

POLICY, FINANCE & ADMINISTRATION COMMITTEE

7 JULY 2015

REPORT OF THE HEAD OF CENTRAL SERVICES

REVENUE BUDGET 2014/15 - PROVISIONAL YEAR END POSITION

1.0 THE PURPOSE OF THE REPORT

- 1.1 To provide Members with information on the provisional year end position subject to external audit approval for 2014/15.
- 1.2 To provide Members with information on the implications for the Council's balances and reserves.

2.0 RECOMMENDATIONS

- 2.1 **The provisional year end position, variations to the 2014/15 estimated year end position and the resultant effect on the Council's balances and reserves as set out in the attached papers be noted.**
- 2.2 **Supplementary estimates be approved for those services which are overspent against the approved budget as attached at Appendix A.**

3.0 KEY ISSUES

- 3.1 The following table compares the provisional year end position for 2014/15, subject to audit, for all General Fund, Special Expenses and Housing Revenue Account (HRA) Services to the estimated year end position (spending forecast but not formally approved budget) as reported to Full Council on 4 February 2015. For members further information columns have been added to show performance against the original budget set in February 2014. Attached at Appendix A is a summary of budget holder performance comparing the provisional year end position to the approved budget (the original budget as adjusted by supplementary estimates, virements and budget reductions authorised during the financial year) but for controllable budgets only i.e. excludes support service recharges, capital charges and other internal recharges between services. The approved budget is the authorised budget for spending purposes.

General Expenses

	Original Budget	Estimated Year End Position	Provisional Year End Position	Variance to Original	Variance to Estimated Position (Underspend) / overspend
	£	£	£	£	£
Net Cost of Services	7,089,060	7,146,170	7,119,938	30,878	(26,232)
Non Service Related	(909,790)	(1,227,790)	(1,782,704)	(872,914)	(554,914)
Net Expenditure	6,179,270	5,918,380	5,337,234	(842,036)	(581,146)
Funding					
Business Rates	(1,297,950)	(811,240)	(756,927)	501,913	54,313
NNDR Collection Fund	0	113,588	(21,219)	21,219	(134,807)
Transfer to / (From) Business Rate Reserve	0	(167,899)	(94,927)	(94,927)	72,972
RSG	(1,343,080)	(1,343,080)	(1,343,080)	0	0
Collection Fund	2,590	2,590	2,590	0	0
New Homes Bonus	(846,900)	(846,900)	(846,900)	0	0
Council Tax Freeze Grant	(29,300)	(29,300)	(28,793)	507	507
Council Tax	(2,664,630)	(2,664,630)	(2,664,630)	0	0
Total funding	(6,179,270)	(5,746,871)	(5,753,886)	425,384	(7,015)
Surplus (-) / Deficit for year	0	171,509	(416,652)	(416,652)	(588,161)
Transfer to/(from) Corporate Priorities Reserve	0	(171,509)	416,652	416,652	588,161

Special Expenses – Melton Mowbray

	Original Budget	Estimated Year End Position	Provisional Year End Position	Variance to Original	Variance to Estimated Position
	£	£	£	£	£
Net Cost of Services	585,610	585,810	588,189	2,579	2,379
Non Service Related and funding	(638,600)	(638,600)	(633,242)	5,358	5,358
Surplus (-) / Deficit for year	(52,990)	(52,790)	(45,053)	7,937	7,737

Other Key Budgets

	Original Budget	Estimated Year End Position	Provisional Year End Position	Variance to Original	Variance to Estimated Position
	£	£	£	£	£
Special Expenses (Sproxtton) Net Surplus (-) / Deficit	850	850	1,879	1,029	1,029
Special Expenses (Frisby) Net Surplus (-) / Deficit	585	5,885	6,438	5,853	533
HRA Working Balance Net Surplus (-) / Deficit	332,750	391,500	212,742	(120,008)	(178,758)

3.2 The net position against the estimated year end position for each of the funds is therefore as follows:

General Fund General Expenses - Underspend of £588,161
 Special Expenses (Melton Mowbray) - Overspend of £7,737
 Housing Revenue Account – Underspend of £178,758

3.3 As part of the Council's flexible budget monitoring processes budgets are updated throughout the year to take into account supplementary estimates, virements and budget reductions creating an approved budget for budget holders to work within. As part of the budget monitoring and review process all budget holders have been requested to provide an explanation of significant variations against their approved budget on individual services. A full set of the more detailed explanations will be available at the meeting or members can contact the Finance Section in advance if there are any particular queries. Brief comments summarising the reasons for any budget variations for items which are within the budget holder's control have been included against the relevant service line in Appendix A. Only those in excess of £10k have been commented on. There are some key variances we would draw members attention which are outlined in paragraph 3.5

3.4 Also, included for information is the level of carry forwards previously approved at this Committee's meeting of 15 April 2015 These total £358,990 for general expenses and no carry forwards in respect of special expenses. This includes an additional £10k for Discretionary Council tax support scheme as the underspend was higher than anticipated when the initial carry forward request of £3k was presented to the committee in April 2015. As such this reduces the underspend against the estimated year end position on general expenses from £588,161 to £229,171. It should also be noted there was an underspend against the Local Plans budget which therefore meant the in year transfer from the reserve wasn't required. The work will now be undertaken in 2015/16 to complete the development of evidence base in accordance with the local plan timetable and undertake the preferred option for the sustainability option. The reserve funding will be provided within 2015/16.

3.5 Key Variances

- **Benefits** – There has been an underspend of circa £120k as result of less benefit payments being made due to a reduction in case load. In addition to this due to increased proactivity in identifying claimant error and fraud, this resulted in a higher recovery of overpayments. Additional funds have also been received from DWP to deliver the service and other services within MBC with regards to Discretionary Housing Payments which have contributed to cost of delivering the service.
- **Bad debts provision** – There has been an increase of circa £98k in the provision for doubtful debts due to the level of outstanding sundry debts being higher as at the 31st March 2015 than at 31st March 2014.
- **Reduced costs** – In general there have been a number of savings across services such as salary savings within customer services (£43k) and reduced audit fees (£30k) and the client support strategy and the contingency not being required for Information Technology (£86k). These have been partly offset by the higher than anticipated project costs for Me and My learning (£30k).
- **Business rates** – The amount received for business rates in total is higher than originally budgeted due to the amount collected being better than anticipated. This does however result in a higher levy paid to central government and the benefit to the Council will not be felt fully until 2016/17. This has been offset by the collection fund at the year-end being in surplus rather than the deficit budgeted for. The impact of all of these changes over that budgeted is a lower amount has been required to be transferred into the revenue account from the business rates equalisation reserve. This reserve was created to mitigate the impact of such fluctuations on the Council's financial position against budget with regard to business rates retention.
- **Income** – the council has seen an increase in a number of key income streams such as:
 - Development control with higher than anticipated number of major applications being received in year (£177k)
 - Lifeline which has seen an increase in user numbers following proactive marketing (£38k).
 - Wheels to work has continued with its success with client numbers further increasing which has generated additional (£28k)
 - In addition to fees and charges the Council has been proactive in obtaining grant funding to support service delivery such as grants from Leicestershire and Rutland Sports for strategic sports and leisure development.

However, the Cattle Market has experienced a decline in animal auctions during the course of the year which has resulted in an under recovery of income totalling £21k.

- 3.6 Overall despite continued funding pressures budget holders have managed their budgets prudently which is evident in the underspend position for the year. However, we will continue to undertake further work with budget holders to develop more accurate forecasting in order to ensure the most efficient use of resources in year.

3.7 The impact on reserves and balances of the provisional year end position is summarised below:

	<u>General Expenses</u>		<u>Special Expenses</u>		<u>HRA</u>
	<u>Working Balance</u>	<u>Corporate Priorities Reserve</u>	<u>Working Balance</u>	<u>General Reserve</u>	<u>Working Balance</u>
	£	£	£	£	£
Balance as at 31 st March 2014	820,000	1,590,551	50,000	379,163	1,333,264
Contribution from /to (-) Revenue Account	0	416,652	0	45,053	(212,742)
Budgeted Change in reserves	0	0	0	0	0
Funding of Capital Programme	0	0	0	(49,917)	0
Provisional Balance @ 31st March 2015	820,000	2,007,203	50,000	374,299	1,120,522
Less:					
Revenue Budget Carry Forwards	0	(358,990)	0	0	0
Capital Programme Incl.C/Forwards	0	0	0	(374,000)	0
Budgeted changes to Reserves 2015/16	0	(134,921)	0	33,080	(45,740)
Revised Estimated Position @ 31st March 2016	820,000	(1,513,292)	50,000	33,379	1,074,782

3.8 As a result of the above, the balance on the Corporate Priorities Reserve is estimated to be £261,171 more as at 31 March 2016 than was reported to Full Council on 4 February 2015. The difference on the Reserve can be accounted for by the under spend on the revenue account and capital works not requiring a contribution from the reserve. The above figures do not include any allowance for supplementary estimates approved in 2015/16 to date in order to provide a like for like comparison across the two years. There has been one supplementary estimate approved to date of £18k for the one off costs associated with the intensive Housing management review.

3.9 For Special Expenses (MM) as a result of the figures in the table above, the balance on the Special Expenses Reserve is estimated to be £2,854 less as at 31 March 2016 than was reported to the same meeting. The difference on the Reserve can be accounted for by an overspend on the revenue account offset by a reduction in capital spend over the two years.

3.10 Financial Procedure Rules require that any overspending on service estimates in total must be carried forward to the following year unless a supplementary estimate has been approved by this Committee and will constitute the first call on service estimates in the following year.

3.11 Therefore this Committee needs to determine whether to approve supplementary estimates for those service areas which have overspent their budget in 2014/15, as attached at Appendix A, or whether these are to be carried forward into 2015/16. There are no particular overspends recommended for carry forward into 2015/16.

4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 Policy and corporate implications are covered in the key issues section of this report.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 In summary, taking into account carry forwards, the 2014/15 end of year position has resulted in an increase to the balance on the corporate priorities reserve of £620k against the estimated year end position. When budget carry forwards are taken into account this reduces the increase to £261k at 31st March 2016.

5.2 The provisional year end position has shown that flexible budget management processes and the good working relationships and partnership between finance and budget holders has enabled increased costs to be offset by savings elsewhere. This represents a tremendous achievement for the Council in such economically challenging times.

5.3 This management approach has produced once again a very healthy end of year position. As set out earlier there continues to be a need to take steps to ensure any ongoing budget surpluses are identified and removed from budgets as whilst these are generally small at a service level collectively they have resulted in a fairly large corporate underspend over and above those other key variances.

5.4 In response to this and previous years underspends an approach is being taken in 2015/16 to not bring requests for supplementary estimates to committee early in the year but instead, whilst still highlighting to members the additional spend, looking to address this by identifying funds in other areas that can be used to offset this need. If as the year progresses this is not possible it may result in requests being brought later in the financial year but based on previous experience this may not be necessary particularly for those of lower values.

6.0 LEGAL IMPLICATIONS/POWERS

6.1 Legal implications/powers were addressed in setting the current year's budget. There are no further legal implications arising from this report.

7.0 COMMUNITY SAFETY

7.1 Community safety issues were addressed in setting the current year's budget. There are no further community safety issues arising from this report.

8.0 EQUALITIES

8.1 Equalities issues were addressed in setting the current year's budget. There are no further equalities issues arising from this report.

9.0 RISKS

9.1 The Council's Chief Financial Officer has a duty under the Local Government Act 2003 in setting the budget to comment on the robustness of the estimates and the adequacy of the reserves.

This requires that effective budget monitoring procedures are set in place to monitor expenditure and income against the budget and careful consideration is given to determining the level of reserves.

- 9.2 It is still early in the 2015/16 financial year and budget monitoring; therefore it isn't clear whether the upturn on significant income budgets is sustainable and whilst there is a positive upwards trend they are still subject to sensitivity. Investment income is unlikely to show any significant recovery in 2015/16 with interest rates expected to remain low during the forthcoming year with the first increases forecast for early 2016.
- 9.3 The Local Government Finance Bill has resulted in increased financial risks with the local retention of business rates and council tax benefit.

L I K E L I H O O D	A	Very High				
	B	High				
	C	Significant			1	
	D	Low				
	E	Very Low				
	F	Almost Impossible				
			Negligible 1	Marginal 2	Critical 3	Catastrophic 4

IMPACT

Risk No	Risk Description
1	Further cuts in local government funding following election of new government
2	
3	
4	

10.0 CLIMATE CHANGE

- 10.1 Climate change issues were addressed in setting the current year's budget. There are no further climate change issues arising from this report.

11.0 CONSULTATION

- 11.1 The Budget and Strategic Planning Working Group in a meeting held on 11 June 2015, the Management Team and budget holders have been consulted in preparing this report.

12.0 WARDS AFFECTED

- 12.1 All wards are affected.

Contact Officers: David Scott, Central Services Manager
Claire Burgess, Senior Accountant – Treasury Management

Date: 10 June 2015

Appendices: Appendix A – Provisional Year End Position 2014-15

Background Papers: Budget Variation Analyses
Oracle General Ledger Reports

Reference: X: C'tees, Council & Sub-C'tees/PFA/2015-16/07-07-15/DG-Provisional Year
End Position 2014-15