

EAST HERTS COUNCIL

THE EXECUTIVE – 5 AUGUST 2014

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE

GENERAL FUND REVENUE AND CAPITAL OUTTURN 2013/14

WARD(S) AFFECTED: All

Purpose/Summary of Report

- To advise the Executive on the General Fund Revenue Outturn for 2013/14 and provide explanations for significant variances against the approved Estimates.
- To advise Members of the financing arrangements for the 2013/14 Capital Outturn and the planned financing of the updated 2014/15 capital budget allowing for the approved slippage from 2013/14.

<u>RECOMMENDATIONS FOR EXECUTIVE: that:</u>	
(A)	the General Fund Revenue Outturn for 2013/14 be approved;
(B)	the level of Reserve Balances at 31 March 2014 as set out within the report, be noted;
(C)	the Capital outturn for 2013/14 be noted; and
(D)	the Capital Programme for 2014/15 be noted.

1.0 Background

1.1 When the Council's General Fund estimates for 2013/14 were approved it was anticipated that the total net expenditure before Government Grant and prior to use of balances, would amount to £14.819m. A net appropriation to reserves of £108k was anticipated.

1.2 In year budget monitoring and consequent actions have sought to deliver the spending plans approved by Council. Members will be aware, however, from the March 2014 Healthcheck report that a significant favourable variance was predicted of £1.048 million for the reporting period to March 2014(Executive minute reference 41).

2.0 Report

2.1 The final outturn for the year (which is still subject to audit and as detailed in the Draft Statement of Accounts presented to Audit Committee on 16th July 2014) resulted in comparable net expenditure of just over £13.772 million representing a favourable position of £1.047 million for net operating expenditure.

2.2 This position is attributed to the following factors:

	<u>£000's</u>
Service variations identified in March 2014 Healthcheck (Minute 41). Favourable	1,048
Investment interest variation to that reported in March 14 Health check. Favourable	133
Total of all other minor variances to that reported in March 2014 Health check. Favourable	265
Housing Benefit Subsidy: additional income due to reduction in Overpayment penalties. Favourable	457
Supplies, services and transport costs underspend additional to that reported in March 2014 Healthcheck. Favourable	152
Payment of Pension Deficit lump sum. Adverse	-1,008
2013/14 Net Operating Expenditure Favourable Variance	<u>1,047</u>

- 2.3 In addition to the service outturn detailed at paragraphs 2.1 and 2.2, the Council received an additional £1.369 million in funding under the Non Domestic Rate Retained income regime.
- 2.4 The Executive should note that the variances shown exclude capital charges in relation to Capital Expenditure, which has been reported through the Healthcheck process. The Executive will recall that these charges have no direct impact upon either the level of Council Tax or use of balances.
- 2.5 The variances shown also exclude any changes in Divisional and Support Service allocations against individual service headings as these have a neutral effect overall.
- 2.6 The final outturn position for the year has resulted in £2.308 million net being added to the Council's overall reserve balances, compared to the £108k planned net use of reserves anticipated when the original estimate was approved, a variation of £2.416 million.
- 2.7 Significant appropriations to reserves reported in the final accounts include:
- An appropriation of £1.369 million to the Government Funding Risk Reserve reflecting additional funding received in 2013/14 under the new NDR regime and
 - £916k to the NHB (New Homes Bonus) Priority Spend Reserve.
- Both appropriations are in line with Council decisions approved as part of the budget report to Executive on 4 February 2014.
- 2.8 Any ongoing implications of last year's variances will be taken into account in future financial planning. Further scrutiny of the areas identified will take place as part of the 2015/16 integrated financial and service planning process.
- 3.0 Reserves/Balances
- 3.1 Council is generally well placed with regard to establishing appropriate Earmarked Reserves and Balances.
- 3.2 The Executive meeting on 4 February 2014 confirmed existing arrangements for retaining various earmarked reserves as well as various planned appropriations in support of the MTFP. Decisions have also been taken during the year as part of the healthcheck

process. A further review of existing reserves will be undertaken as part of the forthcoming budget round.

- 3.3 Members will be aware of potential budgetary risks facing the Council in the medium term, arising from changes to the Government's funding regime, which were identified in the February budget report. The new Government Funding Risk Reserve will facilitate managing the volatility of funding streams (in particular NDR) in the medium term (see 2.10 above).
- 3.4 The following tables show the appropriations during the year together with the level of funds which will be available at 31 March 2014:

General Fund Balance

	£000's
Balance 1.4.13	3,854
Contribution to/ (from) in year	-
Balance 31.3.14	<u>*3,854</u>

* Includes an accumulated surplus of £79k in respect of the Council's Building Control Trading Account.
The current MTFP anticipated a balance of £3.85m at 31 March 2014.

<u>General Reserve</u>	£000's
Balance 1.4.13	4,255
Contribution from Reserve 2013/14	(14)
Balance 31.3.14	<u>4,241</u>

The current MTFP anticipated a balance of £4.127 million at 31 March 2014. The balance at 31 March 2014 does not reflect any provision for carry forward the approval of which is subject to the Council's financial regulations.

Earmarked Reserves

	Balance 01.4.13 £'000	Appropriations 2013/14 £'000	Balance 31.3.14 £'000
Interest Equalisation reserve	1,683	574	2,257
Insurance Fund	10	0	10
Emergency Planning reserve	37	0	37
VAT - Partial Exemption reserve	145	0	145
Service Improvement Fund	610	0	610
LDF / Green Belt Review reserve	813	(80)	733
Housing Condition Survey reserve	65	14	79
Council Elections reserve	25	25	50
LABGI Reserve	99	(5)	94
Leisure utilities / pension reserve	240	42	282
Restructure Fund	33	0	33
Performance Reward Grant reserve	62	(32)	30
Pension Strain Costs Reserve	0	0	0
Waste Recycling – Income volatility	275	0	275
Footbridge over River Stort	150	0	150
Cost of Change Reserve	1,127	0	1,127
DCLG Preventing Repossessions	30	0	30
Environmental Pollution	54	(40)	14
Waste & Recycling Reserve	461	(461)	0
NHB Priority Spend Reserve	133	916	1,049
Government Funding Risk Reserve*	0	1,369	1,369
Total	<u>6,052</u>	<u>2,322</u>	<u>8,374</u>

* New reserve approved to be established February 2014

The combined total of the General Fund Balance and General Reserve adjusted for the accumulated Building Control trading surpluses (£79k) amounts to £8.095 million. This exceeds the upper limit determined in accordance with the Council's current reserve strategy. It is intended, therefore, to review the position further as part of the 2015/16 budget strategy and MTFP update.

4.0 Capital

- 4.1 Details of the capital outturn for the year have been reported to the Executive on 3 June 2014 as part of the Healthcheck process.
- 4.2 The outturn of £4.5m represented just over 91% of the adjusted budget for the year (including slippage from 2012/13) of £4.941 million.

4.3 The financing of the £4.5 million has been determined as follows:

	£000's
Internal borrowing	1,887
Third Party Contributions	614
Government Grant	237
Capital Receipts	1,737
Revenue Contribution	25
Total Capital Resources	<u>4,500</u>

4.4 Taking into account the 'slippage' of £334k recommended to be carried forward at the Executive meeting on 3 June 2014 and other profiling/amendments approved through the Healthcheck process, the revised Capital Programme for 2014/15 now totals £4.157 million (after re-profiling adjustment of £250k).

The planned financing of this year's programme is now:

	£000's
Capital receipts	2,320
Third Party Contributions	155
Government Grant	240
Internal Borrowing	1,417
Revenue Contribution	25
Total Capital Financing	<u>4,157</u>

4.5 As previously reported a substantial proportion of future capital programme spend will be financed by "internal borrowing" (effectively through disinvestment).

5.0 2013/14 Annual Statement of Accounts

5.1 Regulations now require the Council's Annual Statement of Accounts to be approved by Members after the annual audit has taken place. Approval and publication must take place by 30 September following the relevant accounting year. The Council's Constitution delegates the scrutiny and approval of the accounts to the Audit Committee. The Accounts are required however to be signed by the Council's Section 151 Officer by 30 June following the relevant accounting year. In order to adopt best practice the Accounts have been submitted to the Audit Committee on 16 July 2014 in order to give the

Committee an early opportunity of viewing the (unaudited) accounts. Members should also note that in the wider interest of transparency and public accountability the unaudited accounts are also available on the Council's website.

6.0 Implications/Conclusion

6.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

None

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