

Cabinet		Agenda Item: 5
Meeting Date	15 July 2015	
Report Title	Financial Outturn Report 2014/15	
Cabinet Member	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance	
SMT Lead	Nick Vickers, Head of Finance	
Head of Service	Nick Vickers, Head of Finance	
Lead Officer	Phil Wilson, Chief Accountant	
Key Decision	Yes	
Classification	Open	
Forward Plan	Reference number:	
Recommendations	<ol style="list-style-type: none"> 1. To note the revenue underspend on services of £1,973,400, a £277,490 rollover of specific and other grants, and a rollover of £259,500 due to an accounting adjustment re play areas, leaving a net underspend of £1,436,410. 2. To approve the revenue rollover of specific and other grants of £277,490 and £259,500 as set out in Table 3 and Table 4 Appendix I. 3. To note the net revenue underspend on business rates of £190,230. 4. To consider the further revenue service rollovers from 2014/15 and the setting up of new reserves, as set out in Table 4 Appendix I for approval. 5. To delegate to the Head of Finance the allocation of uncommitted underspends to reserve funds. 6. To consider the revenue service bids of £402,100 as set out in Table 5 Appendix I. 7. To consider the capital rollovers of £319,550 as detailed in Table 10 Appendix I for approval. 8. To approve the amendments to the Council's 2015/16 capital programme as detailed in paragraph 3.18. 9. To approve an amendment to the Council's Treasury Management Strategy 2015/16 as detailed in paragraph 3.31. 	

1. Purpose of Report and Executive Summary

- 1.1 This report sets out the outturn position for 2014/15. It shows that once again the Council has been able to achieve a significant underspend in the year. This is primarily due to the higher savings on the waste contract (now taken as base budget saving from 2015/16) and higher planning fee income – these two areas account for 63% of the £1,436,410. With a well-known flightpath of reduced funding into the medium term, the Council has once again pre-empted future funding reductions by restricting expenditure in year.
- 1.2 The Council's commitment to increasing the business base of the Borough is reflected in significant business rates growth, and the principle of budgeting a year in arrears for increases in business rates is clearly the fiscally correct way of managing this hugely important but volatile and uncertain income stream.
- 1.3 The outturn position needs to be seen in the context of the Council's medium term financial position as set out in the February Council budget report. The Council currently has a funding gap of £786,000 in 2016/17 and £1,115,000 in 2017/18. The scope of management efficiency savings and for savings on major contracts is also much reduced. Balancing the budget therefore becomes much more about generating income, business rates and New Homes Bonus in-particular. There will be an emergency national budget on 8 July and any implications of that for the Council will be reported verbally at the Cabinet meeting on 15 July.
- 1.4 The headline figures are:
- total revenue underspend of £1,973,400;
 - £277,490 rollover of specific and other grants;
 - £259,500 rollover due to an accounting adjustment;
 - £694,560 bid requests from heads of service;
 - £180,670 rollover of operational underspends;
 - net over recovery on business rates of £190,140; and
 - capital underspend of £248,690.
- 1.5 The detailed outturn statements are detailed in Tables 1 and 2 in Appendix I.

2. Background

- 2.1 The Council operates a monthly budget monitoring process at Head of Service level, with reports each month to the Strategic Management Team.
- 2.2 Financial monitoring reports have been presented to Cabinet on a quarterly basis, as well as to Scrutiny Committee.

3. Proposal

Revenue Outturn

- 3.1 Table 1 in Appendix I shows the outturn position by service, with most services showing an underspend. The line-by-line variations are explained in Table 2 in Appendix I.
- 3.2 Within the total underspend are specific and other grants totalling £277,490. The principal grants are:
- Troubled Families Grant - £43k;
 - Individual Electoral Registration Grant - £41k;
 - Staying Put Health Grants - £40k.
- 3.3 The main areas of underspend are as follows (items over £50,000 not attributable to grants):
- Development Control - £429,000 - mainly attributable to additional planning fees;
 - Grounds Maintenance Contract - £77,000 - mainly open spaces savings;
 - Parking & Highways - £136,000 - mainly attributable to additional parking income;
 - Recycling & Waste Minimisation - £117,000 - mainly additional income from garden waste scheme;
 - Refuse Collection / Street Cleansing - £471,000 - net contract and contract variation savings; and
 - Property - £120,000 – this arises from a variety of issues including an underspend on staff and additional property income.
- 3.4 Of the net underspend of £1,436,400, two thirds is attributable to two areas – savings on the waste contract and additional planning fees.
- 3.5 The main overspends are as follows:
- Sittingbourne Town Centre Redevelopment - £60,000 - where project management costs do not have a budget;
 - Development Services - £67,000 - mainly additional staffing costs to meet high workloads;
 - Planning Mid Kent Planning Service - £87,000 - mainly additional cost of implementing the service, including redundancy costs; and
 - Leisure and Sports Centres - £73,000 - mainly as a result of a £50,000 contribution towards the Executive Office of Swale Community Leisure Ltd. This is now in the 2015/16 base budget.
- 3.6 The last reported underspend to Cabinet in March 2015 was an underspend of £867,600. The main reasons for the movement to the outturn position since then are:

- Grant Thornton (the Council's external auditors) recommended changing the disclosure of Play Area commuted sums, with the result that £259,500 can be moved from deferred receipts to a new earmarked reserve. We have had to comply with this, but it is simply an accounting adjustment;
- additional contract savings on refuse collection/street cleansing - £69,000;
- additional net parking income - £100,000;
- grounds maintenance contract additional savings - £50,000;
- additional property rental income and other savings - £68,000; and
- additional Development Control fees - £215,000;

3.7 The report by the Council's auditors, Grant Thornton for 2014/15 stated that:
"The Council continues to have an effective framework of financial control. There are well-established processes for preparing and monitoring annual budgets with detailed analysis of variances. Both revenue and capital budgets were underspent in 2013/14. The Council is also currently forecasting a revenue underspend for 2014/15. There are effective systems of control to ensure accounting systems produce reliable information."

Proposed Revenue Rollovers

- 3.8 Cabinet will determine revenue rollovers at its meeting on 15 July. The use of rollovers is critical for the overall financial management of the Council. Their proposed use falls into three main categories:
- unspent ring-fenced grants where projects continue and the funds can only be spent for these purposes and other grants (Table 3 Appendix I);
 - service requests for rollovers at an operational level (Table 4 Appendix I); and
 - larger bids linked to the Council's priorities and the topping-up of specific reserve funds which it was not possible to do in the budget process, and timing issues where small amounts of rollover are requested at an operational level (Table 5 Appendix I).
- 3.9 Decisions on rollover of underspends also need to take into account possible in-year reductions in grant funding which the Government may announce on 8 July.

Business Rates

- 3.10 In total the Council collected £46m of business rates in 2014/15, and after the complicated system of levies and tariffs has been accounted for, the Council received £4.9m.
- 3.11 Council has previously agreed to the establishment of a Business Rates Volatility Reserve in order to assist the Council in managing the volatility in business rate income resulting from the introduction of business rate localisation from 2013/14. There are a number of causes of this volatility, such as new businesses opening, existing business growing or closing, rating appeals, and collection rates.
- 3.12 The reserve has increased in 2014/15 due to the Cabinet approved rollover from 2013/14 (£450k), the originally budgeted increase (£321k), underspend on business rate relief (£147k), a higher level of business rates than budgeted (£190k), and work to increase the collectible rates (£48k), so that at the end of year the balance is £1.1m.

Improvement and Regeneration Funds

- 3.13 Table 1 below details the outturn position on a number of reserve funds.

Table 1: Improvement and Regeneration Funds

	Balance as at 1 April 2014	Transfers from reserve in year	Transfers to reserve in year	Balance as at March 2015	Balance Unallocated as at 31 March 2015
Funds:	£	£	£	£	£
Performance	905,270	(158,359)	0	746,911	519,208
Regeneration	356,119	(298,698)	254,000	311,421	97,647
Localism	46,893	(27,180)	28,850	48,563	22,627
Transformation	252,418	(111,285)	52,205	193,338	193,338
Local Loan Fund	250,000	(50,000)	50,000	250,000	250,000
TOTAL	1,810,700	(645,522)	385,055	1,550,233	1,082,820

- 3.14 As in previous years, the Regeneration Fund was topped up by £250,000 in 2014/15.
- 3.15 Table 6 of Appendix I details the appropriations from the above funds during 2014/15.

Usable Reserves

- 3.16 Table 2 below summarises the usable reserves balance as at 31 March 2015.

Table 2: Usable Reserves

	Balance as at 1 April 2014	Transfers from reserve in year	Transfers to reserve in year	Balance as at March 2015
Reserve	£'000	£'000	£'000	£'000
Total Ring Fenced Revenue Reserves	7,564	(1,569)	2,544	8,539
General Fund	4,618	0	506	5,124
Capital Grants Unapplied	243	(90)	116	269
Usable Capital Receipts Reserve	1,331	(528)	108	911
TOTAL	13,756	(2,187)	3,274	14,843

3.17 Table 7 of Appendix I details the ring-fenced reserves as at 31 March 2015 after the transfers of specific grants.

Capital Expenditure

3.18 This report details the actual capital expenditure and highlights any variations between the revised 2014/15 capital budget and outturn.

3.19 Actual expenditure to end of March 2015 is £2,218,990. This represents 89.9% of the revised budget. There is an underspend of £247,700. Further details are set out in Table 9 of Appendix I.

3.20 Heads of Service have submitted a number of capital rollover requests totalling £319,550 to be spent in 2015/16 to be released from the underspend of 2014/15. The requests are listed in Table 9 Appendix I, with an explanation provided by the service manager. Of these requests £221,870 is linked with partnership funding as explained in the notes. The largest items of rollover are:

- Disabled Facilities Grant - £92,060 - committed to improvement but not yet spent; and
- Iwade play area £92,200 - land in the process of being transferred.

Funding of the 2014/15 Capital Programme

3.21 The 2014/15 capital programme expenditure of £2,218,990 is to be funded as set out in Table 3.

Table 3: Capital Programme Funding

	2014/15 Revised Budget	2014/15 Outturn
	£	£
Partnership funding (including S106 Grants)	1,316,240	1,207,050
Earmarked Reserves	524,780	398,270
Long Term Debtors / Third Party Loans	168,000	230,990
Capital Receipts	450,250	360,180
Revenue underspends	8,420	22,500
Total Funded	2,467,690	2,218,990

- 3.22 Funding payable to the Council by Spirit of Sittingbourne under the development agreement will be used for a partial refurbishment of 34 High Street which has been purchased by the Opportunities Fund jointly set up by the Council and Spirit of Sittingbourne.
- 3.23 Capital receipts from sale of assets in 2014/15 were nil. Capital receipts from repayment of grants were £108,000.
- 3.24 A request is being made to use capital receipts to fund the two projects outlined below in 2015/16:
- £11k towards rebuilding the viewing platform at Milton Creek; and
 - £25k to fund the additional cost of implementing the new Customer Service Centre Telephony system. This is because dialogue during the tendering exercise identified additional requirements which will rationalise fully the systems in use by all three partners, and provide a base for the joint working on channel shift.
- 3.25 There are a number of revenue rollover bids from the 2014/15 underspend that potentially will be used to fund capital expenditure in 2015/16.
- refurbishment of Stonebridge Allotments footbridge - £15k;
 - refurbishment of causeway at Queenborough - £60k;
 - refurbishment of Vincent Gardens and Kemsley Rec play areas - £20k;
 - remedial work at New Road - £10k;
 - Eastchurch Road assistance - £30k;
 - regeneration project management - £60k; and
 - flood defence project - £30k.

Payment of Creditors

- 3.26 The outturn for 2014/15 against the target for payment of creditors is shown in Table 4 below.

Table 4: Invoice payment

	Target 2014/15	Final
Invoices paid in 30 days	97.00%	97.01%

Debtors

3.27 Tables 5, 6 and 7 analyse the debt outstanding.

3.28 The debt over six years old relates to charges on property, i.e. where the debt cannot be collected until the property concerned is sold. It should be noted that the number of debts raised is increasing as we are now required to formally raise debts for all of our grants receivable from Kent County Council, NHS etc.

3.29 As can be clearly seen, on the measure of collectable debt less than two months old, the position has improved substantially.

Table 5: Debt outstanding by due date (not including Rent Deposit Scheme)

	March 2015	March 2014
	£'000	£'000
0-2 Months	726	325
2-6 Months	170	75
6-12 Months	12	188
1-2 Years	13	25
2-3 Years	9	14
3-4 Years	9	24
4-5 Years	24	11
5-6 Years	10	5
6 Years +	15	27
Total	988	694
Total over two months	262	369
% Total over two months	27%	53%

Table 6: Debt outstanding by due date (including Rent Deposit Scheme)

	March 2015	March 2014
	£'000	£'000
0-2 Months	727	284
2-6 Months	180	81
6-12 Months	11	217
1-2 Years	19	32
2-3 Years	13	23
3-4 Years	16	71
4-5 Years	62	236
5-6 Years	173	5
6 Years +	16	27
Total	1,217	976
Total over two months	490	692
% Total over two months	40%	71%

Table 7: Debt outstanding (including Rent Deposit Scheme) by Head of Service

	March 2015	March 2014
	£'000	£'000
Rent Deposit Scheme	229	282
Commissioning & Customer Contact	233	250
Property	184	126
Housing	100	46
Legal (MKLS)	264	43
Economy & Communities	26	27
Planning	53	63
Regeneration	49	94
Communications	4	11
Environmental Health	27	0
Finance	0	14
Policy	3	0
Other	45	20
Total	1,217	976
Total over two months	490	692
% Total over two months	40%	71%

Treasury Management

- 3.30 At the Cabinet meeting on 4 February 2015, Members approved a change to the budget framework to allow for funding to be provided up to a maximum borrowing of £6m (minute 465/02/2015).
- 3.31 This will also require an amendment to the Council's Treasury Management Strategy 2015/16 for its Authorised and Operational boundaries (borrowing limits) in order to be consistent with the above approved change. Therefore, Members are requested to approve an increase in the Authorised Limits and Operational Boundaries of the new limits as shown in Appendix I, Table 11. This will also need to be approved by Council.

4. Alternative Options

- 4.1 None Identified – this report fulfils a statutory requirement to report the Council's outturn.

5. Consultation Undertaken or Proposed

- 5.1 Heads of Service and Strategic Management Team have been consulted in preparing this report.

6. Implications

Issue	Implications
Corporate Plan	Good financial management is key to achieving our Corporate Plan priority of being "A council to be proud of"
Financial, Resource and Property	As detailed in the report
Legal and Statutory	None identified at this stage
Crime and Disorder	None identified at this stage
Sustainability	None identified at this stage
Health & Wellbeing	None identified at this stage
Risk Management and Health and Safety	None identified at this stage
Equality and Diversity	None identified at this stage

7. Appendices

- 7.1 The following documents are published with this report and form part of the report:

Appendix I: Financial Outturn 2014/15

8. Background Papers

- 8.1 The Budget 2014/15 and Medium Term Financial Strategy 2014/15 to 2016/17