

TO: THE EXECUTIVE
24 JUNE 2014

REVENUE EXPENDITURE OUTTURN 2013/14
(Borough Treasurer)

1 PURPOSE OF REPORT

- 1.1 The Council, at its meeting on 27 February 2013, approved a revenue budget for 2013/14 of £85.239m. This report informs Members of the outturn expenditure position, subject to audit, for the financial year 2013/14 highlighting that the Council is within budget for the sixteenth successive year and under spent by £1.032m. The Council has therefore withdrawn £3.361m from General Balances as opposed to a budgeted withdrawal of £4.393m.
- 1.2 The Accounts & Audit Regulations (England) 2011 require the Annual Statement of Accounts to be signed by the Borough Treasurer by 30 June and approved by the Council or a specific committee by 30 September. The Council has established a Governance and Audit Committee which will meet on 24 September to approve the Annual Statement of Accounts. This report focuses on the outturn position and a separate report will be presented to the Executive in July with the commitment budget update and forward projection as the first step to setting a budget for 2015/16 and beyond.

2 RECOMMENDATIONS

That the Executive:

- 2.1 **Note the outturn expenditure for 2013/14, subject to audit, of £84.207m, which represents an under spend of £1.032m compared with the approved budget.**
- 2.2 **Note the budget carry forwards of £0.719m (see paragraph 5.9 and Annexe C).**
- 2.3 **Recommends to Council the Treasury Management performance in 2013/14 as set out in Annexe B.**
- 2.4 **Approve the earmarked reserves as set out in Annexe D.**
- 2.5 **Approve the virements relating to the 2013/14 budget between £0.050m and £0.100m and recommend those that are over £0.100m for approval by Council (see Annexe E).**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The recommendations are intended to inform the Executive of financial performance against budget in the 2013/14 financial year.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The report sets out the Council's actual financial performance in 2013/14 and the consideration of options is not therefore appropriate.

5 SUPPORTING INFORMATION

Unrestricted

General Fund Revenue Expenditure 2013/14

- 5.1 The Council approved a revenue budget of £85.239m for 2013/14. In addition transfers to and from S106 and earmarked reserves (-£0.505m) have been made during the course of the year. These are shown in Table 1 below and explanations for the use of the reserves are set out in the following paragraphs.

Table 1: Transfers From Earmarked Reserves/Budget Carry forwards

Department	Carry Forwards from 2012/13 £'000	Bus Contracts (S106) £'000	Other S106 £'000	Structural Changes £'000	Other Earmarked Reserves £'000	Total £'000
Corporate Services	117	0	0	86	-146	57
Children, Young People and Learning	56	0	0	80	-307	- 171
Adult Social Care, Health and Housing	35	0	0	65	-250	-150
Environment, Culture & Communities	241	189	102	81	-501	112
Non departmental budgets	0	0	0	0	-353	-353
Total	449	189	102	312	-1,557	- 505

Carry Forwards from 2012/13

In accordance with the Council's constitution, budget under spends can be carried forward to the following year in exceptional circumstances.

Bus Contracts from S106

There are four S106 agreements which make provision to support the costs of providing specific bus services to and from developments. Specific bus contracts were negotiated during the course of the year with the funding to be provided from S106 resources.

Other S106

Revenue funding for staff involved in the production, co-ordination and monitoring of the Suitable Alternative Non Green Spaces (SANGS) plans and the management of SANGS areas has also been provided from S106 resources, together with a contribution to the cost of the waste recycling.

Structural Changes

One off costs associated with restructuring and the staffing changes required in particular to deliver the 2014/15 budget proposals were met from the Structural Changes Reserve during the year.

Other Earmarked Reserves

Carry forwards to 2014/15 of -£0.719m are included within this figure and are covered in more detail in paragraph 5.9. A number of other transfers have been made to or from reserves during the year, the most significant being transfers to the Insurance Reserve (-£0.281m), Public Health Reserve (-£0.286m) and Schools Reserves (-£0.360m).

Provisional Outturn Position

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- 5.2 Table 2 analyses by department the outturn compared with the original budget. These figures inevitably remain subject to minor change, pending external audit. However, no significant movement is anticipated.

Table 2 – Projected Outturn Expenditure

Department	Original Approved Budget	Carry Forwards & Virements	Current Approved Budget	Outturn	Variance
	£'000	£'000	£'000	£'000	£'000
Corporate Services	7,414	1,882	9,296	8,846	-450
Children, Young People and Learning	24,232	2,933	27,165	27,155	-10
Adult Social Care and Health	35,872	2,512	38,384	37,673	-711
Environment, Culture & Communities	32,972	3,032	36,004	35,343	-661
Non Departmental Budgets	-15,201	-10,828	-26,029	-24,726	1,303
Transfers to/from Earmarked Reserves	-50	469	419	-84	-503
Total	85,239	0	85,239	84,207	-1,032

- 5.3 The current approved budget takes into account virements actioned during the course of the year. The most significant being:

- Those included in paragraph 5.1 and Table 1
- Reallocation of budgets for non cash items to reflect actual costs (£10.0m), in particular:
 - the requirement to charge to service revenue accounts capital expenditure not adding value to assets (£3.3m);
 - downward revaluation of properties (£2.3m);
 - capital charges (£1.0m)
 - revenue expenditure funded from capital under statute (£2.8m);
 - pension adjustments (£0.6m).
- Adjustments relating to the accounting for the waste PFI (-£0.6m).
- Allocations from the Contingency Fund (£1.5m).

These reallocations have no overall effect on the amount raised from tax payers as they are reversed out within the non departmental line.

- 5.4 Explanations for significant variances by service are set out in Annexe A and more detail can be found in departmental QSRs. Variances to be highlighted are:

- A Business Rates refund relating to Time Square (-£0.105m). Following changes to the accounting treatment for Business Rates, the budget set aside for discretionary rates relief was not required (-£0.039m).
- The end of rent free periods and higher occupancy levels led to the income received from Land Securities for the Peel Centre exceeding budget by -£0.146m.

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- Fewer social care training courses were held during the year resulting in an under spend (-£0.035m). Expenditure on town centre events was also down because of the redevelopment (-£0.030m).
- Within Learning and Achievement the staffing budget under spent by -£0.194m from a combination of factors including difficulties in recruiting to vacant posts and the agreed transfer of costs supporting high needs pupils to the Schools Budget. Overall, income earned from trading exceeded budget by -£0.073m. Of this -£0.021m was earned at the Bracknell Open Learning Centre through additional lettings and courses, and -£0.052m by the School Improvement Team from courses and consultancy.
- After the in-year allocation of £0.416m from the Contingency, support to Looked after Children (including childcare solicitors), over spent by £0.226m. This reflects a significant increase in the number of children coming into the care system and continues the trend from last year of increasing numbers and costs.
- Staffing difficulties were experienced within children's social care which required higher than expected use of agency staff (£0.174m). This was offset by additional income, in particular from adoption fees (-£0.167m).
- Within Learning Disabilities planned in year savings were achieved for Bracknell Day Services and Waymead. These combined with a decrease in the number and cost of care packages generated a significant under spend (-£1.058m).
- Increases in the numbers requiring support and the cost of individual car packages combined with the staff vacancy factor not being achieved resulted in overspends within Older People and Long Term Conditions (£0.503m) and Mental Health (0.605m).
- A reduction in the bad debt provision for Housing Benefits (-£0.745m), partly offset by an adjustment to reflect the actual Housing Benefits claim (£0.187m) and increases in bad debt provision for Rent Deposits and Rent in Advance (£0.220m). Under spends also resulted from the low level of take up of the Welfare Provision budget (-£0.170m) and unbudgeted rental income from Council owned properties (-£0.168m).
- Within Environment, Culture and Communities Concessionary Fares under spent as fare increases were less than budgeted and passenger numbers reduced (-£0.095m). An under spend was also achieved on devolved staffing budgets (-£0.052m) due to the number of vacancies, street lighting (-£0.048m) and the Local Development Framework (-£0.071m).
- Within Waste Management increases in tonnages caused an over spend for the year and a contractual dispute has resulted in additional legal costs (£0.169m).
- Additional income generated at the Look Out car park (-£0.147m), the Cemetery and Crematorium (-£0.150m) and within Development Control (-£0.219m). The latter results from an increase in the number and size of applications
- Higher than forecast cash balances have been sustained throughout the year resulting in additional interest. Cash flow has benefitted from changes in grant profiles from central government and the local collection of Business Rates, in particular the addition to the local list of a significant rate-payer (-£0.175m).
- Additional grant income from the DCLG to compensate for the loss of income resulting from the increase in Small Business Rates Relief in 2013/14 (-£0.189m)

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and for the Council's share of the funds initially held back to meet potential capitalisation directions that were not actually required (-£0.117m).

- With the exception of the Time Square works, internally funded capital expenditure has now been financed from internal borrowing to spread the cost impact on revenue. An element of the Revenue Contributions to Capital budget is therefore no longer required and an under spend can be declared (-£0.403m).
- The contingency was not fully allocated during the year. The balance was therefore declared as an under spend (-£0.511m).
- During 2013/14 a large multi-national company was transferred on to the Council's valuation list which materially increased the level of Business Rates collected locally. This helped to create a significant surplus on the Business Rates element of the Collection Fund which can only be used to support future budgets. However the levy due to Central Government for the additional rates has to be charged to 2013/14. This led to an unbudgeted pressure of £2.736m on non departmental expenditure in 2013/14. The Business Rates Equalisation Reserve will be used to fund £2.000m of the overspend, with the balance coming from the overall Council under spend.

- 5.5 A full review of all budget monitoring variances identified in 2013/14 will be undertaken so that any variances that may have an impact in 2014/15 can be assessed. A full analysis of the 2013/14 variances, identifying those already built into the 2014/15 base budget, one off items and those of an ongoing nature will be used to inform the evolving 2015/16 budget proposals.

Changes to Reserves

- 5.6 The following additional changes have been made to earmarked reserves by utilising the overall under spend:
- Creating a Members Initiative Reserve of £0.630m (£0.015m per Member) to fund another round of small projects based on members' knowledge of local ward priorities or in conjunction with partners and other stakeholders.
 - Creating a Residents Parking Scheme Reserve (£0.140m). The reserve will be used to meet the net cost of the trial scheme in six zones surrounding the Town Centre for the first two years.
 - Transferring £0.200m into the Insurance Reserve to cover future uninsured losses and forecast increase in premiums.
 - Transferring £0.200m into the School Masterplans and Feasibility Studies Reserve to increase the balance to £0.500m. Due to the number and cost of the master plans currently being commissioned around increases in pupil numbers, it is felt that a larger reserve is required to meet any abortive costs that may arise from schemes not proceeding to full implementation.
 - Increasing the balances on the Economic Development Reserve to £0.550m (£0.176m) and the Transformation Reserve to £0.500m (£0.151m) at year end to make additional funds available for future projects.

These are shown as an over spend against earmarked reserves in Table 2 (£1.5m).

Treasury Management

- 5.8 Annexe B contains a detailed analysis of the Council's treasury management performance during 2013/14. An annual report is required to comply with the Prudential Code for Capital Finance as performance in this area can have a significant impact on the Council's overall financial position and balances.

Budget Carry Forwards

- 5.9 In accordance with the Council's Constitution, some unspent budget provision is permitted to be carried forward to the following year in exceptional circumstances. This would include where expenditure was budgeted for and planned in a particular year, but due to unforeseen circumstances has had to be deferred to the following year. Table 3 summarises the carry forwards by department and a detailed breakdown is included in Annexe C.

Table 3 – Budget Carry Forwards

Department (Details in Annexe C)	Requested Carry Forwards
	£'000
Corporate Services	136
Children, Young People and Learning	62
Environment, Culture & Communities	317
Non Departmental Budgets	204
Total	719

Balances (General Reserves)

- 5.10 The actual outturn for 2013/14 was an under spend of £1.032m. The Council has therefore withdrawn £3.361m from General Balances as opposed to a budgeted withdrawal of £4.393m. The General Fund balance at 31 March 2014 is therefore £9.621m. Of this, £2.624m will be used to finance the 2014/15 budget.
- 5.11 A detailed review of all existing reserves and provisions has been undertaken as part of the accounts closedown process. The proposed changes to reserves and balances are included in Annexe D.

Virement requests

- 5.12 Financial Regulations require formal approval by the Executive of any virement between £0.050m and £0.100m and of virements between departments of any amount. Full Council approval is required for virements over £0.100m. A number of virements have been made since the February Executive meeting which require the approval of the Executive. These have been previously reported to the Corporate Management Team which recommends them for approval. They have been included in the Quarterly Service Reports. Details of the virements are set out in Annexe E.

Borough Solicitor

- 6.1 There is nothing to add to the report.

Borough Treasurer

- 6.2 The financial implications of this report are included in the supporting information.

Equalities Impact Assessment

- 6.3 None.

Strategic Risk Management Issues

- 6.4 The Council needs to maintain reserves to aid cash flow and to protect itself from fluctuations in actual expenditure and income. The review of reserves undertaken by the Borough Treasurer ensures that the Council has adequate and appropriate earmarked reserves to manage future risks.

7 CONSULTATION

Not applicable.

Background Papers

None.

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