

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: Provisional Outturn 2013/14 (Revenue and Capital)

Meeting/Date: Cabinet
19 June 2014

Executive Portfolio: Resources: Councillor J A Gray

Report by: Head of Resources

Ward(s) affected: All Wards

Executive Summary:

Members will be aware that over the past year they have been receiving more detailed financial performance monitoring reports which has enabled them to make more informed decisions on the achievement of their financial objectives.

In the past, Cabinet has not been informed of the financial outturn until after the accounts have been closed. However, this has meant that members are effectively “behind the curve” and have limited influence into how variances from the original budget should be treated. Therefore, continuing the process of improving the reporting of financial performance, this report provides a provisional outturn to give a good indication of how the Council has performed over the last financial year.

Revenue

At this time the provisional revenue outturn is showing a net expenditure position of £20.5m for 2013/14. This means, compared to the original 2013/14 budget (approved in February 2013) that expenditure is £2.2m below the level expected. If there was no allocation to earmarked reserves, this would be a marginal net contribution from the General Fund balance of £38,000.

However, it is proposed that, considering the expected service transformation programme that the Council is embarking on and the potential for investing in revenue generating capital projects, that there will be contributions of £0.9m and £1.5m to the Special Reserve and a new Capital Investment Earmarked Reserve respectively. This would leave the General Fund balance at £8.145m.

To further improve the management of the budget, it is proposed that the Council commences a programme of Zero Based Budgeting to drive out costs from the base budget.

Capital

At this time the provisional capital outturn is showing a net expenditure position of £10.1m for 2013/14; £8.5m in respect of new or enhancements to capital assets and £1.6m in respect of capital investments. This means, compared to the updated 2013/14 budget (approved in February 2014) that expenditure is £1.8m below the level expected; this is primarily due to slippage that will be utilised in future years capital programmes (assuming that the capital programme does not change).

Recommendation(s):

The Cabinet is requested to:

1. note, in respect of revenue the:
 - 2013/14 provisional outturn of £20.5m.
 - reasons for the £2.2m variance to the 2013/14 Original Budget (Table 2 of the main report).

2. note, in respect of capital the:
 - 2013/14 provisional outturn of £10.1m
 - reasons for the £1.8m variance to the 2013/14 Update Capital Programme (Table 4 of the main report).

3. approve, in respect of revenue and based on the provisional outturn noted in 1 above:
 - a contribution to the Special Reserve of £0.9m.
 - to the establishment of a “Capital Investment” Earmarked Reserve and a contribution of £1.5m.

4. approve a delegation for the Head of Resources:
 - i. to adjust the revenue contributions noted in 3 above, in consultation with the Portfolio Holder for Resources and the Managing Director, if the actual outturn varies to that noted in 1 by more than 2.5%.

 - ii. to commence a Zero Based Budgeting review programme across the Council, to be funded from the Special Reserve, and to update the Cabinet on a quarterly basis.

1. PURPOSE

- 1.1 Members of the Cabinet will recall that over the past year there has been an improvement in the frequency of reporting the forecast financial position, more rigorous financial monitoring and improved transparency in the information supplied. These improvements have included the Cabinet receiving, on a monthly basis, the Financial Performance Monitoring Suite and all members receiving the Financial Dashboard.
- 1.2 With regard to the financial outturn, in the past Cabinet have received a report in July noting the “actual” outturn; however best practice is that as soon as the “provisional” cash outturn is established, this is reported to Cabinet so they can consider the treatment of any forecast variance from the approved budget. Therefore, in the spirit of continuing on the path of increasing financial transparency, it is now opportune to present to Cabinet the provisional outturn for 2013/14.

2. BACKGROUND

Approved Budget

- 2.1 In February 2013 the Council approved the following 2013/14 net expenditure budgets of:
- £22.764m for revenue, and
 - £ 8.863m for capital.
- 2.2 In respect of:
- revenue, the Budget Requirement was £20.511m which required a £2.253m contribution from General Reserves that gave an estimated General Fund Balance of £8.334m at the 31st March 2014
 - capital, this was to be financed from a mix of capital receipts, capital reserves and working capital.

Budget Monitoring

- 2.2 In early April 2014, the Cabinet received the February 2014 Financial Performance Monitoring Suite. The key financial indicators reported at this time were forecast:
- revenue spending is £20.4m, £2.3m less than the original budget.
 - revenue contribution **to** general reserves is £0.1m, which compares to an originally budgeted contribution **from** general reserves of £2.2m.
 - net capital spending of £11.9m (assets: £10.3m; investments: £1.6m).

3. PROVISIONAL OUTTURN - REVENUE

Provisional Revenue Outturn compared to Original Budget

- 3.1 For all Council services, the provisional revenue outturn for “net expenditure” is £20.5m; this includes the following accounting adjustments:
- statutory adjustments in respect of contributions to Earmarked Reserves for capital receipts/grants,
 - technical adjustments in respect of Receipts in Advance, and

- cash adjustments in respect of Irrecoverable VAT, government grant and bad debts provision.

3.2 Considering the aforementioned provisional outturn, the net impact of this is that net expenditure was less than the original budget by £2.215m; this is illustrated the Table 1 below:

Table 1				
Summary of the Variation in the 2013/14 Original Budget to the Provisional Revenue Outturn				
	Original Budget £m	Provisional Outturn £m	Variance	
			£m	%
Net expenditure	22.764	20.549	2.215	(9.7)
Use of reserves: - from reserves	(2.253)	(38)	2.215	(98.3)
Budget requirement	20.511	20.511		
Unringfenced Government Support & Collection Fund surplus	(13.005)	(13.005)		
Council Tax	7.506	7.506		

3.3 In order to further strengthen the robustness of financial monitoring, it is proposed that the Council commences a Zero Based Budgeting review of the base budget to ensure that a new budget is produced in line with corporate objectives.

Proposed Use of Unused Revenue Resources

3.4 Considering that the provisional outturn is indicating a contribution from general reserves of £38,000, it is expected that, if no allocations were made to Earmarked Reserves that the General Fund Balance at the 31st March 2014 would be £10.549m (this is £2.404m higher than the £8.145m estimated when the 2013/14 budget was approved in February 2013).

3.5 However, considering the service transformation that the Council is facing over the medium term and the proposal to provide additional investment in “revenue generating” capital projects, it is proposed that a total of £2.404m is transferred to Earmarked Reserves:

- The Special Reserve is increased to £2.2m (a contribution of £0.9m).
- A new “Capital Investment” Earmarked Reserve is established with a balance of £1.5m.

This would bring the General Fund balance to £8.145m, in line with the original budget.

Variations in Revenue Spend

3.6 Over the year, Heads of Service have provided an extensive commentary on the reasons for variations in their forecast outturn to the updated budget. Table 2 below illustrates the main reasons for the provisional outturn variances against the original budget. Only variances greater than £75,000 are shown separately.

Table 2		Variation in the Original Budget 2013/14 to the Provisional REVENUE Outturn		
Service	£000	£000	Variation	Commentary
Planning				
- Original Budget		1,863		
	(478)		CIL Receipts	To be transferred to an Earmarked Reserve.
	(114)		Town Centre	Rephasing of Town Centre (St Neots) and adjustment for previous years carry forward.
	(105)		Head of Service	Salary savings, Lower Transport Costs and Additional Income
	90		Management Unit	
	(46)	(653)	Private Housing Support	Prior year VAT determined from Improvement Agency fees.
			Other	Aggregated variances less than £75,000.
- Provisional Outturn		1,210		
Corporate Office				
- Original Budget		603		
	(157)		Directors Management Unit	Interim effect of senior management restructure.
	(130)		Corporate Officer	Estates staff vacancies, externally funded work and savings on supplies and services and training.
	(89)		Management Unit	Budget carry forward, unapplied grant and permanent virement.
			Community Initiatives	
	94		Estates	Reduction in rental income.
	18	(264)	Other	Aggregated variances less than £75,000.
- Provisional Outturn		339		
One Leisure				
- Original Budget		269		
	292		One Leisure St Ives	Reduced income due to delay in opening.
	(101)		Other One Leisure Sites	Savings on employees & supplies and services to off-set One Leisure St Ives cost.
	5	196	Other	Aggregated variances less than £75,000.
- Provisional Outturn		465		

Table 2 (continued)		Variation in the Original Budget 2013/14 to the Provisional REVENUE Outturn		
Service	£000	£000	Variation	Commentary
Environmental Management				
- Original Budget	(184)	2,579	Pathfinder House and Eastfield Depot	Savings on salaries, utilities and repairs and maintenance.
	(132)		Environmental Management Unit	Savings on Training, Employee Oncosts and Car Allowances
	(114)	(430)	Other	Aggregated variances less than £75,000.
- Provisional Outturn		2,149		
Customer Services				
- Original Budget	(274)	2,917	Housing Benefits	Technical adjustment in respect of the Bad Debts Provision, lower costs of rent allowances and additional DWP grants.
	(161)		Homelessness	Technical adjustment in respect of Bad Debts Provision, savings from temporary accommodation, lower prevention payments and hotel support.
	(144)			Additional admin grant and higher than expected recovery of Council Tax benefit overpayments.
	(143)		Customer Services	Savings on staffing costs, lower cash handling charges and general supplies costs.
	(10)	(732)	Other	Aggregated variances less than £75,000.
- Provisional Outturn		2,185		
Environmental & Community Health				
- Original Budget	(134)	2,174	E&CH Management Unit	Staff vacancies, savings on travel, training and administrative costs.
	(106)	(240)	Other	Aggregated variances less than £75,000.
- Provisional Outturn		1,934		

Table 2 (continued)		Variation in the Original Budget 2013/14 to the Provisional REVENUE Outturn		
Service	£000	£000	Variation	Commentary
Financial Services				
- Original Budget		4,946		
	(888)		Additional Grants	Section 31 grants, including NDR relief/transitional protection, capitalisation grant; renewal energy business rates; senior management savings.
	(211)		S.106 Receipts	To be transferred to an Earmarked Reserve.
	(205)		Contingency	None use of contingency reserve.
	(137)		Minimum Revenue Provision	Reduction in MRP due to slippage in capital programme.
	(97)		Collection Fund	Technical adjustment in respect of HDC share of Collection Fund surplus/deficit.
	(83)		External audit fees	Reduction in audit fees.
	587		Redundancy Costs	Corporate cost in relation to senior management restructure.
	(135)	(1,169)	Other	Aggregated variances less than £75,000.
- Provisional Outturn		3,777		
Operations				
- Original Budget		4,370		
	(173)		Street Cleaning & Litter	Savings from agency staff and overtime and general costs of service delivery.
	(112)		Operations Management Unit	Staff savings and savings from supplies and services and transport.
	(105)		Recycling	Savings from Agency Staff and accounting correction.
	(70)	(460)	Other	Aggregated variances less than £75,000.
- Provisional Outturn		3,910		
Information Management				
- Original Budget		1,887		
	(81)		IMD Management Unit	Savings from staff, training software and travel costs.
	(8)	(89)	Other	Aggregated variances less than £75,000.
- Provisional Outturn		1,798		

Table 2 (continued)		Variation in the Original Budget 2013/14 to the Provisional REVENUE Outturn		
Service	£000	£000	Variation	Commentary
Legal & Democratic Services				
- Original Budget	(120)	1,657	Central Services	External elections contributions to support costs and budget carry forward for grant received. Aggregated variances less than £75,000.
- Provisional Outturn	(67)	1,470	Other	
Total Service Expenditure		19,237		
Summary				
Original Budget				
Service Expenditure		23,265		
Revenue expenditure financed from Capital		(501)		
Net Expenditure		22,764	(a)	
Provisional Outturn				
Service Expenditure		19,237		
Accounting Adjustments	1,627			
Revenue expenditure financed from Capital	(315)	1,312		
Net Expenditure		20,549	(b)	
Unused Revenue Resources		2,215	(a-b)	

4. PROVISIONAL OUTTURN - CAPITAL

Provisional Capital Outturn compared to the Updated Budget

4.1 For all Council services, the provisional capital outturn is £10.111m; this takes into account all known cash adjustments.

At the time of writing this report, it is not expected that there will be any further accounting adjustments that will affect the provisional outturn. However, if such adjustments are required these will be reported at the final outturn stage.

4.2 The original 2013/14 Capital programme was £8.863m; however a further £3.040m was approved in February 2014 as part of the 2014/15 budget process giving an Updated Budget of £11.903m. Considering the aforementioned provisional capital outturn, the net impact is that expenditure is £1.792m less than the Updated Budget; this is illustrated in Table 3 below:

Table 3			
Summary of the Variation in the 2013/14 Updated Capital Programme to the Provisional Capital Programme to the			
	Capital		Total
	Assets £000	Investments £0000	£000
Original Capital Programme	8,863	0	8,863
Approved additional capital expenditure	1,540	1,500	3,040
Updated Capital Programme	10,403	1,500	11,903
Provisional Capital Outturn	8,536	1,575	10,111
Variation Provision Outturn Against Updated Budget	(1,867)	75	(1,792)
Financing of Provisional Capital Outturn			
External Borrowing	0	1,500	1,500
Capital Receipts	965	0	965
Capital Grants Unapplied Reserve	318	0	318
	1,283	1,500	2,783
Minimum Revenue Provision			1,118
Working Capital			6,210
Total Financing			10,111

Proposed Use of Unused Capital Resources

4.3 The £1.792m unused capital programme (slippage) remains within the Councils working balances and can be applied to future years capital assets/investments within the requirements of the Councils Treasury Management Strategy.

Variations in Capital Spend

- 4.4 Over the year, Heads of Service have provided an extensive commentary on the reasons for variations in their forecast capital outturn to the updated budget. Table 4 below illustrates the main reasons for the provisional capital outturn variances against the updated budget. Commentary is only provided on variances greater than £25,000.

Table 4 Variation in the 2013/14 Updated Capital Programme (Assets) to the Provisional Outturn						
Service	Original Capital Programme (Net)	Approved Changes (Feb 2014)	Updated Capital Programme (Net)	Net Provisional Capital Outturn	Variation	Commentary
	£000	£000	£000	£000	£000	(on variations greater than +/-£25,000)
Planning						
• Housing Private Sector Grants	100	70	170	152	(18)	
• Disabled Facility Grants	1,550	(507)	1,043	1,159	116	Joint Housing Improvement Agency processed more DFG grants than expected.
• Social Housing Grants	118	2	120	118	(2)	
• Decent Homes	50	(22)	28	13	(15)	
• Town Centre Developments	210	(210)	0	0	0	
• Rural Renewal NE Hunts (Pump Priming)	63	(63)	0	0	0	
• Community Infrastructure Levy	23	5	28	0	(28)	The main CIL Software replacement is included within the IMD Business Systems programme. This budget will only be required if the Uniform software cannot deliver all the functionality.
• Huntingdon Town Centre Extra Car Parking	3,973	787	4,760	4,577	(183)	Construction was delayed due to the time taken to finalise the development agreement, poor ground conditions and a collapsed sewer.
• Railway Station Enhancements	0	94	94	116	22	
• Perry Cycleway	0	9	9	(3)	(12)	
• Mill Common Cycleway	0	0	0	0	0	
• Yaxley Cycleway	0	1	1	2	1	
• Railway Station Improvements	0	0	0	1	1	
• MHP Replacement Static Caravans	0	30	30	0	(30)	Delays in procurement has meant that acquisition of the static caravans has been delayed until 2014/15.
Provisional Outturn	6,087	196	6,283	6,135	(148)	

Table 4 (continued) Variation in the 2013/14 Updated Capital Programme (Assets) to the Provisional Outturn						
Service	Original Capital Programme (Net)	Approved Changes (Feb 2014)	Updated Capital Programme (Net)	Net Provisional Capital Outturn	Variation	Commentary
	£000	£000	£000	£000	£000	
Corporate Office						
• Highlode Ramsey	0	263	263	0	(263)	HDC currently negotiating with landlord in respect of acquiring freehold.
Provisional Outturn	0	263	263	0	(263)	
One Leisure						
• St Ives Outdoor Centre	(53)	53	0	0	0	
• St Ives Leisure Centre Redevelopment	1,000	430	1,430	1,431	1	
• Leisure Centre (Future Enhancement)	272	(264)	8	0	(8)	
• Replacement Fitness Equipment	330	(330)	0	0	0	
• One Leisure St Ives	0	136	136	136	0	
• Synthetic Pitch	0	14	14	14	0	
• Fitness Equipment	0	7	7	7	0	
• Squash Court Refurbishment	0	14	14	14	0	
• Ramsey LC (1)	0	4	4	4	0	
• St Ives Outdoor Centre	0	1	1	1	0	
• Ramsey LC (2)	0	55	55	57	2	
Provisional Outturn	1,549	120	1,669	1,664	(5)	

Table 4 (continued)		Variation in the 2013/14 Updated Capital Programme (Assets) to the Provisional Outturn				
Service	Original Capital Programme (Net) £000	Approved Changes (Feb 2014) £000	Updated Capital Programme (Net) £000	Net Provisional Capital Outturn £000	Variation £000	Commentary
Environmental Management						
• Greenhouses	(415)	415	0	0	0	
• Pathfinder House	(420)	420	0	0	0	
• Heart of Oxmoor	(1,366)	0	(1,366)	(1,405)	(39)	Technical accounting benefit due to higher interest indexing as a result of delayed receipt of income.
• Building Efficiency (Salix)	77	(27)	50	67	17	
• Godmanchester Flood Alleviation	175	0	175	175	0	
• Environmental Strategy Funding	55	3	58	38	(20)	
• Chequers Court Public Realm	0	0	0	0	0	
• Huntingdon West Development	473	(23)	450	164	(286)	Scheme was delayed because of protracted development negotiations but is now complete. However, there are still outstanding compensation issues which may take some time to settle.
Provisional Outturn	(1,421)	788	(633)	(961)	(328)	

Table 4 (continued)		Variation in the 2013/14 Updated Capital Programme (Assets) to the Provisional Outturn				
Service	Original Capital Programme (Net) £000	Approved Changes (Feb 2014) £000	Updated Capital Programme (Net) £000	Net Provisional Capital Outturn £000	Variation £000	Commentary
Environmental & Community Health						
• Loves Farm Community Centre	60	(60)	0	9	9	
• Pedals Scheme	0	11	11	0	(11)	
Provisional Outturn	60	(49)	11	9	(2)	
Financial Services						
• VAT Exempt Capital	53	(49)	4	0	(4)	
• General Allocation	50	0	50	0	(50)	Unused capital contingency.
Provisional Outturn	103	(49)	54	0	(54)	

Table 4 (continued) Variation in the 2013/14 Updated Capital Programme (Assets) to the Provisional Outturn						
Service	Original Capital Programme (Net)	Approved Changes (Feb 2014)	Updated Capital Programme (Net)	Net Provisional Capital Outturn	Variation	Commentary
	£000	£000	£000	£000	£000	
Operations						
• Recycling Kerbside Collection	181	(48)	133	51	(82)	Change in policy during the year, meaning that developers contribute towards the cost of the New bins for NEW planning applications. Also bins lasting longer than originally planned, so deliberate delay in purchase of replacements.
• Refuse/Green Waste Collection	20	12	32	11	(21)	
• CCTV (Camera Replacement)	291	(214)	77	41	(36)	Expenditure deferred to tie in with shared service implementation.
• Play Equipment	45	0	45	17	(28)	Insufficient time to implement. The programme was reprofiled and exceptionally wet weather delaying installation.
• Vehicle & Plant	1,124	77	1,201	714	(487)	Insufficient staff time to proceed with purchasing program. A full-time fleet manager is now employed to bring back in line for 2014/15.
• In Cab Technology	70	0	70	0	(70)	Insufficient resources within IMD so project is delayed.
• Pool Vehicles	0	60	60	40	(20)	
• Flail Mower	0	12	12	10	(2)	
• Play Equipment S106	0	75	75	74	(1)	
• Wireless CCTV	0	290	290	0	(290)	Following further investigation, CCTV service is reviewing what offers the best value for money solution.
Provisional Outturn	1,731	264	1,995	958	(1,037)	

Table 4 (continued) Variation in the 2013/14 Updated Capital Programme (Assets) to the Provisional Outturn						
Service	Original Capital Programme (Net) £000	Approved Changes (Feb 2014) £000	Updated Capital Programme (Net) £000	Net Provisional Capital Outturn £000	Variation £000	Commentary
Information Management						
• Business Systems General	225	15	240	240	0	This programme includes a number of projects, including, Legal Case Management, GIS Corporate, Uniform, BACS Replacement, Automated Phone Payments, Sharepoint, Email Archive, Payment Hub, Car Parking, Mobile Apps, Q-Matic Replacement.
• Service Virtualisation & Network	258	116	374	63	(311)	Net position for this programme is (£48,000). These three projects are linked due to the work being undertaken to roll out replacement computers for the Desktop Delivery Project. Work planned for 2013/14 has not happened due to the scale of the project and the very small window of roll out after the decision to switch from a VDI solution to a traditional replacement was made in January 2014. Work to complete the roll out is continuing into 2014/15.
• ICT Replacement	0	0	0	59	59	
• ICT Virtualisation (Desktop)	75	0	75	279	204	
• Call Centre Replacement	0	0	0	34	34	The programmed work took more resources than originally planned.
• Council Tax Support Software	0	35	35	25	(10)	
• eForms	0	0	0	7	7	
Provisional Outturn	558	166	724	707	(17)	

Table 4 (continued) Variation in the 2013/14 Updated Capital Programme (Assets) to the Provisional Outturn						
Service	Original Capital Programme (Net)	Approved Changes (Feb 2014)	Updated Capital Programme (Net)	Net Provisional Capital Outturn	Variation	Commentary
	£000	£000	£000	£000	£000	
Legal & Democratic Services						
• Printing Equipment	70	(45)	25	24	(1)	
• Multi-Functional Devices	80	(80)	0	0	0	
• Document Centre Equipment	46	(34)	12	0	(12)	
Provisional Outturn	196	(159)	37	24	(13)	
TOTAL ASSETS	8,863	1,540	110,403	8,536	(1,867)	
Table 4 (continued) Variation in the 2013/14 Updated Capital Programme (Investments) to the Provisional Outturn						
Service	Original Capital Programme (Net)	Approved Changes (Feb 2014)	Updated Capital Programme (Net)	Net Provisional Capital Outturn	Variation	Commentary
	£000	£000	£000	£000	£000	
Financial Services						
• Huntingdon Regional College	0	1,500	1,500	1,500	0	
• Huntingdon Gym Loan	0	0	0	75	75	A supplementary capital estimate was approved by cabinet for loans totalling up to £300,000, up to the end of March only £75,000 had been requested by Huntingdon Gym.
TOTAL INVESTMENTS	0	1,500	1,500	1,575	75	

5. LEGAL IMPLICATIONS

5.1 No direct, material legal implications arise out of this report.

6. RESOURCE IMPLICATIONS

6.1 The resource implications are noted within this report.

LIST OF APPENDICES INCLUDED


None

BACKGROUND PAPERS

Working papers in Financial Services

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