

REPORT OF: **FINANCIAL SERVICES**
 FINANCIAL SERVICES MANAGER

TO: **EXECUTIVE**

DATES: **25th JUNE 2015**

Report Author: Vince Green
Tel. No: 01282 661867
E-mail: vince.green@pendle.gov.uk

PROVISIONAL REVENUE OUTTURN 2014/15

PURPOSE OF REPORT

1. This report is provided to inform the Executive of the provisional outturn position on the Council's General Fund Revenue Budget for 2014/15.

RECOMMENDATIONS

2. The Executive is recommended to:-
 - a) note the outturn on the Council's Revenue Budgets for 2014/15;
 - b) approve the proposals for budget slippage from 2014/15 to 2015/16, for those items exceeding £10,000 (as shown at [Appendix B](#));
 - c) approve the creation of a Community Projects Reserve with an initial allocation of £100,000 in 2014/15.
 - d) approve a supplementary revenue estimate of £50,000 in 2015/16, funded from the Inward Investment Reserve, in relation to the estimated costs of hosting a stage of the Tour of Britain cycle race in September 2015.

REASONS FOR RECOMMENDATION

3. To inform the Executive of the Council's outturn position on revenue budgets for 2014/15 (a – c above) and ensure officers have authority to incur projected levels of expenditure in relation to the Tour of Britain cycle race (d above).

ISSUE

Provisional Outturn 2014/15

4. In setting the original budget for 2014/15, we planned to use £1.443m from the Budget Strategy Reserve in support of the budget. Following the review of the budget as part of the budget setting process for 2015/16, and taking into account virements/supplementary estimates since then, this was subsequently revised to a contribution from the Budget Strategy Reserve of £0.427m.
5. On the basis of the provisional outturn figures, and taking into account proposed slippage and contributions to and from reserves, an amount of £215k is expected to be drawn from the Budget Strategy Reserve in 2014/15 giving rise to an overall underspend of £212k. This is shown in Table 1 below:-

Table 1: Provisional Outturn 2014/15 (Post slippage)

	Approved Budget (Post Slippage)	Provisional Actual	Variance
	£000	£000	£000
Net Cost of Services	16,106	15,914	(192)
Corporate Income and Expenditure	(2,308)	(2,428)	(120)
Cont to/(from) Reserves	(679)	(579)	100
Funding (Council Tax/Govt Grant)	(12,693)	(12,693)	0
Cont (to)/from Budget Strategy Reserves	427	215	212

Source: Appendix C

6. The Executive should note that the position set out in Table 1 above takes into consideration proposed budget slippage to provide funding for potential future liabilities. More detail on this is provided below.

Provisional Outturn 2014/15 (pre-budget slippage)

7. Table 2 below provides a summary of the provisional outturn position for the year whilst a more detailed analysis is provided at [Appendix A](#). This position is before budget slippage has been taken into consideration:-

Table 2: Provisional Outturn Position 2014/15 (Pre slippage)

	Approved Budget (Pre - Slippage)	Provisional Actual	Variance
	£000	£000	£000
Net Cost of Services	16,328	15,914	(413)
Corporate Income and Expenditure	(2,308)	(2,428)	(120)
Cont to/(from) Reserves	(900)	(800)	100
Funding (Council Tax/Govt Grant)	(12,693)	(12,693)	0
Cont (to)/from Budget Strategy Reserves	427	(6)	433

Source: Appendix A

8. As the table indicates, the provisional outturn position is showing an underspend of £433k when compared to the Approved Budget. This comprises an underspend on the Net Cost of Services of £413k, an underspend on Corporate Income and Expenditure of £120k offset in part by an additional unbudgeted reserve contribution of £100,000. Please refer to paragraph 19 below for more details on the latter.
9. The outturn position shown in Table 2 above includes unspent budgets of £221k which it is proposed to carry forward to 2015/16 (otherwise known as slippage). Approval of slippage requests for items not exceeding £10,000 is delegated to the Strategic Director in consultation with the Financial Services Manager. Amounts above £10,000 require approval by the Executive.

Net Cost of Services

10. As Table 2 shows, the outturn position on the Net Cost of Services is an underspend of £413K ([Appendix A](#)). Included in the variances referred to above are underspends on certain budgets where Service/Budget Managers have requested that the unspent budget is carried forward to be used in 2015/16. Details of these 'budget slippage' proposals, which total £221k, are provided at [Appendix B](#). Of these, £91k has been approved under the officer delegation referred to above. The Executive is requested to consider and approve the remaining items totaling £130k.
11. In the event that the Executive agree to the balance of slippage proposals, the effect of this will be to reduce the overall underspend on the Net Cost of Services to £192k (as indicated in table 3 below).

Table 3: Impact of Slippage on Net Cost of Services

	Variance (Pre - Slippage)	Slippage	Variance (Post - Slippage)
	£000	£000	£000
Directorate	(15)	-	(15)
Chief Executives Policy Unit	(13)	7	(6)
Financial Services	242	12	253
Democratic and Legal	(67)	33	(34)
Planning and Building Control	(84)	-	(84)
Waste Services	(150)	28	(122)
Environmental Health	(9)	-	(9)
Parks and Recreation Services	(121)	35	(86)
Economic and Housing Regeneration Services	(150)	106	(44)
Engineering and Special Projects	(46)	-	(46)
Net Cost of Services (see Table 1 and 2)	(413)	221	(192)

Source: Appendix B, C and D

12. An analysis of the variances on the cost centres within each Service is provided at [Appendix C](#) and [Appendix D](#) whilst [Appendix E](#) provides a summary, by Service, of those variances that are +/-£10,000 or more.

13. Councillors are asked to note that included within the overall Net Cost of Services are charges totaling £99k representing amounts initially charged to the Council's Capital Account which, when reviewed, represent revenue expenditure. These charges comprise expenditure on a range of items which, in accordance with proper accounting practice, are classed as repairs and maintenance, revenue grants and staff time associated with activities that will not result in capital assets. It is possible to meet these costs in the Revenue Account from the Area Committee revenue budget provision (£70K) and by an adjustment to the Revenue Contribution to Capital Expenditure for the balance.
14. In view of the underspend shown above, Councillors should note that work is currently underway to establish to what extent the variations in outturn can be carried forward to changes in budget provision for 2015/16 and subsequent years.

Corporate Income and Expenditure

15. Corporate Income and Expenditure relates to those areas of spend and income that are not specific to the delivery of services. Overall, there is a net underspend of £120k in this area when compared to the Approved Budget. The main variances are:-
 - a) an overspend of £8k on external debt charges. This is as a result of borrowing £2m in advance during January 2015, in support of the capital programme for 2015/16. This decision was taken because of favourable movements in interest rates at that time;
 - b) additional investment income of £19k, due to higher than forecast cash balances arising primarily from slippage on the capital programme;
 - c) a lower than budgeted Section 31 grant. The grant compensates the Council for specific business rate reliefs awarded during the year (e.g. retail property relief, small business rate relief). Grant for the year is now estimated at £11k less than budgeted mainly due to lower levels of retail rate relief;
 - d) an estimated reduction of £122k in the levy payable to Government under the business rates retention scheme. This stems from the Council's actual share of business rates in 2014/15 being lower than when initially estimated in January 2014. Whilst this benefits the Council by way of a reduced levy payment in 2014/15 the impact of less business rates income will not be felt until subsequent years and this will need to be factored in to the financial plans for 2016/17 onwards.

Change to Reserves

16. As part of the budget setting process and as the year has progressed, Councillors agreed to use certain reserves in support of the Council's expenditure. These and other movements in reserves are shown on the Summary Revenue Account provided at [Appendix D](#). These include decisions agreed by the Executive in December which led to additional in year contributions being made to the Business Growth Incentive Reserve (£300k) and the Change Management Reserve (£200k) as well as a small number of other inter-reserve adjustments.
17. The opportunity has been taken as part of the end of year review to assess the on-going requirement for specific reserves and where appropriate amounts have been transferred to the Budget Support Reserve.
18. Beyond the changes to reserves as shown at [Appendix D](#), and those set out above, the only other proposal relating to reserves is outlined below.

19. Following the Borough Council election in May, the political leadership has established a 10 point plan setting out their priorities for the next 12 months. The plan includes the creation of a 'Local Funding Pot' for community projects and services on a one-off basis to assist local groups (including town and parish councils). This could, for example, facilitate repairs to community assets prior to their transfer to local groups or Town and Parish Councils. The outturn information provided in this report includes this reserve with an opening balance of £100,000, which in effect, has been funded from the reported underspend.

VAT Shelter Reserve

20. The Council has received £295k from Housing Pendle, being amounts received in relation to the VAT Shelter Agreement established following the Large Scale Voluntary Transfer (LSVT) of the Council's housing stock. This funding has been credited to the VAT Shelter Reserve (which forms part of the Budget Support Reserve).

The Budget Support Reserve

21. In setting the original budget for 2014/15 the Council planned to use £1.443m from the Budget Support Reserve. Following the review of the budget as part of the budget setting process for 2015/16, and taking into account virements/supplementary estimates, and adjustments between reserves since then, this has been revised to £0.427m.
22. On the basis of the outturn figures above, the amount required from the Budget Support Reserve is £215k in 2014/15.

Balances and Reserves

23. A report elsewhere on this agenda provides the Executive with an updated assessment of the Council's medium-term financial position. This includes an updated view of Council's Balances and Reserves taking account of the year-end position as at 31st March 2015 (as well as a forward look over the life of the Medium Term Financial Plan).

Statement of Accounts 2014/15

24. The information presented in this report represents the Council's management accounts and shows performance against agreed budgets. Work is currently underway to produce the Statement of Accounts which contains the Council's formal financial accounting statements. The Statement of Accounts contains, in essence, the same financial information presented in this report but in a format prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA).
25. As agreed previously by the Executive, the draft Statement of Accounts for 2014/15 will be approved by the Accounts and Audit Committee. In accordance with statutory requirements, the Statement of Accounts will be presented to the Accounts and Audit Committee in September 2015 for approval, following the completion of the external audit of the accounts by Grant Thornton.

Tour of Britain – Cycle Race

26. The Executive agreed last November to host a stage of the Tour of Britain in 2015 and approved a contribution from reserves of £100,000 towards the costs. Following this, a Member/Officer Working Group has been meeting to oversee the operational and financial implications of hosting the stage in September 2015.

27. The current estimate of gross costs is £195k with funding from sponsorship estimated at £52k resulting in net costs of £143k. However, it is difficult at this time to predict with certainty the final costs of hosting the stage as much of the detailed work on implementing the race requirements is still in the early stages.
28. As a result, the Executive is requested to approve a supplementary revenue estimate for £50,000 in 2015/16 funded from the Inward Investment Reserve (reserve balance £300k as at 31/3/15) to ensure officers continue to incur expenditure within approved resource allocations.

IMPLICATIONS

Policy

29. There are no policy implications arising directly from this report.

Financial

30. The financial implications are as given in the report.

Legal

31. There are no legal implications arising directly from this report.

Risk Management

32. There are no direct risk management implications arising directly from the contents of this report.

Health and Safety:

33. There are no Health and Safety implications arising directly from this report.

Climate Change:

34. There are no sustainability implications arising directly from this report.

Community Safety:

35. There are no community safety issues arising directly from this report.

Equality and Diversity:

36. There are no equality and diversity issues arising from the contents of this report.

APPENDICES

- Appendix A – Provisional Outturn on the General Fund 2014/15 (**before** slippage)
Appendix B – Slippage Proposals 2014/15
Appendix C – Provisional Outturn on the General Fund 2014/15 (**after** slippage)
Appendix D – Detailed Analysis of Variances by Cost Centre 2014/15
Appendix E – Variance +/- £10k by Service Area

LIST OF BACKGROUND PAPERS

Working Papers for the Final Accounts 2014/15 held in Accountancy