
BUDGET OUTTURN REPORT 2014/15

To: **Cabinet – 30 July 2015**

Main Portfolio Area: **Financial Services and Estates**

By: **Cllr John Townend, Portfolio Holder for Financial Services and Estates**

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 2014/15 Capital Programme.**

For Decision

1.0 Introduction and Background

1.1 In February 2014 Council agreed the General Fund, Housing Revenue Account and Capital budgets for 2014/15. 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 a number of years, this has seen the net revenue budget reduced by around 26.9% from 2010-11 to 2015-16. Further cuts in funding are anticipated over the next few years with cuts of 10% having been assumed for 2016-17, 2017-18 and 2018-19. For 2014/15 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 that Managers would continue to work towards a balanced budget position and this was despite in year pressures, including reduced parking income, pressures on delivering the new look Recycling and Waste Service, reduced income at the Port, pressure on delivering savings factored in as part of the 2014/15 budget build and reduced property income. Managers were encouraged to not 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/Finance. 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 2014/15. The following table shows the final position by Service:

Service	Outturn £'000s	Reason for Variance
Chief Executive	168	Increased staff costs offset by increased recharges to the HRA and miscellaneous Corporate adjustments including but not restricted to internal recharges such as IAS19 (pensions) and Central Support (IAS 19 being adjusted through Corporate Services).
Operational Services	891	Increased Crematorium income, reduced costs associated with Minor Work Team and reduced staff costs as well as other minor variations offset by miscellaneous Corporate adjustments including but not restricted to internal recharges such as IAS19 (pensions), Asset Charges and Central Support (IAS 19 and Capital being adjusted through Corporate Services).
Community Services	74	Reduced Staff costs across Community and increased income offset by miscellaneous Corporate adjustments including but not restricted to internal recharges such as IAS19 (pensions), Asset Charges and Central Support (IAS 19 and Capital being adjusted through Corporate Services).
Corporate Services	(1,133)	Additional costs recovered in relation to NDR/Council Tax, various reserve movements offset by increased Bad Debt provision and miscellaneous Corporate adjustments including but not restricted to internal recharges such as IAS19 (pensions), Asset Charges and Central Support (IAS 19 and Capital being adjusted through Corporate Services).
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.

	£000's
General Fund	
Capital Projects	968
Council Election	(1)
Cremator & Cemeteries Works	(158)
Customer Services	(619)
Decriminalisation	(28)
Destination Management	(400)
Dreamland Reserve	-
East Kent Services	487
Economic Development & Regeneration	4
Environmental Action Plan	-
General Fund Repairs	63
Homelessness	(16)
Housing and Planning Delivery Grant	-
Housing Intervention	74
Information Technology	39
Insurance Risk Management	154
Local Development Framework	7
Maritime Reserve	163
New Homes Bonus	98
Office Accommodation	(1)
Pay and Reward	86
Pensions Earmarked Reserve	249
Performance Reward Grant	-
Priority Improvement	268
Renewal Reserve	(1)
Slippage Fund - GF	286
Unringfenced Grant	263
VAT Reserve	4
Vehicle-Plant-Equip Replacement Reserve	-
Waste Reserve	64
HRA	
Slippage Fund - HRA	(270)
New HRA Properties Reserve	484
	2,267

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 £2.011m, 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 2015.

3.0 Housing Revenue Account

3.1 The Housing Revenue Account (HRA) generated a decrease in balances of £272k in 2014/15 against a budgeted deficit of £531k. A re-profiling of the New Build Programme resulted in a reduced revenue contribution made to the capital programme and funds have been set aside in the New Properties Reserve as agreed with Cabinet on 20 January 2015. The HCA Empty Homes Programme completed on

31 March 2015. A further commitment has been given to an on-going empty homes refurbishment programme for the creation of a further 14 units over the coming year. The council is continuing on with Margate Intervention as a long-term regeneration programme in Cliftonville West and Margate Central area with Kent County Council and Homes and Community Agency to transform the housing market in two of Britain's most deprived wards. Major variances against original HRA budget are detailed below:

Major Variances on the Housing Revenue Account	2014-15 £'000s
Reduced revenue contribution to capital expenditure	(715)
Increased contribution to New Properties Reserve	776
Increase in social dwelling rents	(98)
Reduction in new affordable rent income due to slippage	172
Increased income from Service Charges & aerals	(89)
Increase in shops/land income	(14)
Reduction in Day to Day Expenditure	(306)
Increase in Pension Costs	36
Increase in Member Recharges	38
Reduction in bad debt contribution	(99)
Increase in Insurance Premium Payments	38
Other various	2
	(259)

3.2 The accumulated HRA balance at 31 March 2014 is £5.392m. The balance provides flexibility for the delivery of the Housing Business Plan which has recently been reviewed.

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 2014/15, totalled £12.105m, to be funded from £1.862m of external grants and contributions, £0.743m of capital receipts and unallocated reserves and £9.500m 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.

- 4.5 The 2014/15 capital programme was based on achieving capital receipts in year of £675k. Early on in the financial year it became apparent that the capital receipts could not be achieved in the timescale available and a revised report was taken to members to agree a revision of the capital programme which included slippage and deletion of some projects and fully committing the capital project reserve. At year end the amounts actually achieved for the sale of General Fund assets was £141k a shortfall of £534k against budget. This reduction was due to a number of large scale assets requiring officers to undertake further work prior to disposal.
- 4.6 A summary of the General Fund expenditure is tabled overleaf with a breakdown of expenditure in **Annex 3**.

	B/Fwd from 2013/14 £'000	Original Budget 2014/15 £'000	Revised Budget 2014/15 £'000	Actual Spend 2014/15 £'000
Business Services	482	0	398	135
Community Services	9,939	4,635	14,870	6,305
Operational Services	3,144	7,395	3,134	1,433
Capitalised Salaries		75	75	
	13,565	12,105	18,477	7,873
<i>Funded by:</i>				
Capital Grants and Contributions	6,112	1,862	8,238	4,035
Capital Receipts and Unallocated Reserves	3,564	743	3,680	1,596
Revenue contributions			370	122
Prudential borrowing	3,889	9,500	6,189	2,120
	13,565	12,105	18,477	7,873

4.7 **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.

4.8 **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.

- 4.9 The CPO appeals process meant that budgeted spend on the Dreamland site had to be slipped until the site ownership reached a final conclusion. Works for the first stage of the park are on target for delivery and the park opened its doors on Friday 19th June 2015 after a long period of closure. Further works are still on-going as are negotiations for the CPO settlement.

- 4.10 This has been the second year of the Dalby Square Townscape Heritage Scheme and it is usual for the first few years 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.

4.11 Disabled Facilities Grant (DFG) expenditure totalled £1.416m, comprising of £1.108m grant from the Department of Communities and Local Government and £0.308m funded from the capital projects reserve. A balance of £98k remained unspent and has been rolled forward into the next financial year. For the past few years the Disabled Facilities Grant has regularly not been fully utilised, however this year 96% of the allocated budget has been spent. As a result of this increased activity the time taken to process DFGs from referral to completion has fallen from 66.32 weeks (13/14) to 47.95 weeks (14/15). The Housing Revenue Account capital programme has an allocation for Disabled Adaptations of £226k to be utilised for adaptations required by tenants of Council owned housing stock. This budget was fully spent albeit with £3k remaining.

4.12 The Margate Intervention loan scheme has been delayed due to the need to consult on the new policy on the way housing loans and grant are allocated, which has now concluded. The Housing Manager is also currently considering the loan requirements with that of the Financial Conduct Authority (FCA) requirements for registration and options available to deliver the scheme.

4.13 **Operational Services**

The main capital schemes within this area are the payments in relation to the Yacht Valley Project, pontoon and water supply upgrades at the Harbour, the replacement of the Waste Collection Fleet and delivery of the playground enhancement programme.

4.14 The replacement of the Ramsgate Marina Eastern Pontoons and Marina water supply upgrade and playground enhancement programme have now been completed and all within budget. The on-going replacement of the Waste and Cleansing fleet is continuing based on service delivery requirements.

4.15 **Housing Revenue Account Capital Programme**

4.16 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/Fwd Budget 2013/14 £'000	Original Budget 2014/15 £'000	Revised Budget 2014/15 £'000	Actual 2014/15 £'000
Total HRA Capital Programme Expenditure	6,861	6,505	12,031	7,149
<i>HRA Capital Resources Used:</i>				
HRA Major Repairs Reserve	404	2,750	3,199	2,011
HRA Revenue Contributions/Reserves	4,268	3,155	6,443	3,890
Capital Grant	2,189	0	2,189	938
Capital RTB Receipts		600	200	85
Prudential Borrowing				225
Total Resources	6,861	6,505	12,031	7,149

- 4.17 The New Build Programme was re-profiled for 2015-18 and reported to Cabinet at the 20 January meeting, where agreement was sought to set aside the unutilised revenue contribution for 2014-15 of £1.443m in the HRA New Properties reserve. Slippage and re-profiling in relation 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.
- 4.18 An overspend of £365k is showing against the Empty Properties Programme which is largely due to a property that was purchased as part of the scheme but that was unfortunately vandalised to such an extent that the refurbishment could not meet the HCA grant funding criteria of being brought back into use by 31 March 2015. Therefore, funding of the purchase of the property has now fallen solely to the HRA and a further report will be required to be brought back to Cabinet to fund the refurbishment from within HRA balances.
- 4.19 The authority experienced difficulties with the legal documentation to progress the HCA Round 1 stage 2 Lease and Repair funding and also had difficulties in identifying suitable properties. As a result of this the £340k contribution from the HCA has not been able to be claimed.
- 4.20 The Council was awarded a further £300K HCA funding as part of the Round 2 Empty Property Programme, which was largely targeted for long term empty commercial properties and the accommodation above. Works have commenced on site and are anticipated as due for completion in the autumn of this year. Unfortunately, in order to be able to draw down the available HCA funding completion had to be finalised by the 31 March 2015.
- 4.21 East Kent Housing are showing an unspent variance of £919k. A restructure within the Asset Management team of East Kent Housing meant that there were a number

of unfilled vacancies and the Council were notified that works for the £230K Estate Improvements and £260K Lift Refurbishment programme would not be able to undertaken during 2014-15 and would need to be undertaken as part of the 2015-16 programme. The roofing budget of £114K was unable to be allocated during the year as the existing contract had expired and had to be re-tendered.

4.22 Fire precaution works of £110k are awaiting an external risk assessment to be undertaken before works can be tendered and the budget will be utilised during 2015-16. Structural repairs of £104k have been retendered and are due to complete in early 2015-16.

5.0 Options

5.1 Cabinet Members note the outturn against the General Fund and HRA budgets and the Capital Programme for 2014/15 and approve the movements to reserves as outlined in paragraph 2.4 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 Director of Corporate Resources (S151 Officer), 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 2014/15.

7.2 That Cabinet approve the proposed movements to earmarked reserves as outlined in paragraph 2.4 of this report.

Contact Officers:	Nicola Walker, Interim Head of Financial Services
	Matthew Sanham, Corporate Finance Manager
Reporting to:	Tim Willis, Director of Corporate Resources (S151 Officer)

Annex List

Annex 1	Earmarked Reserves
Annex 2	HRA Capital Programme 2014-15
Annex 3	GF Capital Programme 2014-15

Background Papers

Title	Details of where to access copy
2014/15 Budget and Medium Term Financial Plan.	<i>Full Council Agenda 6th February 2014</i>

Corporate Consultation Undertaken

Finance	N/A
Legal	Tim Howes, Interim Head of Legal & Democratic Services and Monitoring Officer
Communications	Hannah Thorpe – Interim Head of Communications