

**Cherwell District Council**

**Executive**

**1 June 2015**

<p><b>Provisional 2014-15 Revenue and Capital Outturn Report</b></p>
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**Report of the Head of Finance & Procurement**

This report is public

**Purpose of report**

This report summarises the Council's provisional Revenue and Capital performance for the financial year 2014-2015 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**

The Executive is recommended to:

- 1.1 Agree the carry forward of budget underspends from 2014-2015 to 2015-2016 as detailed in Annex 1.
- 1.2 Agree the review of reserves as detailed in Annex 3.
- 1.3 Note the provisional capital out-turn position for 2014-2015 detailed in Annex 2.
- 1.4 Agree the balances on capital schemes which have slipped in 2014-2015 to be carried forward into the 2015-2016 capital programme as set out in Annex 2.
- 1.5 Note the Treasury out-turn position for 2014-15.
- 1.6 Note progress against the Council's Procurement Action Plan.
- 1.7 Delegate responsibility to the Director of Resources and 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 2014-15 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.

## **2.0 Introduction**

- 2.1 The Council's outturn position is a primary source of information for the production of the Statement of Accounts and provides context for members in their consideration of the accounts.
- 2.2 Provisional Outturn 2014/15 is reported for the following and set out in detail in the paragraphs below:
- General Fund;
  - Capital Programme.
- 2.3 During 2014-15, budget monitoring has taken place which has highlighted variances between actual expenditure and income and budget. 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.

## **3.0 Report Details**

### **Revenue Out-turn 2014-15 provisional**

- 3.1 The Council's provisional outturn position for the General Fund is set out in the table below. This is in Service Directorate order and the paragraphs that follow deal with the major variances incurred in each of the services.
- 3.2 During the course of 2014-2015, a number of changes have been made to the original 2014-2015 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.

REVENUE OUTTURN 2014-15	Adjusted Budget 2014-15 £,000	Draft Outturn 2014-15 £,000	Variance 2014-15	
			£,000	%
<b>SERVICES</b>				
Bicester Regeneration Projects	443	5	(438)	-98.9%
Community & Environment Resources	10,422	10,673	251	2.4%
Development	3,392	3,284	(108)	-3.2%
	4,517	3,779	(738)	-16.3%
<b>Net Service Expenditure</b>	<b>18,774</b>	<b>17,741</b>	<b>(1,033)</b>	<b>-5.5%</b>
Capital Charges Reversed	(3,341)	(3,341)	0	0.0%
<b>Net Budget Requirement</b>	<b>15,433</b>	<b>14,400</b>	<b>(1,033)</b>	<b>-6.7%</b>
<b>FUNDING</b>				
Business Rates Baseline	(3,401)	(3,401)	0	0.0%
Revenue Support Grant	(3,864)	(3,864)	0	0.0%
<b>Formula Grant Equivalent</b>	<b>(7,265)</b>	<b>(7,265)</b>	<b>0</b>	<b>0.0%</b>
Transfer to Parish Councils for CTRS	349	349	0	0.0%
Other Grants	0	(48)	(48)	0.0%
Investment Income	(48)	(426)	(378)	-787.2%
Council Tax Compensation Grant	0	(63)	(63)	
Collection Fund	(233)	(233)	0	0.0%
New Homes Bonus	(1,013)	(1,013)	0	0.0%
<b>Business Rates</b>				
Section 31 Grant	0	(705)	(705)	
Growth above baseline	(400)	(1,371)	(971)	-242.8%
Collection Fund	0	(309)	(309)	%
Council Tax Income	(5,880)	(5,880)	0	0.0%
Use of Reserves	(943)	(918)	25	2.7%
<b>TOTAL INCOME</b>	<b>(15,433)</b>	<b>(17,881)</b>	<b>(2,448)</b>	<b>-15.9%</b>
Service Budget Carry Forwards			<b>305</b>	
Transfer to Earmarked Reserves			<b>1,652</b>	
Transfer to Earmarked Reserves - Grants			<b>1,321</b>	
			<b>3,278</b>	
<b>Provisional Outturn</b>			<b>(203)</b>	<b>-1.3%</b>
Surplus transferred to General Fund Balance			<b>203</b>	
<b>Outturn</b>			<b>0</b>	

3.3 The underspend of £203,000 after budget carry forwards transfers to earmarked reserves represents a variance of 1.3% compared to budget. The Council's revenue budget tolerances are 2%.

3.4 The service budget underspend 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 £1,033,000 is split between the directorates as follows:

Directorate	2014-15 Budget £000	2014-15 Outturn £000	Variance £000	Variance %
<b>Bicester Regeneration Projects</b>	443	5	(438)	-98.9%
<ul style="list-style-type: none"> <li>Unspent DCLG grant (£413,000) transferred to Ear Marked Reserves (EMR)</li> <li>Salary savings due to recruitment lag (£25,000)</li> </ul>				

Directorate	2014-15 Budget £000	2014-15 Outturn £000	Variance £000	Variance %
<b>Community &amp; Environment</b>	10,422	10,673	251	-2.4%
<u>Community Services</u> <ul style="list-style-type: none"> <li>Customer Services (£85,000) underspends largely achieved due to staff vacancies and maintenance contracts</li> <li>Vehicle Parks £421,000 overspent due to car park income shortfalls from car parking, Excess Charge Notices and season tickets</li> <li>Safer Communities (£78,000) underspends for vacant posts and savings on CCTV</li> <li>Arts, Tourism and Health £40,000 overspent relating to the Museum</li> <li>Licensing (£63,000) surplus in fee income</li> <li>Sports Facilities Management (£14,000) insurance claim windfall income</li> <li>Public and Environmental Health and Anti-social Behaviour (£49,000) savings in salaries, computer software and contractors and (£53,000) from Sainsbury's Primary Authority agreement</li> <li>Other miscellaneous service overspends (£26,000)</li> </ul> <u>Environmental Services</u> <ul style="list-style-type: none"> <li>Waste, Recycling and Recycling Bank £180,000 overspend primarily due to contract changes with the recycling contract and additional costs incurred for agency staff covering sickness and vacancies.</li> </ul> <u>Directorate Administration</u> <ul style="list-style-type: none"> <li>Community and Environment Admin (£22,000): salary savings from vacant posts</li> </ul>				

Directorate	2014-15 Budget £000	2014-15 Outturn £000	Variance £000	Variance %
<b>Resources</b>	3,392	3,284	(108)	3.2%
<ul style="list-style-type: none"> <li>HR (£54,000) underspends on training.</li> <li>Legal £17,000 overspend from higher counsel costs than anticipated</li> <li>Land Charges (£61,000) underspend from higher search fee income and salary savings</li> <li>Miscellaneous savings (£10,000)</li> </ul>				

Directorate	2014-15 Budget £000	2014-15 Outturn £000	Variance £000	Variance %
<b>Development</b>	4,517	3,779	(738)	16.3%
<ul style="list-style-type: none"> <li>Strategic Planning £539,000 overspend on Local Plan</li> <li>Development Control (£1,239,000) underspends on salaries and surplus planning income</li> <li>Building control (£53,000) underspend from salary savings.</li> <li>Assets &amp; Facilities Management (£113,000) underspend on maintenance of corporate properties</li> <li>Private Sector Housing (£19,000) underspend from salary savings</li> <li>Delivery Team £131,000 overspend on Crown House charges from capital to revenue and Council Tax charges for Build programme</li> <li>Miscellaneous savings (£38,000)</li> </ul>				

Directorate	2014-15 Budget £000	2014-15 Outturn £000	Variance £000	Variance %
<b>TOTAL SERVICES</b>	<b>18,774</b>	<b>17,741</b>	<b>(1,033)</b>	<b>5.5%</b>

### 3.5 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.

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

### 3.7 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 Annex 1.

### Reserves and Balances (Provisional)

3.8 A review of reserves has been undertaken and is presented at Appendix 3 for approval. The review of reserves reflects the outcome of discussions between the Director of Resources and the Lead Member for Financial Management and reflects. The Budget Planning Committee will be asked to carry out a separate piece of work on all reserves in the forthcoming year which is likely to lead to further adjustments to the reserves at the appropriate point.

3.9 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.

3.10 The medium term financial strategy states that General fund balances should not drop below £750,000. Before year end adjustments general fund balances stood at £1.4m. As part of the provisional outturn process and review of reserves the opportunity has been taken to top up general fund balances to provide more headroom above the minimum balance. If the Provisional Outturn, Carry Forwards and Transfers to Reserves are approved the General Fund Balance will be £1.9m.

### Provisional Capital Outturn 2014/15

3.11 A summary of the capital expenditure in 2014-15 is set out in the table below. The detailed Capital Outturn and slippage requests by Capital Scheme are shown in Appendix 2.

Description	Original Budget 14/15	Adjusted 14/15	Approved Budget 14/15	Actual 14/15	Slippage 14/15	Variance 14/15
	£000	£000	£000	£000	£000	£000
Community and Environment	4,093	(1,271)	2,822	1,566	906	(350)
Resources	839	0	839	594	389	144
Development	16,117	0	16,117	14,008	1,905	(204)
Bicester Regeneration	4,837	(2,886)	1,951	6,735	0	4,783
<b>GRAND TOTAL</b>	<b>25,886</b>	<b>(4,157)</b>	<b>21,729</b>	<b>22,902</b>	<b>3,200</b>	<b>4,373</b>

- 3.12 Capital underspends will be returned to unallocated capital resources. Within the Bicester Directorate, £4.7m overspend relates to investments in the Graven Hill Holding Company, which were reported to Executive. The variance against budget, after allowing for slippage, is 17% (which is outside 5% tolerance).
- 3.13 There has been slippage in the programme due to the many external factors although the two largest items (Bicester Community Building and South West Bicester Sports Village) have been reported to Executive prior to Outturn. The largest remaining items are shown below.

	<b>£000</b>
<b>Largest items of Slippage</b>	
Cooper Sports Hall roof	100
North Oxfordshire Academy Astroturf	150
Bradley Arcade Roof Repairs	120
Upgrade to Uninterrupted Power Supply	288
Environmental Improvements Grimsbury	250
Old Bodicote House repairs	124
Bicester Town Centre Redevelopment	176
Discretionary Grants for Domestic Properties	136
	<b>1,344</b>

#### **Efficiencies**

- 3.14 Planned efficiency savings from the 2014-15 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**

- 3.15 The Treasury Management Strategy for 2014-15, which includes the Annual Investment Strategy, was taken to Council for approval in February 2014. It sets out the Council's investment priorities as being: security of capital; liquidity; and yield.
- 3.16 The Council has also aimed to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity.
- 3.17 Investment rates available in the market have been broadly stable during the quarter and have continued at historically low levels as a result of the ultra-low Bank Rate. The annualised average level of funds available for investment purposes up to March 2015 was £48.970m. 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.
- 3.18 Investment performance at 31 March 2015 is as follows:-

<b>Fund</b>	<b>Amount at 31 March 2015</b>	<b>Interest Expectation</b>	<b>Actual Interest</b>	<b>Variance</b>	<b>Rate of return %</b>
In House	£49,853,000	£320,000	£400,216	£80,216	0.65%**
<b>Total</b>	<b>£49,853,000</b>	<b>£320,000</b>	<b>£400,216</b>	<b>£80,216</b>	

\* Excludes Glitnir Bank outstanding investment and interest

\*\* Rate of Return is shown on annualised basis.

## **Procurement**

- 3.19 The Joint Procurement Team has been adding value to a range of programmes across the Council including Graven Hill, Build! Projects, Wood Green Leisure Centre development & management and financial management system software.
- 3.20 The team have delivered cashable savings within year of £59,037 and additionally there are some procurement savings which are reflected in the service budgets.
- 3.21 The Joint Procurement Team continues to seek to work with Stratford-on-Avon District Council on mutually beneficial collaborative projects.

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

- 4.1 The financial performance for revenue reflects an underspend whilst capital reflects an overspend due to Graven Hill, which was known. 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 variances on the revenue outturn were within the Council's stated tolerances although capital outturn was outside for the reasons stated in the report.

## **5.0 Consultation**

- 5.1 The provisional outturn has been prepared by the Head of Finance and Procurement in consultation with the Director of Resources and the Lead Member for Financial Management.

## **6.0 Alternative Options and Reasons for Rejection**

- 6.1 This report illustrates the Council's provisional performance against the 2014-15 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 2014-15 because the respective reports are each designed to serve different purposes.

Comments checked by: Paul Sutton, Head of Finance and Procurement  
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### Legal Implications

7.2. The Council is legally required to prepare Financial Statements by 30 June 2015.

Comments checked by:  
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## 8.0 Decision Information

Key Decision	Yes	
Financial Threshold Met:		No
Community Impact Threshold Met:		No

### 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

Appendix No	Title
Annex 1	Requests for Budget Carry Forwards to 2015/16
Annex 2	Capital Out-turn 2014/15
Annex 3	Review of Specific Earmarked Reserves
Background Papers	
None	
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