

<b>MEETING:</b>	<b>GENERAL OVERVIEW AND SCRUTINY COMMITTEE</b>
<b>MEETING DATE:</b>	<b>30 JUNE 2014</b>
<b>TITLE OF REPORT:</b>	<b>FINANCIAL OUTTURN 2013/14 AND BUDGET UPDATE 2014/15</b>
<b>REPORT BY:</b>	<b>CHIEF FINANCIAL OFFICER</b>

## **Classification**

Open

## **Key Decision**

This is not an executive decision.

## **Wards Affected**

County-wide

## **Purpose**

To inform General Overview and Scrutiny Committee of the budget outturn for 2013/14, and to provide the committee with an update on the 2014/15 budget.

## **Recommendation**

**THAT:**

- (a) the final outturn for 2013/14 and the budget position for 2014/15 be noted.

## **Alternative Options**

There are no alternative options.

## **Reasons for Recommendations**

- 1 To provide General Overview and Scrutiny Committee with a budget update, including the 2013/14 outturn and 2014/15 position.

## Key Considerations

### 2013/14 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
Children's 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
<b>Directorate total</b>	<b>135,437</b>	<b>(2,142)</b>	<b>(1,199)</b>	<b>943</b>
Other budgets and reserves	14,859	2,115	1,596	(519)
<b>Total</b>	<b>150,296</b>	<b>(27)</b>	<b>397</b>	<b>424</b>

- 4 The key changes from the January projected outturn are:
- Use of Children's 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
  - Blackmarston 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.

<b>Scheme</b>	<b>Approved Total Budget £m</b>	<b>October forecast 13/14 £m</b>	<b>2013/14 Outturn £m</b>	<b>(Over)/ under £m</b>
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
<b>TOTAL</b>	<b>-</b>	<b>51.1</b>	<b>43.3</b>	<b>7.8</b>

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

## Treasury Management

- 8 The Treasury Management outturn includes an underspend of £251k on borrowing costs, largely achieved through delaying taking out Public Works Loan Board (PWL) 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.

## Reserves

- 9 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.

10 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.

11 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
<b>Total</b>	<b>6,663</b>	

12 As at the 31 March 2014 the council held £23.9m of earmarked reserves. In addition to the new reserves outlined in paragraph 11 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.

13 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
<b>Earmarked</b>			
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
	<b>18,624</b>	<b>10,372</b>	<b>28,996</b>

## **Collection Fund**

- 14 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.
- 15 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.
- 16 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.

## **2014/15 Budget Position**

- 17 As a result of reduced funding from central government, compounded by increasing costs and demands for services, Herefordshire Council will need to save £33m by 2016/17. In order to achieve this target the council must make savings of £15.4m in 2014/15.
- 18 Based on the May budget monitoring information the key issues and risks identified to achieving a balanced budget are as follows;

## **Adults' Wellbeing**

- 19 The Directorate has a target of £5.5m savings to deliver in 2014/15. Transformation and project plans are on target to deliver these savings. A detailed breakdown of each of the projects, giving their status, is attached as Appendix B.

## **Children's Wellbeing**

- 20 The Directorate savings plans for 2014/15 total £2.5m. The majority of these savings are around remodelling service delivery in the Safeguarding and Early Help service. The strategies are currently being shaped and the impact on this financial year assessed.
- 21 Strategies are in place to reduce the numbers of children in high cost placements and the financial impact will be measured during the year. The recruitment and retention of social workers was provided for in 2013/14, mitigating the pressures in year.
- 22 Savings in Education and Commissioning are on track for delivery, although the cost of shorts breaks provision could be a concern due to price increases from Wye Valley Trust. This is currently being reviewed.

## **Economy, Communities and Corporate**

- 23 The savings plan for 2014/15 of £7.3m is on track for delivery. Whilst the annual savings have been identified through detailed negotiation and contract management, with Balfour Beatty Living Places, the resultant reductions in street cleansing and grass cutting remain high profile issues.

- 24 As seen at the end of the previous financial year, fee income from Planning to the end of May continues to improve, being £150k higher than the same period in 2013. Income levels will continue to be closely monitored throughout the year.
- 25 Other risks within the directorate budgets, such as the national dispute in relation to land charges, are covered by reserves.

## Community Impact

- 26 The recommendations do not have any community impact.

## Equality and Human Rights

- 27 The recommendations do not have any equality implications.

## Financial Implications

- 28 These are contained within the report.

## Legal Implications

- 29 The Local Government Finance Act 1988 makes it a legal requirement that the council's expenditure (and proposed expenditure) in each financial year must not exceed the resources (including sums borrowed) available to the authority. If this principle is likely to be breached, the Chief Financial Officer is under a statutory duty to make a formal report to Members.

- 30 The council is under various statutory duties to provide services in relation to children and vulnerable adults and any reduction in relation to such provision requires careful consultation with Legal.

- 31 On 1 May 2014, the DCLG published the Local Government Transparency Code 2014 under section 2 of the Local Government, Planning and Land Act 1980. The code provides that local authorities must publish **quarterly** details of certain financial information including:

Items of expenditure exceeding £500, including the date incurred and the beneficiary and purpose of the expenditure and any contract or agreement with a value exceeding £5,000.

- 32 The code provides that local authorities must publish **annually** information that includes:

All land and building assets, including all properties the authority owns or uses (with some exceptions, including social housing).

A website link to, or a reproduction of, the senior staff data published under the Local Audit and Accountability Act 2014; plus a list of responsibilities, details of bonuses and benefits for all employees whose salary exceeds £50,000.

## Risk Management

- 33 Monthly reporting gives the Chief Financial Officer assurance on the robustness of budget control and monitoring, highlighting key risks and identifying any mitigation to reduce the impact of pressures on the council's overall position.

## **Consultees**

34 None

## **Appendices**

Appendix A Revenue Outturn

Appendix B Adults' Wellbeing Savings Plans

## **Background Papers**

- None identified.