

**30 June 2015**

**Policy, Finance and Resources Committee**

**Provisional Outturn 2014/15**

**Report of:** *Chris Leslie, Finance Director*

**Wards Affected:** *All*

**This report is:** *Public*

**1. Executive Summary**

1.1 As part of the year end process, the Council must report the outturn position for 2014/15 and produce a Statement of Accounts which must be signed off by the External Auditors (Ernst & Young) and published by 30 September 2015.

1.2 This report deals with the 2014/15 financial outturn for the following:

- General Fund - projected breakeven position for the year.
- Housing Revenue Account – projected under spend of £94k for the year.
- Capital Programme – projected under spend of £3.4m for the year.

1.3 The report also considers the reserves and working balance levels.

**2. Recommendation(s)**

**2.1 That the provisional outturn information contained within this report is approved.**

**2.2 That the capital programme carry forwards requested at paragraph 4.11 are approved.**

### 3. General Fund

3.1 The General Fund provisional outturn figure shows a projected breakeven position.

3.2 The estimated outturn for the General Fund (as reported to Council in March 2015) was an over spend of £17k as at 31 March 2015. The table below provides a summary of the actual spend for the General Fund compared to the estimated outturn.

	<b>2014/15 Estimated Outturn £'000</b>	<b>2014/15 Actual £'000</b>	<b>2014/15 Variance £'000</b>
<b>Corporate Priorities Expenditure:</b>			
Street Scene and Environment	3,303	3,366	<b>63</b>
Localism	1,301	1,251	<b>(50)</b>
A Prosperous Borough	634	457	<b>(177)</b>
Housing, Health and Wellbeing	506	427	<b>(79)</b>
A Safe Borough	1,224	1,306	<b>82</b>
A Modern Council	3,052	3,153	<b>101</b>
<b>Total Spend on Corporate Priorities</b>	<b>10,020</b>	<b>9,960</b>	<b>(60)</b>
Adjustment and Appropriations	(304)	(380)	(76)
<b>TOTAL SPENDING REQUIREMENT</b>	<b>9,716</b>	<b>9,580</b>	<b>(136)</b>
<b>Funding:</b>			
Council Tax	(5,194)	(5,194)	0
Government Grant	(3,197)	(3,073)	124
Council Tax Freeze Grant	(56)	(56)	0
Collection Fund (Surplus)/Deficit	(37)	(37)	0
New Homes Bonus Grant	(1,215)	(1,220)	(5)
<b>TOTAL COUNCIL FUNDING</b>	<b>(9,699)</b>	<b>(9,580)</b>	<b>119</b>
<b>Deficit / (Surplus) for the year</b>	<b>17</b>	<b>0</b>	<b>(17)</b>

3.3 The table below outlines key variances within service areas:

<b>Budget</b>	<b>Difference £'000</b>	<b>Explanation</b>
Planning Applications	(96)	Income higher than anticipated.
Parking - Income	(82)	Season tickets higher than anticipated
Information Technology – Telephone project	20	Additional one-off costs for the implementation of the new telephone system
Bank Charges	29	Additional one-off costs for the implementation of the new system.
Community Safety	19	Cost incurred for additional Awareness Events in the Borough.
Finance and HR Systems	(29)	Additional work on the system not required.
Corporate Support – Postages	42	Higher than anticipated spend
Golf Course – Income	31	Income lower than anticipated
Cemeteries	14	Additional tree works carried out and increase to rates and insurance premiums.
Other (minor over/under spends)	(8)	Various budgets
<b>TOTAL VARIANCE</b>	<b>(60)</b>	

### **General Fund Working Balance**

- 3.4 The estimated working balance as at 31 March 2015 is £4.5 million which is the same as the anticipated level reported in March 2015.
- 3.5 The General Fund balance must continue to be managed so that it provides the flexibility to manage unexpected demands and pressures without destabilising the Council's overall financial position. The level of the Working Balance should provide a reasonable allowance for unquantifiable risks or one off exceptional items of expenditure that are not covered within existing budgets.
- 3.6 General guidance and practice amongst other authorities varies. Options include 5% of Gross Operating Costs and 25% of Net Spending Requirement to be maintained as a minimum. For Brentwood, this would equate to a minimum reserve level ranging from £2.3 million to £2.7 million. In my opinion the Council has adequate balances at present.

### **General Fund Earmarked Reserves**

- 3.7 As part of the year end procedures the Council must review its Earmarked Reserves. These Reserves are required in order to comply with proper accounting practice, whilst others have been created to earmark resources for known or predicted liabilities.
- 3.8 The total value of General Fund Earmarked Reserves after any adjustments is around £2.6 million and it is recommended that we keep all the reserves. A schedule of the Earmarked Reserves is attached as Appendix A to this report.

## **4 Housing Revenue Account (HRA)**

- 4.1 The estimated forecast for the HRA (as reported to Council on 4 March 2015) was a potential surplus of around £109k as at 31 March 2015. The provisional outturn position is a projected surplus of around £94k.

4.2 The table below provides a summary of the actual spend on the Housing Revenue Account compared to the estimated outturn.

	<b>2014/15 Estimated Outturn £'000</b>	<b>2014/15 Actual £'000</b>	<b>2014/15 Variance £'000</b>
<b>Expenditure:</b>			
Repairs and Maintenance	2,584	3,075	491
Supervision and Management	2,898	3,021	123
Rents, Rates, Taxes and Other Charges	189	184	(5)
Share of Corporate Costs	446	464	18
Depreciation and Impairment	2,026	2,059	33
Movement in the Allowance for Bad Debts	85	102	17
Interest and Debt Management	1,988	1,999	11
Other Charges	2,614	1,787	(827)
Appropriations	324	724	400
<b>TOTAL EXPENDITURE</b>	<b>13,154</b>	<b>13,415</b>	<b>261</b>
<b>Income:</b>			
Dwelling Income	(11,870)	(11,866)	4
Non Dwelling Income	(524)	(542)	(18)
Charges for Services and Facilities	(638)	(781)	(143)
Other	(231)	(320)	(89)
<b>TOTAL INCOME</b>	<b>(13,263)</b>	<b>(13,509)</b>	<b>(246)</b>
<b>Deficit / (Surplus) for HRA Services</b>	<b>(109)</b>	<b>(94)</b>	<b>15</b>

4.3 The table below outlines the key variances:

<b>Budget</b>	<b>(Under)/Over Spend £'000</b>	<b>Explanation</b>
Planned – Repairs & Maintenance	(80)	Delay to the Planned Maintenance Contract starting, due to the award of the new contract
Responsive – Repairs & Maintenance	570	High number of void properties which were below decent home standard (DHS). Expenditure to ensure that the properties were brought up to DHS and were able to be let.
Supervision & Management – Equal Pay Claims	62	Unsettled claim that had not been budgeted for.
Supervision and Management – Pension	68	Increase of employer contributions.
Depreciation & Impairment	35	Increase to charge that hits HRA bottom line.
Increase to bad debt provision	18	Rent arrears on HRA properties have increased, therefore the provision against these arrears not being settled has been increased.
Charges for Services and Facilities	(144)	More service charges attached to council dwellings, generating additional income to the HRA to recover costs incurred.
Contribution Towards Expenditure	(90)	Insurance Claim Income, for Fire Damage at Snakes Hill as well as Storm Damage on various properties
Revenue Contribution to Capital	(780)	Capital spend at year end less than anticipated. Therefore, revenue contribution not required for 2014/15.
Investment Interest	11	Return on cash invested at a lower rate than budgeted.
Payment to the Pension Fund	17	Actual greater than budgeted
Repairs & Maintenance Reserve	400	Contribution to a new reserve in order for the HRA to meet the demand for the backlog of Planned Maintenance work due to the contract starting late in 2014/15.
Other minor over/under spends	(7)	Various budgets
Pension Payments	(65)	Reduction, in the amount payable for the HRA employer's pension strain, as administered by Essex County Council.
<b>TOTAL VARIANCE</b>	<b>15</b>	

### **HRA Working Balance**

- 4.4 The impact of the provisional outturn means that the estimated working balance as at 31 March 2015 is around £1.8 million as anticipated.
- 4.5 The HRA working balance must continue to be managed so that it provides the flexibility to manage unexpected demands and pressures without destabilising the Council's overall financial position. The level of the Working Balance should provide a reasonable allowance for unquantifiable risks or one off exceptional items of expenditure that are not covered within existing budgets. The Working Balance can also be used to act as a source of pump priming investment and/or to deliver "invest to save" projects.
- 4.6 General guidance and practice amongst other authorities varies. Options include % of total income, and a set value per Council Dwelling. However, individual risk assessments undertaken at a local level are considered best practice.

### **HRA Earmarked Reserves**

- 4.7 In addition to the Working Balance, the HRA maintains 3 earmarked reserves. The total value of HRA Reserves is around £1.4 million. A schedule of the Earmarked Reserves is attached as Appendix A to this report.

### **Capital Programme –Outturn 2014/15**

- 4.8 The projected forecast spend on the Capital Programme for 2014/15 is £3.345 million, compared to the budgeted capital programme of £6.749 million.
- 4.9 The table below shows details of the spend compared to the budgeted capital programme.

	<b>2014/15 Revised Budget £'000</b>	<b>2014/15 Actual £'000</b>	<b>2014/15 Difference £'000</b>
<b>Details of Expenditure</b>			
Street Scene and Environment	621	260	(361)
Localism	259	203	(56)
A Prosperous Borough	236	70	(166)
Housing, Health and Wellbeing	3,952	2,247	(1,705)
A Safe Borough	168	124	(44)
A Modern Council	1,513	441	(1,072)
<b>TOTAL EXPENDITURE ON CORPORATE PRIORITIES</b>	<b>6,749</b>	<b>3,345</b>	<b>(3,404)</b>
<b>Funded by:</b>			
Capital Receipts	(3,876)	0	3,876
Government Grants	(120)	(122)	(2)
Other Grants and Contributions	0	(95)	(95)
Housing Revenue Account Business Plan	(2,753)	(2,077)	676
Contributions from Revenue	0	(1,051)	(1,051)
<b>TOTAL FUNDING</b>	<b>(6,749)</b>	<b>(3,345)</b>	<b>3,404</b>

4.10 The table below outlines the key variances:

<b>Budget</b>	<b>(Under)/Over Spend £'000</b>	<b>Explanation</b>
Vehicle Replacement Programme	(305)	Cessation of Cesspool service, Housing Maintenance and vehicles expected life extended
Section 106 schemes	95	Section 106 funding used for some schemes
Re-profiled expenditure	(3,135)	See table below for carry forwards requested
<b>TOTAL</b>	<b>(3,345)</b>	



4.11 The table below lists each of the capital schemes which require funding to be carried forward to 2015/16:

<b>Scheme</b>	<b>Amount to be carried forward £'000</b>	<b>Explanation</b>
Irrigation to Golf Course	50	Project delayed
Renaissance Group	48	Projects on-going
HRA – Property Investment	1,586	Projects on-going – some projects were on hold due to the backlog of repairs work undertaken in the letting of the new Repairs & Maintenance contract
Hutton Community Centre	50	Awaiting final invoices for this project
Asset Management Strategy	126	Projects on-going
Play Area Refurbishments	30	Project delayed due to consultation
Town Hall Re-modeling	964	Project on-going
Vehicle Replacement Programme	150	To replace the vehicles that had their leases extended for a further year, as this was financially beneficial for the Council.
Open Space Signage	13	Project delayed until outcome of sites are known.
Car Park Refurbishment & Upgrade	95	Delays in receiving equipment for the refurbishment.
CCTV	3	Outstanding works not complete.
Hutton Drive Parking Bays	20	Delay in commencement of project.
<b>TOTAL</b>	<b>3,135</b>	

- 4.12 The Capital Programme for 2014/15 has been fully funded without the need for any additional borrowing to be undertaken.

## **5 Reasons for Recommendation**

- 5.1 The Council is required to ensure effective arrangements for financial management are in place.

## **6 References to Corporate Plan**

- 6.1 Good financial management underpins all priorities within the Corporate Plan.

## **7 Implications**

### **Financial Implications**

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- 7.1 The financial implications are set out in the report.

### **Legal Implications**

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- 7.2 The Council is obliged by Section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs

## **8 Background Papers**

- 8.1 4 March 2015 Council – Medium Term Financial Plan 2015/16 – 2017/18

## **9 Appendices to this report**

- 9.1 Appendix A – Earmarked Reserves

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