



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

## FINANCE, AUDIT AND PERFORMANCE COMMITTEE – 23<sup>RD</sup> JUNE 2014

### REPORT OF THE DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

RE: DRAFT OUTTURN 2013/2014

WARDS AFFECTED: ALL WARDS

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#### 1 PURPOSE OF REPORT

- 1.1 To inform Finance, Audit and Performance Committee of the draft financial outturn for 2013/2014 ahead of reporting to Council on 1<sup>st</sup> July 2014. The final outturn will be reported following the conclusion of the Council's External Audit in September 2014.

#### 2. RECOMMENDATIONS

- 2.1 That Finance, Audit and Performance Committee note the following recommendations that will be made to Council:
- That Council approves the draft General Fund outturn for 2013/2014 as outlined in section 3.2
  - That Council approves the transfers to earmarked reserves and balances outlined in sections **3.8-3.12** of the report and **Appendix 1**.
  - That Council approves the carry forwards of expenditure and income to 2014/2015 as detailed in **Appendix 2 and 3** and section **3.13-14**.
  - That Council approves the draft Housing Revenue and Housing Repairs Account (HRA) outturn for 2013/2014 and transfers to/from balances as set out in paragraph **3.16 -3.19**
  - That Council approves the recommendations in respect of the year end outturn for the General Fund capital programme and the Housing Revenue Account capital programme and those carry forwards detailed in **Appendix 5**
  - That Council note the outturn for the Leicestershire Revenues and Benefits Partnership for 2013/2014 outlined in section **3.27**
  - That Council note the link between the outturn report and the review of reserves contained elsewhere on this agenda

#### 3. BACKGROUND TO THE REPORT

##### General Fund

- 3.1 In February 2013 the Council adopted a General Fund budget for 2013/2014 which indicated that a net (gross service expenditure less gross service income) **£12,555,111** would be spent on services with **£166,199** to be transferred from General Fund balances and a net **£129,478** being transferred to 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 2013/2014 outturn shows **£10,444,507** (before the transfer to

unapplied grants) being spent on services with **£1,315,077** being transferred to earmarked reserves and **£562,272** being transferred to General Fund balances. In considering this position it should be noted that a transfer of £568,000 from balances to reserves was approved by Council in September 2013. Taking this into account, a net under spend of **£1,296,472** is forecast for 2013/2014 as indicated below:

	<b>Transfer to/(from) Balances</b>
	<b>£</b>
Original Estimate	-166,199
Approved transfer to reserves	-568,000
Forecast position	-734,199
Draft outturn position	562,273
<b>(Under)/over spend</b>	<b>-1,296,472</b>

3.3 A summary of the provisional outturn is provided below:

	<b>Original Estimate</b>	<b>Latest Estimate</b>	<b>Provisional Out Turn</b>
	<b>2013/2014</b>	<b>2013/2014</b>	<b>2013/2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Central Services	3,150,770	2,506,293	1,651,347
Leisure & Environment	6,649,840	6,585,537	5,566,537
Housing (General Fund)	1,326,246	1,852,051	2,318,046
Planning	1,438,555	1,859,014	963,482
Direct Service Organisations	(10,300)	2,899	(54,905)
Regional Growth Funding Unapplied Grants	0	0	(10,534,000)
Further Savings Identified in Year	0	(439,263)	0
<b>Total Service Expenditure</b>	<b>12,555,111</b>	<b>12,366,531</b>	<b>(89,493)</b>
Special Expenses brought down	(614,430)	(624,723)	(615,453)
Capital Accounting Adjustment	(1,996,100)	(1,996,100)	(2,256,049)
Revenue Contributions to Capital	0	118,800	89,059
External Interest Paid /(Received)	134,240	127,240	638,139
IAS 19 Adjustment	(141,350)	(141,350)	(54,115)
Holiday Pay			24,928
Transfer to / (from) Pension Reserve	115,510	115,510	115,658
Transfer to / (from) carry forwards *	0	(139,439)	77,983
Transfer to / (from) unapplied grants	0	(620,568)	10,040,523
Transfer to Reserves	396,840	2,474,056	2,709,478
Use of Reserves	(267,362)	(1,300,178)	(1,394,401)
Transfer (from) / to General Balances	(166,199)	(363,519)	562,273
<b>HBBC Budget Requirement</b>	<b>10,016,260</b>	<b>10,016,260</b>	<b>9,848,531</b>

\* Reflects reversal of 2012/2013 carry forwards and 2013/2014 carry forwards detailed in section 3.13

3.4 The major variations (under spends and additional income) in year can be summarised as follows:

	<b>Under /(over) spend</b>
	<b>£'000</b>
<i>Expenditure Savings</i>	
Salary savings across all service areas	135
Reduction in audit fees and rebate from Audit Commission	45
Underspend on allocation of Discretionary Discount funding	44
Recycling savings following a full service review. Savings in areas including agency staff and equipment leasing.	38
Street cleansing - Fuel and leasing costs	32
Saving on minor works at the Leisure Centre	38
Successful NNDR appeal for Argents Mead	88
Balance on finance lease for Florence house – released following end of tenancy	77
Discretionary Relief funding now provided by Collection Fund	70
<i>Additional Income</i>	
Council Tax/NNDR - Additional legal costs recovered due to changes in recovery methods	121
Recycling - Additional income received from recycling credits and missed collection defaults	98
Street cleansing - Additional income from work on void properties	29
Additional trade waste income	34
Additional car parking income from Leicestershire County Council permits and Brunel Road car park (due to delay in Crescent development)	43
Additional development control income received for pre application advice and planning applications	101
Additional property rents	30

3.5 In addition to the above, the Council is forecasting retained growth in Business Rates of £176,935. Members will recall that the introduction of Business Rates Retention on 1<sup>st</sup> 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 2013/2014, this Council collected £70,416 less Business Rates than predicted by Government. The reason for this decrease can be mainly attributed to the deferral of the decision to increase the small business rates multiplier. To compensate for this, this Council was awarded a grant of £424,098 which acts “de facto” as income from rates. When this is taken into account, the Business Rates gain for this Council is £353,870, before levy payments and therefore £176,935 following.

	<b>£</b>
Collected Business Rates in year (after reliefs)	27,077,526
District share (40%)	10,831,010
Tariff paid to Central Government	-8,630,986
District Business Rates for 2013/2014	2,200,024
Funding Baseline (expected income)	2,270,252
(Gain)/Loss	70,228
Small Business Rates Relief Grant	-424,098
Gain before levy	-353,870
Levy	176,935
Forecast gain	<b>-176,935</b>

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. For 2013/2014, this includes £10.534 million of Regional Growth Funding which has been received but will not be spent until the forthcoming year
- 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 2014/2015 to address future pressures on service areas. A further report on these transfers will be presented to Council.

#### **Recommended Transfers to Earmarked Reserve**

3.8 When the original Budget was approved by Council in February 2013 it was proposed that a net £129,478 would be transferred to earmarked reserves to fund future spend. Following the annual review of reserves in September 2013, Council approved a further transfer to reserves from General Fund balances of £568,000.

3.9 Based on the current outturn position, it is forecast that a net £1,315,077 will be taken to earmarked reserves for 2013/2014.

3.10 After the suggested transfers, the total balance of earmarked General Fund reserves will be £6.472million (including Special Expenses). This 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**.

3.11 A further review of earmarked reserves will be presented to Council.

### General Fund Balances

3.12 It is recommended that a total of £562,273 be transferred to General Fund balances at 31 March 2014. Based on this position, it is provisionally forecast that General Fund balances (including those relating to Special Expenses) will be £2.193 million for 2013/2014. 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 £1.153 million are currently available:

	<b>Total</b>	<b>General Fund</b>	<b>Special Expenses</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balances at 1 April 2013	1,767	1,584	183
Forecast transfer to/from balances	426	562	-136
<b>Forecast Balances at 31 March 2014</b>	<b>2,193</b>	<b>2,146</b>	<b>47</b>
Net Budget Requirement	10,403	9,849	554
Minimum Balance requirement	1,040	985	55
Balance surplus /(requirement)	1,153	1,161	-8

### Carry Forward of 2013/2014 Budgets

3.13 In a number of cases budget managers have requested that the under spend in their budget(s) be carried forward to 2014/2015 because of delays in committing expenditure. Requests totalling £451,954 have been received (to be funded as detailed below).

<b>Source of Funding</b>	<b>Amount £</b>
General Fund Balances	217,422
General Fund Reserves (all LDF)	123,199
Housing Revenue Account balances	111,333
<b>Total</b>	<b>451,954</b>

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

3.14 In addition to these amounts, budget holders have identified £265,079 of funding that has been allocated but not spent as at 31<sup>st</sup> March 2014. In these cases the unspent income has been transferred to "unapplied grants and contributions" in accordance with accounting standards. In addition to this amount, the Council is also required to transfer £10,534,000 of Regional Growth Funding received in year to this reserve as it will be spent in 2014/2015. Pending approval, budgets will be set up for these amounts in 2014/2015 and funding released accordingly from the Balance Sheet.

<b>Grant Allocation</b>	<b>Amount £</b>
General Fund	235,079
RGF	10,534,000
Housing Revenue Account	30,000
<b>Total</b>	<b>10,799,079</b>

Details of the requests received and those recommended for approval are shown in **Appendix 3**.

### **Housing Revenue Account**

3.15 The Housing Revenue Budget for 2013/2014 budgeted a deficit of £1,101,153 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 deficit to £735,527 – an under spend of £365,626. The main reasons for this variance are as follows:-

	<b>Under /(over) spend £000's</b>
Salary savings from vacancies	69
Savings on central and administration overheads	46
Utilities savings on gas and electricity	26
Additional income received - including Supporting People Funding (£30,000) and (£16,000) from North West Leicestershire for an Older Persons review	57
Reduction in the provision for doubtful debts due to improved recovery	47
Reduced debt management costs	27
Other small savings	30

3.16 Based on this position, it is provisionally forecast that HRA balances will be £1.156million for 2013/2014. The HRA Business Plan requires that £250 per property should be held in balances to ensure ongoing financial stability of the HRA. A report on treatment of these balances is included elsewhere on this agenda.

3.17 In addition to Housing Revenue balances, the HRA has forecast earmarked reserves of £7.047 million as at 31<sup>st</sup> March 2014. The vast majority of this balance (£4.385 million) relates to the HRA Regeneration Reserve which will be used for new Affordable Housing projects going forward. A complete list of the proposed closing reserves position is set out in the table in **Appendix 4**.

### **Housing Repairs Account**

3.18 The approved housing repairs budget forecast that £16,233 would be taken from the account balance in 2013/2014. Following virements approved by Council, the revised budget for the housing repairs account reduced this to £5,173. The draft outturn position for the housing repairs account shows a provisional surplus of £241,824 (a net under spend of £246,997). This has principally arisen because of lower than anticipated contract costs and demand. Members will recall that a

recent review of the schedule of rates identified that the Council's charging structure is significantly lower than the market rate. This position also explains the under spend. In order to manage the impact of increasing the schedule of rates in 2014/2015 (an increase of 30% has been endorsed by Finance, Audit and Performance Committee), a carry forward of £100,000 has been requested as detailed in 3.13 and Appendix 2,

3.19 The housing repairs account forms part of the wider HRA reserves detailed in section 3.17. Based on the provisional outturn it is forecast that the housing repairs account will have a balance of £0.483million as at 31<sup>st</sup> March 2014.

### **Capital Programme – General Fund**

3.20 The provisional under spend for the General Fund Capital Programme is £4,294,798 against a budget of £10,264,678. The main variances are summarised below:

	<b>Under /(over) spend</b>
	<b>£000's</b>
Major and Minor Works - Alternative Public Health and Government (DECC) funding has been used to finance works in year.	126
Disabled Facilities Grants - Delays in receiving occupational health assessments has created slippage in spend. Process has now been reviewed. There is a strong commitment to spend funding ahead of changes to allocation methods going forward	157
Private Sector Leasing - Budget relates to contribution for phase 2 of works which has been deferred to 2014/2015	60
Green Deal/Fuel Poverty Grant - Funding received by HBBC as the accountable body in 2013/2014. Some delays have occurred with schemes in other districts. All funds must be defrayed/committed by 31st March 2015	430
Regional Growth Fund - Slippage to programme changes following allocation of Pinchpoint funding and associated impact on tender progress for main contractor and sub station provider. All RGF funding must be spent by 31st March 2015	3,048
Rural Broadband - Delays in release of funds from Leicestershire County Council. Monies now received	58
Burbage Common - Slippage due to weather conditions. Work to be completed in July 2014	29
Refuse Vehicle - Some difficulties encountered sourcing vehicle with correct specification. Monies to be spent in 2014/2015	75
Asset Management Enhancement works - Budget for cemetery works which have been delayed due to capacity. Work to commence in 2014/2015	34
Argents Mead and Depot Demolition - Works to be completed by May 2014	123
ICT General Renewals - Microsoft update deferred to 2014/2015 to allow time for Hub relocation	28

3.21 In the majority of cases, under spends are due to slippage and therefore will be committed in forthcoming years. If approved, the relevant financing for these schemes will be transferred to the 2014/2015 Capital Programme. Carry forwards totalling £4,164,263 have been made for the General Fund Capital Programme and are contained within **Appendix 5**. Those under spends not requested for carry forward (£130,535) will be released as savings.

### **Capital Programme – HRA**

3.22 The contractor arm of the in-house housing repairs service operates using a trading account within the General Fund. All expenditure incurred for in-house operations is posted to this code. Income is posted to the account following interfaces from Orchard which are calculated on the basis of schedule of rates held. At the year end, any surplus or deficit held on the trading account is removed and transferred to the housing repairs accounts. The balance is proportioned between capital and revenue based on the value of jobs completed to date. .

3.23 A break even position was not achieved in 2012/2013 and a deficit of £230,000 was charged to the housing repairs accounts. Members will recall that the forecast capital deficit for 2013/2014 in December 2013 was £232,959 and therefore various virements from contingency budgets were approved to ensure nil impact on the HRA overall.

3.24 As at 31<sup>st</sup> March 2014, this deficit has increased by £205,924, mainly due to issues with the schedule of rates outlined in section 3.18. The cost of this has been mitigated by release of further contingency budgets, savings in schemes such as kitchens and also the receipt of an insurance claim lodged earlier in year. The effect of all movements has created a £8,868 surplus on the housing repairs account .

### **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 2013/2014 which indicated that £3,685,009 would be spent on the Partnership, matched by income from the partners. Of the expenditure incurred, £78,980 of spend was funded through the Partnership “under-spend” reserve.

3.27 Actual spend as at 31<sup>st</sup> March 2014 is summarized below. As at the end of 2013/2014, the Partnership under spent against budget (following timing variances and carry forwards) by £68,028.

	<b>2013/2014 Budget</b>	<b>2013/2014 Actual</b>	<b>Variance to Date (Over) / Under Spend</b>	<b>Timing Differences</b>	<b>Forecast variance (Over) / Under Spend</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Expenditure	3,685,009	3,216,118	468,891	393,425	75,466
Carry forwards	0	0	0	38,000	-38,000



Income	-3,685,009	-3,274,278	-410,731	-441,293	30,561
<b>Total</b>	<b>0</b>	<b>-58,160</b>	<b>58,160</b>	<b>-9,868</b>	<b>68,028</b>

3.28 The Partnership Joint Committee have approved the transfer of this under spend to the Partnership reserve to fund the salary cost of an interim Partnership Director who is to be recruited to implement the recommendations resulting from a recent review of the Partnership. 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.

	<b>Total</b>	<b>HDC</b>	<b>NWLDC</b>	<b>HBBC</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Contribution to Partnership Reserve	<b>68,028</b>	21,222	12,275	34,531

#### 4 FINANCIAL IMPLICATIONS (KP)

Contained in the body of the report.

#### 5 LEGAL IMPLICATIONS (EC)

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

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

#### 7 RISK IMPLICATIONS

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

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.

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

<b>Management of Significant (Net Red) Risks</b>		
<b>Risk Description</b>	<b>Mitigating Actions</b>	<b>Owner</b>
Failure to successfully deliver the Medium Term Financial Strategy	The draft out turn position shows a year end forecast under spend of £550K. Majority of this will be allocated to earmarked reserves in order to smooth out the impact of further anticipated reduction (around 16%) in Formula Grant funding and the impact of LCC budget cuts (estimated at the top end at £500K. The budget for 2014/15 was agreed by full Council	S Kohli

	<p>on 20th February. Minimum amount taken from balances after including just over £300K in base savings and additional income.</p> <p>The draft MTFS is going to be considered by executive at the briefing on 16th April. This will then go to Scrutiny Commission (all Members invited) on 15th May and full Council on 20th May for approval. The financial position for 23015/16 and 2016/17 is extremely challenging ( made significantly worse by the announcements of County Council cuts that will affect Leicestershire District Councils)with the Council no longer able to work towards the "forecast" position. Instead the Strategy directs the Council to work towards moving to the "best case" forecast by making certain decisions.</p> <p>One further mitigating action being pursued by senior management is to negotiate a share of Business Rates uplift from the Enterprise Zone on the basis that this Council is not worse off from losing BR up lift that it would otherwise would have been entitled to if the Zone had not been established./</p>	
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8. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

There are no direct implications with the budget process. .

9. CORPORATE IMPLICATIONS

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

- Community Safety Implications
- Environmental Implications
- ICT Implications
- Asset Management Implications
- Human Resources Implications

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Background Papers:      Civica Authority Financials reports  
                                       Closedown files  
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