

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
15 July 2014

Subject: 2013/14 REVENUE OUTTURN AND POSITION ON RESERVES

All Wards
Portfolio Holder for Support Services: Councillor N Knapton

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of this report is to present to Members the revenue outturn position for the year ending 31 March 2014, which includes the position on reserves. The Statement of Accounts, which is the consolidated financial position of the Council for 2013/14, is the responsibility of the Audit and Governance Committee which will meet on 24 September 2014 to approve the Annual Financial Report – Statement of Accounts.
- 1.2 The capital outturn and annual treasury management position is contained in a separate report on this Cabinet agenda.
- 1.3 The report focuses on three key outcomes:-
 - (a) The overall position at the end of the financial year;
 - (b) Major variances between budget and outturn;
 - (c) Suggested action in the light of the outturn position.
- 1.4 This report presents the revenue outturn position in the format of management accounts, which Members have become accustomed to from their Scrutiny Area and also includes reserve fund expenditure.

2.0 REVENUE OUTTURN AND POSITION ON RESERVES:

- 2.1 The original budget plans for 2013/14 were for a net spend of £7,691,460. The expenditure was budgeted to be funded by Council Tax, Government Revenue Support Grant, Business Rates and a transfer from the Council's reserves. During the financial year, under the Council's budgetary control arrangements, Cabinet received quarterly monitoring reports, all of which adjusted the budget in the light of the latest information available at the time. At Quarter 3, the net expenditure budget was revised to £7,619,630.
- 2.2 The revenue outturn position for 2013/14 was £7,595,625, which shows an overall underspend of £24,005 when compared to the latest approved budget at Quarter 3 monitoring, presented to Cabinet in February 2014. However additional Business Rate income, generated by the new retained business rate funding system for Local Government, increased this underspend to £510,599.
- 2.3 It should be noted that there is an underspend on the budget of £510,599, however there is a variation on the overall revised budget of £709,225 because in the original and revised budget it was forecast that a contribution would be required from the Council Tax payers reserve. At outturn this was not required.

- 2.4 The table below shows an analysis of the original budget, Quarter 3 budget and outturn position, as well as the way the budget was funded. The funding position is of key importance in 2013/14 in understanding the overall budget underspend as increased funding was received from Business Rates which significantly contributes to the underspend position of £510,599 in the year.

	Original Budget	Revised Budget	Outturn	Variance
Net Revenue Budget	7,691,460	7,619,630	7,595,625	-24,005
LESS Funding:				0
Council Tax	2,992,379	2,992,379	2,855,531	-136,848
Revenue Support Grant	2,741,517	2,741,517	2,741,302	-215
Business Rates	1,687,068	1,687,068	2,509,351	822,283
Contribution (to)/From Reserves	270,496	198,666		
Outturn under spend			(510,559)	(709,225)
Balanced Position	0	0	0	0

- 2.4 It should be noted that in 2013/14 the Business Rates funding scheme changed from previous years and for the first time a proportion of the increased collection of Business Rates over the Council's 'retained business rates target' could be kept within the Council. In previous years all Business Rates were collected and sent to central Government who then distributed them back out to Councils. There was no impact from increased collection of Business Rates in previous years.
- 2.5 Attached at Annex A is the variance analysis of the original net expenditure budget, the revised budget at Quarter 3, the outturn position, (which shows an underspend of £24,004) and also the variance on the funding position. This results in the overall underspend of £510,599 and analyses major variances over £10,000 including explanations relating to them.
- 2.6 The position on reserves held by the Council as at 31 March 2014 is compared to the position at 31 March 2013 and is shown in the table below. It should be noted that the position assumes that the recommendations included in this report are approved.

	12/13 £	13/14 £
<u>Revenue Reserves</u>		
Council Taxpayers	8,446,927	3,773,475
Community Safety	71,499	74,327
Hambleton Strategic Partnership	8,000	0
Strategic Forum Reserve	11,973	14,399
New Homes Bonus	743,884	0
Capital Fund	3,865,178	0
Grants Fund	412,575	520,508
Arts Grant Reserve	0	5,949
Repairs & Renewal Fund	0	6,082,986
Computer Fund	0	3,698,000
One Off Fund	2,258,240	2,092,420
Sub Total	15,818,277	16,262,064
General Fund Balance	2,000,000	2,000,000

<u>Total Revenue Reserves</u>	17,818,277	18,262,064
<u>Capital Reserves</u>		
Capital Grants Unapplied	76,586	100,020
General Capital Receipts	4,567,306	3,392,784
<u>Total Capital Reserves</u>	4,643,892	3,492,804
<u>Total (ALL) Reserves</u>	22,462,169	21,754,868

- 2.7 The revenue reserves in the table above show the movement between the reserves in 2013/14 which are in line with the Financial Strategy reported to Cabinet in November 2013. The Council Tax Payers reserve has been decreased with the Capital Fund and New Homes Bonus reserve being reduced to zero to form the Repairs and Renewals fund and the Computer fund. These key movements have occurred to enable an efficient approach to the use and allocation of reserves going forwards in an ever changing environment.
- 2.8 In addition, the Hambleton Strategic Partnership reserve has been transferred to the Strategic Forum reserve as described in the Quarter 3 revenue monitoring reported at Cabinet in February 2014. The other movements in the reserves have occurred from grants being received or funds being transferred out to support expenditure during the year.
- 2.9 Attached at Annex B is the detail of the adjustments for the movement in the reserves.

3.0 USE OF THE UNDERSPEND:

- 3.1 The 2013/14 underspend of £510,599 represents 6.72% of the net expenditure budget. The following options as to how to allocate the underspend are provided to Members to consider.

Options

- 3.1.1 Option 1 – to transfer the surplus into general balances, specifically the Council Taxpayers Reserve. This would enable the Council to maintain lower Council Tax levels for a longer period. However, the benefit would not be felt for a number of years.
- 3.1.2 Option 2 – to transfer the surplus into general balances and increase the operational budget over the period of the 10 year financial strategy. This would increase the annual revenue budget by approximately £51,060 per annum (£510,599 divided by 10). Whilst this is an option the current focus is ongoing savings rather than increasing expenditure
- 3.1.3 Option 3 – to put the surplus into the One-Off Fund. A transfer of £510,599 would give greater flexibility and choice over possible future use of this resource.

Conclusion on Options

- 3.2 Given the on-going priorities of the Council to provide high standards of services, whilst at the same time ensuring a robust financial position in an environment where funding resources are reducing, it is suggested that the underspend of £510,599 is transferred to

the One-Off Fund - Option 3. This option would give the greatest flexibility over how to use the under spend.

4.0 LINK TO COUNCIL PRIORITIES:

4.1 The monitoring of the financial budget throughout the year and reporting the financial year end position assists in ensuring the Council's service requirements are met and contributes to the achievement of the priorities set out in the Council Plan.

5.0 RISK ASSESSMENT:

5.1 There are no major risks associated with this report

6.0 IMPLICATIONS:

6.1 Financial - the financial implications are dealt with in the body of the report.

6.2 Legal – it is a legal requirement under s25 of the Local Government Act 2003 to set a balanced budget and monitor the financial position throughout the year.

6.3 Equalities - there are no specific equality implications to this report, however equalities issues are accounted for at all stages of the financial planning and reporting process.

7.0 RECOMMENDATIONS:

7.1 It is recommended that Cabinet approves and recommends to Council that:

- (1) the underspend, in Annex A, of £510,599 on the 2013/14 revenue budget be transferred to the One-Off Fund reserve; and
- (2) the adjustments on the reserves position, detailed at Annex B, be approved.

JUSTIN IVES

Background papers: Annual Financial Report – Statement of Accounts 2013/14
Outturn Position 13/14 Finance Ledger

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2013/14 REVENUE OUTTURN - MAJOR VARIANCES > £10,000

		Overspends £	Underspends £	Total £	Explanation Of Variances
Revised Budget Approved at Quarter 3 Cabinet				7,619,630	
<u>Customer Services & Asset Management</u>					
Off Street Parking	Other Grants/Contributions	14,741			Reduction in income as the scheme to move off street parking to Scarborough Borough Council only ran for 10 months in the year and not 12
Community Development (HDC)	Supplies & Services		15,000		Second homes funding transfer to the strategic forum not required
		<u>14,741</u>	<u>15,000</u>	(259)	
<u>Housing Planning and Waste Management</u>					
Building Control	Supplies & Services		12,228		Decreased expenditure as additional contribution to Partnership not required
Street Cleansing	Transport		17,265		Underspend on transport between Waste, Street Scene and Recycling as operated with one less Sweeper
Recycling	Transport		10,255		Reduced lease payments on extension of contract
	Customer & Client Receipts	23,325			Decreased income on Kerbside Recycling income down due to reduced tonnage
Development Management	Customer Client Receipts		75,652		Increased planning application income in March for 2 unexpected sites.
Housing Strategy	Other Grants/Contributions		24,169		Additional Income
Homelessness	Premises / Transfer Payments	37,735			Increased Housing Benefits payment adjustment from 2012/13
		<u>61,060</u>	<u>139,569</u>	(78,509)	
<u>Leisure & Health</u>					
Hambleton Leisure Centre	Sales	17,821			Reduced income due to fall in memberships
Stokesley Leisure Centre	Supplies & Services		10,717		Reduction in vending machine income due to reduced purchases
	Customer Client Receipts	27,008			Reduced income due to a decrease in swimming & swimming lessons
Pest Control	Customer & Client Receipts	25,187			Reduced income as mild winter so reduced requirement for eradication of rats/mice
		<u>70,016</u>	<u>10,717</u>	59,299	
<u>Support Services & Economic Development</u>					
Personnel & Payroll	Employees		17,945		Underspend on Corporate Training budget
	Supplies & Services	17,813			Overspend on IT - costs increased for development of HR system
Workspace Management	Supplies & Services		25,568		Increase in bad debt provision of £12,942 and numerous minor variances
	Fees & Charges		22,480		Increase in refreshment sales and room hire
Business Support	Supplies & Services	34,465			Increase in the provision for bad debts recharged out based on invoice numbers
Corporate Management & Support	Transport		10,168		Less car allowances agreed than expected
	Supplies & Services		75,740		Underspend on Improvement of Services budget as projects continue to develop
Reprographics	Supplies & Services		15,960		Saving on paper
ICT	Supplies & Services		39,800		Underspend on ICT direct and indirect costs
Housing Benefits	Supplies & Services	79,132			Increase in provision for bad debt relating to Rent Allowances
	Transfer Payments / Other Grants Contributions	101,862			The overspend is a combination of changes to housing subsidy, rent allowance payments, Overpaid Rent Allowances and adjustments from 2012/13
Local Tax Collection	Transfer Payments / Other Grants Contributions	60,636			Changes in the Local Taxation discount scheme and impact of previous year
Revs & Bens Shared Service	Employees	61,557			Redundancy costs part of the ongoing restructure process
	Supplies & Services		15,680		Underspend on ICT direct costs for computer applications
		<u>355,465</u>	<u>223,341</u>	132,123	
	Total	<u>501,283</u>	<u>388,627</u>	<u>112,655</u>	
Net - Overspend on Variances over £10k			112,655		
Net - Underspend on Variances under £10k			<u>136,660</u>		
Less NET UNDER SPEND AT OUTTURN				24,005	
Outturn 2013/14				<u>7,595,625</u>	
LESS: Funding:					
Council tax income			(2,855,531)		
Revenue Support Grant			(2,741,302)		
Business Rates			(2,509,351)		
Under/(Over) spend				<u>(510,558)</u>	

	31/3/13 £	Transfer out £	Transfer in £	31/3/14 £	<u>Movement on Reserves</u>
<u>Revenue Reserves</u>					
Council Taxpayers	8,446,927	6,180,447	1,506,995	3,773,475	to support revenue spending on community projects and enhancing service delivery on an ongoing basis
Community Safety	71,499	0	2,828	74,327	to receive
Hambleton Strategic Partnership	8,000	8,000	0	0	to promote partnership working within the community
Strategic Forum Reserve	11,974	145	2,570	14,399	to promote partnership working within the community
New Homes Bonus	743,884	1,534,311	790,427	0	transferred to repairs & renewal fund for future community benefit
Capital Fund	3,865,178	3,865,178	0	0	transferred to the repairs & renewal fund and computer fund for future community benefit and capital expenditure scheduled in the Capital 10 year plan
Grants Fund	412,575	79,492	187,425	520,508	to deliver grants to organisations for community use in future years
Repairs & Renewal Fund	0	77,214	6,160,200	6,082,986	to fund capital expenditure in line with the 10 year capital programme and also repairs & renewals revenue works
Arts Grants Reserve	0	0	5,949	5,949	to fund art development projects
Computer Fund	0	0	3,698,000	3,698,000	to fund ICT works to ensure an efficient and effective organisation
One Off Fund	2,258,240	942,624	776,804	2,092,420	to enable an efficient approach to the use and allocation of reserves in an ever changing environment when improved and increased provision of services is key
Sub Total	15,818,277	12,687,411	13,131,198	16,262,064	
General Fund Balance	2,000,000	443,786	443,786	2,000,000	this balance is maintained as the Council's general fund working balance, which equates to approximately 4% of the gross annual budget.
<u>Total Revenue Reserves</u>	17,818,277	13,131,197	13,574,984	18,262,064	
<u>Capital Reserves</u>					
Capital Grants Unapplied	76,586	0	23,434	100,020	grants to be applied for specific capital projects in accordance with the prevailing conditions
General Capital Receipts	4,567,306	1,781,076	606,554	3,392,784	capital receipts were used to fund the capital programme as approved in the Capital Strategy prior to the beginning of the financial year
<u>Total Capital Reserves</u>	4,643,892	1,781,076	629,988	3,492,804	
<u>Total (ALL) Reserves</u>	22,462,169	14,912,273	14,204,972	21,754,868	