

EAST HERTS COUNCIL

THE EXECUTIVE – 8 JUNE 2015

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE & SUPPORT SERVICES

GENERAL FUND REVENUE AND CAPITAL OUTTURN 2014/15

WARD(S) AFFECTED: All

Purpose/Summary of Report

- To advise the Executive on the General Fund Revenue Outturn for 2014/15 and provide explanations for significant variances against the approved Budget.
- To advise Members of the financing arrangements for the 2014/15 Capital Outturn and the planned financing of the updated 2015/16 capital budget allowing for the approved slippage from 2014/15.

<u>RECOMMENDATIONS FOR EXECUTIVE:</u> that:	
(A)	the General Fund Revenue Outturn as set out in paragraph 2.2 for 2014/15 be noted;
(B)	the future use of the New Homes Bonus Priority Fund budget as set out in paragraph 2.7 and Essential Reference Paper ‘D’ be agreed;
(C)	the transfer of the underspend in Contingency budget for 2014/15 to the Transformation Reserve as set out in paragraph 2.8 be agreed;
(D)	the level of Reserve Balances at 31 March 2015 as set out within the report be noted;
(E)	the Capital outturn for 2014/15 as set out in paragraph 4.2 be noted;

(F)	capital slippage as set out in paragraph 4.3 be approved;
(G)	the Capital Programme for 2015/16 to 2017/18 as set out in paragraph 4.6 be noted.

1 Background

- 1.1 The 2014/15 Budget was approved by Executive on 4th Feb 2014. The Net Expenditure Budget approved was £14.516m with a contribution from reserves of £0.129m.
- 1.2 In year budget monitoring and management actions have sought to deliver the spending plans approved by Council. Members have been kept updated throughout the year through the Healthcheck reports where significant variances have been reported.

2 Revenue Outturn

- 2.1 The final outturn for the year detailed in this report is still subject to external audit and the final audited accounts will be presented to the Audit Committee in September.
- 2.2 The Council net expenditure outturn position of £13.766m represents an underspend of £750k. This is summarised in the table 1 below and **Essential Reference Paper B**.

Table 1: Summarised 2014/15 Outturn Position

	2014/15 Original Budget £'000	2014/15 Forecast Outturn £'000	Contin- gency Funding £'000	Priority Spend Funding £'000	Reserve Funding £'000	2014/15 Outturn Position £'000	Overall Variance £'000
Community and Customer Services	5,916	6,031	(100)	(22)	(124)	5,785	(131)
Neighbourhood Services	3,284	2,996	(52)	-	(247)	2,698	(587)
Finance and Support Services	5,316	5,580	(196)	-	(100)	5,284	(32)
TOTAL:	14,516	14,607	(348)	(22)	(471)	13,767	(750)

- 2.3 The outturn position for each Directorate shows the total expenditure throughout 2014/15 including expenditure over and above the

original budget where funding has been agreed through the Healthcheck reporting process. The additional funding has been allocated from the Contingency budget, the Priority Spend budget and the use of Earmarked Reserves.

- 2.4 Where a major variation from the original budget has been funded, this is described in the paragraphs below:

Environmental Services

- 2.4..1 £93k reduced recycling income. There are a number of factors affecting dry recycling income (SPARC; new contract prices; removal of plastics). Paper bank and textile bank demand has fallen resulting in reduced income.
- 2.4..2 £35k increased contract costs. The street cleansing and leisure contracts costs increased as a result of increased numbers of large flytips.
- 2.4..3 £35k alternative funding model (AFM) overspend. This represents a highly uncertain level of income from other authorities within the Hertfordshire County Council AFM scheme.

Customer Services and Parking

- 2.4..4 £26k RingGo expenses overspend. Ringo use has increased from 7 to 9% generating an additional cost to the Council as it supports the service as free to use for the motorist.
- 2.4..5 £36k Parking PCN compliance. A combination of increased compliance and a dip in contractor performance, which has been addressed, resulted in a 5% adverse variance against budget.
- 2.4..6 £126k Enforcement contract underspend. This underspend is a result of a number of factors: Sums held as a contingency for bedding in the new contract have not been required. Vehicle removals have been removed from the contract as these were un-economic. Mobile ANPR implementation is on hold pending government policy review.

Communications, Engagement and Cultural Services

- 2.4..7 £95k Hertford Theatre underspend. Income from ticket sales and private hire has exceeded expectations by £142k, offset by a corresponding increase in costs of £47k.

2.4..8 £20k Citizens Advice Bureaux additional contribution. This is in response to the increased demand for advice during the recession period.

Community Safety & Health

2.4..9 £50k Stock Condition Survey underspend. The contract details are being finalised with BRE (Building Research Establishment) resulting in the survey being completed in 2015/16.

2.4..10 £12k Hackney Carriage Licences underspend. An increased number of applicants resulted in higher income levels than included in the original budget.

2.4..11 £18k CCTV Service underspend. This is as a result of the maintenance contract being renewed with a different company at a reduced rate and reduced costs from other suppliers.

Housing Services

2.4..12 £57k Housing Options overspend. This is as a result of increased demand for temporary accommodation, particularly for large families.

2.4..13 £48k salaries overspend.

Planning and Building Management

2.4..14 £280k Development Management underspend. This is as a result of £410k additional income throughout 2014/15 with corresponding additional costs of £130k.

Democratic & Legal Services

2.4..15 £20k Land Charges income increased income. This is as a result of increased development in the district, particularly at the beginning of 2014/15.

2.4..16 £20k Contracted Litigation Services underspend. The full budget for litigation services was not required in 2014/15. It should be noted, however that this budget has a high degree of volatility as it relates to reactive action to legal activity instigated by external parties.

Strategic Finance

2.4..17 £77k Property Management overspend. This is as a result of works to repair sink holes in Cherry Tree Green.

- 2.4..18 £82k Investment Income shortfall. This is as a result of costs incurred to enter Property Funds and as a result of interest rates remaining historically low.
- 2.4..19 £17k Asset Management fee overspend. This is regarding external consultant costs to re-value properties for NNDR valuations which have in turn reduced NNDR costs in other parts of the budget.
- 2.4..20 £179k salaries and agency staff overspend. This is as a result of a restructure and a number of temporary staff being engaged to cover vacant posts and provide additional capacity throughout 2014/15.

Other Corporate Budgets

- 2.4..21 £125k bad debt provision overspend that was reported through the 2014/15 Healthcheck reports. This is in relation to the need to introduce a bad debt provision for Housing Benefits and the levels of debt outstanding from prior years.
- 2.5 Recharges of central support services such as Human Resources, Strategic Finance, and IT to the users of these services, such as Neighbourhood Services are the total cost of these central support services. These recharges are simply a re-distribution of these costs with a net zero effect on the net expenditure figure shown above. There is a revenue budget to recharge salary costs to capital projects of £26k which has been utilised in full and is included in Table 1.
- 2.6 Capital charges are 'notional' charges for the use of capital assets and are not 'real' cash-backed payments requiring a source of financing. They are required primarily for producing the annual Statement of Accounts. The charges are excluded from the net expenditure figure shown above as they have a net zero effect.
- 2.7 The total Priority Spend budget for 2014/15 is £547k. The purpose of this budget is to fund initiatives that promote the economic prosperity of the District. As per paragraph 2.2 the use of the priority spend budget is £22k. Therefore the budget remaining unallocated is £525k. This will be transferred into the New Homes Bonus priority fund reserve as part of the closure of accounts for 2014/15, please see **Essential Reference Paper C** for a breakdown of what the funding was spent on in 2014/15 and **Essential Reference Paper D** for the proposed use of this budget in future years.
- 2.8 The original Contingency budget for 2014/15 is £513k, which allows

for unforeseen events to be funded in-year. The call on this funding as per paragraph 2.2 is £348k, with a remaining balance of £165k. This balance will be transferred to the Transformation Reserve to fund projects in future years. Details of the items funded from the contingency budget can be found in **Essential Reference Paper E**.

2.9 The funding from Earmarked Reserves of £471k represents an overspend of £342k compared to the budgeted contribution to reserves of £129k.

2.10 In addition to the service outturn detailed in paragraph 2.2, the Council received additional funding to that included in the 2014/15 Original Budget, detailed below:

- £318k net increase in the combined total income from NDR and Section 31 grant income.
- £307k surplus from the Collection Fund that was not included in the original budget.
- £120k gain on an investment placed with Investec.

2.11 The net expenditure underspend outlined in paragraphs 2.2, 2.5, 2.6 and 2.7 has resulted in an outturn underspend of £1.843m as shown in the table below. This balance will be added to the Council's reserve balances.

Table 2: Outturn underspend summary

	Variance £'000
Net cost of services	(750)
Priority Spend Budget	(525)
Contingency Budget	(165)
Reserves*	342
SUBTOTAL:	(1,098)
NDR & Section 31 Income	(318)
Collection Fund Surplus	(307)
Investment Gain	(120)
TOTAL	(1,843)

* Use of reserves was greater than anticipated in the original budget.

2.12 Appropriations to reserves as a result of this outturn position include:

- £525k transferred to the New Homes Bonus Priority Spend Reserve for future expenditure on economic development initiatives as agreed by Executive on 3 Feb 2015.

- £165k transferred to the Transformation Reserve to fund projects in future years for approval by Executive as detailed in paragraph 2.8 of this report.
- £307k transferred to the Collection Fund Reserve to smooth the effect of volatility in future funding as agreed by Executive on 3 Feb 2015.
- The remaining balance of £846k will be transferred to the New Homes Bonus Priority Spend Reserve as agreed by Executive on 3 Feb 2015.

2.13 Any ongoing implications of 2014/15 variances will be taken into account in future financial planning. Further scrutiny of the areas where significant variances have been identified will take place as part of the 2015/16 integrated financial and service planning process.

3 Reserves/Balances

3.1 The Council is generally well placed with regard to establishing appropriate Earmarked Reserves and Balances.

3.2 The Executive meeting on 4 February 2015 reviewed the Councils earmarked reserves in support of the MTFP. The Executive approved the creation and merging of some reserves to better meet the needs of the Council in future years.

3.3 A significant risk is posed by potential budget reductions and changes in the allocation of funding to Local Government. The Chancellor of the Exchequer will present an additional budget in July 2015 until which point the degree of uncertainty remains high. The Council is in a healthy financial position at the close of 2014/15 and is adequately prepared to adapt the MTFP, including the projected use of reserves, during 2015/16 should this be necessary.

3.4 The following tables show the appropriations during the year together with the level of funds which will be available at 31 March 2015:

Table 3: General Reserve balances

	Balance at 01/04/2014	Contribution to/(from) reserve	Balance at 31/03/2015
General Fund Balance:	£m	£m	£m
General Fund Balance:	3.854	-	3.854
General Reserve	4.241	(2.779)	1.462
Total General Reserves	8.095	(2.779)	5.316

3.5 The current MTFP, which was approved by Executive on 3 February 2015, anticipated a total General Reserve balance of £5.316m at 31 March 2015. The General Reserve balances are in line with the MTFP projections.

3.6 The balance at 31 March 2015 does not reflect any provision for carry forward the approval of which is subject to the Council's financial regulations.

3.7 The balances on earmarked reserves are being finalised as part of the annual statement of accounts process. A full breakdown of these reserve balances will be presented in the draft (unaudited) accounts presented to the Executive for consideration at their July meeting.

4 Capital Outturn

4.1 The progress of the capital programme for 2014/15 has been reported to the Executive throughout the year as part of the Healthcheck process.

4.2 The 2014/15 outturn total capital expenditure is £1.859m. This represents 53% of the original budget for the year of £3.515m. The outturn position is summarised in the table below:

Table 4: Capital Outturn Summary

	2014/15 Original Budget £'000	2014/15 Revised Budget £'000	2014/15 Outturn £'000	(Under)/ Overspend £'000	Slippage to 2015/16 £'000
Customer & Community Services	1,043	848	738	(6)	(90)
Neighbourhood Services	1,679	643	541	3	(118)
Finance & Support Services	793	660	579	(20)	(60)
TOTAL	3,515	2,150	1,859	(23)	(268)

4.3 The movement from the revised budget of £2.150m to the outturn total of £1.859m is made up of:

- £23k underspend, where schemes are complete and funding is no longer required.
- £268k slippage recommended to be carried forward into the 2015/16 capital programme. The slippage is detailed in the paragraphs below:

4.3..1 Community Capital Grants, £9.6k slippage to 2015/16 as a result of 2 grant applications not being awarded funding.

4.3..2 Presdales Pavilion, Ware, £2k slippage to 2015/16 as a result of paving and landscaping works not being completed. Work should be completed by September 2015.

4.3..3 Historic Building Grants, £13.7k slippage to 2015/16 to be utilised on Conservation Area improvement works to be identified through Conservation Area Assessments. We now have conservation officers in place working on a more proactive programme.

4.3..4 Litter and Commercial Waste bins, £5.5k slippage to 2015/16 as a result of reduced in-year demand.

4.3..5 Community Fitness Trail, Grange Paddocks, £40.9k slippage to 2015/16 to fund completion of the scheme in May 2015, with some small retention funds held over until December 2015.

4.3..6 Play equipment, £8.3k slippage to 2015/16 to fund retention following play equipment scheme completion in 2014/15 at The Bourne, Ware and Great Innings, Watton-at-Stone. Retention is due in July and October 2015.

- 4.3..7 ATM machines at Hertford & Bishops Stortford, £5.9k slippage to 2015/16 to fund the installation of Chip & Pin terminals. These were installed in May 2015.
- 4.3..8 Disabled Facilities Grants, £64.2k slippage to 2015/16 as a result of low referral rates from Hertfordshire County Council reducing demand on this budget compared with previous years.
- 4.3..9 River & Watercourse Structures, £40k slippage to 2015/16 to fund flood alleviation works for which works have been identified and orders raised. Outstanding works are due to be completed by July 2015.
- 4.3..10 Hartham Swimming Pool, £4.1k slippage to 2015/16 as a result of works to the pool air handling system not being completed during the pool Christmas closure. This project is being managed by SLM, the contractor managing the pool on behalf of the Council, with future completion dates yet to be finalised.
- 4.3..11 Wide Area Network, £19.2k slippage to 2015/16 to fund the telephony project as agreed by CMT with any additional cost of the project to be funded from existing budgets in 2015/16. This work will be completed in June 2015.
- 4.3..12 Integrated Building Control & Development Management Systems, £18.9k slippage from the 2015/16 budget as works have progressed faster than originally scheduled.
- 4.3..13 Software Licensing, £50k slippage to 2015/16 to fund ongoing licensing requirements including Business Objects, Windows Server and Telephony Software. These projects will be completed in different stages with the final stage complete by September 2015.
- 4.3..14 Shared Service Print Investment, £20.5k slippage to 2015/16 to fund the establishment of a shared print hub for the shared service. This represents half of the required funding under the shared service agreement. It is expected that this will all be finalised by September 2015.
- 4.3..15 Boiler Room Works, Wallfields, £10.3k slippage from the 2015/16 budget to reverse £10k slippage already agreed due to works progressing faster than anticipated.

- 4.4 The 2014/15 capital programme has been financed from the following sources:

Table 5: Capital Financing

	£'000
Capital Receipts	1,132
Government Grants	459
Third Party Contributions	243
Revenue Contribution	25
Internal Borrowing	-
Total Capital Financing	1,859

- 4.5 The future capital programme is detailed in the table below:

Table 6: Capital Programme 2015/16-2017/18

	2015/16 Original Budget £'000	2014/15 Approved Slippage £'000	2014/15 Outturn Slippage £'000	2015/16 Revised Budget £'000	2016/17 Budget £'000	2017/18 Budget £'000
Customer & Community Services	782	324	90	1,196	471	629
Neighbourhood Services	928	40	118	1,085	1,729	909
Finance & Support Services	1,009	420	60	1,489	785	720
TOTAL	2,718	784	268	3,770	2,985	2,258

5 2014/15 Annual Statement of Accounts

- 5.1 Regulations 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.
- 5.2 In order to adopt best practice the Accounts will be submitted to the Audit Committee for consideration on 15 July 2015 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 will also be available on the Council's website.

5.3 The audited accounts will be submitted for approval at the meeting of the Audit Committee on 23 September 2015.

6 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

Contact Member: Cllr Geoffrey Williamson – Executive Member for Finance & Support Services
Geoffrey.Williamson@eastherts.gov.uk

Contact Officer: Adele Taylor – Director of Finance & Support Services
Ext 1401
Adele.Taylor@eastherts.gov.uk

Report Author: Philip Gregory – Head of Strategic Finance
Ext 2050
Philip.Gregory@eastherts.gov.uk