

TO: THE EXECUTIVE
DATE: 21 JULY 2015

REVENUE EXPENDITURE OUTTURN 2014/15
Borough Treasurer

1 PURPOSE OF REPORT

- 1.1 The Council, at its meeting on 26 February 2014, approved a revenue budget for 2014/15 of £89.774m. This report informs Members of the outturn expenditure position, subject to audit, for the financial year 2014/15 highlighting that the Council is within budget for the seventeenth successive year and under spent by -£3.771m. The Council has therefore returned £1.147m to General Balances as opposed to a budgeted withdrawal of £2.624m.
- 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 23 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 September with the commitment budget update and forward projection as the first step to setting a budget for 2016/17 and beyond.

2 RECOMMENDATIONS

That the Executive:

- 2.1 **Note the outturn expenditure for 2014/15, subject to audit, of £85.801m, which represents an under spend of -£3.771m compared with the approved budget.**
- 2.2 **Note the budget carry forwards of £0.202m (see paragraph 5.9 and Annexe C).**
- 2.3 **Recommends to Council the Treasury Management performance in 2014/15 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 2014/15 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 2014/15 financial year.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The report sets out the Council's actual financial performance in 2014/15 and the consideration of options is not therefore appropriate.

5 SUPPORTING INFORMATION

General Fund Revenue Expenditure 2014/15

- 5.1 The Council approved a revenue budget of £89.774m for 2014/15. In addition transfers to and from S106 and earmarked reserves (£1.675m) 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 2013/14	Bus Contract (S106)	Other S106	Structural Changes	Other Earmarked Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Services	136	0	0	114	351	601
Children, Young People and Learning	62	0	0	30	1,610	1,702
Adult Social Care, Health and Housing	0	0	0	0	-913	-913
Environment, Culture & Communities	317	65	86	51	-352	167
Non departmental budgets	204	0	0	0	-86	118
Total	719	65	86	195	610	1,675

Carry Forwards from 2013/14

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

Bus Contract from S106

The Wykery Copse bus contract was 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 Natural Green Spaces (SANGS) plans and the maintenance and management of SANGS areas has also been provided from S106 resources.

Structural Changes

One off costs associated with restructuring and salary protections payments were met from the Structural Changes Reserve during the year.

Other Earmarked Reserves

Carry forwards to 2015/16 of -£0.202m 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 newly created Better Care Fund Reserve (-£0.954m) and the Commuted Maintenance of Land Reserve (-£0.404m) and transfers from Schools Reserves (£1.177m), the Members Initiative Reserve (£0.423m), Planned Maintenance Reserve (£0.307m) and the Demographic Pressures and Projects Reserve (£0.232m).

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Provisional Outturn Position

- 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	8,038	156	8,194	7,837	-357
Children, Young People and Learning	25,447	22,453	47,900	48,022	122
Adult Social Care and Health	35,967	89	36,056	34,724	-1,332
Environment, Culture & Communities	33,213	-1,073	32,140	32,012	-128
Non Departmental Budgets	-24,731	-20,102	-44,833	-48,296	-3,463
Transfers to/from Earmarked Reserves	11,840	-1,523	10,317	11,704	1,387
Total	89,774	0	89,774	86,003	-3,771

- 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 (£20.9m), namely:
 - the requirement to charge to service revenue accounts capital expenditure not adding value to assets (£0.7m);
 - downward revaluation of properties, primarily relating to schools buildings and in particular Garth Secondary School and a number of primary schools (£21.2m);
 - capital charges (-£0.6m)
 - revenue expenditure funded from capital under statute (£1.1m);
 - pension adjustments (-£1.5m).
- Adjustments relating to the accounting for the waste PFI (-£0.6m).
- Allocations from the Contingency Fund (£0.5m).

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:

Corporate Services/Chief Executive's Office

- The end of rent free periods and higher occupancy levels led to the income received for the Peel Centre exceeding budget by -£0.117m. There was also an under spend on Business Rates due to increased occupancy of Council owned properties (-£0.055m) and successful rating appeals (-£0.019m).

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- The Home to School Transport budgets were underspent by -£0.098m due to contract efficiencies and a reduction in the number of students requiring transport.
- Whilst work is underway to identify the council wide Facilities Management framework savings they will not start to be realised until next year (£0.090m).
- Under spends also occurred on joint arrangements (-£0.023m), audit fees (£0.029m), town centre events (-£0.021m) and a number of other supplies and services budgets. (-

Children, Young People and Learning

- Within Learning and Achievement, additional income was earned at the Bracknell Open Learning Centre from lettings and courses, and savings were achieved on accommodation costs and higher education fees (-£0.127m). This was partly offset by an over spend in the School Improvement Team (£0.044m) arising from additional support needs in schools.
- Staffing difficulties were experienced within children's social care which required higher than expected use of agency staff (£0.341m). The number of Special Guardianship Orders (SGO) increased resulting in an over spend of £0.100m. These overspends were partly offset by a saving at Larchwood Respite Home (£0.046m) and additional income (-£0.135m). (-
- A net under spend within Strategy, Resources and Early Intervention primarily relating to staff costs (-£0.039m).

Adult Social Care, Health and Housing

- The net position on purchased social care budgets is an under spend of -£0.269m, primarily because of the receipt of additional government grant which was used to finance Homecare costs.
- A reduction in the bad debt provision for Housing Benefits (-£0.804m) following a review of the existing methodology and reflecting the fact that a large portion of overpayments are reclaimed from ongoing entitlement. The work on the provision also identified that overpayments were understated and resulted in a further credit of -£0.560m.
- An over spend on Heathlands care home primarily due to pressure on the staffing budget caused by a reliance on agency staff (£0.242m).
- An over spend on Forestcare relating to investment in staff and equipment in order to generate additional income in future years (£0.127m).

Environment, Culture and Communities

- Concessionary Fares over spent as fares were more than budgeted and passenger numbers increased (£0.126m).
- A delay in the introduction of the Community Infrastructure Levy (CIL) has meant that associated staff costs could not be funded from CIL receipts (£0.105m).
- The cost of the Residents Street Parking Scheme was greater than expected (£0.074m).
- New Public Realm contracts were let during the year covering Landscape, Street Cleansing and Highway Maintenance services. After allowing for one-off costs, a saving of -£0.330m was achieved. Under spends were also achieved on devolved staffing budgets (-£0.080m) due to the number of vacancies and the Local Development Framework (-£0.051m).
- Within Waste Management increases in tonnages caused an over spend for the year and a contractual dispute has resulted in the non-achievement of income and additional legal costs (£0.415m).
- Additional income generated at the Cemetery and Crematorium (-£0.070m), the Look Out (-£0.065m), from brown bins and plastic sacks (-£0.055m) and within

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Development Control (-£0.046m). The latter results from an increase in the number and size of applications.

- The impact of the new Combined Heat & Power (CHP) plant at Bracknell Leisure Centre and Coral Reef on gas and electricity consumption was greater than anticipated resulting in a saving of -£0.065m for the year. Energy costs for street lighting were also lower than estimated (-£0.021m).

Non-Departmental / Council Wide

- Higher 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 (-£0.278m).
- Internally funded capital expenditure was financed from internal borrowing to spread the cost impact on revenue. The Revenue Contributions to Capital budget was therefore not required (-£0.653m). Refinancing of earlier capital expenditure, higher than forecast capital receipts in 2013/14 and carry forwards into 2014/15 all contributed to an under spend against the Minimum Revenue Provision (-£0.391m).
- The contingency was not fully allocated during the year (-£0.488m).
- Due to a large increase in the provision required for business rate appeals, in particular because of appeals lodged by a major ratepayer, the Collection Fund has gone into deficit. This has meant that the levy payable by the Council, which impacts directly on the General Fund, was less than originally budgeted (-£2.088m). Section 31 grant receivable from the Government for reliefs granted to businesses was less than the budget (£0.293m). The transfer into the Business Rates Equalisation Reserve has been increased to reflect the net impact of the under spend on the levy, reductions in Section 31 Grant and other changes to rates income (£1.860m).
- The balances on the Capital Feasibility and Icelandic Banks Reserves have been transferred to revenue as the reserves are no longer required (-£0.473m).

- 5.5 A full review of all budget monitoring variances identified in 2014/15 will be undertaken so that any variances that may have an impact in 2015/16 can be assessed. A full analysis of the 2014/15 variances, identifying those already built into the 2015/16 base budget, one off items and those of an ongoing nature will be used to inform the evolving 2016/17 budget proposals.

Schools Budget

- 5.6 The Schools Budget is a ring fenced account, fully funded by external grants, the most significant being the Dedicated Schools Grant. Any under or over spend remaining at the end of the financial year must be carried forward to the next years Schools Budget and as such has no impact on the Council's overall level of balances. There was a £0.484m over spend on the Schools Budget which has been financed by a transfer from reserves. As a result, there is a balance of £0.207m on Unused School Balances as at 31 March 2015.
- 5.7 The significant overspend on SEN placement costs was the subject of a specific report to the 15 January meeting of the Schools Forum which included a range of actions expected to manage down current and future predicted costs. The Forum's recommendations have been incorporated into the 2015/16 budget proposals.

Treasury Management

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- 5.8 Annexe B contains a detailed analysis of the Council's treasury management performance during 2014/15. 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	25
Environment, Culture & Communities	177
Total	202

Balances (General Reserves)

- 5.10 The actual outturn for 2014/15 was an under spend of -£3.771m. The Council has therefore returned £1.147m to General Balances as opposed to a budgeted withdrawal of £2.624m. The General Fund balance at 31 March 2015 is therefore £10.961m. Of this, £0.932m will be used to finance the 2015/16 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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