

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 29 JULY 2014

Title of report	PROVISIONAL FINANCIAL OUTTURN 2013/14
Key Decision	a) Financial Yes b) Community Yes
Contacts	Councillor Nick Rushton 01530 412059 nicholas.rushton@nwleicestershire.gov.uk Chief Executive 01530 454500 christine.fisher@nwleicestershire.gov.uk Head of Finance 01530 454520 ray.bowmer@nwleicestershire.gov.uk
Purpose of report	To present the Provisional Financial Outturn for 2013/14 and make recommendations for allocations from the year's overall budget underspending and further allocations from the Value for Money Fund.
Reason for Decision	Requirement of Financial Procedure Rules
Council Priorities	Value for Money
Implications:	
Financial/Staff	Financial issues are contained within the report.
Link to relevant CAT	None.
Risk Management	There are significant financial risks to manage which were fully considered during the budget process.
Equalities Impact Assessment	Not required.
Human Rights	No implications.
Transformational Government	No implications.
Comments of Deputy Chief Executive	The report is satisfactory
Comments of Section 151 Officer	The report is satisfactory

Comments of Deputy Monitoring Officer	The report is satisfactory
Consultees	Corporate Leadership Team
Background papers	None
Recommendations	<p>THAT CABINET</p> <p>NOTES THE PROVISIONAL FINANCIAL OUTTURN POSITION FOR 2013/14</p> <p>APPROVES THE ALLOCATIONS OF ONE-OFF FUNDING DETAILED IN PARAGRAPH 2 TO BE FUNDED FROM THE 2013-14 GENERAL FUND REVENUE BUDGET UNDERSPENDING</p> <p>APPROVES THE ADDITIONAL ALLOCATIONS FROM THE VALUE FOR MONEY FUND DETAILED IN PARAGRAPH 3.</p>

1.0 INTRODUCTION

- 1.1 The Council is required to produce Financial Statements each year which “give a true and fair view” of the financial position and transactions of the Council. These have been prepared under International Financial Reporting Standards since 2010/11. The 2013/14 accounts will be considered and approved by the Audit and Governance Committee on 24 September 2014 after they have been audited. The format of the accounts is in a prescribed form, which is different to that of the monitoring statements and this report sets out the provisional outturn for the year in the more usual format so that they can be compared with the original budgets.
- 1.2 This report summarises the main elements of our financial performance in 2013/14 and the results are referred to as ‘provisional’ as they are still subject to external audit and may change.
- 1.3 Members will note that the financial tables are in more summarised form than those reported during the financial year and reflect various technical changes, although none of these adjustments affect the “bottom line” and consequently were not included in the original approved budget. The comparison between the approved budget and the expected actual expenditure is shown as a variance in each comparative table below.

2.0 GENERAL FUND

- 2.1 The expected final position on the General Fund is set out in Table 1.
- 2.2 The overall underspending for the year was £2.05m and this has been transferred to the General Fund Reserve, increasing it to £3.1m. As there is an excess over and above the Council’s minimum £1m reserve requirement there are additional resources available for one-off investment. The projected overall underspending on the General Fund is mainly as a result of increased income generated locally and increased efficiency across the directorates. This has been reported throughout the financial year and plans to spend the additional resource were summarised in the budget reports to Cabinet and Council in February this year.

Table 1		2013/14	2013/14
LINE NO.	GENERAL FUND	ORIGINAL ESTIMATE	ACTUAL
	TOTAL DISTRICT EXPENSES	£	£
1	CHIEF EXECUTIVE'S UNIT	4,610,610	4,266,515.58
2	DIRECTOR OF SERVICES	5,385,310	4,321,584.15
3	CORPORATE AND DEMOCRATIC CORE	52,630	47,429.59
4	NON-DISTRIBUTED COSTS	116,400	105,745.68
5	NET FINANCING COSTS	1,175,510	1,143,253.33
6	INVESTMENT INCOME	-43,000	-75,663
7	CORPORATE CONTINGENCY	360,000	0
8	LOCALISATION OF COUNCIL TAX GRANT – PARISH	118,191	118,191.00
9	REVENUE CONTRIBUTION TO CAPITAL	0	66,150.69
10	NET RECHARGES FROM GENERAL FUND	-1,343,080	-1,354,343.00
11	DEBT RESTRUCTURING PREMIUM	0	22,805.73
12	TRANSFER TO VFM BALANCE	91,896	91,896.00
13	TRANSFER TO GENERAL RESERVE	0	2,051,016.25
14	NET COST OF SERVICE AFTER RECHARGES	10,524,467	10,804,582.00
15	REVENUE SUPPORT GRANT	3,056,273	3,056,273.00
16	COUNCIL TAX TRANSITIONAL GRANT	20,428	20,428.00
19	COUNCIL TAX FREEZE GRANT 13/14	56,570	56,570.00
20	NEW HOMES BONUS	923,055	940,853.00
21	TRANSFER FROM COLLECTION FUND	16,679	16,679.00
22	OTHER GRANTS	0	18,319.00
23	COUNCIL TAX	4,509,000	4,508,588.00
24	NATIONAL NON DOMESTIC RATES BASELINE	1,942,462	2,186,872.00
		10,524,467	10,804,582.00

2.3 The overall underspending of £2.05m represents 5.1% of the Gross Revenue Budget for the year. This was achieved through the Council's strategic approach over the past years with regard to balancing the Council's finances. This approach has included a range of the following :

- Managing allocated budgets effectively through clear Officer accountability and regular management information.
- Taking any opportunities to capture in year savings and also to contribute to future saving targets
- Ensuring , through procurement challenges, that the best price is achieved

- Outcomes from service improvement programmes over the past eight years such as Invest to Save, Planning for the Future and Improving Customer Experience
 - A determined policy to reduce costs through the implementation of efficiencies
 - Significant increases in service income through increasing the customer base, better prices for recyclable material, and increasing fees and charges.
 - Opportunities to share delivery of services with other authorities.
- 2.4 The most significant variances for 2013/14 are explained below and summarised in Table 2.
- 2.5 The efficiencies made include significant savings on employee costs (£415k), in addition the 1% Pay Award was met from existing employee budgets rather than using a contingency of £100k. On-going prudent vacancy management within all teams coupled with service reviews led to an underspend in salary budgets, this was added to through reductions in agency spending and operational efficiencies leading to reduced overtime in the Waste and Leisure Services teams. In the 2014/15 budget the employee budgets were reduced to reflect a more realistic level of employee turnover and appropriate adjustments made to reflect savings from service reviews.
- 2.6 The Revenue Budget Contingency was not utilised, saving £250k. Managers have contained all their costs within their budgets without recourse to requests for supplementary estimates. The Contingency has not been called upon for a number of years and in light of this was reduced from £250k to £100k in the 2014/15 budget.
- 2.7 The additional £450k Planning income represents an increase of 84% on the original budget. Although there were slightly fewer applications during the year there was an increase in major applications received from 53 in 2012-3 to 73 in 2013-14. Many of the major applications dealt with were large housing schemes and the increase in major and complex applications that has contributed to the significant increase in fee income. There are a number of potential explanations for this, the most relevant however is that changes to the planning system nationally has meant that housing applications are actively encouraged and where local planning authorities are unable to demonstrate an adequate supply of housing, they are often placed in a position of having to approve schemes that they might otherwise object to. This has been the situation in North West Leicestershire for the last 12 months. Additionally North West Leicestershire is considered to be an attractive location and the home to a number of house builders all of whom wish to have an active presence in the district. Therefore whilst the housing supply factor may lead to a reduction in the number of applications going forward, the market factors influencing the number of applications is not likely to change significantly in the short term and it is anticipated that the level of major applications will remain high at least for another year.
- 2.8 Waste Services met the target of 48% of household waste being recycled which resulted in income from the sale of recyclable materials exceeding its budget. Risks from reduced paper quantities, thinner consumer product packaging and lower prices from contracts being re-procured did not fully materialise but remain on-going risks, as such income budget projections remain prudent

2.9 Prior to 1 April 2013 local authorities' Government Grant funding was announced before the start of each financial year and did not change. The introduction of a system of locally retained business rates from 2013/14 has made this source of income far more volatile and introduced significant new risks, and opportunities, for the Council. As well as an ever-changing business rates base, the Council also shares the costs of appeals, debt write-offs etc. The picture was complicated further by the Council's participation in a County Pool during 2013/14. In February all of the participants in the Pool agreed to its temporary dissolution in 2014/15 in light of this volatility and the difficulties it caused in assessing whether or not having a Pool was beneficial to its participant councils. A year on from the introduction of the new regime, councils are continuing to develop their systems for projecting and monitoring this major income stream. In common with the rest of the information presented in this report the outturn figures for business rate income are provisional and subject to external audit.

Table 2	
	£000
Efficiencies:	
Salary Savings	415
Unspent Revenue Budget Contingency	250
Costs of Pay Award Absorbed by Services	100
Reduced ICT Contract Costs	36
Additional Income:	
Planning Fees	450
Government Grant/Business Rates	281
Court Fees etc	150
Recycling Income	125
Recovered Council Tax Benefit Overpayments	52
Investment Income	32
Legal Services – increased external business/income	15

2.10 An improving General Fund Revenue Budget performance has been reported throughout the financial year and the Cabinet has already explained its intention to allocate significant levels of resource to one-off projects as part of the year end reporting process. These were outlined as part of the 2014/15 Budget Report in February and covered the four themes of supporting housing associations, encourage and support businesses, sprucing up Coalville and other shopping centres and also empowering community groups.

2.11 The Cabinet is therefore recommended to approve the following one-off expenditure items to be funded from the year end underspending:

Supporting Affordable Housing (£1m)

1. Contributions to three Housing Associations to improve the viability of schemes and allow them to qualify for funding (£500k).
2. Other Affordable Housing Schemes (up to £500k).

Local Business Fund - £500k (£250k from Whitwick Business Reserve surplus)

Creating a reserve to support the delivery of the Growth Plan for North West Leicestershire which will be considered by Cabinet in September.

Improving the Environment in Coalville and around the District (£360k)

Match funding for National Heritage Lottery Fund bids in Coalville Conservation Area - £35k

Designating Coalville Conservation Area gives to Council access to the Townscape Heritage Scheme and potentially between £1m and £2m funding. The National Heritage has advised the Council to bid for £700,000 in the first round which will require a 5% contribution from the Council. Further match funding may be required for future bids. Details were provided in a report to Cabinet on 24 June 2014.

Improvements to Shop fronts (£225k)

The Shop front Improvement Scheme aims to enhance shop fronts in selected areas as a means of supporting the growth of local businesses, improving the local environment and improving the image of the town centre for local residents, shoppers and visitors. It will be launched in August 2014. Applicants must be local, independent business owners.

Indoor Market Improvements – Phase 2 (£100k)

The Council investment to date has focussed on exterior improvements to the Market Hall (roof repairs, new public space creation and demolition/relocation of public toilets). Phase 2 will now focus on interior improvements in consultation and design with the market traders. It is anticipated (subject to cost) to include improved flooring, internal decoration, energy efficient lighting with improved lux levels, new more flexible stalls, internal and external signage.

Investing in Our Communities (£350k)

District Wide Programme (£210k) – Please see further report on this agenda
Supporting Cycling in Ashby (£40k) – Please see further report on this agenda

Urban Planting (£20k)

The District Council is committed to working with and encouraging local community groups and Parish Councils to create sustainable urban planting schemes as one small part of our contribution to being in the National Forest. The annual District Council Free Tree scheme is extremely popular and last year's offer which included a range of fruit trees was very quickly oversubscribed. This resource is requested to complement the Free Tree scheme and focus on the development of more Community Orchards and Community vegetable gardens.

Other Highly Commended Schemes (£30k)

Investing in our Communities is an innovative Grant scheme to support Parish Councils and Community Groups to access medium sized grants to help facilitate key community projects. Funding has separately been requested to fund seven locality

projects of £20,000 and seven district wide projects of £10,000. Access to this funding will be through a public on-line voting system. However, it is recognised that some schemes may be very worthy but may not secure enough votes to win a grant award. Therefore, this resource is requested for three further grants of £10,000 which will be awarded by the Council to schemes considered as Highly Commended by a multi-agency panel.

Area Based Support £50,000

This proposal is to increase capacity within the Community Focus team to enable area based support, communication and reporting. It is proposed to fund officer support until March 2016 in order to capacity build with key community groups, support Investing in our Communities projects, improve advice and guidance to Parish Councils and support in developing community plans. This additional resource will expand the capacity of Community Focus to allow a dedicated officer support for each of Coalville, Ashby and Northern Parish areas whilst linking to internal service area focussed officers enabling a clearer point of contact with the Council with regard to resolving local community issues.

- 2.12 Following the allocation of these funds the General Fund balance will be £1.1m. This a little above the minimum balance of £1m which the Council maintains in line with good practice and on the advice of the Council's Section 151 officer, the Head of Finance.

3.0 VALUE FOR MONEY FUND

- 3.1 The current position of the Value for Money Fund can be summarised as follows:

	£000	£000
Balance c/f 1 April 2013		2517
Budgeted Contribution 2013/14		<u>92</u>
		2609
Expenditure 2013/14		<u>195</u>
		2414
Commitments:		
Planning for the Future Reserve	250	
Linden Way Depot	190	
Improving the Customer Experience (Phase 1)	144	
Miscellaneous Invest to Save Projects	93	
Rural Broadband Phase 1	54	
Stenson House	20	<u>751</u>
		1663

- 3.2 The Cabinet is recommended to allocate further funds as follows for projects which cannot be funded from existing budgets:

	£000
Improving the Customer Experience (Phase 2)	300

Further Invest to Save Projects as well as ongoing customer improvements.

Rural Broadband (Phase 2) 216

The County Council has approached this Council to consider allocating a further £216k in supporting the availability of broadband in the District including improving the broadband speed.

Commissioning of Commercial Projects 50

The Council has a number of key frontline services which are trading against a commercial market on a daily basis. In order for the Council to consider if further investment and expansion of these services will generate increased financial returns a series of service specific Business Development reports are recommended to be commissioned. The initial tranche of reports to be commissioned will include Trade Waste, Grounds Maintenance and Off Street Enforcement, it is also proposed that an officer resource is seconded initially on a part time basis to lead this work and develop a Corporate Commercial approach to Business Development reporting direct to the Head of Community Services.

Spin Studio Project 30

The Council's Leisure Centre memberships are at an all time high with over 2,800 members paying £70,000 per month through Direct Debit payments. The main reason for taking out a membership is to access Health & Fitness facilities which include our gyms and fitness classes. Our most popular fitness class is Spinning but this is currently limited only to Hood Park Leisure Centre with approximately 10 classes a week. Customers are consistently requesting Spinning be brought to Hermitage and this proposal is to develop the former creche into a fitness studio to accommodate Spinning and other classes. The resource will cover new flooring, air conditioning, storage area improvements and up to 15 Spin bikes.

Urban Area Highway Verge Improvements 15

The County Council is currently liaising with the District and Parish Councils regarding grass verge cutting and highway grounds maintenance programmes. The District Council will be considering this matter later in the financial year but it is clear that following resident surveys these areas were considered low priority for the County Council's resources. In order to support our key towns and village centres to maintain their urban area highway planting schemes to an attractive standard it is proposed that this resource is made available to match fund any contribution made by a Parish/Town Council (including Coalville Special Expenses) up to a maximum of £5,000. Proposed schemes will be assessed and costed by the Council's Grounds Maintenance team and if required undertaken by them.

Staff Performance Programme 100

As part of the successful best Employee experience programme it is intended to develop a programme of development opportunities which will be available to all staff. This development programme will focus on how the Council's staff perform and deliver their services by supporting their personal levels of confidence and creativity.

Projected Balance 31 March 2015 952

3.3 Members could allocate the remaining balances to further projects now or allocate all or part of it through the 2015/16 budget process and/ the Medium Term Financial Strategy (MTFS) which will be presented to Cabinet for approval in September.

4.0 HOUSING REVENUE ACCOUNT (HRA)

4.1 The financial performance of the HRA is summarised in Table 3. The expected final position is a surplus of £1.509m, being £35,000 higher than the budget. The surplus on the account has been added to the HRA balance which stood at £5.268m at 31 March 2014.

Table 3	2013/14		
	Original Approved Budget	Provisional Outturn	Provisional Variance
	£'000	£'000	£'000
HOUSING REVENUE ACCOUNT			
Repairs and Maintenance	4,849	4,749	(100)
Supervision and Management	2,345	2,085	(260)
Provision for Doubtful Debts	97	224	127
Capital Financing (Depreciation, Impairment & Debt Management)	4,259	4,237	(22)
Total Expenditure	11,550	11,295	(255)
Less Rental Income & Service Charges	(16,483)	(16,165)	318
Net Cost of Service	(4,933)	(4,870)	63
Capital Financing (Principal & Interest)	3,432	3,401	(31)
Investment Income	(25)	(36)	(11)
Premature Loan Redemption Premiums	19	19	0
Net transfer from reserves	0	(23)	(23)
Contingency	33	0	(33)
NET (SURPLUS) / DEFICIT	(1,474)	(1,509)	(35)

4.2 The major variations are shown below:

- Reduced rent/service charge income of £318k due to increased void levels (213k) and fewer rentable properties than budgeted due to extra Right to Buy sales (104k) compared to budget assumptions. There is also a small reduction in service charges for the same reason.
- Increased Provision for Bad Debts - £127k

Offset by:

- Underspend of £60k on Council Tax on void properties.
- General savings on Supervision & Management costs - 200k
- Reduced Repairs costs - £100k
- Reduction in net financing costs - £42k

5.0 SPECIAL EXPENSES

5.1 The expected final position on Special Expenses is an underspending of £39,000. Table 4 below gives further details

Table 4 Special Expenses	Original Budget £'000	Provisional Outturn £'000	Provisional Variance £'000
Special Expenses	756	726	-30
Net Financing costs	-81	-107	-26
Contribution to Earmarked Reserves	0	17	17
Expenditure Requirement	675	636	-39
Precept	575	575	0
Localisation of Council Tax Support Grant	100	100	0
Transfer to Reserves	0	-39	-39

5.2 The opening Special Expenses Reserves Balance was £82,000 and following the surplus of £39,000 for the year, this now stands at £121,000.

6.0 CAPITAL

6.1 The Council's capital spending is detailed in Table 5.

6.2 The slippage into 2014/15 on the General Fund was agreed by the Cabinet at its meeting on 11 February 2014. Since then there has been slippage of expenditure identified on Phase 1 of the ICE project which will be utilised in 2014/15 in addition to the new funding from reserves for Phase 2.

6.3 There is always some slippage on Disabled Facilities Grant payments because approvals are given in advance of final payments being made. In 2013/14 this was exacerbated by delays in referrals from the County Council. This should now improve as the County has filled vacancies with permanent staff.

6.4 The final Housing Revenue Account capital budget was under spent by £1.5m compared to the revised approved budget of £15.738m. The main reasons for this are a result of delays in procuring contracts which are now in place, savings achieved on the Decent Homes Improvement Programme and delivery slippage during 2014/15.

TABLE 5	Approved	Prior	In Year	In Year	Revised	Provisional	Provisional
Scheme	Budget	c/f	Approvals	Slippage	Budget	Outturn	Variance
	£'000	£'000	£'000		£'000	£'000	£'000
HOUSING							
Improvements and Modernisation Disabled Facilities Grants	15,865	1,593		(1,720)	15,738	14,227	(1,510)
	373	263	5	(173)	468	314	(154)
OTHER SERVICES							
Parks and Recreation Grounds	188	99	10	(202)	95	82	(13)
IT & Software	272	60	232		564	400	(164)
Transport Account Vehicles	750				750	721	(29)
Leisure Centres	138				138	130	(8)
Car Parks	146			(97)	49	36	(13)
Coalville Market Upgrade	100		68	(168)	-	-	0
TOTAL CAPITAL PROGRAMME	17,832	2,015	315	(2,360)	17,802	15,911	(1,891)