



WARDS AFFECTED: ALL WARDS

1. PURPOSE OF REPORT

- 1.1 To inform Council of the draft financial outturn for 2014/15. The final outturn will be reported following the conclusion of the Council's External Audit in September 2015.

2. RECOMMENDATION

- 2.1 That Council approves the draft General Fund outturn for 2014/15 as outlined in **section 3.3**
- 2.2 That Council approves the transfers to earmarked reserves and balances outlined in sections **3.8-3.12** of the report and **Appendix 1 and 4**.
- 2.3 That Council approves the revenue carry forwards of expenditure and income to 2015/16 as detailed in **Appendix 2 and 3** and section **3.13-14**.
- 2.4 That Council approves the draft Housing Revenue and Housing Repairs Account (HRA) outturn for 2014/15 and transfers to/from balances as set out in sections **3.15 - 3.19**
- 2.5 That Council approves the draft General Capital Programme outturn for the General Fund and Housing Revenue Account for 2014/15 as outlined in sections **3.20-21**
- 2.6 That Council approves the capital schemes and funding as detailed in section **3.22** for inclusion in the 2015/16 Capital Programme.
- 2.7 That Council approves the draft Capital Programme outturn for the General Fund and Housing Revenue Account for 2014/15 as outlined in sections **3.23-24**
- 2.8 That Council approve the capital carry forwards to 2015/16 as detailed in **Appendix 5**
- 2.9 That Council note the outturn for the Leicestershire Revenues and Benefits Partnership for 2014/15 outlined in section **3.27**

3. BACKGROUND TO THE REPORT

General Fund

- 3.1 In February 2014 the Council adopted a General Fund budget for 2014/15 which indicated that a net (gross service expenditure less gross service income) **£12,298,675** would be spent on services with **£200,089** to be transferred from General Fund balances and a net **£172,230** being transferred from earmarked reserves.
- 3.2 After taking account of adjustments to the budget, (e.g. virements and supplementary budgets) year end adjustments and savings identified in year, the provisional 2014/15 outturn shows **£17,565,337** being spent on services with **£2,567,431** being transferred to earmarked reserves and **£1,029,043** being transferred from General Fund balances. In considering this position the following should be noted:
- Whilst total service expenditure on the face of the summary shows an increase by £5,266,662. Included in this total is a number of accounting transactions (e.g. transfers to unapplied grants) that are reversed out "below the line" at year end.
 - A transfer of £1,153,000 from balances to reserves was approved by Council in September 2014 as part of the annual reserves review. In addition, £350,000 was

transferred from underspends in year (as approved by Council) to the Waste Management reserve to fund the loss of income from recycling credits in 2015/16.

Taking the reserve movements (£1,503,000 in total) into account, a net under spend of **£1,531,611** is anticipated for 2014/15 as indicated below. In order to reduce General Fund balances to minimum levels, an additional transfer from reserves to balances of £857,565 is being requested. This has been detailed more in section 3.9 of this report, though the outturn position is presented with this movement included.

	Transfer to/(from) Balances
	£
Original Estimate	(200,089)
Approved transfer to reserves	(1,503,000)
Forecast position	(1,703,089)
Draft outturn position	(1,029,043)
(Under)/over spend	(674,046)
Of which additional transfer proposed	(857,565)
Actual (under)/over spend	(1,531,611)

3.3 A summary of the provisional outturn is provided below:

	2014/15	2014/15	2014/15
	Original	Latest	Provisional
	Estimate	Estimate	Outturn
	£	£	£
Central Services	2,969,918	3,674,605	3,213,998.03
Leisure & Environment	6,600,531	6,829,829	3,649,932
Housing (General Fund)	986,276	1,374,408	613,843
Planning	1,857,450	2,150,032	10,330,801
Direct Service Organisations	(115,500)	(141,795)	(243,238)
Regional Growth Funding Unapplied Grants	0	0	0
Further Savings Identified in Year	0	(2,190,000)	0
Total Service Expenditure	12,298,675	11,697,079	17,565,337
Special Expenses brought down	(616,940)	(616,940)	(617,189)
Capital Accounting Adjustment	(1,473,822)	(1,473,822)	(11,830,568)
Revenue Contributions to Capital	0	24,500	62,678
External Interest Paid / (Received)	2,490	58,040	656,657
IAS 19 Adjustment	(131,880)	(131,880)	(128,363)
Holiday Pay	0	0	13,264
Transfer to / (from) Pension Reserve	25,260	25,260	25,260
Transfer (from) / to carry forwards *	0	(217,422)	(117,295)
Transfer (from) / to unapplied grants	0	(619,957)	2,396,847
Transfer to Reserves	280,500	3,743,178	4,812,361
Use of Reserves	(452,730)	(1,526,862)	(2,244,930)
Transfer (from) / to General Balances	(200,089)	(1,229,710)	(1,029,043)
HBBC Budget Requirement	9,731,464	9,731,464	9,565,015

* Reflects reversal of 2013/14 carry forwards and 2014/15 carry forwards detailed in section 3.13

- 3.4 The major variations (under spends and additional income) in year have been summarised as follows:

	Under /(over) spend
	£'000
<i>Expenditure Savings</i>	
Planning Policy - Reduction in costs for planning documents	416
Council Offices - Reduction in costs for Hub and recharges to tenants	155
In year pressure resulting from pay awards	(17)
Reduction in central support recharge to HRA	(65)
<i>Additional Income</i>	
Council Tax/NNDR - Additional legal costs recovered due to changes in recovery methods	208
Streetscene - Additional income received from recycling credits and sales of glass and scrap metal	105
Car Parking - Increase in pay and display income and income from Leicestershire County Council for Hub permits	83
Additional planning fee income from large applications	537
Reduction in income from markets	(49)

- 3.5 In addition to the above, the Council is forecasting retained growth in Business Rates of £179,574. Members will recall that the introduction of Business Rates Retention on 1st April 2014 means that additional Business Rates received over a set "baseline" are subject to a "levy" of 50%. The remaining 50% is retained in the General Fund. In 2014/15, this Council collected £359,149 more Business Rates than predicted by Government. The reason for this increase is mainly due to assumptions made around the likelihood of appeals lodged by business as at 31st March 2015. On the basis that the majority of these appeals will have been raised speculatively, a prudent provision has been made as judged by revenue practitioners and the Deputy Chief Executive (Corporate Direction). Half of this growth is therefore payable to the Government through a levy payment and the remainder (£179,574) retained as growth in the General Fund.

	£
Collected Business Rates in year (after reliefs)	28,681,872
District share (40%)	11,472,749
Tariff paid to Central Government	(8,799,122)
District Business Rates for 2014/15	2,673,627
Funding Baseline (expected income)	2,314,478
(Gain)/Loss	359,149
Levy	179,574
Forecast gain	179,574

3.6 In compiling the draft outturn, a number of transactions are required to reflect the requirements of the Code of Practice for preparing the Statement of Accounts and are shown within the cost of services line above. These transactions arise from the receipt of information during the closedown process and relate to matters that are not determinable at the time the budget is prepared so no provision is made. In each case, a corresponding entry is made for these amounts “below the line” and therefore they have no impact on the General Fund balance. These adjustments should be taken into account when interpreting the budget and are:

- Revaluation movements on the Property, Plant and Equipment
- Transfers to unapplied grants and contributions reserve.
- Holiday Pay notional adjustments
- Transactions relating to leasing costs required for accounting purposes

3.7 Members have a choice as to whether they wish to transfer some or all of the realised under spend to specific earmarked reserves in 2014/15 to address future pressures on service areas. Recommendations on these transfers are detailed later in this report.

Recommended Transfers to Earmarked Reserve

3.8 When the original Budget was approved by Council in February 2014 it was proposed that a net £172,230 would be transferred from earmarked reserves to fund spend. Following the annual review of reserves in September 2014 and an additional contribution to fund the reduction in recycling credits, Council has approved a further transfer to reserves from General Fund balances of £1,503,000 in 2014/15.

3.9 In reviewing the outturn position for 2014/15, the Deputy Chief Executive (Corporate Direction), as the Council's s151 officer, has reviewed the level and nature of reserve balances in light of potential future pressures the Authority might face. Members will be aware that in order to attract reputable tenants to units in the Council owned units within the Crescent development (“Block C”), the Council will be required to offer capital incentives. This requirement is not specific to the Crescent and is the norm in all large scale commercial developments. The outturn therefore recommends that the following transfers are made from existing reserves and balances to the “Masterplan” Reserve to fund the potential cost of these incentives:

- £100,000 from the Commutation and Feasibility Reserve. This reserve has been put aside to fund fluctuations in Minimum Revenue Position which are unlikely given the prudent capital planning performed by the Council
- £293,322 from the Hub Future Rental Management Reserve – This reserve was set up using a capital incentive that the Council received when moving into to the Hub building. It may be required in future years should the Council see increases in rent. It will therefore be reimbursed using rental profits from Block C upon opening
- £172,500 from the Transformation Reserve. This reserve has been put aside to fund future service transformations. The balance as at 31st March 2015 (£106,620) is deemed sufficient for this purpose
- An additional £857,565 from General Fund balances. As per the Medium Term Financial Strategy (MTFS), balances should be held at a minimum of 10% of the Council's net budget requirements. This transfer represents “excess” balances in the General Fund, over and above this level. Additional details on balances are provided later in this report

3.10 Based on the current outturn position, it is forecast that a net £2,567,431 will be taken to earmarked reserves for 2014/15.

3.11 After the suggested transfers, the total balance of earmarked General Fund reserves will be £5.438 million (including Special Expenses). The Masterplan reserve will hold a balance of £1.626 million. This closing balance also reflects transfers that have

been made from reserves for capital purposes in year. A complete list of the forecast closing reserves position is set out in the table in Appendix 1.

General Fund Balances

- 3.12 It is recommended that a total of £1,029,043 be transferred from General Fund balances for 2014/15. Based on this position, it is provisionally forecast that General Fund balances (including those relating to Special Expenses) will be £1.177 million for as at 31st March 2015. The Medium Term Financial Strategy (MTFS) requires that at least 10% of the Council's budget requirement should be held in balances to ensure ongoing financial stability. On this basis, "excess" balances of £0.159 million are currently available:

	Total	General Fund	Special Expenses
	£'000	£'000	£'000
Balances at 1st April 2014	2,206	2,136	70
Forecast transfer to/from balances	(1,029)	(1,029)	0
Forecast Balances at 31st March 2015	1,177	1,107	70
Net Budget Requirement	10,182	9,565	617
Minimum Balance requirement	1,018	957	62
Balance surplus /(requirement)	159	150	9

Carry Forward of 2014/15 Budgets

- 3.13 In a number of cases budget managers have requested that the under spend in their budget(s) be carried forward to 2015/16 because of delays in committing expenditure. Requests totaling £121,727 have been received and endorsed by the Strategic Leadership Board. These will be funded as follows:

Source of funding	£
General Fund	100,128
General Fund Reserves	18,299
Housing Revenue Account	3,300
	121,727

Details of the requests received and recommended for approval are shown in Appendix 2.

- 3.14 In addition to these amounts, budget holders have identified £2,560,937 of funding that has been allocated but not spent as at 31st March 2015. In these cases the unspent income has been transferred to "unapplied grants and contributions" in accordance with accounting standards. Included in this amount, is £1,710,766 of Regional Growth Funding for costs that will be incurred in subsequent years. Pending approval, budgets will be set up for these amounts in 2015/16 and funding released accordingly from the Balance Sheet. Details of those requests recommended for approval are shown in Appendix 3.

Housing Revenue Account

- 3.15 The Housing Revenue Budget for 2014/15 budgeted that a surplus of £71,081 would be achieved in year. This allowed transfers to be made to the Regeneration Reserve and to reduce the HRA balance to the minimum level agreed in the HRA Business Plan (£250 per property). The draft outturn position reduces this position to a year end

deficit of £445,416– an over spend of £516,497. The main reasons for this variance are as follows:-

	Under /(over) spend £000's
Rent - lower then expected recovery rates and void losses	(114)
Depreciation - Properties have increased in value in year and therefore the deprecation charge calculated by the valuers at year end was more then originally budgeted	(136)
Bad debt provision - Increase in provision required at year end due to increase level and age of rental debt	(41)
Increased contribution to Regeneration Reserve, as approved by Council in September 2014	(242)
Other minor savings	16

- 3.16 Based on this position, it is forecast that HRA balances will be £0.711million as at 31st March 2015.
- 3.17 In addition to Housing Revenue balances, the HRA has forecast earmarked reserves of £8.983 million as at 31st March 2015. The vast majority of this balance (£8.754 million) relates to the HRA Regeneration Reserve which will be used for new Affordable Housing projects going forward. A complete list all HRA reserves is set out in Appendix 4.

Housing Repairs Account

- 3.18 The approved housing repairs budget forecast that £2,500 would be taken to the account balance in 2014/15. The draft outturn position for the housing repairs account shows a provisional surplus of £214,123 (a net under spend of £211,623). This has principally arisen because of lower then anticipated demand in areas such as heating. In addition, the service has changed a number of working practices around assignment of work meaning that jobs are completed more efficiently. All savings have been released to the Housing Repairs Account.
- 3.19 The Housing Repairs Account forms part of the wider HRA balances. Based on the provisional outturn it is forecast that the Housing Repairs Account will have a balance of £0.697 million as at 31st March 2015.

Capital Programme – General Fund

3.20 The provisional under spend for the General Fund Capital Programme is £2,795,022 against a budget of £19,947,561 The main variances are summarised below:

	Under /(over) spend
	£000's
Leisure Centre - Reprofiting of spend due to change in specification	1,275
Disabled Facilities Grants - Slippage due to timing of applications. There is a strong commitment to spend funding ahead of changes to allocation methods going forward	244
Regional Growth Fund - Underspend relates to costs for the provision of cycles and cycle ways as part of the sustainable transport element of the work. These costs have been committed but not yet paid for.	736
	Under /(over) spend
	£000's
Microsoft Hardware - Budget no longer required. Costs met from other allocations	57
Queens Park - s106 contribution for this scheme were not received in year. These funds have now been received and work will take place in 2015/16	58
Major and Minor works grants - Slippage due to timing of applications. Take up of minor works has been less than forecast and therefore an element has been released	78
New Squash Facility - Work commenced later than originally forecast. Build to be completed early 2015/16	170
Rolling Server Review - Timing of some works pushed back to 2015/16	40
Green Deal/Fuel Poverty Grant - Funding received by HBBC as the accountable body. Some delays have occurred with schemes in other districts. All funds have been committed by 31st March 2015 in accordance with funding terms.	50

3.21 In the majority of cases, under spends at the year end are due to slippage and therefore will be spent in forthcoming years. If approved, the relevant financing for these schemes will be transferred to the 2015/16 Capital Programme. Carry forwards totaling £2,816,358 have been made for the General Fund Capital Programme and are contained within Appendix 5.

3.22 As part of the Capital Programme review members are also requested to approve the following two schemes:-

A, In Cab System Cost £31,110 (Funded from the waste management reserve)

The system will improve waste collection efficiency whilst also reducing back office paper-based systems to generate service requests and job closures. Live requests will be sent to crews so waste can be collected in the most efficient manner, reduce the need for paperwork, improve response times and reduce fuel usage. Funds have been set aside in the Waste Management reserve to fund the new system

B. Argents Mead Phase 1 Upgrade £110,000 (Funded from developer contributions)

This scheme brings forward the design and installation of a new town centre play area so it can be opened together with the new leisure centre in spring 2016. Phase 2 of the project which involves making landscape improvements around the moat area will commence when the developer contributions have been secured in future years.

If approved, both projects will be added to the 2015/16 Capital Programme.

Capital Programme – HRA

3.23 The provisional under spend for the HRA Capital Programme is £347,663 against a budget of £4,566,633. The majority of this underspend is due to reductions in demand for works.

3.24 In light of the timing of works and slippage of schemes, carry forwards of £204,504 have been requested to be transferred to 2015/16. These are detailed in Appendix 5. Those under spends not requested for carry forward (£143,159) will be released as savings.

Revenues and Benefit Partnership

3.25 The outturn position for the Leicestershire Revenues and Benefits Partnership has been reported to the Partnership Joint Committee and is provided for members for reference.

3.26 The Joint Committee approved a budget for the Partnership for 2014/15 which indicated that £3,720,435 would be spent on the Partnership, matched by income from the partners and other sources.

3.27 Actual spend as at 31st March 2015 is summarised below. As at 31st March 2015 the Partnership under spent against budget (following timing variances and carry forwards) by £68,189.

	Budget to March 2015	Actual to March 2015	Variance to Date (Over) / Under Spend	Timing Differences	Forecast (Over) / Under Spend
	£	£	£	£	£
Expenditure	3,720,435	3,213,398	507,037	379,410	127,626
Income	(3,616,240)	(2,902,702)	(713,538)	(714,101)	563
Transfer from Reserves	(65,690)	(65,690)	0	0	0
Transfer to Reserves	0	50,000			(50,000)
Carry Forwards	(38,000)	(38,000)	0	(10,000)	(10,000)
Total	505	257,006	(256,501)	(334,691)	68,189

3.28 The Partnership Joint Committee have approved the transfer of this under spend to the Partnership reserve to fund future costs. This contribution is split between the partners as indicated below. Members should not that this contribution has been budgeted for and therefore does not result in any additional cost for the Council.

	Total	HBBC	HDC	NWLDC
	£	£	£	£
Contribution to Partnership Reserve	68,189	25,701	19,584	22,905

4. FINANCIAL IMPLICATIONS [KP]

4.1 Contained in the body of the report

5. LEGAL IMPLICATIONS [MM]

5.1 This report is stated as being for information only

5.2 The Local Government Act 2003 places a duty on the S151 Officer to report to members on the budget setting process and comment on the adequacy of the reserves allowed for

6. CORPORATE PLAN IMPLICATIONS

6.1 The Budget and outturn contributes to the achievement of all Corporate Plan Priorities.

7. CONSULTATION

7.1 No direct consultation

8. RISK IMPLICATIONS

8.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

8.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

8.3 The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
S.11 - Failure to successfully deliver the Medium Term Financial Strategy	Adequate resource allocation, partnership working Budget Planning Workshops for Capital and Revenue financial planning. Consultation on Corporate Priorities through Citizens Panel Education/training for Members, Adequate consultation Knowledge transfer, contingency plan, engage partners, robust project management Raise awareness of late implications of c/tax setting and capping/Benchmark with best practice Consultation with cross-party members results from budget planning workshops	Sanjiv Kohli

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

9.1 There are no direct implications arising from this report

10. CORPORATE IMPLICATIONS

10.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Procurement implications
- Human Resources implications
- Planning implications
- Data Protection implications
- Voluntary Sector

Background papers:

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Executive Member: Cllr M Surtees