

Policy Committee – 22nd July 2014

OUTTURN REVENUE BUDGET MONITORING REPORT - 2013/2014



Report of the Corporate Head of Financial Management

Ward(s) affected: All

1. Purpose of Report

- 1.1 To advise members of the final revenue budget position of the Council, (subject to audit) of income and expenditure to the end of March 2014.

2. Recommendations

- 2.1 Members to note the outturn revenue budget monitoring position as at 31 March 2014.
- 2.2 Members note the transfers to earmarked reserves.

3. Background Information

- 3.1 On 25 February 2013 the Council approved its Revenue Budget at £6,369k for 2013/14.

4. Financial Performance

- 4.1 Based on the unaudited accounts the Council's performance against budget was an underspend of £662k for the full financial year. This is a reduction of £130k over the interim figure of £792k reported to the meeting of Policy Committee on 17th June 2014.
- 4.2 Financial performance at the end of March compared to the interim report is shown in Appendix A and summarised in Table 1 below.
- 4.3 The formal audited Statement of Accounts will be presented to the Audit and Governance Committee on 30 September 2014.
- 4.4 In addition the council received a number of small grants totalling £71k under the new burdens initiatives, localisation of council tax, capitalisation redistribution and the transparency agenda.

Table 1: Summary Of Outturn Position As At 31 March 2013

	Interim Outturn 2012/13 £	Actual Outturn 2012/13 £	Variance 2012/13 £
Total Service Related Costs	5,035,910	5,157,386	121,476
<u>Corporate Costs</u>			
Investment Income	(45,942)	(45,942)	0
Interest Payable	274,535	265,953	(8,582)
MRP for Capital Financing	344,944	362,077	17,133
Corporate Contingency	10,000	10,000	0
Total Revenue Budget Outturn 2013/14	5,619,447	5,749,474	130,027

Service Related Costs

- 4.5 Services showed a movement in outturn variance of £121k. Details of the main variances compared to the interim position report are set out in Appendix B.

Main Risk Areas

- 4.6 The 2013/14 Revenue Budget report highlighted the main risk areas to the Council as sustaining income levels in the current economic climate, and implementing the savings that have been built into the budget. These risks will continue in to 2014/15 and beyond.

Income Streams

- 4.7 All income streams are monitored on a monthly basis. To mitigate the risk of under achievement of income cautious estimates were included within the 2013/14 budget. At the end of quarter 4 overall were 6% ahead of target.

Business Rates

- 4.8 The 1 April 2013 saw the introduction of a fundamental change in the Local Government Finance System with the introduction of the Business Rates Retention Scheme (BRRS).
- 4.9 As part of the settlement to 2013/14 the government gave a baseline figure which it estimated the Council would receive for its share of business rates of £1.298m. Due to the uncertainties surrounding the scheme the Council used this figure to set its budget.
- 4.10 The BRRS includes a safety net below which the government will guarantee income from the non domestic rates system. For 2013/14 this is £1,200k which is £98k below the baseline funding need of £1.298m. The Council has received on account payments of £1,863k as it's share under the BRRS.
- 4.11 In addition the Government increased the amount of relief to small businesses and subsequently announced that grant to help compensate

authorities for the costs associated with this would be provided. The council did not budget for this grant. The forecasted amount of compensation due to the Council (subject to audit) is £411k.

- 4.12 The Council has received £2,274k as it's share of business rates and grant in 2013/14 an additional £976k . However, the changes to the business rates system means that, the Council must also carry its share of liabilities for bad debts, appeals for rating valuations and movements in the rating base. The estimate of this liability at the year end is £960k. Therefore it is proposed that this amount is transferred to the Business Rates Equalisation Reserve should a payment from the Council be required.
- 4.13 Budget monitoring clinics are held with budget holders on a quarterly basis. Statistics showing performance against income and salary budgets are also presented to CLT on a monthly basis.

5. Financial Position

- 5.1 The Council had a General Fund unallocated balance of £1,030k at 31 March 2013. This balance has not been utilised during 2013/14 and remains at that level.
- 5.2 The Council's policy was to increase the General Fund Balance to a prudent level, £1,030k is considered prudent. This is essential in order to mitigate against the risk of unplanned movements from budgeted net expenditure levels and to cover for day to day cash flow variances. Moreover, a robust level of reserves will help the Council mitigate against the risks of ongoing funding cuts.
- 5.3 The 2014/15 revenue budget is not without pressures, and as a consequence the contingency was set at £75k. The savings have enabled a contribution of £25k of the 2013/14 surplus to be added to this to increase it to £100k in accordance with the proposal contained in the interim report. This is held in a carry forward reserve.
- 5.4 During 2013/14 the Council made its planned contributions to its Enabling & Efficiencies and New Homes Bonus Reserves. The year end surplus has enabled £593k to be contributed to the Building Maintenance, IT Development & Replacement, Enabling Efficiencies, Local Plan and Vehicle Fleet Replacement reserves. A complete list of revenue reserves is shown at Appendix C.

6. Summary

- 6.1 The impact of the economy on the Council's income streams and their volatility is a risk to the Council and will need to be managed closely going forward.
- 6.2 The General Fund Revenue Balance currently stands at £1,030k. This will assist in mitigating against the risk of unplanned movements from budgeted

net expenditure levels, as well as the impact of changes in local government funding.

- 6.3 The Council has managed its budget within 2013/14 and generated savings for its budget targets in 2014/15 and beyond.

7. Implications

7.1 Financial and Value for Money Implications

All financial implications are contained in the body of the report.

7.2 Legal implications

None as a direct result of this report. The Council set a balanced budget for 2013/14, and going forward it is a further requirement that the budget is balanced.

7.3 Contribution to Council Priorities

The delivery of a balanced and managed budget is critical to the well being of the Authority.

7.4 Risk Management

Failure to achieve a balanced budget in the financial year would have had serious consequences for the Council.

7.5 Equality Impact Assessment

The Council's Equality Impact Assessment Procedure **has been** followed. An Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1- Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

8. Consultations with Others

None

9. Access to Information : Background Documents

None

10. Author of the Report

Nicola Chick – Interim Finance Manager & Deputy s151

Telephone: 01756 706418

E-mail: NChick@cravendc.gov.uk

11. Appendices

Appendix A – Analysis of final outturn to interim report

Appendix B – Reasons for Variance

Appendix C – Revenue Reserves

Summary of Final Outturn Position As At 31 March 2014

	Approved Budget 2013/14 £	Expected Outturn 2013/14 At 22/06/14 £	Actual Accounts 2013/14 Pre-Audit £	Movement Actual vs Expected Outturn £
<u>Services</u>				
Chief Executive/Director Of Services	1,920,084	1,761,913	1,830,979	69,066
Resources Department	1,718,065	1,606,741	1,605,401	(1,340)
Community Department	2,329,190	1,667,256	1,721,006	53,750
Total Services Related Costs	5,967,339	5,035,910	5,157,386	121,476
<u>Corporate Costs</u>				
Investment Income	(54,000)	(45,942)	(45,942)	0
Interest Payable	284,000	274,535	265,953	(8,582)
MRP for Capital Financing	316,480	344,944	362,077	17,133
Recharges To Capital	(25,000)	0	0	0
Corporate Contingency	15,202	10,000	10,000	0
Total Revenue Budget 2013/14	6,504,021	5,619,447	5,749,474	130,027

Reasons for Revenue Budget Major Variances Interim Outturn to Actual Outturn 2013/14

Description	Variance £'000	Reason
<u>Chief Executives / Director of Services</u>		
Revenues & Benefits Service	70	Final adjustments to year end benefits subsidy claim and benefits debtors
Total Chief Executives / Director of Services	70	
<u>Resources</u>		
Electoral Registration	(16)	Adjustment to year end accrual for IER grant
Properties	(23)	Final adjustment for income
Amenity Areas	(15)	Final adjustment to year end income for sponsorship
Assets & Projects	88	Final adjustment for year end charges and accruals
Corporate Costs	(36)	Reduction in bad debt provision
Total Resources	(2)	
<u>Community</u>		
Waste Management	20	Final adjustment to recharges
Homelessness	30	Final adjustment to recharges
Economic Development	45	Costs associated with New Homes Bonus Funded Projects offset by contribution from NHB
Craven Pool	(36)	Additional Income
Bereavement	(6)	Final adjustment to recharges
Total Community	53	
<u>Corporate Costs</u>		
Interest Payable	(8)	Year end adjustment to borrowing costs
MRP For Capital Financing	17	Additional costs chargeable for MRP due to error in prior year calculation
Total Corporate Costs	9	
Total Variance	130	

Forecasted Balances and Reserves at 31 March 2014

APPENDIX C

Reserve	Opening Balance 1 Apr-13 £'000	Planned in Year Contributions £'000	In Year Use £'000	Contributions at Year End £'000	Balance 31 Mar 2014 £'000	Planned Commitments post March 2014 £'000	Estimated Available Balance £'000	Link to Council Plan Priority	Purpose of Reserve (all reserves are revenue and their purpose is reviewed as part of the budget process each year)
New Homes Bonus	620	588	(172)	0	1,036	(636)	400	1,2,3	3 Overarching project areas - Infrastructure, Empty Homes & Localism. (Nb localism reserve contributing total £138k to grants in future year)
Enabling Efficiencies	424	30	(99)	33	388	(116)	272	2,4	For use for projects to create future savings and efficiencies
Planning	360	0	0	40	400	0	400	1	To contribute towards costs of LDF and contingency for planning enquiry costs / appeals
ICT	83	0	(21)	225	287	(203)	84	4	Set up to fund investment in IT (enabling technology)
Vehicles	50	0	0	175	225	(150)	75	4	Set up to fund purchase of vehicles
Buildings	50	0	(20)	120	150	(63)	87	4	Set up to fund maintenance, repairs and improvements to council properties
Building Control	25	0	0	0	25		25	1,4	
Insurance	0	10	0	0	10		10	4	Fund excess on insurance claims
Business Rates Contingency	0	0	0	960	960		960	4	To mitigate against deficits in the North Yorkshire Business Rates Pool
Future Year Budget Support	0	0	0	173	173		173	4	2013/14 savings achieved as per savings plan to support future year budgets
Revenue Expenditure (Carry Forward)	33	0	(33)	173	173		173	4	Contingency & Budget Slippage
Partial Exemption	17	0	0	0	17		17		Offset costs of VAT implications
LABGI & ERDF	57	0	0	0	57		57		Balance of grant from previous projects
Edith Stead Bequest & Bishopdale Court	7	0	0	0	7		7		
Total Earmarked Reserves	1,726	628	(345)	1,899	3,908	(1,168)	2,740		
General Fund	1,030	0	0	0	1,030	0	1,030		Unallocated GF reserve acts as contingency for unexpected expenditure
Total Revenue Reserves	2,756	628	(345)	1,899	4,938	(1,168)	3,770		

KEY Council Plan Priority Area

1 Enterprising Craven. 2 Greener Craven. 3 Working with Communities. 4 Financial Resilience.