



**Policy, Finance and
Development
Committee**

Tuesday, 19 July 2016

**Matter for Information
and Decision**

Title: Overall Provisional Budget Outturn Report 2015/16

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1. Introduction

This report gives a summary of the overall provisional outturn position for the financial year 2015/16 including the effect on the reserves as at 31 March 2016.

The provisional outturns for both the General Fund shows a small overspend while the Housing Revenue Account (HRA) is 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 2016 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

- 2.1. Note the report and overall provisional outturn positions for both the General Fund (Appendix 1) and the Housing Revenue Account 2015/16 (Appendix 2).
- 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. Information

- 3.1. 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 2015 is also included.

3.2. General Fund

In 2015/16 the Council has seen a slight net deficit of £18,000 which reduces the General Fund Reserve to £996,000. After taking the recommended transfers to earmarked reserves into consideration and £43,000 of budget items to be carried forward to 2016/17 (Appendix 3). There is a provisional overall under spend net expenditure against the revised budgets for 2015/16 of £133,000, however many of the general grants that the Council had been receiving prior to this year were stopped for 2015/16 resulting in a reduction in funding of £151,000. A summary of the position is shown at Appendix 1. The main reasons for the variances are explained below.

- The Council has received a larger than anticipated amount of funding from the distribution of Non Domestic (Business) Rates amounting to £132,000. This partly compensated for the reduction in general grants.
- A salaries saving target of £197,000 was set as part of the 2015/16 budget. Only £5,000 of this was attained in year due, in part, to the higher cost of employing the large number of agency staff to fill vacancies. This is something which is now being

addressed successfully by the Council as a whole.

- 2015/16 has seen a major fall in the market for recyclates which carried on throughout the year. This resulted in a reduction in income against revised budget of £79,000.
- The Municipal Mutual Scheme of Arrangement was again triggered toward the end of the financial year with the Council contributing a further £30,000. There is still a significant potential liability for the Authority however it is unknown when if ever this will be triggered
- There have been savings made in a large proportion of budgets across all services. This has been due to the diligent ongoing work carried out by officers in seeking out and implementing savings and efficiencies required to meet the financial challenges of future years. Further details of these are contained in the committee specific reports for both this committee and Service Delivery. However some of the larger items are listed below:-

	£ 000's
Troubled Families Grant to Leicestershire County Council	23
Reduction in Hostel expenses for homelessness prevention	27
Final profit share payment from Leisure Connection	18
Overall Net Cost of Housing Benefits Reduced	42
Corporate and Health and Safety Training	34

3.3. Housing Revenue Account

In February 2016, the revised forecast for the HRA was that a contribution would be required from balances of £2.131m leaving a balance of £0.593m at 31 March 2016. However, the provisional outturn position shows a deficit of £1.392m for the year with a closing balance of £1.332m. This represents a £0.739m under spend against the revised budget.

The headline variances are explained below:-

- A substantial part of the Housing Capital Programme has been deferred to 2016/17 which means that the revenue contribution from the Housing Revenue Account has not been required in full this year. This funding, totalling £0.721. will be retained in balances to be allocated once those projects have finished.
- Supervision and Management Costs have increased due to a re-evaluation of recharges to the Housing Revenue Account
- Improved debt collection has meant that the provision put in place for bad and written off debts has not been fully utilised.
- Overall rental income is down as a result of the length of time properties have remained void. This is principally due to the extensive refurbishment programme being undertaken.

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

3.4. Capital Programmes (General Fund and HRA)

Details of the provisional outturn position for 2015/16 on both the housing and non-housing capital programmes together with details of their funding are shown below.

Committee	Revised Allocation	Provisional Outturn	Variance
	£ 000's	£ 000's	£ 000's
Service Delivery (Housing			

Related)			
Housing Revenue Account	3,800	3,265	(535)
General Fund	495	415	(80)
	<u>4,295</u>	<u>3,680</u>	<u>(615)</u>
Service Delivery (Other General Fund)	8,399	8,102	(297)
Policy, Finance and Development	270	381	111
Total	<u>12,964</u>	<u>12,163</u>	<u>(801)</u>
Financed By			
Capital Receipts		66	
Government Grants		237	
Borrowing		7,459	
External Funding		67	
Revenue and Reserves		3,149	
Major Repairs Allowance		1,185	
Total		<u>12,163</u>	

The above programme shows an under spend on the total programme of £0.8m.

The under spend is mainly associated with four schemes

	£ 000's
Boulter Crescent Refurbishment	186
Central Heating Replacement	160
Front Door Replacement	93
Leisure Centre Redevelopment	318

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

4. Reserves as at 31 March 2016

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 2016 is shown in the table below. The balances shown at 31 March 2016 are after allowing for budget carry forward items.

General Fund (Revenue Reserves)	Balance 1 April 2015	Movement in Year	Balance 31 March 2016
	£ 000's	£ 000's	£ 000's
General Fund Reserve	1,013	(18)	995
Budget Equilibrium Reserve	600	0	600
Management of Change Reserve	455	(397)	58
Contingency Reserve	200	0	200
Other Earmarked Reserves	3,047	(1138)	1,909
Total	<u>5,315</u>	<u>(1,553)</u>	<u>3,762</u>

This year has seen a significant planned use of earmarked reserves for funding both Capital and Revenue, most notably £0.93m on the purchase of 6 new refuse vehicles using government grant money.

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 Reserves	Balance 1 April 2015 £ 000's	Movement in Year £ 000's	Balance 31 March 2016 £ 000's
HRA Reserve	2,724	(1,378)	1,346
Regeneration Reserve	500	(139)	361
Major Repairs Reserve	0	0)	0
Budgets Carried Forward HRA	0	14	14
Total	3,224	(1,503)	1,721

The Council has an approved Policy on reserves and confirmed its approach to levels of reserves in the Budget Proposals Report 2016/17 which was approved at Council on 18 February 2016.

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 2016/17, in particular the sections on the robustness of the estimates, the tax setting calculations and the adequacy of the proposed financial reserves. The section highlighted key assumptions and risks surrounding the 2016/17 budget setting in particular those relating to government grant in 2016/17 and future years. With the current national economic situation and the Government's position on financial support to local authorities it is important to ongoing financial sustainability that reserves are maintained at appropriate levels. In addition, the Council will need to continue the transformation programme in order to deliver budget efficiency savings. This may require further use of earmarked reserves such as the Contingency, Budget Equilibrium and Management of Change Reserve to support this programme. In addition it will require officers to diligently find savings and efficiencies as the year progresses.

5 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 2015/16 for both the General Fund and the Housing Revenue Account.

Background Documents:-

Report to Council on 16 February 2016 – Budget Proposals 2016/17

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Implications	
Financial (CR)	As set out in the report.
Legal (AC)	No significant implications.
Risk (CR)	CR1 - Decreasing financial resources. CR9 – Economy.
Equalities (CR)	No significant implications. Equality Assessment:-

	<input type="checkbox"/> Initial Screening	<input type="checkbox"/> Full Assessment	<input checked="" type="checkbox"/> Not Applicable
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