

**Cherwell District Council**  
**Budget Planning Committee**

**24 June 2014**

<b>Provisional 2013-14 Revenue and Capital Outturn Report</b>
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**Report of the Interim Head of Finance & Procurement**

This report is public

**Purpose of report**

This report is being presented to Executive on 23 June 2014.

This report summarises the Council's provisional Revenue and Capital performance for the financial year 2013-2014 and reports on performance against the procurement action plan. The figures are still subject to further validation work to ensure compliance with statutory requirements and proper accounting practices.

**1.0 Recommendations**

- 1.1 To note the report

**2.0 Introduction**

- 2.1 Three reports relating to the 2013-14 accounts have been considered by the Executive since the budget was approved in February 2013. This end of year finance report details the provisional revenue and capital out-turn - and also incorporates the current position of the procurement action plan.
- 2.2 During 2013-14 budget monitoring has taken place which has looked at variances between actual expenditure and budgeted expenditure. As in previous years there has been a detailed focus on the importance of accurate budgeting and appropriate monitoring. This continues to be embedded throughout the Council.
- 2.3 During 2013-14 the quarterly Executive budget monitoring reports have been based on Directorate or Service level budgets to provide an easy to understand picture of the Council's financial position.

**3.0 Report Details**

Executive were due to consider this report at their meeting on 23 June. The Interim Head of Finance and Procurement will update Committee on feedback from Executive.

The recommendations made to Executive were:

- 3.1 To agree the carry forward of budget underspends within 2013-2014 to 2014-2015 as detailed in Appendix 1.
- 3.2 To agree the review of reserves as detailed in Appendix 3.
- 3.3 To note the provisional capital out-turn position for 2013-2014 detailed in Appendix 2.
- 3.4 To agree the balances on capital schemes which have slipped in 2013-2014 to be carried forward into the 2014-2015 capital programme as set out in Appendix 2.
- 3.5 To note the Treasury out-turn position for 2013-14.
- 3.6 To note progress against the Council's Procurement Action Plan.
- 3.7 To delegate responsibility to the Director of Resources and Interim Head of Finance and Procurement in consultation with the Lead Member for Financial Management to consider and implement further changes relating to all aspects of the closedown of the accounts for 2013-14 including: realigning reserves; the transfer of costs from revenue to capital; amendments of the revenue and capital budgets; and implementation of a minimum revenue provision accordingly.

#### **Revenue Out-turn 2013-14 provisional**

- 3.8 The General Fund revenue and capital estimates were approved following a robust and detailed Service and Financial preparation process. Budget guidelines were determined by the Executive and budget holders and their service accountant prepared budget working papers, in accordance with these guidelines from September 2012 to December 2012.
- 3.9 Interim revenue budget reports were made to the Executive and Scrutiny between December 2012 and February 2013. The budget position was finalised and the Council Tax was set by the Council in February 2013.
- 3.10 During the course of the 2013-2014 year, a number of changes have been made to the original 2013-2014 revenue and capital budgets. The adjusted full-year budget represents the original budget, as approved by the Council, the addition of supplementary revenue estimates approved during the year, agreed virements to existing budgets and the utilisation of appropriate reserves.

SERVICE EXPENDITURE	Adjusted Budget 2013-14 £,000	Draft Outturn 2013-14 £,000	Variance £,000	%
Services				
Bicester Regeneration Projects	1,005	917	(88)	8.77%
Community & Environment	9,343	9,567	224	-2.40%
Resources	3,351	3,196	(155)	4.63%
Development	4,084	3,907	(178)	4.34%
Services Total	17,783	17,587	(197)	1.11%

Capital Charges Reversed	(3,323)	(3,323)	0	0.00%
Net Expenditure Services	14,460	14,264	(197)	1.36%
Centrally Controlled Items	1,686	1,723	37	-2.24%
	16,146	15,987	(159)	0.99%
Investment Income	(146)	(557)	(412)	320.34%
Government Grant	(7,960)	(8,092)	(131)	1.65%
Section 31 Grant		(385)	(385)	
Retained Business Rates		(523)	(523)	
Capitalisation Grant		(26)	(26)	
Collection Fund	(100)	(215)	(115)	115.06%
Council Tax	(5,764)	(5,764)	0	0.00%
Use of Reserves	(2,176)	(2,126)	50	2.30%
New Homes Bonus after payment to Parishes	0	(1,199)	(1,199)	
	(16,129)	(18,871)	(2,742)	-17.00%
Budget Carry forwards - Service Budgets			388	
Budget Carry forwards - IFRS Grants			341	
Budget Carry forwards - Section 31 EMR			385	
Budget Carry forwards - Retained Business Rates EMR			523	
Budget Carry forwards - New Homes Bonus EMR			551	
Budget Carry forwards - Eco Town Interest to EMR			81	
Budget Carry forwards - EMR			580	
Budget Carry forwards - Capital reserves replenishment			304	
			3,152	
Provisional Outturn			251	1.56%
Transfer to/from General Fund			(251)	
Outturn			0	0.00%

3.11 The overspend of £251,000 after budget carry forwards and grants transfers represents a variance of 1.56% compared to budget. This is within the Council's revenue budget tolerances of 2%.

3.12 The underspend against service budget has arisen through a variety of reasons. The key variances and explanations are set out at Directorate level in the tables below. The underspend in services of £197,000 is split between the directorates as follows:

Directorate	2013-14 Budget	2013-14 Outturn	Variance	Variance %
<b>Bicester Regeneration Projects</b>	1,005	917	(88)	8.73%
<ul style="list-style-type: none"> <li>Unspent DCLG grant (£90,000) transferred to Ear Marked Reserves (EMR).</li> </ul>				

Directorate	2013-14 Budget	2013-14 Outturn	Variance	Variance %
<b>Community &amp; Environment</b>	9,403	9,627	224	-2.39%
<p><u>Community Services</u></p> <ul style="list-style-type: none"> <li>• Countryside &amp; Community (£17,000) underspends within Community Development</li> <li>• Customer Services (£36,000) underspends largely achieved due to staff vacancies and computer software</li> <li>• Vehicle Parks £74,000 overspent due to car park income shortfalls from car parking, Excess Charge Notices and season tickets</li> <li>• Safer Communities (£84,000) underspends for vacant posts and unspent grant</li> <li>• Arts, Tourism and Health (£43,000) unspent arts grant to be transferred to ear marked reserves</li> <li>• Recreation and Sports (£35,000) underspends due to vacant posts and unspent grant</li> <li>• Sport Facilities £143,000 overspent due to utility benchmarking resulting in costs being greater than estimated; loss of income claims from the closure of Bicester pool; and the renewable heat income not achieved due to the delayed introduction of the Biomass Scheme.</li> <li>• Licensing (£43,000) surplus in fee income</li> <li>• Public and Environmental Health (£15,000) savings in salaries, computer software and contractors</li> </ul> <p><u>Environmental Services</u></p> <ul style="list-style-type: none"> <li>• Waste, Recycling and Recycling Bank £304,000 overspend primarily due to contract changes with the recycling contract and additional costs incurred for agency staff covering sickness and vacancies.</li> <li>• Maintenance of Vehicles and MOT Bay £74,000 overspend due to unbudgeted overtime, additional vehicle parts/repairs and the reduction in the number of MOT's.</li> </ul> <p><u>Directorate Administration</u></p> <ul style="list-style-type: none"> <li>• Community and Environment Directorate Admin (£101,000): salary savings from vacant posts and unspent Brighter Futures grant</li> </ul>				

Directorate	2013-14 Budget	2013-14 Outturn	Variance	Variance %
<b>Resources</b>	3,350	3,185	(166)	4.94%
<ul style="list-style-type: none"> <li>• HR (£97,000) underspends on training and shared service savings from joint team</li> <li>• Performance (£13,000) underspends on salary savings</li> <li>• Communications (£18,000) underspend from saving on the Cherwell Link</li> <li>• IT £97,000 overspend on telephony</li> <li>• Democratic (£24,000) underspend on Members Services including member training</li> <li>• Legal £10,000 overspend from lower legal costs recovered than anticipated</li> <li>• Land Charges (£47,000) underspend with higher income from search fees</li> <li>• Elections (£84,000) underspend on the elections account</li> <li>• Civic Ceremonial (£6,000) – underspend on shared salary costs</li> <li>• Procurement £82,000 – Procurement savings shown in the service area.</li> <li>• Finance (£60,000) – Overspend on agency, communications and computing and Housing Benefit. Savings in bank charges, audit costs and Discretionary Rate Relief</li> </ul>				

Directorate	2013-14 Budget	2013-14 Outturn	Variance	Variance %
<b>Development</b>	4,084	3,902	(181)	4.44%
<ul style="list-style-type: none"> <li>• Development Control (£456,000) underspends on salaries and surplus planning income</li> <li>• Building control (£49,000) underspend from salary savings.</li> </ul>				

- Assets & Facilities Management £133,000 overspend from unbudgeted set up and insurance costs; shortfall of income due to rent free periods for Bicester redevelopment and shortfall on Income for Castle Quay; offset by rental income from Bodicote House.
- Delivery Team £186,000 overspend on Crown House charges from capital to revenue and Council Tax charges for Build programme

Directorate	2013-14 Budget	2013-14 Outturn	Variance	Variance %
<b>TOTAL SERVICES</b>	<b>17,784</b>	<b>17,587</b>	<b>(197)</b>	<b>1.11%</b>

### 3.13 Centrally Controlled Items

Centrally controlled items are showing an overspend of £37,000 but this is offset by the underspend in government grants. This is mainly due to the top up element of pass porting precept grant to the parishes. This has been funded from council tax freeze grant which was treated as windfall fall income in the 2013-14 budget.

### 3.14 Underspends to be transferred to an earmarked reserve (EMR)

Heads of Service have requested unspent budgets to be carried forward where:

- there are specific commitments
- there are discrete projects
- there is a requirement under IFRS to set up an earmarked reserve rather than accrue for a grant.

3.15 The total of the proposals for carried forward budgets is shown in **Appendix 1**. Full Council approval is required where the underspend exceeds 10% of the individual budget heading (where this amounts to £10,000 or more) or £50,000, whichever is less.

### 3.16 Unspent Grants to be transferred to earmarked reserves

As a result of complying with International Financial Reporting Standards (IFRS), any unspent grant received which has either no conditions attached to it, or where all conditions have been met, should be transferred to an earmarked reserve. These are detailed in **Appendix 1**.

### General Fund (GF) Balances

3.17 The provisional levels of general fund balances can be summarised as follows:

#### General Fund balances

<b>Balance as at 31 March 2014</b>	<b>£'000</b>	<b>£'000</b>
<b>Add:</b>		<b>3,690</b>
<b>Contributions to Balances within the year:</b>		
Provisional Out-turn Underspend for 2013-14	159	
Variations on Government Grants	157	
New Homes Bonus	648	
Interest income surplus	27	
Collection fund surplus	115	

1,106

**Less: Transfers from GF Balances**

Budget carry forwards - Service Budgets	(388)
Budget carry forwards - IFRS Grants	(341)
Budget carry forwards – ear marked reserves	(580)
Variance on use of reserves	(50)

**(1,359)**

**Provisional General Fund Balance as at 31 March 2014**

**3,439**

**RESERVES**

- 3.18 A detailed review of reserves was presented to Budget Planning Committee on 11 March 2014 for recommendation to Cabinet. This review is contained in Appendix 3 for Executive approval.
- 3.19 The proposed budget carry forwards and transfers to Ear Marked Reserves (listed in Appendix 1) have not been included in the Review of Reserves described above and will be added to them if approved.

**CAPITAL PROGRAMME**

**Capital Expenditure**

- 3.20 A summary of the capital expenditure in 2013-14 is set out in the table below. The detailed Capital Outturn and slippage requests by Capital Scheme are shown in Appendix 2.

<b>CAPITAL OUTTURN AND SUMMARY OF SLIPPAGE</b>			
<b>PROVISIONAL OUTTURN</b>	<b>ANNUAL BUDGET £000</b>	<b>ACTUAL £000</b>	<b>VARIANCE £000</b>
<b>Bicester Regeneration Projects Total</b>	137	137	0
<b>Community &amp; Environment Total</b>	4,059	1,149	(2,910)
<b>Resources Total</b>	471	297	(174)
<b>Development Total</b>	13,489	5,868	(7,621)
<b>Capital Total</b>	<b>18,156</b>	<b>7,451</b>	<b>(10,705)</b>
<b>Q1-4 slippage:</b>			
Bicester Regeneration Projects			0
Community & Environment			2,830
Resources			211
Development			4,933
<b>Total slippage requested</b>			<b>7,974</b>
Bicester Regeneration Projects			0
Community & Environment			(80)
Resources			37
Development			(2,688)

<b>Variance after slippage</b>			<b>(2,731)</b>
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- 3.21 Capital underspends will be returned to unallocated capital resources. Within the Development Directorate, £2.5m underspend relates to Bicester Town Centre Redevelopment. The underspend is as a result of the Sainsbury's contribution not being built into the original budget as well as some cost under runs. The variance against budget, after allowing for slippage, is 15% (which is outside 5% tolerance).
- 3.22 Slippage has been high this year due to the many external factors that have inhibited planned progress. The Bicester Community building project has been delayed until 2014-15 and is going to the Planning Committee in June. The largest items of slippage are shown below.

	<b>Slippage £000</b>
<b>Largest items of Slippage</b>	
South West Bicester sports village	1,458
Bicester Community building	3,037
Bicester Town Centre Redevelopment	250
Bicester Pedestrianisation	250
Biomass heating for Bicester Leisure Centre	307
Condition works survey	350
Old Bodicote House (car park, lighting and air conditioning)	262
	<b>5,914</b>

### **Efficiencies**

- 3.23 Planned efficiency savings from the 2013-14 budget have been achieved. The Public Promise of £0.5m was successfully delivered and forms a significant element of the savings identified in our approved budget for 2014-15.

### **Treasury Management**

- 3.24 The Treasury Management Strategy for 2013-14, which includes the Annual Investment Strategy, was taken to Council for approval in February 2013. It sets out the Council's investment priorities as being: security of capital; liquidity; and yield.
- 3.25 The Council has also aimed to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity.
- 3.26 Investment rates available in the market have continued at historically low levels. The average level of funds available for investment purposes was £69.8m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme and ECO Bicester.
- 3.27 Investment performance at 31 March 2014 is as follows:-

<b>Fund</b>	<b>Amount at 31 March 2014</b>	<b>Interest Expectation</b>	<b>Actual Interest</b>	<b>Variance</b>	<b>Rate of return %</b>
Investec	£0	£57,500	£49,802	-£7,698	-0.07%
In House	£63,998,863	£493,034	£509,523	£16,489	0.87%
<b>Total</b>	<b>£63,998,863</b>	<b>£550,534</b>	<b>£559,325</b>	<b>£8,791</b>	<b>0.80%</b>

- 3.28 During 2013-14 the council made the decision to return the funds from fund manager Investec, hence at 31 March 2014 (as per table above) there is no holding.
- 3.29 The council has been committed to reducing its reliance on investment income and in preparing the revenue budget for 2013-14 only £146,000 worth of investment income was utilised.
- 3.30 As can be seen from the table above the actual interest received totalled £0.559m. Within the £0.559m, there was interest received in respect of Eco Town funds totalling £81,000 and this has been transferred to the Eco Town Funds, leaving a balance of £0.478m.
- 3.31 The 2013-14 budget required £146,000 investment income. Therefore the additional interest received of £0.332m, has been treated as windfall income and £0.3m will be transferred to reserves (in appendix 1).

### **Procurement**

- 3.32 The Joint Procurement Team has been working on a joint forward plan to provide savings targets and support a range of programmes across the Councils including Sports Pavilion and Community Building, Cash Collection, the Build! Projects, Christmas lights and the transfer of Gas supply to LASER.
- 3.33 The team have delivered cashable savings within year of £53,135 and additionally there are some procurement savings which are reflected in the service budgets.
- 3.34 All of these projects are being delivered below budget and are reducing the running costs of the Council.
- 3.35 The high standard of delivery of the Joint Procurement Team received recognition in April as it beat off national contenders to be a finalist for the Government Opportunities Collaborative Procurement Initiative of the Year Award 2014. This is a highly competitive category with a large number of bids received from across the public sector, with the Joint Procurement team being the only district authority selected as a finalist.
- 3.36 The Joint Procurement Team continues to work with Stratford-on-Avon District Council on a range of collaborative projects.

## **4.0 Conclusion and Reasons for Recommendations**

- 4.1 The financial performance in terms of both capital and revenue are underspent on capital or within set tolerance targets (once revenue carry forwards are processed). The performance demonstrates the Council's ability to respond positively and actively to changing economic circumstances and deliver sizeable capital programmes and effective financial management.
- 4.2 The continued focus on monthly budget monitoring and continued use of the "dashboard" has enabled more efficient use of the Council's resources.
- 4.3 The variances on the revenue out-turns is within the Council's stated tolerance of 2% of budget. Capital was outside the tolerance of 5% of budget.



## 5.0 Consultation

- 5.1 The budget monitoring reports have been reviewed by JMT, the Executive and Budget Planning Committee where applicable.

## 6.0 Alternative Options and Reasons for Rejection

- 6.1 This report illustrates the Council's provisional performance against the 2013-2014 Revenue and Capital Budget and progress achieved against our Procurement action plan and targets.

- 6.2 Alternative options are:

To reject the current proposals and to make alternative recommendations or ask officers for further information.

## 7.0 Implications

### Financial and Resource Implications

- 7.1 There are no financial implications arising directly from the production of this report. It should be noted that the information in this report is in the format used for budget monitoring purposes and, although adjustments have been made for the requirements of IFRS, it does not reflect the various accounting adjustments that are required to comply with the Statement of Recommended Practice nor is it in the same format as the statutory Financial Statement. It is therefore not a straightforward task to compare the figures in this report with the Council's Financial Statement for 2013-2014 because the respective reports are each designed to serve different purposes.

Comments checked by: Tim Madden, Interim Head of Finance and Procurement  
0300 003 0106 [tim.madden@cherwellandsouthnorthants.gov.uk](mailto:tim.madden@cherwellandsouthnorthants.gov.uk)

### Legal Implications

- 7.2 **The Council is legally required to prepare Financial Statements by 30 June 2014.**

Comments checked by:  
Kevin Lane, Head of Law and Governance, 0300 0030107  
[kevin.lane@cherwellandsouthnorthants.gov.uk](mailto:kevin.lane@cherwellandsouthnorthants.gov.uk)

## 8.0 Decision Information

<b>Key Decision</b>	<b>Yes</b>	
<b>Financial Threshold Met:</b>		<b>No</b>
<b>Community Impact Threshold Met:</b>		<b>No</b>

### Wards Affected

Not applicable

## Links to Corporate Plan and Policy Framework

Enhancing the Council Performance

### Lead Councillor

Councillor Ken Atack – Lead Member for Financial Management

### Document Information

<b>Appendix No</b>	<b>Title</b>
Appendix 1	Budget carry forwards and Transfers to Earmarked Reserves
Appendix 2	Capital Out-turn Detail
Appendix 3	Review of Reserves
<b>Background Papers</b>	
None	
<b>Report Author</b>	Nicola Jackson, Corporate Finance Manager
<b>Contact Information</b>	01295 221731 <a href="mailto:nicola.jackson@cherwellandsouthnorthants.gov.uk">nicola.jackson@cherwellandsouthnorthants.gov.uk</a>