

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
7 July 2015

Subject: 2014/15 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 2015, which includes the position on reserves. The Statement of Accounts, which is the consolidated financial position of the Council for 2014/15, is the responsibility of the Audit, Governance and Standards Committee which will meet on 22 September 2015 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 options in the light of the outturn position.
- 1.3 This report presents the revenue outturn position in the format of management accounts, which Members have become accustomed to from the quarterly monitoring reports to Cabinet. It also includes the movement on the reserve funds.

2.0 REVENUE OUTTURN:

- 2.1 The original budget plans for 2014/15 were for a net spend of £7,463,150. 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 £7,235,990.
- 2.2 The net revenue outturn position for 2014/15 was £7,235,802, which shows a variance of £188 when compared to the latest approved net budget at Quarter 3 monitoring, presented to Cabinet in February 2014.
- 2.3 However, the overall outturn position for 2014/15 shows an under spend of £253,030. The majority of the under spend has occurred as a result of increased funding received to support the net budget. Additional Business Rate income, generated by the new Business Rate funding system for Local Government introduced in April 2013, of £176,887 was received and there was also a surplus on the Council Tax Collection Fund of £41,833 and a slight increase in Revenue Support Grant received of £544.

- 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 the key in understanding the overall budget under spend of £253,030, as increased funding was received from Business Rates and the Council Tax Collection Fund.

	Original Budget	Revised Budget	Outturn	Variance
Net Revenue Budget	7,463,150	7,235,990	7,235,802	(188)
LESS Funding:				
Council Tax	3,074,705	3,074,705	3,116,538	41,833
Revenue Support Grant	2,185,623	2,185,623	2,186,167	544
Business Rates	2,009,240	2,009,240	2,186,127	176,887
Contribution From / (To) Reserves	193,582	(33,578)		
Outturn over / (under) spend			(253,030)	(219,452)
	7,463,150	7,235,990	7,235,802	(188)
Balanced Position	0	0	0	0

- 2.5 The outturn underspend is £253,030 as this is the actual amount that can be transferred to the reserve. The variance on the outturn underspend is £219,452 as this is the difference between the revised budget contribution to the reserve and the outturn contribution to the reserve. The variance on the net revenue budget is £188 which is the same as the variance on the funding of £188, which shows a balanced budget position.
- 2.6 It should be noted that on 1 April 2013 the Business Rates Funding Scheme changed from previous years and for this second year a proportion of the increased collection of Business Rates over the Council's 'retained business rates target' could be kept within the Council. The Council has also joined a North Yorkshire Business Rates Pool in 2014/15 which allows further Business Rates to be kept in the local area. In previous years all Business Rates were collected and sent to central Government who then distributed them back out to Council's. There was no impact from increased collection of Business Rates in previous years.
- 2.7 In addition, the Council has received a request via North Yorkshire County Council for an additional £10,000 funding to support Welcome to Yorkshire and help fund a deficit created from the Tour de France event in 2014/15. This has been discussed by the Leader and Chief Executive and it is felt that it would be inappropriate to use the Council's funds for this purpose.
- 2.8 Attached at Annex 'A' is the variance analysis of the original net expenditure budget, the revised budget at Quarter 3, the outturn position, the variance of £188 and overall under spend position of £253,030. The major variances over £10,000 including explanations are also analysed.
- 3.0 POSITION ON RESERVES:**
- 3.1 The position on reserves held by the Council as at 31 March 2015 is compared to the position at 31 March 2014 and is shown in the table below. It should be noted that the position assumes that the recommendations included in this report are approved.

RESERVES POSITION	31/03/14	31/03/15
<u>Revenue Reserves</u>	£	£
Council Taxpayers	3,773,475	3,842,928
Repairs & Renewal Fund	6,082,986	3,563,295
Computer Fund	3,698,000	1,436,103
One Off Fund	2,092,420	1,156,161
Economic Development Fund	0	4,924,780
Community Safety	74,327	69,568
Strategic Forum Reserve	14,399	10,046
Grants Fund	520,508	448,762
Arts Grants Reserve	5,949	5,187
Make a Difference Fund	0	125,000
Take That Step	0	21,139
Winter Weather Campaign	0	3,330
Sub Total	16,262,064	15,606,299
General Fund Balance	2,000,000	2,000,000
<u>Total Revenue Reserves</u>	18,262,064	17,606,299
<u>Capital Reserves</u>		
Capital Grants Unapplied	100,020	100,020
General Capital Receipts	3,392,784	4,034,171
<u>Total Capital Reserves</u>	3,492,804	4,134,191
TOTAL Reserves	21,754,868	21,740,490

- 3.2 The revenue reserves in the table above show the movement between the reserves in 2014/15 which are in line with the Financial Strategy reported to Cabinet. The Economic Development Fund has been created at £5,000,000 with the Council Tax Payer's Reserve being decreased by £1,000,000 and the Computer Fund and Repairs & Renewal Fund reducing by £2,000,000 each. In addition, the Make a Difference Fund has been created from a transfer of £125,000 from the One-off Fund which was approved at Cabinet on 2 December 2014 in a separate report. These key movements have occurred to enable an efficient approach to the use and allocation of reserves going forwards in an ever changing environment.
- 3.3 Movements in the One-off Fund receive Cabinet approval during the year. Annex 'B' details further movements that have occurred at Quarter 4 which require approval in this report. It is recommended to Cabinet and Council that the total expenditure allocation of £274,714 from the One-off Fund at Quarter 4 be approved.
- 3.4 The other movements in the reserves have occurred from grants being received or funds being transferred out to support expenditure during the year in line with previous reports being approved at Cabinet in the past. Two further funds have been created due to financial regulation accounting treatment of grants and contributions. These reserves are Take that Step and Winter Weather Campaign.
- 3.5 Attached at Annex 'C' is the detail for the movement in the reserves.

4.0 USE OF THE UNDERSPEND:

- 4.1 The 2014/15 under spend of £253,030 represents 3.50% of the net expenditure budget. The following options as to how to allocate the under spend are provided to Members to consider.

Options

- 4.1.1 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.
- 4.1.2 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 £25,303 per annum (£253,030 divided by 10). Whilst this is an option, the current focus is ongoing savings rather than increasing expenditure
- 4.1.3 Option 3 – to put the surplus into the One-Off Fund. A transfer of £253,030 would give greater flexibility and choice over possible future use of this resource.
- 4.1.4 Option 4 – to transfer the surplus into the Capital Fund to finance future capital projects.

Conclusion on Options

- 4.2 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 under spend of £253,030 is transferred to the One-Off Fund - Option 3. This option would give the greatest flexibility over how to use the under spend.

5.0 LINK TO COUNCIL PRIORITIES

- 5.1 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.

6.0 RISK ASSESSMENT:

- 6.1.1 There are no major risks associated with this report

7.0 IMPLICATIONS:

- 7.1 Financial - the financial implications are dealt with in the body of the report.
- 7.2 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.
- 7.3 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.

8.0 RECOMMENDATIONS:

8.1 That Cabinet approves and recommends to Council that:-

- (1) the view of the Leader and Chief Executive in paragraph 2.7 be supported;
- (2) the under spend of £253,030 on the 2014/15 revenue budget, at paragraph 2.3 and in Annex A, be transferred to the One-Off Fund reserve;
- (3) the decrease in the One-off Fund at Quarter 4 £274,714, detailed at paragraph 3.3 and attached at annex 'B';
- (4) the increase in the reserves position £50,757, at paragraph 3.1 and detailed in Annex 'C'.

JUSTIN IVES

Background papers: Annual Financial Report – Statement of Accounts 2014/15
Outturn Position 14/15 Finance Ledger

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2014/15 REVENUE OUTTURN - MAJOR VARIANCES > £10,000

		Overspend £	Underspend £	Total £	Explanation Of Variances
Revised Budget Approved at Quarter 3 Cabinet				7,235,990	
Customer and Leisure Services					
Workspace Management	Supplies & Services		16,691		Various small underspends including Partnership Payments, Advertising & Equipment
	Customer & Client Receipts		21,497		Increased income from external letting of rooms, virtual mail forwarding / Telephone recharge and refreshment sales.
Stokesley Leisure Centre	Premises		11,281		NDR refund from revaluation of Leisure Centre Dryside sport did not generate the amount of income anticipated from the new spinning studio as existing customers attended the classes rather than new pay as you go customers.
	Income	16,201			
Bedale Leisure Centre	Premises		11,585		NDR refund from revaluation of Leisure Centre
Thirsk Leisure Centre	Supplies & Services		14,755		Lower grant paid to Thirsk & Sowerby Swimming Baths Charitable trust than anticipated
Customer and Leisure Services Underspend			59,608		
Environment & Planning Services					
Development Management	Supplies & Services	45,996			Additional expenditure on planning consultancy fees for Appeals
	Customer Client Receipts		53,455		Additional income for Planning Application Fees £38k, Section 106 £8k, pre-application advice £6k and recovered legal costs £1k
Street Scene	Transport		36,486		Underspend on fuel due to price fluctuations and new sweeper not procured until May 2015
Recycling	Transport		26,410		Underspend on Fuel due to price fluctuations Paper and Card Tonnage down on expected budget therefore income from Yorwaste for recyclates not achieved
	Customer Client Receipts	29,764			
Pest Control	Customer Client Receipts	13,343			Income for domestic insect destruction and rodent destruction commercial contract not achieved
Homelessness	Government Grants	14,135			DWP income
Environment & Planning Services Underspend			13,113		
Support Services					
Interest & Investment Income	Income	11,977			Interest income not achieved as interest rates lower than anticipated
Corporate Management & Support	Supplies & Services		21,118		Underspend on improvement of Services Budget due to restructure savings
Corporate Management	Supplies & Services		13,926		Reduced Audit Fees due to a refund relating to previous years
Off Street Parking	Other Grants	36,443			Reduced income from NYCC due to Scarborough collecting more income on car parks in the hambleton district than expected (NYCC pay difference in any deficit) Additional income generated from car parks (including Scarborough collections)
			48,949		
Housing Benefits	Third Party Payments		121,539		Lower housing benefit rent payments made than was originally budgeted
	Supplies & Services	122,037			Increase in the provision for Bad Debts and Bad Debts written off due to Overpaid housing Benefits not being able to be recovered
	Other Bodies Customer Client Receipts	143,483 34,303			Lower housing benefit subsidy received as less housing benefit payments made . Reduced Number of Civil Penalties issued than budgeted
Local Tax Collection	Supplies & Services	12,217			One off increased Postages due to payment of invoice relating to previous year
	Transfer Payments		82,079		Additional Income relating to previous years Clawback of Benefit and Excess Benefit Recovered
	Other grants/contributions		52,276		Increased numbers of people taken to court therefore increased income relating to court costs recovered from ratepayers
Revs & Bens Services	Supplies & Services		14,730		Reduced Direct Computer Costs including Sunguard and Esteem
Payroll	Supplies & Services		15,288		One off underspend on Direct Computer Costs
Democratic Services	Supplies & Services		19,477		Reduced Internal printing due to fewer dispatches and smaller reports.
Elections	Other Grants & Contributions		15,255		Income received for purchase of Booths, Ballot Boxes and Room Hire for Elections during the Year
Resources	Employees	50,605			Redundancy Payment
Support Services Overspend			6,428		
Total Major Variance (over £10k) Net Underspend			66,293		
Total Minor Variance (under £10k) Net Underspend			127,201		
Total Reserve Variance Overspend			193,306		
Less NET UNDERSPEND AT OUTTURN				188	
OUTTURN 2014/15				7,235,802	
LESS: Funding:					
Council Tax		3,116,538			
Revenue Support Grant		2,186,167			
Business Rates		2,186,127			
				7,488,832	
Outturn Underspend 2014/15				253,030	

ANNEX 'B'

MOVEMENTS IN THE ONE-OFF FUND

- 1.1 The balance on the One-off Fund at the beginning of 2014/15 was £2,092,419. The balance after Cabinet approval at Q3 was estimated to be £367,569.
- 1.2 The final balance of the One-off Fund at outturn, assuming all recommendations to Cabinet and Council are approved, is £1,156,161. The difference between the estimate at Quarter 3 £367,569 and the outturn position is due to commitments that have been made but expenditure has not yet occurred of £946,358 and also includes expenditure and income that needs to be approved in this outturn report as detailed below in paragraphs 1.3 and 1.4.
- 1.3 During Quarter 4, income that previously had not been recognised is detailed in the table below:

Income received in Q4 2014/15 to the One-Off Fund	Amount
Housing Benefit Review	237
New Burdens (Benefits)	1,499
Migrants Access to Benefits	401
Individual Electoral Registration S31 Grant	6,485
Neighbourhood Planning Grant (Easingwold)	5,000
LADS Programme (DWP)	2,365
FERIS (DWP) - Ringfenced	5,555
New Burdens (Benefits)	1,783
Transparency Code Set Up	5,615
Council Tax Discount for Family Annexes	23,618
Business Rates New Burden Admin Cost	12,564
LG Open Data	7,000
Transfer From Street Scene for Street Scene Vehicles	44,826
Income Received	116,948

- 1.4 During Quarter 4, expenditure that had not previously been committed is detailed in the table below:

Expenditure in Q4 2014/15 from the One-Off Fund	Amount
Supporting Housing Delivery (Loan to Broadacres)	19,387
Atlas housing benefit software	8,685
Empty Homes Review - council tax	10,080
Street Scene Vehicles - Department to repay costs over 5 years	226,383
Flood Sacks	10,180
Total expenditure recommended for approval at Outturn	274,714

- 1.4 It is recommended to Cabinet and Council that the total expenditure allocation of £274,714 from the One-off Fund at Quarter 4 be approved.

2014/15 Movement on Reserves Position

Annex C

	31/03/14 £	Transfer out £	Transfer in £	31/03/15 £	Explanation of Movement in Reserves
Revenue Reserves					
Council Taxpayers	3,773,475	1,000,000	1,069,453	3,842,928	to support revenue spending on community projects and enhancing service delivery on an ongoing basis and £1m transferred to create the Economic Development Fund
Repairs & Renewal Fund	6,082,986	2,519,691	0	3,563,295	to fund capital expenditure in line with the 10 year capital programme and also repairs & renewals revenue works and £2m transferred to create the Economic Development Fund
Computer Fund	3,698,000	2,261,897	0	1,436,103	to fund ICT works to ensure an efficient and effective organisation and £2m transferred to create the Economic Development Fund
One Off Fund	2,092,420	1,392,101	455,842	1,156,161	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 and £125k transferred to create the Make a Difference Fund
Economic Development Fund	0	75,220	5,000,000	4,924,780	to enable economic development to be a priority for the district and in 2014/15 this reserve was created from other existing reserves
Community Safety	74,327	4,759	0	69,568	to receive
Strategic Forum Reserve	14,399	4,353	0	10,046	to promote partnership working within the community
Grants Fund	520,508	71,746	0	448,762	to deliver grants to organisations for community use
Arts Grants Reserve	5,949	5,309	4,547	5,187	to fund art development projects
Make a Difference Fund	0	0	125,000	125,000	to deliver grants to community groups
Take That Step	0	57,911	79,050	21,139	to deliver a lifestyle referral programme
Winter Weather Campaign	0	6,670	10,000	3,330	to raise awareness to reduce excess winter deaths
Sub Total	16,262,064	7,399,657	6,743,892	15,606,299	
General Fund Balance	2,000,000			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
Total Revenue Reserves	18,262,064	7,399,657	6,743,892	17,606,299	
Capital Reserves					
Capital Grants Unapplied	100,020	0	0	100,020	grants to be applied for specific capital projects in accordance with the prevailing conditions
General Capital Receipts	3,392,784	378,083	1,019,470	4,034,171	capital receipts were used to fund the capital programme as approved in the Capital Strategy prior to the beginning of the financial year
Total Capital Reserves	3,492,804	378,083	1,019,470	4,134,191	
TOTAL Reserves	21,754,868	7,777,740	7,763,362	21,740,490	