

REVENUE AND CAPITAL OUTTURN 2014/15

Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Head of Finance

Reason for Report: To present the revenue and capital outturn figures for the financial year 2014/15.

RECOMMENDATION(S): That Cabinet -

1 - note the General Fund outturn achieved in 2014/15 which shows an overall overspend of £90k.

2 - approve the net transfers to/from ear marked reserves of £1,082k detailed in the General Fund service budget variance reports shown in Appendix 1 & 2 and summarised in Appendix 4.

3 - note the positive position achieved on the Housing Revenue Account which shows an annual saving of £867k and approve the “ear marking” of specific items totalling £1,549k identified in Appendix 4 and the extra £871k shown in paragraph 3.3.

4 - approve the carry forward of £1,788k (see paragraph 5.2) relating to scheme slippage on the 2014/15 capital programme as all of the schemes will be delivered in 2015/16.

5 – note the Treasury Management performance achieved in 2014/15 as detailed in paragraph 6.

Relationship to the Corporate Plan: The financial resources of the Council impact directly on its ability to deliver the corporate plan prioritising the use of available resources carried forward from 2014/15. All future spending will be closely linked to key council pledges from the updated corporate plan.

Financial Implications: Good financial management and administration underpin the entire document.

Legal Implications: None.

Risk Assessment: Regular financial monitoring information mitigates the risk of over or underspends at year end and allows the Council to direct its resources to key corporate priorities.

Executive Summary of 2014/15

The table below gives an overview of the year movements during the year on the key operational balances of the Council and then shows the closing cash position which will be reflected in the end of year Accounts. (Note - These movements assume that all proposed recommendations are agreed.)

	31/3/14	In year movement	31/3/15
General Fund	(£2,460k)	£90k	(£2,370k)
Housing Revenue Account	(£2,004k)	£4k	(£2,000k)

1.0 Introduction

- 1.1 The Council has continued its strategic decision to reduce costs, without adversely affecting service delivery, evidenced by the on-going commitment to reduce employee costs (especially in back office services) during the year. This strategy has seen us deliver an overall General Fund (GF) deficit of £90k (see Appendix 1).
- 1.2 During the budget setting process we continue to ensure that revenue budgets are set on a robust basis and took a prudent view of the likely levels of income and expenditure.
- 1.3 It should be noted, in order to get a completed year end outturn position to Senior Management and Members in a timely fashion the attached financial information includes: budgeted capital charges and support services and prior to a full review of bad debt provision. Therefore, these figures may be altered slightly over the next few weeks as we complete the formal accounts process, but will have little effect on the overall GF or HRA surplus position. Adjustment to the budgeted recharges has been made to reflect the time incurred in the specific projects of the Market Walk and 32/34 Fore Street acquisitions and the conversion work at the new recycling centre
- 1.4 Members of the Audit Committee should note that the outturn report is basically a set of management reports that show the final cash related position on all service areas. The Finance Team then have to turn these management reports into the Final Accounts which are subject to a wide number of complex accounting rules that often significantly change the final picture of a service's financial position for the year. However, it is important to note that the bottom-line profit or loss for the year remains constant.

2.0 The General Fund Reserve

- 2.1 This is the major revenue reserve of the Council. It is increased or decreased by the surplus or deficit generated on the General Fund in the year. This reserve held a balance of £2,460k as at 31/3/14. In 2014/15, a net deficit of £90k has occurred after accounting for all necessary transfers to/from Ear Marked Reserves (EMRs).

2.2 Detailed budget monitoring reports were provided to both senior managers and members throughout 2014/15. This monitoring focused on significant budget variances (+/- £10k), included remedial action where necessary and estimated an overall outturn position. The final monitoring report considered by the Cabinet gave a detailed position at the end of February 2015 and predicted an end of year deficit of £218k for the General Fund. Therefore the final position improved by £128k.

2.3 The table below shows the overall budget, actual and variance for all of our major service areas.

Service	2014/15 Budget £	2014/15 Actual £	Variance £
Car Parks	(120,520)	(222,083)	(101,563)
Community Development	387,760	391,995	4,235
Corporate Management	1,146,560	1,182,589	36,029
Customer Services	(13,950)	(3,695)	10,255
Environmental Services	1,430,360	1,347,525	(82,835)
Finance & Performance	40	98	58
GF Housing	385,730	260,458	(125,272)
Grounds Maintenance	7,340	(8,092)	(15,432)
Human Resources	123,530	81,328	(42,202)
ICT	(6,420)	(22,170)	(15,750)
Legal & Democratic	865,610	879,183	13,573
Leisure	816,780	889,906	73,126
Planning & Regeneration	987,620	847,075	(140,545)
Property Services	383,720	390,858	7,138
Revenues & Benefits	804,990	521,599	(283,391)
Waste Services	2,321,630	2,613,049	291,419
Total Cost of Services	9,520,780	9,149,623	(371,157)
OTHER INCOME & EXPENDITURE			
Interest Payable	8,110	8,593	483
Interest from Funding provided for HRA	(110,000)	(58,249)	51,751
Interest Receivable	(65,000)	(66,261)	(1,261)
New Home Bonus Grant	0	(1,281,438)	(1,281,438)
Revenue contribution to Capital Programme	125,000	1,419,426	1,294,426
Sundry Grants and Other Income	0	(64,654)	(64,654)
Statutory Adjustments	(819,190)	(758,039)	61,151
Net Contribution to / (Utilisation of) Earmarked Reserves	525,170	1,082,424	557,254
Formula Grant	(4,192,870)	(4,350,631)	(157,761)
Council Tax	(4,917,000)	(4,917,330)	(330)
Collection Fund surplus	(75,000)	(73,770)	1,230
Total Other Income	(9,520,780)	(9,059,929)	460,851
Total Deficit for the year	0	89,694	89,694

2.4 A detailed explanation of all the key variances is shown in Appendix 2, service by service. Inevitably, within a service, there are often variances which compensate. Some areas may create savings which in turn can be partly or fully offset by overspends elsewhere. In this report we have tried to highlight the major movements to enable Members to appreciate the more significant trends within each service area.

Note – where any of the above variances were deemed to be recurring, the 2015/16 budget was adjusted accordingly.

2.5 The overall effect of the 2014/15 financial year would result in a General Fund Balance of £2,370k which only exceeds the Council’s own temporary minimum requirement of £2,200k (agreed at full Council 25/2/15) by £170k.

2.6 In addition to the GF Balance, the Council holds a number of Ear Marked Reserves (EMRs) which are used to help make provision for known future expenditure commitments which will require funding in 2015/16. The net movement of £1,082k, (£3,070k - £1,988k = £1,082k), into these reserves and the end of year balances held on them are shown in Appendix 4.

3.0 Housing Revenue Account (HRA)

3.1 This is a ring-fenced reserve in respect of the Council’s housing function. It is increased or decreased by the surplus or deficit generated on the HRA in the year. For 2014/15 the outturn is a net surplus of £366k including transfers to/from ear marked reserves. In addition to this, a surplus of £501k is the result of a change in accounting treatment of the HRA self-financing loan.

3.2 This surplus is explained in paragraph 3.4 and the effect of it on the HRA Balance is shown below.

HRA Balance

HRA balance @ 31/03/14	£ (2,004)k
Budget saving achieved in 2014/15	£ (366)k
Saving caused by change in accounting treatment of PWLB loan	£ (501)k
HRA balance @ 31/03/15	£ (2,871)k
Additional transfer to 30yr modernisation programme	£ 871k
HRA balance after proposed EMRs	£ (2,000)k

3.3 After the strong financial position delivered in 2014/15 , it is recommended to transfer a sum of £871k into the Housing Maintenance EMR. This is in addition to the already budgeted figure of £2,324k. The above position leaves the HRA balance at £2,000k at 31 March 2015.

- 3.4 The main budget variances during 2014/15 that give rise to the figure of £366k as shown in paragraph 3.2 are savings on repairs due to the team being able to take on extra work, staffing savings in tenancy and the cessation of the Warden service. These account for over half the surplus. In addition, a strong performance on rent arrears, invoices raised to freeholders and community alarms continuing to perform well have contributed to the position. For further details, please see the HRA Outturn Summary for 2014/15, which is attached as Appendix 3 to this report.
- 3.5 In addition to the above, the HRA hold a number of earmarked reserves. The movements on these during 2014/15 and their closing balances are shown on Appendix 4. This money is effectively “ring fenced” and will be held to meet expenditure on projects during 2015/16 and beyond.

4.0 The Collection Fund

- 4.1 Mid Devon is a collection authority for council tax and national non-domestic rates, and as such, is required to produce a collection fund account for the Mid Devon area. The Council collects council tax on behalf of Devon County Council, Devon Fire and Rescue Service, Devon & Cornwall Police and the Town/Parish Councils.
- 4.2 The council tax collection rate for 2014/15 was 97.8% (97.6% in 2013/14). This demonstrates how effective our Council Tax section has been in collecting the annual charge in extremely challenging economic times. The Non Domestic Rates collection rate improved to 99.0% for 2014/15 (98.4% in 2013/14).
- 4.3 We continue to outperform the baseline business rates budget which is still reflecting an overall financial benefit of being a member of the Devon wide business rates pool.

5.0 Capital Outturn

- 5.1 A capital outturn summary is attached as Appendix 5 to this report. The revised capital budget for 2014/15 amounted to £15,044k. At the year end we had spent £11,940k leaving the capital programme underspent in total by £3,104k.

Capital receipts of £535k (this includes general useable capital receipts and ring-fenced replacement homes capital receipts) were applied to finance the programme with the balance of the expenditure met by a combination of borrowing, external grants and contributions from reserves.

- 5.2 As shown in Appendix 5 there are capital projects totalling £1,788k which have not been completed as at the 31 March 2015. This expenditure, therefore, needs to be rolled forward (scheme slippage) to be included in the 2015/16 capital programme. These schemes are still fully funded by either unspent capital grants or by provisions held in the capital contingency fund. In addition there is £1,129k relating to Affordable Housing, Major repairs to our Council House stock & Renewable energy solutions underspends which will be placed in relevant earmarked reserves to fund future capital expenditure.

5.3 The capital receipts reserve (note this includes general useable capital receipts and ring-fenced replacement homes capital receipts) is used to part fund the capital programme - the movement on this account for the year is given below:

	£k
Balance at 1 April 2014	(1,071)
• Sale of Council Houses - 10	(646)
• General Fund Sales	(10)
• Pooling of Housing Capital Receipts to Govt.	206
• Capital Receipts applied in year	535
Balance at 31 March 2015	(986)

Note – the majority of the remaining balance of £986k (circa £681k) is committed in order to fund any slippage and to balance the Capital Medium Term Financial Plan.

5.4 Capital resources were again severely limited in 2014/15; therefore the Council took proactive steps to provide for future capital programmes by including provision for a revenue contribution from the General Fund of £125k.

5.5 Paragraph 5.3 shows that the Council has very little in the way of capital receipts (£986k) to support future capital programmes. However, due to prudent planning to mitigate the significant capital funding gap identified in the MTFP we have continued to make additional provision within the capital earmarked reserve. The balance on this reserve now stands at £1,122k made up by the following transactions:

	£k
Opening balance on the capital earmarked reserve as at 1 April 2014	(962)
Budgeted transfer from the General Fund	(125)
Funding required to deliver the 2014/15 programme	215
Contributions from the General Fund Balance	(250)
Closing balance on the capital earmarked reserve as at 31 March 2015	(1,122)

5.5.1 Looking to the future an amount of circa £560k is already committed to fund any slippage and to balance the Capital Medium Term Financial Plan.

5.6 The council also holds New Homes Bonus which can be used for either Revenue or to support future Capital Programmes, the balance held at 31 March is £1,888k; however the majority of this is committed to fund scheme slippage and to balance the Capital Medium Term Financial Plan.

6.0 Treasury Management

6.1 The final interest position for the financial year can be summarised as follows:

Interest Paid and Received:

	Budget £k	Actual £k	Variance £k
Interest Paid:			
PWLB loan – HRA	1,272	1,272	0
HRA to General Fund	58	58	0
General fund	8	8	0
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Interest Paid Total	1,338	1,338	0
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Interest Received:			
General Fund	(65)	(66)	(1)
HRA to General Fund	(110)	(58)	52
HRA	(41)	(48)	(7)
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Interest Received Total	(216)	(172)	44
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6.2 A detailed report on Treasury performance in 2014/15 will be included on the June Cabinet agenda.

7.0 Conclusion

7.1 Members are asked to note the revenue and capital outturn figures for the financial year 2014/15 and agree the proposed ear marking of surplus funds generated by in year savings from both the GF and the HRA. In addition, Members need to approve the slippage to be rolled forward from the 2015/16 capital programme.

7.2 Once again, decisions made during 2014/15 to reduce operational expenditure without adversely affecting service delivery has enabled the Council to maintain its sound financial status.

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Background Papers:

Circulation of the Report:

Cllr Peter-Hare-Scott
Management Team