

CABINET

Provisional Revenue, Capital and Treasury Management Outturn 2013/14 29 July 2014 Chief Officer (Resources)

PURPOSE OF REPORT

This report provides summary information regarding the provisional outturn for 2013/14. It sets out information regarding the carry forward of revenue budgets and capital slippage for Members' consideration. It also incorporates the treasury management outturn report and related matters.

Key Decision

X

Non-Key Decision

Referral from
Cabinet Member

Date of Notice of Forthcoming Key Decision

22 May 2014

This report is public.

RECOMMENDATIONS OF COUNCILLOR BRYNING:

1. That the provisional outturn for 2013/14 be noted, including the transfers to provisions and reserves actioned by the Chief Officer (Resources).
2. That as set out in section 4.2.1, the £57K transfer to the Welfare Reforms Reserve be endorsed, and that the Chief Officer (Resources) be given delegated authority to draw up to this amount from the Reserve to provide additional workload capacity for the Revenues service, should this not be manageable within existing budgets.
3. That in terms of underspendings, the position as set out in section 5.6 be noted and the Business Support Reserve be used to finance council housing condition surveys, up to the value of £15K.
4. That no overspendings be carried forward, as reflected in Appendix E, but with regard to council housing repairs and maintenance, the quarterly reporting arrangements be endorsed.
5. That the requests for capital slippage as set out at Appendix G be approved.
6. That the Annual Treasury Management report and Prudential Indicators as set out at Appendix H and be noted and referred on to Council.

1 BACKGROUND

- 1.1 All local authorities have a legal duty to produce annual accounts, in support of openness and accountability. The work required to close the 2013/14 accounts has now been completed and the draft Statement of Accounts were signed off by the Chief Officer (Resources) on 30 June, to meet the statutory deadline. The draft Statement is freely available on the Council's website.
- 1.2 This report provides Cabinet with an update on issues arising from the outturn, including treasury management, and seeks Cabinet approval for various matters. Councils' financial performance is integral to its service performance overall and Members are advised to consider this report in that context.
- 1.3 Please note that larger copies of the appendices are available on request.

2 PROVISIONAL REVENUE OUTTURN: SUMMARY

- 2.1 A summary of the revenue outturn position for the main accounts of the Authority is set out below.

	Revised Budget Position	Provisional Outturn	Variance (Favourable) / Adverse
	£000	£000	£000
Housing Revenue Account (HRA) – relates to Council Housing services	426	375	(51)
General Fund Council Tax Requirement – covers all other Council services (but excludes parish precepts)	7,274	6,997	(277)

3 HOUSING REVENUE ACCOUNT (HRA)

- 3.1 The Housing Revenue Account was underspent in last year by approximately £51K net (2012/13 comparative: £426K underspend).
- 3.2 A summary of the HRA provisional outturn is included at **Appendix A**. Discounting any notional and presentational variances, the two main items behind the net underspending are as follows:
- reduced revenue funding requirement for capital, mainly shown as a lower call from the Major Repairs Reserve (£546K saving); and
 - increased spend on repairs and maintenance (mainly responsive), of £521K.

Overall therefore, the outturn position for the HRA is favourable and as at 31 March, its Balances stood at £401K, this being £51K higher than budgeted.

- 3.3 Nonetheless, the two variances are significant and they have not previously been reporting through monitoring, furthermore there has been insufficient time to establish fully the reasons and circumstances giving rise to them. There is already much work underway in developing and strengthening the business practices and financial management underpinning the Repairs and Maintenance Service (RMS), and the

variance analysis clearly links to this. Specific updates on RMS will reported as part of the usual quarterly financial monitoring reports, therefore, for consideration by both Cabinet and Budget and Performance Panel. This matters links in with the consideration of any carry forward of overspends, covered later in this report.

4 GENERAL FUND

4.1 Revenue Outturn

4.1.1 The 2013/14 financial year again saw reductions in Government funding, after allowing for the introduction of Localised Council Tax Support (LCTS), and the Business Rates Retention Scheme (BRRS). The outturn for General Fund should be considered in this context.

4.1.2 Nonetheless, after allowing for various year end adjustments, there has been a net underspending of £277K during 2013/14 and a summary statement is included at **Appendix B**. Where achievable without damaging performance, underspending is encouraged as an important contribution to the savings required for future years, which are known to be challenging. The underspending represents 1.4% of the Council's net revenue budget (2012/13 comparative: £547K underspend, 2.7% of budget), or 3.8% of the Council Tax Requirement (i.e. the amount raised from council tax; this measure is growing in prominence as a result of various funding changes, particularly those around business rates retention).

4.1.3 On closer analysis, the bulk of the net underspending can be attributed to a small number of key variances, most of which are one-off and/or relate to circumstances arising after setting the Revised Budget. Variance analysis is provided at **Appendix C**, the key points of which are summarised below:

Main variances	Value (Favourable) / Adverse £'000
Employee savings	(34)
Net reduction in repair and maintenance spend	(78)
Reduced vehicle hire and leasing costs	(44)
Recoveries of revenues legal costs	(65)
Revenues Shared Service savings	(128)
Additional gains on settled and outstanding Icelandic investments	(143)
Reduced spend on consultancy and other services	(167)
Additional planning application fees	(168)
Other additional income across all services	(119)
Additional contribution to Provisions	708
Additional contribution to Welfare Reforms Reserve	57
Other minor variances	(96)
Net Total	(277)

4.1.4 All Chief Officers have again committed to undertaking a full review of their underspendings over the summer, primarily as part of the current year's Quarter 1 reporting. The aim is still to draw out further savings and any service performance or financial improvements needed. Any budgetary matters arising will be reported through corporate monitoring and incorporated into the half-yearly Medium Term Financial Strategy (MTFS) review.

4.1.5 This process will lead into the 2015/16 budget and planning process, for which the timetable and other arrangements are due to be considered by Cabinet at its September meeting.

4.2 Provisions and Reserves

4.2.1 In closing the accounts for last year the Council's reserves and provision balances have been reviewed; this is in accordance with the policy and schedule approved by Council back in February. A full statement for General Fund and HRA is attached at **Appendix D** and the main issues and transfers regarding General Fund are highlighted specifically below:

- A new legal provision has been established with a contribution of £175K. This will cover the cost of settlements and legal fees associated with specific high value cases.
- For bad debts, an additional contribution of £533K has been made following a reassessment of sundry debts – particularly those in relation to housing benefit overpayment recoveries. Cover for these has been increased from 32% to 60%. This places the City Council in the mid-range of cover, when compared with other Lancashire authorities. Previously the City Council was at the lower end, and furthermore it is considered that the planned introduction of Universal Credit poses greater risks to recoveries from ongoing benefit in future years.
- An additional £57K has been added to the Welfare Reforms Reserve. This represents the value of unused grants received by Revenues and Benefits during 2013/14, after the revised budget was set. The grants were received in connection with additional workloads arising from reforms; much of this increased workload is still ongoing, and some additional resources are to be put in place for a period to avoid any processing backlogs from developing. It is anticipated that the costs involved will be able to be met from within existing budgets, as the Shared Service is already ahead of schedule in terms of implementing savings measures in other parts of the service (as reflected in the 2013/14 variance analysis). Nonetheless, at this stage sufficient savings cannot be guaranteed and therefore authority is sought to draw on the Welfare Reforms Reserve by up to the £57K in the current year, if the service budget requires it.

4.2.2 The transfers have already been reflected in the General Fund summary position outlined earlier, hence Cabinet is asked only to note them.

5 CARRY FORWARD OF UNDERSPENDS AND OVERSPENDS

5.1 As set out in the existing Financial Regulations the aims of the Carry Forward Scheme are to:

- provide some flexibility in delivering the Council's stated objectives
- remove the incentive to spend up budgets unnecessarily by year end, and
- promote good financial management.

5.2 Under the Scheme, the carry forward of overspends on controllable budgets is generally automatic. Requests for the carry forward of underspends is subject to Member approval, however. Whilst there is a need to protect the overall financial position of the Council, it is recognised that there is also the need to be fair to services in dealing with carry forwards and to ensure that the process does not act as a

disincentive to sound financial management (i.e. does not encourage managers simply to spend up, to avoid 'losing' budgets). That said, budgets exist for specific plans and purposes and the carry forward scheme is also designed to support this.

5.3 In view of the above, in previous years Cabinet has adopted the following approach to achieve a reasonable balance:

- Carry forwards of overspends were considered in view of the circumstance and level, but Cabinet exercised its discretion in waiving the carry forward requirement where the aggregate overspending of any service was less than £5,000.
- Cabinet considered certain requests for carrying forward underspendings but sought to approve only those where there were clear existing commitments against the appropriate budget and it was demonstrated that there was no scope for meeting such commitments from current year's allocations.

5.4 On the basis that Cabinet chooses to follow a similar approach for this year, details of overspends on controllable budgets (or net overspends, where applicable) are set out at **Appendix E**. As background, the determination of whether a budget is 'controllable' is not wholly objective, e.g. with income budgets, whilst the setting of fees and charges are controlled by the council the demand for those services is not controllable. That is why there is a need to consider each case on its merits.

5.5 Cabinet will see from the Appendix that there are no Officer recommendations to carry forward any overspends, but on the basis that the work to get behind the repairs and maintenance position is completed, with regular reporting through to Members.

5.6 With regard to the carry forward of underspends, only three provisional requests were identified, with a total value of £31K. Two requests (in connection with Renewable Energy consultancy support (£12K) and council housing conditions surveys (£15K) can easily be covered by existing reserves, which will be reviewed again during the forthcoming budget. Cabinet approval is already in place to use the Invest to Save Reserve in connection with the renewable energy item, and authority is now sought to draw on the £8.1M Council Housing Business Support Reserve to finance the stock condition surveys. The only other potential carry forward request of £3K related to re-profiling of spend on the Townscape Heritage Initiative. Given this, it will be addressed through the forthcoming budget. These are considered to be more appropriate and timely ways of dealing with the requests.

6 CAPITAL OUTTURN

6.1 **Appendix F** includes a provisional capital expenditure and financing statement for the year, which is summarised in the following table:

Capital Programme	Revised Budget	Expenditure (before slippage)	Overspend or (Underspend)	
	£'000	£'000	£'000	%
Council Housing	4,865	4,285	(580)	11.9
General Fund	17,962	15,954	(2,008)	11.2

Total Programme	22,827	20,239	(2,588)	11.3
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6.2 Details of individual slippage requests from services have been received, a schedule of which is attached at **Appendix G**. In considering these, Cabinet is asked to note that many of the associated capital schemes are already underway and expenditure may already have been incurred in this year – the actual approval of slippage can be a formality. If Members have any questions on particular requests and/or are minded to refuse any, it would be useful to know prior to the meeting, to ensure that sufficient detailed information is available.

6.3 Information on recent years' slippage is also included below for comparison. Last year reverts back to there being a significant increase in slippage. Given the outline reasons for slippage requests, however, and the progression of corporate property works and their planning, it is expected that some improvements can be made in future, in terms of budget profiling. That said, it must be recognised that there will always be scope for some slippage.

	2013/14 £'000	2012/13 £'000	2011/12 £'000	2010/11 £'000	2009/10 £'000
Council Housing	0	16	160	82	384
General Fund	<u>1,706</u>	<u>438</u>	<u>1,828</u>	<u>899</u>	<u>2,303</u>
Total Slippage Requested	<u>1,706</u>	<u>454</u>	<u>1,988</u>	<u>981</u>	<u>2,687</u>

6.4 The table below pulls together the financing position after allowing for slippage. The impact on resources is favourable for both Council Housing and for General Fund. Again, any implications for current or future years will be picked up as part of the mid-year review for the Medium Term Financial Strategy.

Capital Programme	Revised Estimate £'000	Forecast Expenditure (including slippage) £'000	Overspend Or (Underspend) - Rounded £'000	Impact on Council Resources (Fav) / Adv £'000
Council Housing	4,865	4,285	(580)	(580)
General Fund	17,962	17,660	(302)	(230)

6.5 Council's Housing's capital underspending is directly linked to its underspending on revenue, and as mentioned previously arrangements are in hand to get behind this and report back to Members.

6.6 The bulk of General Fund's net underspending relates to two matters:

- Vehicle renewals were £449K less than budgeted. The renewals programme is being reviewed but at this stage, there is no requirement to for slippage. If extra spending needs are identified, this would be addressed through the forthcoming budget.

- Offset against this, liabilities of £178K in connection with West End properties (Adactus) were settled in last year. Cabinet may recall that monies were set aside in the Capital Support Reserve to finance them, but this is the first appropriate opportunity to report on the matter, hence the Capital Programme had not been updated and so the costs give rise to an apparent overspending.

7 TREASURY MANAGEMENT

- 7.1 The annual treasury management report is attached at **Appendix H** and sets out the performance of treasury operations for 2013/14 in terms of long and short term borrowing, investment activities and relevant borrowing limits and prudential indicators. This must be referred on to Council.

8 TIMETABLE FOR COMPLETION OF ACCOUNTS AND ASSOCIATED MATTERS

- 8.1 As in previous years, key aspects of the outturn will be made available to Members and other stakeholders for their due consideration, in line with the following timetable:

Monday 14 July	Commencement of audit of Accounts and 4 week public inspection period
Monday 11 August	Public access to Auditor commences.
July – August	Quarter 1 Performance Review – to include consideration on services' final outturn and implications for current and future years (in particular, identification of ongoing savings).
Tuesday 09 September	Budget and Performance Panel: consideration of outturn and Quarter 1 monitoring, as appropriate.
Wednesday 17 September	Audit Committee: consideration of audited accounts.
Wednesday 22 October	Council: referral of any issues as may be required, including the annual Treasury Management report.
October / November	Cabinet and referral on to Council: Medium Term Financial Strategy update, incorporating impact of outturn and current year's monitoring to date

9 DETAILS OF CONSULTATION

- 9.1 As reflected in section 8 above, the statutory 4 week public inspection period commences in July. Information on the public's rights is made available as part of this process.

10 OPTIONS AND OPTIONS ANALYSIS

- 10.1 The City Council has a legal requirement to ensure that its expenditure is fully funded and to produce a Statement of Accounts in accordance with proper accounting practice. In addition, the Prudential Indicators are a statutory requirement linked to

the budgetary framework. For these aspects, therefore, there are no alternative options for Cabinet to consider. Members are being asked to endorse certain actions taken by the Chief Officer (Resources), and Cabinet should consider whether it has sufficient information to do so or whether it requires any further justification.

10.2 The report requests Cabinet to consider a number of capital slippage items and Reserve transfers. The framework for considering these is set out in the report but basically Cabinet may:

- Approve any number of the items / requests, in full or part.
- Refuse any number of the requests and if commitments have already been incurred, require alternative funding options to be identified. Cabinet should note, however, that this may impact on other areas of service delivery.
- Request further information regarding them, if appropriate.

11 OFFICER PREFERRED OPTION AND JUSTIFICATION

11.1 On the assumption that the Council continues to support its previously approved spending plans, then the Officer preferred options are to approve the capital slippage requests (Appendix G), require no carry forward of the overspendings (Appendix E), and approve the various transfers and use of Reserves as set out in the body of the report.

12 CONCLUSION

12.1 Although the Council's General Fund budget and the associated Government funding reduced again in 2013/14, it continues to manage the financial pressure well, and has again improved its financial standing as at 31 March 2014. This has been achieved by narrowing down the breadth of service provision and reducing the number of employees both of which have had an impact on service delivery. Balances for both General Fund and the HRA are higher than forecast, and the Council has other substantial earmarked further reserves to help respond to the tough financial challenges expected over the coming years, in shaping and delivering against future corporate priorities.

RELATIONSHIP TO POLICY FRAMEWORK
The Outturn and Statement of Accounts report on all the financial resources generated and/or used by the Council in providing services or undertaking other activities under the Policy Framework.
CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc)
None directly identifiable, due to the high level nature of this report.
FINANCIAL IMPLICATIONS
As set out in the report.
SECTION 151 OFFICER'S COMMENTS
This report forms part of the section 151 officer responsibilities; clearly the outturn is also subject to external audit.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no comments to add.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments to add.

BACKGROUND PAPERS

None.

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