
BUDGET OUTTURN REPORT 2013/14

To: **Cabinet – 31 July 2014**

Main Portfolio Area: **Finance**

By: Interim Director of Corporate Resources

Classification: **Unrestricted**

Ward: **All Wards**

Summary: **To inform Cabinet of the outturn position against the General Fund and Housing Revenue Account budgets and against the 2013/14 Capital Programme.**

For Information

1.0 Introduction and Background

1.1 In February 2013 Council agreed the General Fund, Housing Revenue Account and Capital budgets for 2013/14. The purpose of this report is to advise on the outturn position against these budgets. Members should note that the figures within this report are subject to audit and are therefore draft at this stage.

2.0 General Fund

2.1 The Council has faced significant cuts in funding over the last four years which has resulted in a cut in the net revenue budget of 18% from 2010/11 to 2013/14 with further cuts in funding anticipated over the next few years. The figures for 2014/15 have been confirmed but the figures for 2015/16 are still provisional. Further cuts of 10% have been assumed for both 2016/17 and 2017/18. For 2013/14 management continued to try to deliver maximum savings to help ease some of the budget pressures moving forward, thus helping to ensure that the Council's balances and reserves are sufficient to meet the needs of the Council over the medium term.

2.2 Budget monitoring to Cabinet in year reflected a balanced budget position and this was despite the fact that when the budget was set in February 2013, it was still expected that Transeuropa would continue in business. The budgetary impact for 2013/14 as a result of them ceasing business was a shortfall of circa £836k. This was after terminating contracts at the Port wherever possible and cutting back on the running costs at both the Port and Harbour. Strict controls were continued with regard to recruitment. Managers were not allowed to recruit immediately as a post became vacant but instead took the opportunity to review the needs of the service, with ultimately all decisions with regard to whether a vacancy should be filled being taken by the Workforce Forum. Managers also worked diligently to make efficiency savings wherever possible and reduce discretionary spend.

2.3 As a result of the measures highlighted in paragraph 2.2 above and after various Reserve movements as detailed in 2.7 below, a General Fund breakeven position has been achieved in 2013/14. The following table shows the final position by Service:

Service	Outturn £'000s	Reason for Variance
Chief Executive & S151	8	Miscellaneous minor overspends
Operational Services	4,636	The majority of this overspend reflects the write off of the Ferry operator debt as well as the provision for the pending Animal Exports Legal case, these are both offset within Corporate Services by the appropriate provisions as well as by additional Vacant Post savings and other minor underspends.
Community Services	(165)	Increased Planning income associated with Major Applications, savings on sports & leisure, contributions to voluntary organisations and events, as well as various other minor underspends.
Corporate Services & Transformation	(4,479)	Predominantly due the write off of Ferry Operator income and the use of New Homes Bonus to fund Animal Export provision, as well as additional Vacant Post savings and other minor variances.
Total	0	

2.4 The movements to and from earmarked reserves as indicated at 2.3 above that have facilitated a breakeven position are proposed as per the table overleaf and include any movement on the HRA to ensure that this agrees to the Explanatory Forward and the Movement in Reserves statements within the Financial Statements.

	Movement in Reserves
	£000's
Insurance Risk Management	-35
Capital Projects	-644
Local Development Framework	-33
General Fund Repairs	-11
Slippage Fund - GF	-400
Slippage Fund - HRA	62
Information Technology	136
Environmental Action Plan	50
Office Accomodation	54
Housing and Planning Delivery Grant	1
Cremator & Cemeteries Works	-65
Decriminalisation	-37
Priority Improvement	128
Customer Services	424
Unringfenced Grant	-139
Waste Reserve	270
Council Election	-30
Homelessness	-59
Renewal Reserve	33
Performance Reward Grant	55
Maritime Reserve	205
VAT Reserve	4
East Kent Services	-36
New Homes Bonus	547
Housing Intervention	436
Economic Development & Regeneration	137
New HRA Properties Reserve	-4,687
Pay and Reward	2
Vehicle-Plant-Equip Replacement Reserve	-227
Dreamland Reserve	-117
	-3,976

2.5 Attached at **Annex 1** is a more detailed table which includes the remaining balance on each reserve after the above have been taken into consideration.

2.6 The General Fund balance has been maintained at £2.177m, which is at the level recommended by the S151 Officer of 12% of the net revenue budget requirement as highlighted as part of the Budget Report approved by Council in February 2014.

3.0 Housing Revenue Account

3.1 The Housing Revenue Account (HRA) generated a decrease in balances of £4.581m in 2013/14. A substantial amount of this was in relation to £4.687m transferred to the HRA New Homes Earmarked Reserve being the remaining committed revenue contribution to the capital projects for the Margate Housing Intervention Programme and the Homes and Community Agency part funded Empty Homes Programme. Cabinet agreed on the 3 April 2014 budget monitoring report that these committed funds if not utilised in year could be taken to the New Homes Property Reserve to

ensure sufficient funds were set aside to complete the affordable housing units planned. The other main reasons for the variance are:

- Transfer to New Homes Reserve for committed affordable homes projects £4.687m
- Reduction in new affordable rental income due to slippage £73k
- Increase in non-dwelling depreciation £66k
- Increase in day to day repairs expenditure £30k
- Reduction in repair contract payments (contract uplift) (£20k)
- Reduction in painting and contract decorating works (£145k)
- Increase in pension costs £47k
- Reduction in external audit fees (£24k)
- Reduction in Member recharges (£30k)
- Reduction in bad debt contribution (£111k)
- Reduction in Homeloss payments (£35k)
- Increase in Insurance premium payments £26k
- Other various £16k

3.2 The accumulated HRA balance at 31 March 2013 is £5.66m. The balance provides flexibility for the delivery of the Housing Business Plan which has recently been reviewed.

3.3 As part of the HRA Self-financing settlement, for the next 5 years the Council will be able to make a transfer to the Major Repairs Reserve equal to the HRA self-financing settlement figure. This figure for 2013/14 is £3.377m. As the Council has moved from using the Major Repairs Allowance (MRA) as a proxy for depreciation to an actual calculated charge, the difference between the actual depreciation charge and the MRA figure within the settlement model of £979k has been transferred to the Major Repairs Reserve to continue to fund the maintenance and capital works to the existing housing stock.

4.0 The Capital Programme

4.1 Capital expenditure includes spend on the acquisition or enhancement of a fixed asset with a value of £10k or greater which is expected to be in use for more than one year. It also covers grants that are provided for the enhancement of buildings to increase the extent to which they can be used by a disabled or elderly person. Capital expenditure can be met from loans, capital receipts, capital grants, reserves or revenue contributions.

4.2 As a result of the complex and large scale nature of capital projects, until the project is worked up and quotes obtained, the original budgets have to be based on estimations that often need revising as the project advances. This in turn leads to re-phasing of the Capital Programme, in order to keep the overall costs within the agreed bottom line.

4.3 The Capital Programme, agreed at Council for 2013/14, totalled £15.101m, to be funded from £6.678m of external grants and contributions, £2.577m of capital receipts and unallocated reserves and £5.846m of prudential borrowing. Also the balance of projects agreed in previous years budgets that were still on-going were rolled forward until project completion.

4.4 During the course of the year, through budget monitoring reports, Cabinet and Council have been advised of the progress of the programme and any slippage that had been reported by Budget Managers. As Capital projects are usually large scale projects, they tend to span over a number of years. A summary of the General Fund expenditure is tabled overleaf with a breakdown of expenditure in Annex 3

	B/Fwd from 2012/13 £'000	Original Budget 2013/14 £'000	Revised Budget 2013/14 £'000	Actual Spend 2013/14 £'000
Business Services	87	86	482	0
Community Services	3,305	9,258	12,674	3,133
Operational Services	724	5,682	5,597	3,481
Capitalised Salaries		75	75	2
	4,116	15,101	18,828	6,616
<i>Funded by:</i>				
Capital Grants and Contributions	1,926	6,678	8,312	2,802
Capital Receipts and Unallocated Reserves	2,099	2,577	4,246	1,747
Revenue contributions			332	
Prudential borrowing	91	5,846	5,938	2,067
	4,116	15,101	18,828	6,616

4.5 Business Services

The capital schemes in this area relate to the upgrading of council systems, through implementation of new software or through the way information is stored by the Council. Slippage in this area was largely due the joint projects undertaken by East Kent Services with Dover and Canterbury and the complexities of procuring for a joint project.

4.6 Community Services

Included within this service area are three of the Council's main capital schemes, the renovation of Dreamland, Disabled Facilities Grants and the Dalby Square Townscape Heritage Scheme.

4.7 The CPO appeals process meant that budgeted spend on the Dreamland site had to be slipped until the site ownership reached a final conclusion. This has been the first year of the Dalby Square Townscape Heritage Scheme and it is usual for the first year to result in a lower level of grant payments. This is due to the fact that once the grants are awarded they can only be drawn down on the completion of the works carried out. The budget for Disabled Facilities Grants was revised during the year as central government increased the amount of grant allocated to the scheme resulting in a further £53k allocated to Thanet. The council has spent over £1.9m this financial year, being the Central Government allocation and money generated from the disposal of assets and as such has reduced the waiting time for applicants requiring assistance with adaptations.

4.8 Spend on other capital schemes within this area also included the Margate Intervention loan scheme, development work for the Skate park project and the redevelopment of Newington Centre buy out of leases.

4.9 Operational Services

The main capital schemes within this area are the final payments for the Margate Coast Protection works which are wholly externally funded, the continuing Yacht Valley Project at the Harbour, the replacement of the Waste Collection Fleet and Grounds Maintenance mower replacement.

- 4.10 The 2013/14 programme was based on capital receipts of £1.312m, however at year end the amounts actually achieved for the sale of General Fund assets was £773k. This reduction was due to a number of large scale assets requiring officers to undertake further work prior to disposal.
- 4.11 Whilst during this financial year we have been able to contain expenditure without the need for unbudgeted borrowing due to some slippage in the capital programme, it does mean that if the delays in the sale of the assets are not recovered in this financial year, it will require the authority to review the capital programme and either scale back the programme or increase the forecast levels of prudential borrowing.
- 4.12 The HRA capital programme is summarised below with a detailed breakdown reported in **Annex 2**. The programme has been set to maintain the authority's council housing at decent homes plus.

	B/Fwrd Budget 2012/13 £'000	Original Budget 2013/14 £'000	Revised Budget 2013/14 £'000	Actual 2013/14 £'000
Total HRA Capital Programme Expenditure	4,166	5,973	10,949	3,958
HRA Capital Resources Used:				
HRA Major Repairs Reserve	1,215	1,900	1,983	1,130
HRA Revenue Contributions/Reserves	2,313	3,023	4,736	587
Capital Grant	638	1,050	4,028	1,834
Capital RTB Receipts			202	202
Prudential Borrowing				205
Total Resources	4,166	5,973	10,949	3,958

- 4.13 Slippage in relation to the purchase of HRA properties and procurement of works for the Margate Intervention and Ramsgate empty property schemes resulted in the revenue contribution to fund these works not being fully utilised and as agreed in the Cabinet report dated 3 April all unutilised contributions to these projects have been set aside in the Earmarked HRA New Properties Reserve at year end.

4.14 During the course of the year the Kitchen and Bathroom contract has had to be re-tendered which has resulted in planned works for the Kitchen and Bathroom replacement programme being slipped into next financial year. Due to the higher level of voids in December where Council tenants moved to the new build properties at the Centre Newington a drawdown of a further £110k from the major repairs reserve has been required to cover replacement works on void properties.

4.15 The Council recently purchased land at 131-141 King Street for development within the New Build Programme. This was subject to a Portfolio Holder decision notice due to the impending date of the auction and urgency of the decision.

5.0 Options

5.1 Cabinet Members note the outturn against the General Fund and HRA budgets and the Capital Programme for 2013/14 and approve the movements to reserves as outlined in paragraphs 2.4 and 3.3 of this report.

6.0 Corporate Implications

6.1 Financial and VAT

6.1.2 The financial implications have been reflected within the body of the report.

6.2 Legal

6.2.2 Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, it is the Chief Executive (S151 Officer), Sue McGonigal, and this report is helping to carry out that function.

6.3 Corporate

6.3.2 Corporate priorities can only be delivered with robust finances and this report gives Members the opportunity to review the Council's current position.

6.4 Equity and Equalities

6.4.2 There are no equity or equalities issues arising from this report.

7.0 Recommendations

7.1 That Cabinet note the General Fund, HRA and capital outturn position for 2013/14;

7.2 That Cabinet approve the proposed movements to earmarked reserves as outlined in paragraphs 2.4 and 3.3 of the report.

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Annex List

Annex 1	Earmarked Reserves
Annex 2	HRA Capital Programme 2013-14
Annex 3	GF Capital Programme 2013-14

Background Papers

Title	Details of where to access copy
2013/14 Budget and Medium Term Financial Plan.	Full Council Agenda 7 th February 2013

Corporate Consultation Undertaken

Finance	Paul Cook, Interim Director of Corporate Resources and S151 officer
Legal	N/A
Communications	N/A