

MEETING:	CABINET
MEETING DATE:	12 JUNE 2014
TITLE OF REPORT:	FINANCIAL OUTTURN 2013/14
REPORT BY:	CHIEF FINANCIAL OFFICER

Classification

Open

Key Decision

This is not a key decision.

Wards Affected

County-wide

Purpose

To inform Cabinet of the revenue and capital outturn for 2013/14, including the Treasury Management outturn report.

Recommendations

THAT:

- (a) the final outturn for 2013/14 be noted;
- (b) the movement to new reserves outlined in paragraph 12 of the report be approved; and
- (c) the Treasury Management outturn report be recommended to Council for approval.

Alternative Options

There are no alternative options

Reasons for Recommendations

- 1 Whilst work continues on the range of tasks necessary to prepare the council's statutory statement of accounts for 2013/14, it is sufficiently advanced for Cabinet to consider the final outturn for the year.

Key Considerations

Revenue Outturn

- 2 2013/14 has been a difficult year, where in October, based on August expenditure a £4.3m overspend was forecast for Adult Social Care. This position has improved significantly, the Adults' overspend reducing to £3m which has now been compensated by efficiencies and brought forward savings plans in other directorates. This gives confidence that the 2014/15 budget can similarly be delivered, although savings of £15m will need to be closely monitored during a further very challenging year.
- 3 The revenue outturn position for 2013/14 shows an underspend of £397k, an improvement of £424k against the previously reported forecast based on January budget monitoring;

Service	Budget	January projection (over)/under	Outturn (over)/under	Change
	£000	£000	£000	£'000
Adults Wellbeing	55,001	(3,000)	(2,959)	41
Childrens Wellbeing	28,508	695	867	172
Economy, Communities & Corporate	44,414	105	567	462
Chief Exec & Organisational Development	7,326	58	309	251
Public Health	188	0	17	17
Directorate total	135,437	(2,142)	(1,199)	943
Other budgets and reserves	14,859	2,115	1,596	(519)
Total	150,296	(27)	397	424

- 4 The key changes from the January projected outturn are:-
- Use of Childrens Wellbeing grant £0.2m
 - Further joint initiatives in Public Health, particularly in ECC £0.4m
 - Pension costs, audit fees and Energy company dividend £0.3m
 - Change management costs capitalised £0.8m
 - One-off benefit from connexions service closure £0.3m
 - Increased Planning income £0.1m
 - IT and HR savings £0.3m
- 5 A more detailed analysis of the revenue outturn is shown at Appendix A.

Capital Outturn

- 6 £43.3m of capital schemes were delivered in 2013/14 which included:
- Leominster Primary School - £4.6m
 - The new Heritage Archive & Records Centre - £3.4m

- Blackmarstons Special School improvements - £3.0m
- The Connect 2 bridge crossing - £2.0m
- Capitalised Change Management Costs - £1.7m
- Hereford Enterprise Zone - £1.4m
- Multi storey car park refurbishment - £1.2m
- Road improvements - £10.7m
- Other smaller schemes - £15.3m

- 7 Total spend was £7.8m less than the previous forecast (October) of £51.1m which will now be spent in 2014/15. The majority relates to the Fastershire broadband project which will be fully deployed by December 2016.

Scheme	Approved Total Budget £m	October forecast 13/14 £m	2013/14 Outturn £m	(Over)/ under £m
Accommodation/HARC	9.7	7.6	8.0	0.4
Fastershire Broadband*	20.2	4.0	0.2	(3.8)
Hereford Link Road	27.0	1.9	1.2	(0.8)
Local Transport Plan	11.4	11.4	10.7	(0.6)
Masters House Ledbury	4.0	2.1	1.1	(1.0)
Smaller capital schemes	n/a	24.1	22.1	(2.0)
TOTAL	-	51.1	43.3	7.8

*** Total approved budget includes 50% Government – Broadband Delivery UK Grant of £10.1m, net cost to Herefordshire Council of £10.1m**

- 8 A more detailed analysis of the capital outturn is shown at Appendix B.

Treasury Management

- 9 The Treasury Management projected outturn is an underspend of £251k on borrowing costs, largely achieved through delaying taking out Public Works Loan Board (PWLB) loans by utilising internal reserves and short-term borrowing from other local authorities. It also includes capitalised interest on schemes over 12 months duration. Investment income over achieved by £73k as both balances and interest rates were higher than originally budgeted. Appendix C includes a detailed analysis and the formal treasury management outturn report in line with the CIPFA Code of Practice on Treasury Management. The council has complied with its Prudential Indicators for 2013/14, which were approved on 18 February 2013 as part of the council's Treasury Management Strategy Statement.

Reserves

- 10 The general reserve balance at 31 March 2014 is £5m, after taking account of the £397k underspend. This is slightly above the prudential balance of £4.5m, 3% of net budget. The 2013/14 budget included an increase in the general reserve of £2m, which was reallocated in the year to a risk mitigation reserve. The 2014/15 budget includes a further increase in general reserve of £3.6m which will increase the total to £8.6m.
- 11 The positive year-end position has enabled further increases in earmarked reserves, including a further £1.5m to the risk mitigation reserve (£3.5m in total) and the establishment of a reserve of £1m to cover the future impact of the deficit on the collection fund caused by higher than anticipated business rates appeals and reliefs.

- 12 The outturn position includes the following new reserves the majority of which were included in forecast revenue spending during the year;

Reserve	£000	Purpose
Risk mitigation	3,500	Unbudgeted risks in delivering 14/15 to 16/17 savings of £33m
Business Rate smoothing	1,000	To cover fluctuations to be used in 15/16
Land charges	600	National dispute around land charges
Safeguarding	417	To support safeguarding improvements
ICT	387	Infrastructure and ICT development
Library services	260	To support delivery of 2014/15 savings
Herefordshire Local Plan	170	To deliver the Local Plan Core Strategy
HR	146	For transformation support and development
SEN	75	To support government programme
Section 256	55	Joint health and social care funding cfwd
Other small reserves	53	Unspent funds committed in 2014/15
Total	6,663	

- 13 As at the 31 March 2014 the council held £23.9m of earmarked reserves. In addition to the new reserves outlined in paragraph 12 there were transfers to and from existing reserves, as shown in the table below. Earmarked reserves also include unused grants carried forward into 2014/15, the largest being £2.2m severe weather grant received in March 2014. The specific nature of some reserves means that some are not available for reclassification as general reserves, for example schools balances and dedicated schools grant.

- 14 Total revenue reserves, including general and earmarked are shown in the table below;

	31 Mar 2013	Transfer in(out) 2013/14	31 Mar 2014
	£000	£000	£000
General reserve	4,656	397	5,053
Earmarked			
School balances	5,535	810	6,345
New reserves	0	6,663	6,663
Waste Disposal	2,407		2,407
Other smaller reserves	2,723	23	2,746
Severe weather grant	0	2,120	2,120
Other unused Grants cfwd	3,303	359	3,662
	18,624	10,372	28,996

Collection Fund

- 15 Income collected from council taxpayers and business ratepayers (NNDR) is accounted for through the Collection Fund. For council tax the income is distributed to the council, West Mercia Police and Hereford & Worcester Fire and Rescue Authority. Similarly the account distributes shares of the business rates collected between the council, central government and the Fire Authority.
- 16 The position on council tax for 2013/14 was a small surplus of £50k, of which Herefordshire council's share is £42k. This will be carried forward to reduce the council tax requirement in 2015/16.
- 17 The Business rates element of the Collection Fund was a deficit of £3.5m, of which Herefordshire's share is £1.7m. The main reasons for the shortfall are increased rate reliefs and reductions for prior year adjustments, including appeals. The deficit has been covered by an allowance in the 2014/15 budget and the £1m rates smoothing reserve included in the 2013/14 outturn.

Community Impact

- 18 The recommendations do not have any community impact

Equality and Human Rights

- 19 The recommendations do not have any equality implications

Financial Implications

- 20 These are set out in the report.

Legal Implications

- 21 None.

Risk Management

- 22 The council is required to ensure the closure of 2013/14 accounts by 30 June 2014 including signing off of the statutory statements by the Council's Chief Finance Officer. Failure to do so carries a reputational risk for the council in relation to its corporate governance role. The council has a detailed plan and timetable to ensure the deadline is met.

Consultees

- 23 None

Appendices

Appendix A - Revenue Outturn

Appendix B - Capital Outturn

Appendix C - Treasury Management Outturn

Background Papers

- None identified.