

AGENDA ITEM 9

POLICY, FINANCE & ADMINISTRATION COMMITTEE

1 JULY 2014

REPORT OF THE HEAD OF CENTRAL SERVICES

REVENUE BUDGET 2013/14 - 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 2013/14.
- 1.2 To provide Members with information on the implications for the Council's balances and reserves.

2.0 RECOMMENDATIONS

2.1 It is recommended that:

- (a) **The provisional year end position, variations to the 2013/14 estimated year end position and the resultant effect on the Council's balances and reserves as set out in the attached papers be noted.**
- (b) **Supplementary estimates be approved for those services which are overspent against the approved budget as attached at Appendix A.**
- (c) **The prudent provision of £103k for a realistic estimate of the Council's loss in relation to a fraudulent payment and creation of an ear marked reserve of £254k in relation to Business Rate's for future charges on collection fund deficit be noted.**

3.0 KEY ISSUES

- 3.1 The following table compares the provisional year end position for 2013/14, 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 5 February 2014. For members further information columns have been added to show performance against the original budget set in February 2013. 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
	£	£	£	£	£
Net Cost of Services	7,004,460	7,039,920	8,149,635	1,145,175	1,109,715
Non Service Related	(820,330)	(618,320)	(2,265,353)	(1,445,023)	(1,647,033)
Net Expenditure	6,184,130	6,421,600	5,884,282	(299,848)	(537,318)
<u>Funding</u>					
Business Rates	(1,238,490)	(1,289,760)	(1,267,141)	(28,651)	22,619
RSG	(1,692,260)	(1,692,260)	(1,692,260)	0	0
Collection Fund	31,540	31,540	31,540	0	0
New Homes Bonus	(622,490)	(622,490)	(622,490)	0	0
Council Tax Freeze Grant	(29,510)	(29,510)	(29,606)	(96)	(96)
Council Tax	(2,632,920)	(2,632,920)	(2,632,920)		
Total funding	(6,184,130)	(6,235,400)	(6,212,877)	(28,747)	22,523
Surplus (-) / Deficit for year	0	186,200	(328,595)	(328,595)	(514,795)
Transfer to Business Rate Reserve	0	0	254,624	254,624	254,624
Transfer to/(from) Corporate Priorities Reserve	0	186,200	(73,971)	(73,971)	(260,171)

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	615,210	630,370	547,259	(67,951)	(83,111)
Non Service Related and funding	(654,510)	(674,510)	(637,988)	16,522	36,522
Surplus (-) / Deficit for year	(39,300)	(44,140)	(90,729)	(51,429)	(46,589)

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	(465)	(465)	(1,112)	(647)	(647)
Special Expenses (Frisby) Net Surplus (-) / Deficit	651	651	522	(129)	(129)
HRA Working Balance Net Surplus (-) / Deficit	(224,510)	(244,780)	(295,920)	(71,410)	(51,140)

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 £514,795
 Special Expenses (Melton Mowbray) - Underspend of £46,589
 Housing Revenue Account – Underspend of £51,140

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 16 April 2014 These total £145,540 for general expenses and no carry forwards in respect of special expenses. As such this reduces the underspend against the estimated year end position on general expenses from £514,795 to £369,255.

3.5 Key Variances

- **Information Technology** – a provision was made for potential additional costs arising from the new IT service and also a client support strategy budget was provided which wasn't required in year resulting in an underspend of £99k
- **Business rates** – the council received in year additional grant income from the government grant for small business rate relief of £193k which has to be accounted for in the service related budgets. However, due to the level of appeals on business rates and

provisions for bad debts there has been an overall deficit on the NDR collection fund of which the share for MBC is £254k. Due to the way in which the deficits on the collection fund are accounted for this won't impact on the general expense's revenue account till future years. Therefore, we are proposing to create an ear marked reserve of £254k to meet this future expenditure.

- **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 (£129k). In addition to this usage figures are 2% up on car parks (£19k) and land charges are also seeing an increase in demand for the service (£10K). 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 £60k.
- **Provision** – as part of the on-going investigation into a fraudulent payment against MBC a provision for £103k has been made for the realistic estimate at this time of the Councils loss.

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 need 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 2013	820,000	1,533,559	50,000	278,334	1,037,343
Contribution from/to (-) Revenue Account	0	73,971	0	90,729	295,920
Budgeted Change in reserves	0	0	0	10,100	0
Funding of Capital Programme	0	(16,979)	0	0	0
Provisional Balance @ 31st March 2014	820,000	1,590,551	50,000	379,163	1,333,263
<u>Less:</u>					
Revenue Budget Carry Forwards	0	(145,540)	0	0	0
Capital Programme Incl.C/Forwards	0	0	0	(406,000)	0
Budgeted changes to Reserves 2014/15	0	0	0	52,990	322,754
Revised Estimated Position @ 31st March 2015	820,000	1,445,011	50,000	26,153	1,656,013

3.8 As a result of the above, the balance on the Corporate Priorities Reserve is estimated to be £130,152 more as at 31 March 2015 than was reported to Full Council on 5 February 2014. The difference on the Reserve can be accounted for by the under spend on the revenue account with just a minor underspend on the capital programme. The above figures do not

include any allowance for supplementary estimates approved in 2014/15 to date in order to provide a like for like comparison across the two years.

- 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 £26,153 more as at 31 March 2015 than was reported to the same meeting. The difference on the Reserve can be accounted for by an under spend on the revenue account.
- 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 2013/14, as attached at Appendix A, or whether these are to be carried forward into 2014/15. There are no particular overspends recommended for carry forward into 2014/15.

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 2013/14 end of year position has resulted in an increase to the balance on the corporate priorities reserve of £276k against the estimated year end position. When budget carry forwards are taken into account this reduces the increase to £130k at 31st March 2015.
- 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.

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 2014/15 financial year and budget monitoring; therefore it isn't clear whether the upturn on significant income budgets will continue. Investment income is unlikely to show any significant recovery in 2014/15 with interest rates expected to remain low during the forthcoming year.
- 9.3 The Local Government Finance Bill has resulted in increased financial risks with the local retention of business rates and council tax benefit.

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 2014, 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: 06 June 2014

Appendices: Appendix A – Provisional Year End Position 2013-14

Background Papers: Budget Variation Analyses
Oracle General Ledger Reports

Reference: X: C'tees, Council & Sub-C'tees/PFA/2014-15/01-07-14/DG-Provisional Year End Position 2013-14