company.

Service Delivery – Table 8

	Annual Budget	Actual	Variance
Employees	£8,037,900	£7,531,205	(£506,695)
Premises	£92,190	£98,577	£6,387
Transport	£135,080	£124,261	(£10,819)
Supplies & Services	£2,021,250	£2,355,562	£334,312
Third Party Payments	£10,525,840	£9,697,440	(£828,400)
Payments to Clients	£27,348,150	£25,657,087	(£1,691,063)
Use of Balances	(£1,016,660)	(£534,803)	£481,857
Income	(£42,838,980)	(£40,438,894)	£2,400,086
Net Budget	£4,304,770	£4,490,435	£185,665

- **Employees** – A significant element of the underspend is in respect of salaries and pension costs due to vacant posts, this has been partially offset by additional costs being incurred in respect of agency staff.
- **Supplies & Services** – The expenditure on consultants and professional fees in respect of Development Control exceeded the budget.

An element of work was outsourced to a company due to not having the capacity to carry out the work internally, this resulted in additional spend but was more than offset by the saving employee costs. The budget for housing the homeless was exceeded due to the demands on the service.

- **Third Party Payments** – The underspend in this area relates to the Council Tax Rebate Scheme. The Council received £9.3m funding for the payments and at year end spent of £8.5m. The balance of the funding received will be repaid to Central Government in 2023/24.
- **Payments to Clients** - At the end of the financial year there was an underspend of £1.691m in respect of Housing Benefit payments, it was anticipated at quarter 3 that the payments would be in line with budget.
- **Income** – The majority of the variance relates to the budget in respect of Housing Subsidy grant receivable.

9. Reserves Outturn Position

The Council holds reserves in two forms:

- The General Fund to mitigate against unforeseen spends or major unexpected events
- Earmarked Reserves held for specific purposes and to mitigate against future know or predicted liabilities and resilience.

There is no formal guidance that sets appropriate levels of reserves although general practice is to set General Fund Reserves at a minimum of 5% of the net budget. This would be approximately £0.990m. However, a more refined assessment was made taking into account sensitivity analysis and risks to the budget the minimum balance required was assessed as being £2.8m for the Council.

If Members approve the contribution approved legacy General Fund Reserves to be carried forward to Somerset Council will be £6.8m for 2023/24. A summary of the overall position has been outlined in the overview report. The position of all Earmarked Reserves is outlined in Appendix 5a.

10. Capital Outturn Position

The year-end position of the Council's capital programme saw expenditure of £17.776m against an overall budget of £21.258m, giving an in-year variance of £3.482m. Somerset Council set the capital programme in February 2023 based on quarter 2 predictions. A number of projects have since been added and amended in quarter 3 and quarter 4 and members are requested that these are added to the Somerset programme:

Table 9: Revised 2022/23 Capital Programme (excluding any virements between approved budgets)

	£000s
Agreed capital budget as at Quarter Two	21,258
Proposals made in this report:	
- Increase in Area Committees' budget for S106 Funded Projects	115
- Increase to include Yeovil Rec - J O'Donnell Pavilion upgrade	4
- Reprofiling (Brought forward) of Projects	1,985
- Reprofiling (Slippage) of Projects	(3,870)
- SWP Loan	(1,039)
- Removal of Contingency	(677)
Subtotal	(3,482)
Revised 2022/23 Capital Programme Budget	17,776

Table 10: 2022/23 Corporate Capital Contingency allocation.

Detail	Approval s 2022/23 £000's
Corporate Capital Contingency Opening Balance	4,000
Decarbonisation of Operational Buildings – May 22 DX Report	(350)
Digital Capital Reserve Programme 2022/23 – March 23 DX Report	(40)
Isuzu - Dog waste collection vehicle – March 23 DX Report	(49)
Leisure Centre Capital Works – May 22 DX Report	(665)

Market Towns Vision – March 23 DX Report	(10)
Millers Garage – August 22 DX Report	(203)
Sherwood Road, Bromsgrove (Commercial Investments) SLT	(52)
Wincanton Regeneration Public Realm – July 22 DX Report	(260)
Wincanton Regeneration Public Realm – September 22 DX Report – return of amount back to Corporate Capital Contingency Budget	260
Yeovil Crematorium Refurbishment – August 22 DX Report	(165)
Yeovil Refresh – August 22 DX Report	(891)
Yeovil Refresh – January 23 DX Report	(821)
Yeovil Small Business Centre Roof Renewal – made under Chief Executive delegation as emergency works	(20)
Digital Upgrade of Yeovil Town Centre CCTV Cameras	(3)
Market Towns Vision	(1)
Digital Capital Reserve Programme 2022/23	(50)
Merriott Tythe Barn	(3)
Subtotal of Corporate Capital Contingency Drawdowns	(3,319)

Commercial Services & Income Generation

1. **Yeovil Crematorium Refurbishment** – The outturn for 2022/23 is £0.496m with a further £0.587m of the remaining budget to be used for the final instalments to the cremator, committed costs on the construction project, planned works to provide for capacity needs in the Garden of Remembrance and limited short term repair needs with the main building project.
2. Implementation Executive for the new Somerset Council has decided in its budget work to pause the main building extension and refurbishment project subject to an updated business case being submitted to the Somerset Council next year for implementation 2024/25 and beyond. The sum of £3.367m which was allocated for 2023/24 has therefore been re-profiled to 2024/25.
3. Principal work this year has been the total renewal of the cremators and installation of Mercury Abatement equipment. The installation is now complete and fully functional with minor ancillary work being completed.
4. **Decarbonisation of Operational Buildings (PSDS) – Phase 1-** The outturn for 2022/23 is £1.380m.
5. £0.181m has been reprofiled in to 2023/24 due to the delay in the RIBA stage 4 designs and work not yet started on these sites.
6. The PSDS RIBA stage 4 designs have now been approved although even after value engineering it will not be possible to fully complete the project within budget.

7. Salix have confirmed grant funding of £2.612m which is £0.457m more favourable than our predicted worst-case situation reported in June. Salix have also extended the practical completion date to 31 December 2023 based on the previous uncertainty of the Sottish and Southern Electricity Networks power upgrade. However, dates for power upgrades at Wincanton and Goldenstones have now been confirm and works are expected to be completed in June. This will result in all new solar panels being fully operational. However, practical completion may slip again depending on whether funding can be found to cover the remaining project costs. We would expect Salix to agree to a further extension on the basis that the Authority is funding all outstanding works.

Regeneration and Place

8. **Yeovil Refresh Refurbishment** – The outturn for 2022/23 is £4.450m.
9. The major risks continue to be the inflationary pressure on the construction industry and the potential loss of FHSF (Future High Streets Funding) grant. We continue to monitor the contracts closely to identify any potential savings that could help to mitigate the rising cost of materials. We have also submitted a change request to DLUHC, which if successful, would help to secure the funding.
10. Key milestones for 2023/24:
 - Complete Westminster Street public realm.
 - Commence public realm works in High Street, the Borough and Middle Street.
 - Undertake procurement for the new cycleways to and around the town centre.
 - Secure planning permission for the big screen in the Triangle.
11. **Wincanton Regeneration** – The outturn for 2022/23 is £0.179m.
12. The Project has been deferred for a year pending a new business case that will be reviewed by Somerset Council. £0.018m of the 2022/23 budget has slipped into 2023/24 to cover any remaining committed costs from works carried out in the 2022/23. The remaining budget of £1.902m has been reprofiled into 2024/25.
13. **Somerset's Flagship Arts Venue (Octagon Redevelopment)** – The outturn for 2022/23 is £0.938m. If the final business case is approved, the project is expected to be completed in 2025/2026.

14. The development of Somerset's Flagship Arts Venue represents one of the largest cultural venue construction projects undertaken in Somerset. During 2022/2023 the project team completed RIBA Stage 3 and Stage 4 designs, secured planning permission and commenced the first stage of the procurement process.
15. Key milestones for 2023/24:
 - Complete stage 1 of procurement process
 - Complete stage 2 of procurement process and produce Final Business Case for review.
16. **Chard Regeneration** - The outturn for 2022/23 is £0.399m.
17. During 2022/2023 the public realm works were completed and the Building Repair & Shop Front Improvement Grant Scheme launched.
18. Progress has also been made to find a sustainable use for the Boden Mill site and an interested party has submitted a PID (Project Initiation Document) for external funding.
19. Key milestones for 2023/24:
 - Complete all grant awards by September 2023 and finalise all grant payments by March 2024.
 - Complete a review of the Culturally Chard consortium.
 - Undertake a Conservation Area Appraisal.
 - Closedown the HAZ project on 31st March 2024 and complete all monitoring and evaluation work.
20. **Affordable Housing** – The outturn for 2022/23 is £0.076m.
21. Passivhaus South Petherton - planning application approved later than expected and therefore work will not start until 2023/24.
22. Affordable Housing - North Street, Crewkerne – Planning delays and site issues has meant that the programme has been delayed and will not be starting onsite until 2023/24.
23. Affordable Housing - Bought not Built Allocation – Acacia Lodge was refused planning permission; therefore, we are grant legal agreements are being finalised and a replacement site is being sourced.

SERVICE DELIVERY

24. **Disabled Facilities Grants (DFG's)** - The outturn for 2022/23 is £1.691m.
25. This is an ongoing project funded by Central Government's Better Care Fund and will continue to be live until such time Central Government ends this scheme.
26. Due to the continued resource and contractor availability problem which is being felt across the entire Capital Programme. There is an SLA (Service Level Agreement) in place with Somerset Independence Plus to help try and address this. They are also engaged in helping SSDC align procedures and processes for Somerset Council which should help aid a smoother transition.
27. Work is in progress to address this and demand for DFGs continues to be high.

Support Services & Strategy

28. **Leisure Centre Capital Works** - The outturn for 2022/23 is £3.377m
29. Due to retention requirements, there will be a continued financial obligation up to 2024/25 which totals £0.384m which is part of the remaining £0.570m future estimated budget.
30. These works consist of introducing new gym equipment into the leisure centres alongside remodelling of the internal lay outs of the centres to increase exercise studio space and improve customer experience with the essential M&E replacements and upgrades that are required with the works being carried out.
31. As of May 2023, all works are complete with the exception of snagging items.

Area Committees and Area Funding

32. There was one Area Committee updates for Q4, which was for £0.006m for the Merriott Tythe Barn project. This was funded using the remaining unallocated Area West budget of £0.002m and a £0.003 from contingency.
33. The Unallocated budgets were approved in the February 2022 Budget Report and therefore have no impact on the overall capital programme total.

34. Eight additional projects have been identified in Q4 for 2022/23 which will be funded from Section 106 contributions.

Table 11 - S106 Additions for 2022/23

Project	Forecast 2022/23 £000's
- Broadway & Horton Cricket Club	28
- Broadway Church. Broadway	9
- Gainsborough Play Area, Milborne	5
- George Reynolds Centre Crewkerne	3
- Jarman Way, Chard - Play Area Equipment	6
- Keinton Mandeville Village Hall	31
- Martock Water St Rec Ground	30
- Redstart Play Equip, Chard	4
Total	115

Financing of the Capital Programme

Table 12: Financing of the Capital Programme

Funding Stream	Q2 Approved 2022/23 £000's	Q4 Updates 2022/23 £000's	Q4 Outturn 2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/26 £000's	Funding Stream Total £000's
Grants & Contributions	6,824	1,606	8,430	19,640	3,846	325	32,241
S106 Contributions	317	(123)	194	428	-	400	1,022
CIL	-	-	-	1,335			1,335
Usable Capital Receipts	1,307	(11)	1,296	1,620	410	-	3,326
Use of Loan Repayment	2,993	(2,142)	851	-	-	-	851
Prudential Borrowing	9,817	(2,812)	7,005	26,103	12,141	298	45,547
Yearly Total	21,258	(3,482)	17,776	49,126	16,397	1,023	84,322

A number of projects totalling £1.885m will now need to be added to the Somerset Programme as they were not completed by the end of the 2022/23 financial year or require reprofiling. The funding for these projects were included within the overall expected financing for 2022/23 and therefore have been factored into overall funding including borrowing requirements. The position of these projects at the year-end is shown in Appendix B with the requested carry forward and funding source outlined in Column C and Columns H-AD.

The revised Somerset Programme is included at Appendix 7.