

Decision Report - Executive



Decision Date – September 2023

Forward Plan Ref - FP/23/05/07

Key Decision – Yes

Somerset Council – Consolidated 2022/23 Outturn Report

Executive Member(s): Cllr Liz Leyshon Deputy Leader of the Council and Lead Member on Resources and Performance

Local Member(s) and Division: All

Lead Officer: Jason Vaughan, Executive Director - Resources & Corporate Services

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Executive Summary

1. All of the five authorities Statement of Accounts have now been published. This report outlines the overall impact of the outturn position for each legacy Council in Somerset. It outlines the opening position of reserves, capital receipts, and slippage on the capital programme which requires a revised capital programme to be approved for 2023/24. The position of each Somerset Authority is outlined in the appendices attached as follows:

Appendix 1 – Somerset County Council Outturn Report 2022/23

Appendix 1a – Outturn Reserves Position for Somerset County Council 2022/23

Appendix 1b – Capital Programme Outturn for Somerset County Council 2022/23

Appendix 2 – Mendip District Council Outturn Report 2022/23

Appendix 2a – Outturn Reserves Position for Mendip District Council 2022/23

Appendix 2b – Capital Programme Outturn for Mendip District Council 2022/23

Appendix 3 – Sedgemoor District Council Outturn Report 2022/23

Appendix 3a – HRA Outturn Report 2022/23

Appendix 3b – Outturn Reserves Position for Sedgemoor District Council 2022/23

Appendix 3c – Capital Programme Outturn for Sedgemoor District Council 2022/23

Appendix 4 – Somerset West and Taunton District Council Outturn Report 2022/23

Appendix 4a – HRA Outturn Report 2022/23

Appendix 4b – Outturn Reserves Position for Somerset West and Taunton 2022/23

Appendix 4c – Capital Programme Outturn for Somerset West and Taunton 2022/23

Appendix 5 – South Somerset District Council Outturn Report 2022/23

Appendix 5a – Outturn Reserves Position for South Somerset District Council 2022/23

Appendix 5b – Capital Programme Outturn for South Somerset District Council 2022/23

Appendix 6 – Consolidated Reserve Position Somerset Council for April 2023/24

Appendix 7 – Consolidated Capital Programme for Somerset Council April 2023/24

Appendix 7a – Consolidated Capital Programme for Somerset Council HRA 2023/24

2. Then overall outturn for 2022/23 across all 5 councils is an overspend of £18.7m and means that there is General Fund Reserves of £26.8m and Earmarked Reserves of £104.9m after allowing for the transfer from Earmarked Reserves to General Fund Reserves and the planned use of reserves agreed in the 2023/24 budget plus other commitments that will require financing. A revised general fund capital programme and a revised HRA capital programme will require full Council approval to incorporate the slippage from legacy authorities £99.5m and £90.4m respectively.

Recommendations

3. That the Executive:
 - a. Note the final overall overspend for Somerset of £18.7m funded from reserves (**section 5**).
 - b. Agree the requested carry forwards of £0.5m (**section 6 - Table 2**)
 - c. Note the opening position of £26.8m General Fund Reserves as at the 1st April 2023 (**Table 3**).

- d. Approve that £23m of Earmarked reserves are transferred in General Fund Reserves to ensure they are maintained at the appropriate level and to receive a report detailing the amalgamated earmarked reserves position at the October Executive meeting.
- e. Note the opening position of £156.8m of Somerset Council earmarked reserves as set out in **Table 4** and the current commitments against those reserves
- f. Agree the additions and amendments to the Capital Programme in the last quarter (**section 8**).
- g. Note the completed capital projects (**section 8 - Table 7**)
- h. Note the position on capital receipts and commitments (**section 8 - Table 8**)
- i. Note the outturn positions of Sedgemoor District Councils Housing Revenue Account (an underspend of £0.446m) at **Appendix 3a** and Somerset West and Taunton **Appendix 4a** (an overspend of £0.227m).
- j. Approve the capital carry forwards of £4.6m relating to Sedgemoor District Councils HRA.
- k. Approve the reduction of £8.8m for capital schemes no longer required within the previous Somerset West and Taunton HRA

That the Executive recommends to Council

- l. To note the year end position of the legacy Councils' General Fund Capital Programmes and approve the carry forward requests of £99.5m and revised Capital Programme attached at **Appendix 7**.
- m. To note the year end position of the legacy Councils' HRA Capital Programmes and approve the carry forward requests of £90.4m and revised Capital Programme attached at **Appendix 7a**.

Reason for Recommendations

- 4. To finalise the Council's financial position for the year ended 31st March 2023 and ensure that the level of General Reserves is maintained at the appropriate level.

Links to Council Plan and Medium-Term Financial Plan

- 5. The 2022/23 outturn reports show the overall financial performance across the 5 councils and the starting point for Somerset Council.

Financial and Risk Implications

6. The financial implications area set out in the report. The risk-based assessment of General Reserves approved in setting the 2023/24 budget was that they should be maintained between £30m to £50m and given the risks and unknowns, it was recommended that they be maintained at the higher end of range.

Legal Implications

7. There are no legal implications to this recommendation being accepted.

HR Implications

8. There are no direct HR implications resulting from this report.

Other Implications:

Equalities Implications

9. There are no implications.

Community Safety Implications

10. There are no implications.

Climate Change and Sustainability Implications

11. There are no implications.

Health and Safety Implications

12. There are no implications.

Health and Wellbeing Implications

13. There are no implications.

Social Value Implications

14. There are no implications.

Scrutiny comments / recommendations:

15. This report will be considered by the Corporate & Resources Scrutiny Committee at its meeting on 7 September. The outturn position for each council forms part of the Statement of Accounts for 2022/23 which the Audit Committee will receive alongside the external auditor's report on them.

Background

16. Somerset Council approved its' first budget and capital programme for 2023/24 in February 2023. The five legacy Councils final budget year was 2022/23. This report pulls together that final position of the five legacy councils (each outturn position is included in the appendices to this report. The final position of those Councils' impacts on the reserves, capital receipts, and capital programme for Somerset Council.

General Fund Revenue Budget - Final Outturn Position

17. **Table 1** shows the final 2022/23 outturn position against the current budget for all Somerset authorities.

Table 1 – Final Outturn Position of all Somerset Councils

	2022/23 Budget £'m	Outturn £'m	Under/ (Overspend) £'m
Somerset County Council	383.7	407.1	(23.4)
Mendip District Council	19.1	18.3	0.8
Sedgemoor District Council	9.0	6.6	2.4
Somerset West and Taunton Council	17.0	16.2	0.8
South Somerset District Council	19.8	19.1	0.7
Somerset Outturn Position	448.6	467.3	(18.7)

18. Of the overall deficit of £18.7m, £21.1m has been financed through General Fund Reserves, whilst £2.4m of the underspend has meant that less earmarked reserves were utilised for one authority.

Carry Forward Requests

19. The final outturn position of £467.4m includes carry forwards (£0.5m). If the carry forwards are not approved the overspend would reduce to £18.3m. The requests are as follows:

Table 2 Carry forward Requests

Directorate/ Director	Service	Value Requested £m	Summary
Children's Services/ Claire Winter	Early Help	0.388	Funding for the Data Accelerator Programme was allocated to Somerset during 2022/23. The programme is a collaboration between five local authorities and the Police, with the funds held by Somerset as the lead partner. This grant will be used to support greater partnership information sharing, improving data maturity and the use of analytical products.
	Commissioning	0.065	Funding was received from Government to support homelessness in Children and Young People aged 16+. This will be spent during 2023/24 to fund an intensive support worker and drug & alcohol worker in the Pathways to Independence Youth Homelessness service.
	Commissioning	0.026	Funding received from the Department for Education which will be used to upscale a study relating to foster carers.
Total Requested Carry Forwards		0.479	

General Fund Reserves

20. General Fund Reserves are not for a specific purpose and are retained to meet the financial risks and unforeseen events that the Council may face. The table below shows the inherited General Fund Reserve position as at the 31st of March 2023 for each authority. The overall total of £26.8m is the opening reserves position for Somerset Council.

Table 3: General Fund Reserves Position 2022/23

	Opening Reserve Position 1st April 2022 £'m	Transfers During the Year £'m	Closing Position 31st March 2023 £'m
Somerset County Council	(27.1)	23.4	(3.7)
Mendip District Council	(2.4)	(0.9)	(3.3)
Sedgemoor District Council	(1.5)	0.0	(1.5)
Somerset West & Taunton Council	(7.6)	(3.9)	(11.5)
South Somerset District Council	(6.6)	(0.2)	(6.8)
Somerset Council Total	(45.2)	18.4	(26.8)

21. The Financial Strategy approved in July identified 17 key areas of activity, one of which was to review the reserves from across the five councils, amalgamate them and ensure sufficient General Fund Reserves are set aside. The risk-based assessment of reserves approved by council in February, identified that General Fund Reserves should be in the range £30m to £50m. Therefore, there needs to be transfers from earmarked reserves to bring the General Fund Reserves up to the appropriate level and given the current in year position and level of financial risks it is recommended that £23m is transferred, which to bring them up £49.8m. The second part of review of reserves will be undertaken shortly and will review and amalgamate the Earmarked Reserves and a result in a report to the October Executive on the proposals.
22. It must be noted that if the current estimated overspend in 2023/24 is not mitigated this would bring General Fund Reserves back down to £21.2m (based on forecast outturn at month 3), well under the £30m-£50m required.
23. Each Somerset Council also held Earmarked Reserves for both specific purposes and to mitigate against future know or predicted liabilities and resilience. The overall level of reserves is shown below:

Table 4 - Earmarked Reserves

	Opening Reserve Position 1st April 2022 £'m	Transfers During the Year £'m	Closing Position 31st March 2023 £'m
Somerset County Council	(93.4)	10.9	(82.5)
Mendip District Council	(15.2)	6.5	(8.7)
Sedgemoor District Council	(27.0)	2.8	(24.2)
Somerset West & Taunton Council	(27.9)	12.2	(15.7)
South Somerset District Council	(31.6)	5.9	(25.7)
Somerset Council Total	(195.1)	38.3	(156.8)
Reserves Held for Other Bodies	(86.3)	(44.9)	(131.2)
Total Earmarked Reserves	(281.4)	(6.6)	(288.0)

24. It has to be noted that the earmarked reserves will need to be reprovioned as the following commitments and requirements need to be met:

Table 5 – Requirements and Commitments from Earmarked Reserves

	£'m
B/f position of Earmarked Reserves (Somerset Council)	(156.8)
Recommended Transfer into Revenue Reserves	23.0
Reserve use agreed in the February 2023/24 budget	19.9
Tba possible commitment to finance Adult Services Transformation Project	7.0
Reserve use expected for 2024/25 in the MTFP	2.0
Remaining Earmarked Reserves	(104.9)

25. The reserves position of each of the legacy authorities is attached in the appendices and the overall summary is included in Appendix 6.

Capital Outturn Position

26. The Capital Programme for Somerset Council was approved in February 2023 and was based on the estimated year end position of each Council as at Quarter 2. This meant that all 2023/24 and beyond was consolidated into the new programme along with newly approved bids. It assumed that the remaining 2022/23 programmes would be fully spent by the year-end, but we would consolidate the programme within the 2023/24 year with slippage from the five legacy Councils. The summary table below shows the slippage and the approved programme. Executive Members are requested to recommend the revised Capital Programme attached at Appendix 7 to Council. Carry forwards of £99.5m are included within the revised programme.

Table 6 – Summary of the Revised Capital Programme including Carry Forwards

Directorate	2022/23 Carry Forward Adjustment	Forecasted Expenditure				
		2023/2 4	2024/2 5	2025/2 6	2026/2 7 >	Total
	£m	£m	£m	£m	£m	£m
Adults & Health	(0.7)	2.2	0.3	0.3		2.2
Children's Services	12.4	36.2	19.3	6.1	2.4	76.4
Climate & Place	31.6	170.9	15.8	2.0		220.4
Community Services	0.3	31.0	12.8	2.4		46.5
Resources & Corporate Services	14.0	18.0	3.3	0.8		36.1
Strategy, Workforce, & Localities		0.2	0.1	0.1		0.5
Paused Schemes	1.7		7.7	0.1		9.5
Accountable Bodies	40.2					40.2
Total	99.5	258.7	59.4	11.8	2.4	431.8

Please note that the slippage would have been funded by the legacy Councils as part of their 2022/23 budget setting and those budgets were amalgamated for Somerset Council.

Changes to the Capital Programme Approvals in Quarter Four

27. **Recommendation (2f)** is for members to approve the addition of funding to the capital programme approvals since quarter three that either the County Council or the District Councils had not approved:

- £2.792m of revenue (reserve) funding for Somerset Rivers Authority.
- £2.205m of Levelling Up grant funding towards Bridgwater Transport Improvement schemes.
- £1.617m of Department for Education grant funding towards School's Energy Efficiency projects.
- £0.708m of leasing funding towards the Building Schools for the Future Lifecycle costs.
- £0.650m of S106 contribution funding for J23 Dunball Junction Improvements.
- £0.619m of S106 contribution funding towards the new King Ina Primary School, Somerton.

- £0.586m of revenue (reserve) funding for the Bridgwater VMS projects.
- £0.500m of revenue funding for the Taunton Digital Innovation Centre.
- £0.248m of revenue (reserve) funding towards Highway Structural Maintenance schemes.
- £0.210m of contribution funding towards the Sherford Cycle Route.
- £0.201m of grant funding for Economic Development's Inward Investment project.
- £0.130m of grant funding towards J23 Dunball Junction Improvements.
- £0.100m of revenue funding towards School projects.
- £0.072m of revenue (reserve) funding for Bridges & Structures.
- £0.048m of revenue funding towards Cannington Traffic Calming scheme.
- £0.046m of contribution funding towards the Housing Technology programme.
- £0.034m of revenue funding towards Traffic Signals Recovery Programme.
- £0.021m of revenue funding towards Library Service Public Access Printing project.
- £0.020m of S106 contribution funding towards Chelston Roundabout Capacity Study.
- £0.014m of revenue funding for Public Rights of Way projects.

28. Several virements (budget transfers) have also been processed in the quarter. Virements are the movement of approvals between budget lines. Virements are examined to identify their purpose; they do not require formal ratification by members as they are classed as technical changes. Virements are undertaken to enable the effective management of generic approvals by creating individual projects as detailed proposals are developed and cost estimates become available.

29. All cross service virements relate to the funding of claims made to the Local Enterprise Partnership from SCC projects.

Table 7 – Completed Capital Projects

Authority	Scheme Name	Budget	Outturn	Committed in	Over /	Funded By
				Future Years	(Under) Spend	
		£m	£m		£m	
SWT	Seaward Way	0.045			(0.045)	Borrowing

SWT	Firepool Development	0.410	0.002		(0.408)	Borrowing
SWT	Firepool Master planning	0.179	0.096		(0.083)	Borrowing
SWT	Heritage at Risk	1.207	1.104	0.068	(0.035)	Grant
SWT	Taunton North Equity Loans	0.600			(0.600)	Grant
		2.441	1.202	0.068	(1.171)	
MDC	CCTV Replacement	0.005			(0.005)	Borrowing
MDC	Laptops	0.001			(0.001)	Borrowing
		0.006			(0.006)	
SCC	Early Years Condition	2.000	0.020	1.200	(0.780)	Borrowing / Grant
SCC	Community Services (Children)	0.088			(0.088)	Capital Receipts
		2.088	0.020	1.200	(0.868)	

30. The underspends from these projects totalling £0.868m will be removed from the capital programme.

Borrowing for the Capital Programme

31. The capital programme is approved and fully funded. This means that the Council have approved the use of borrowing to ensure that resources are available to enable delivery of the capital programme. The timing of taking borrowing from the external market is part of the Treasury Management activity. The revised programme shows that £127.8m of borrowing is required for the revised programme. It will be imperative to review the programme to reduce the revenue impact of this on Somerset Council.

Capital Receipts

32. Capital receipts are held on the sale of assets. They can be used to reduce debt or finance the capital programme. In addition to this the Government has allowed local authorities to utilise these to fund once off costs for programmes that produce ongoing savings. The overall capital receipts summary for Somerset is as follows:

Table 8 – Useable Capital Receipts as at the 31st of March 2023

	Closing Position 31st March 2023 £'m
Somerset County Council	(10.1)
Mendip District Council	0.0
Sedgemoor District Council	(0.1)
Somerset West & Taunton Council	(3.7)
South Somerset District Council	(5.7)
Somerset Council Total	(19.6)

Current commitments for capital receipts are as follows:

Commitments	£'m
Flexible Capital Receipts – Remaining LGR costs	13.3
Commitments in the Capital Programme	8.8
Receipts received 2023/24	(2.3)
Expected receipts 2023/24	(2.7)
Remaining Capital Receipts	(2.5)

Note – Expected Receipts for 2023/24 is currently under review.

A report will need to be taken forward to the Executive and then Council to amend the Flexible Capital Receipts Strategy if any transformation projects are to be financed through capital receipts.

Housing revenue Accounts

33. Two of the District Authorities held Housing Revenue Accounts in 2022/23 – Sedgemoor District Council and Somerset West and Taunton District Council. These have now been amalgamated into one HRA for Somerset Council in 2023/24. The revised capital programme of £122.6m for Somerset HRA is attached at Appendix 7a. It is recommended that Members of the Executive recommend approval of the revised HRA Capital Budget to Council.

Sedgemoor District Council - HRA

34. The outturn position is shown at Appendix 3a for Sedgemoor District Council. The year-end position was an underspend of £0.4m. The Sedgemoor HRA outturn requests capital carry forwards of £4.6m, however these will not impact on revenue balances. Of this £2.7m is for delays on housing stock development due to contractor and supply chain issues; £0.3m for the HiS net zero carbon works and fire safety and cladding works which are hoped to complete in 2023/24; a further £1.2m for essential works carried out by His for outbuildings, balconies and Westfield House and £0.4m for estate sewerage works at Crickham delayed because of contract complexities and the tender process.

Somerset West and Taunton - HRA

35. The outturn position is shown at Appendix 4a and shows a £0.2m overspend position at the end of the financial year. There are proposed reductions to the Capital Programme Budget of £8.814m for underspends on schemes where budget is no longer required.

Background Papers

36. 2022/23 Budget reports from each of councils approved in February 2022 and the draft 2022/23 statement of accounts for each for council.

Appendices

Appendix 1 – Somerset County Council Outturn Report 2022/23

Appendix 1a – Outturn Reserves Position for Somerset County Council 2022/23

Appendix 1b – Capital Programme Outturn for Somerset County Council 2022/23

Appendix 2 – Mendip District Council Outturn Report 2022/23

Appendix 2a – Outturn Reserves Position for Mendip District Council 2022/23

Appendix 2b – Capital Programme Outturn for Mendip District Council 2022/23

Appendix 3 – Sedgemoor District Council Outturn Report 2022/23

Appendix 3a – HRA Outturn Report 2022/23

Appendix 3b – Outturn Reserves Position for Sedgemoor District Council 2022/23

Appendix 3c – Capital Programme Outturn for Sedgemoor District Council 2022/23

Appendix 4 – Somerset West and Taunton District Council Outturn Report 2022/23

Appendix 4a – HRA Outturn Report 2022/23

Appendix 4b – Outturn Reserves Position for Somerset West and Taunton 2022/23

Appendix 4c – Capital Programme Outturn for Somerset West and Taunton 2022/23

Appendix 5 – South Somerset District Council Outturn Report 2022/23

Appendix 5a – Outturn Reserves Position for South Somerset District Council 2022/23

Appendix 5b – Capital Programme Outturn for South Somerset District Council 2022/23

Appendix 6 – Consolidated Reserve Position Somerset Council for April 2023/24

Appendix 7 – Consolidated Capital Programme for Somerset Council April 2023/24

Appendix 7a – Consolidated HRA Capital Programme for Somerset Council 2023/24

Report Sign-Off

	Officer Name	Date Completed
Legal & Governance Implications	David Clark/Jill Byron/Steven Hellard	24/08/2023
Communications	Chris Palmer	23/08/2023
Finance & Procurement	Nicola Hix	23/08/2023
Workforce	Chris Squire	n/a
Asset Management	Oliver Woodhams	24/08/2023
Executive Director / Senior Manager	Jason Vaughan	23/08/2023
Strategy & Performance	Alyn Jones	23/08/2023
Executive Lead Member		
Consulted:	Councillor Name	

Local Division Members		
Opposition Spokesperson	Cllr Mandy Chilcott	25/08/2023
Scrutiny Chair	Cllr Bob Filmer	25/08/2023