



**Policy, Finance
and Development
Committee**

22 July 2014

**Matter for
Information and
Decision**

Title: **Overall Provisional Budget Outturn Report – 2013/14**

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1 Introduction

This report gives a summary of the overall provisional outturn position for the financial year 2013/14 including the effect on the reserves as at 31 March 2014.

The provisional outturns for both the General Fund and the Housing Revenue Account (HRA) are net under spends against the revised budgets. The draft annual financial statements have been prepared and signed off by the Section 151 Officer before the statutory deadline of 30 June 2014 but will not be finalised until after the external audit process is finished at the end of September. These figures are, therefore, subject to revision.

2 Recommendations

That Members:

- (1) Note the report and overall provisional outturn positions for both the General Fund (Appendix 1) and the Housing Revenue Account 2013/14 (Appendix 2).
- (2) Approve the requested revenue and capital carry forwards for both the General Fund and Housing Revenue Account as set out in Appendix 3.
- (3) Approve the transfer of £200,000 from the General Fund Reserve to the Budget Equilibrium Reserve.

3 Information

The following commentary summarises the outturn position for each of the Council's funds in respect of both revenue and capital expenditure and compares these with the corresponding revised budget for the year. A statement of reserves and balances in hand at 31 March 2014 is also included.

General Fund

Provisionally, there is an overall reduction in outturn net expenditure against the revised budgets for 2013/14 of £230,291 after allowing for £29,950 of budget items to be carried forward to 2014/15 (Appendix 3). A summary of

the position is shown at Appendix 1. The main reasons for the variances are explained below.

- A salaries vacancy provision of £200,000 was provided for within the financial year. The actual outturn on salaries showed a saving of £272,000. In net terms, this resulted in a saving of £72,000. However, during the period a £154,000 over spend on hired staff was incurred.
- Another major variance related to an increase of £66,000 in the level of subsidy received from Central Government for benefit payments.

Other savings realised in the year were as follows:

	£ 000's
Unused Charity Relief on Business Rates	40
Additional Local Land Charges Income	11
Additional Court Cost Income	18
Additional Planning Income	20
Micro-filming Project Deferred	30
Transport	16
Emergency Accommodation	18
Car Park Enforcement	10
Bank Charges	18
Corporate Training	15

More specific reasons for the variances are given in the respective committee provisional outturn reports.

Housing Revenue Account

In February 2014, the revised forecast for the HRA was that a contribution would be required from balances of £86,700 leaving a balance of £939,914 at 31 March 2014. However, the provisional outturn position has been influenced by the following main issues.

Firstly, it has been necessary to reschedule the commencement of major Housing capital schemes due to external challenge on the award of contract to the chosen tenderer. Whilst it is too early in the programme to predict potential changes to the work schedules, there have now been more vacancies than anticipated together with certain cost savings, which will make it possible for the contract to now be a three block programme. This would enable the contractor to take advantage of good weather and move the programme forward to catch up on the delays already experienced. However, as a result of the delay, £717,000 of budgeted revenue funding set aside for these works in 2013/14 was not required which has contributed to a provisional saving in year for the Housing Revenue Account. This funding will now be required in 2014/15 and will be carried forward in balances.

The other major saving in the year relates to revenue repairs and maintenance. It was identified that a number of works that would normally be

covered by Planned Maintenance could usefully be covered by the current "Whole Unit" capital refurbishment contracts enabling an efficiency saving of £132,000 on the revenue budget. Future, Planned Maintenance budgets are also to be reviewed. Additionally, some of the adaptations work was moved to the capital programme creating a further saving of £41,000.

Finally, a variance of £455,000 for depreciation which is a required technical accounting entry is adjusted for elsewhere within the Housing Revenue Account resulting in a neutral effect on balances.

All of the above major variances result in a surplus of £870,658 for the year with a closing balance of £1,897,272. This represents a £957,358 under spend against the revised budget.

Full details of the HRA provisional outturn position are given at Appendix 2.

Capital Programmes (General Fund and HRA)

Details of the provisional outturn position for 2013/14 on both the housing and non-housing capital programmes together with details of their funding are shown below.

Committee	Revised Allocation £ 000's	Provisional Outturn £ 000's	Variance £ 000's
Service Delivery (Housing Related)			
Housing Revenue Account	1,572	646	(926)
General Fund	412	407	(5)
	<u>1,984</u>	<u>1,053</u>	<u>(931)</u>
Service Delivery (Other General Fund)	796	608	(188)
Policy, Finance and Development	99	99	0
Total	<u>2,879</u>	<u>1,760</u>	<u>(1,119)</u>
Financed By			
Government Grants		203	
Borrowing		133	
External Funding		274	
Revenue and Reserves		512	
Major Repairs Allowance		638	
Total		<u>1,760</u>	

The above programme shows an under spend on the total programme of £1.119m.

The majority of this under spend relates to HRA capital schemes and has occurred for the reasons previously mentioned.

More specific reasons for the variances are given in the respective committee provisional outturn reports.

Reserves as at 31 March 2014

All revenue reserves form part of the General Fund, but they may be earmarked for specific purposes. The overall provisional reserve position at 31 March 2013 is shown in the table below. The balances shown at 31 March 2013 are after allowing for budget carry forward items.

General Fund (Revenue Reserves)	Balance 1 April 2013 £ 000's	Movement in Year £ 000's	Balance 31 March 2014 £ 000's
General Fund Reserve	730	361	1,091
Contingency Reserve	200	0	200
Other Earmarked Reserves	2,729	909	3,638
Total	3,659	1,270	4,929

Furthermore, in view of the additional savings that have been achieved in 2013/14 it is proposed that a £200,000 transfer be made from the General Fund Reserve to a new Budget Equilibrium Reserve to safeguard against any unforeseen changes in available Central Government funding which includes the risks associated with the element that is generated by the local retention of business rates where there is now a possibility that this may come in either under or over budgeted income. As dictated by Financial Regulations, any use of reserves or balances requires the authorisation of the Chief Financial Officer.

The Housing Revenue Account Reserve balance (and the associated earmarked reserves) may only be used for housing purposes. The overall provisional reserves position is again shown in the table below.

HRA (Revenue Reserves)	Balance 1 April 2013 £ 000's	Movement in Year £ 000's	Balance 31 March 2014 £ 000's
HRA Reserve	1,027	870	1,897
Regeneration Reserve	500	0	500
Major Repairs Reserve	445	567	1,012
Total	1,972	1,437	3,409

The Council has an approved Policy on reserves and confirmed its approach to levels of reserves in the Budget Proposals Report 2014/15 which was approved at Council on 25 February 2014.

It is the availability of reserves, that has enabled the Council to plan ahead with confidence, meet exceptional expenditure items, mitigate against

significant budget risk and uncertainty and keep the Council Tax at reasonable levels.

The continued uncertainties surrounding public expenditure were outlined in the Budget Proposals Report 2014/15, in particular the Report of the Chief Financial Officer on the Robustness of the Estimates Made for the Purposes of the Budget and Tax Setting Calculations and the Adequacy of the Proposed Financial Reserves. The section highlighted risks including government grant and support the retention of business rates and other legislation such as the Welfare Reform Act. With the impact of the national economic position on Government financial support to local authorities it is important to ongoing financial sustainability that reserves are maintained. In addition, the Council will need to continue the transformation programme in order to deliver budget efficiency savings. This will require the use of earmarked reserves such as the Contingency and Management of Change Reserve to support this programme.

Carry Forwards

Details of requested carry forward budgets for both revenue and capital have been included at Appendix 3 for approval by committee. These figures have been included in the provisional outturn positions for 2013/14 for both the General Fund and the Housing Revenue Account.

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Background Papers: Report to Council on 21 February 2013 – Budget Proposals and Associated Strategies
 Report to Council on 25 February 2014 – Budget Proposals 2013/14

Implications	
Financial (PL)	Incorporated within the body of the report
Risk (PL)	CR1 Decreasing Financial Resources CR9 Economy
Equalities (KG)	No significant implications
Legal (KG)	No significant implications