

Agenda Item:

Report to: Cabinet
Date of meeting: 23rd July 2014
Report of: Director of Finance
Title: Summary of the Financial Outturn 2013/14

1.0 SUMMARY

1.1 This report informs Cabinet of the revenue and capital outturns for 2013/14.

2.0 RECOMMENDATIONS

- 2.1 To consider the revenue outturn as summarised at Appendix 1A, and supplementary notes at Appendices 1B to 1F and to note the year end position, which includes the carry forwards as shown in paragraph 2.2 below.
- 2.2 To approve the unspent service budgets from 2013/14 to be carried forward into 2014/15 totalling £338, 950 as detailed at Appendix 1E.
- 2.3 To consider the Reserves statement at Appendix 1F and note that the overall level of reserves has increased by £7.263m. However it is anticipated that the majority of this will be used to fund expenditure in 2014/15. This includes approx. £4.000m in relation to business rates and New Homes Bonus funding to support capital expenditure in future years.
- 2.4 To consider the capital outturn as summarised in Appendix 2. This shows the original budget of £21.586m (which includes £8.087m rephased from 2012/13) and the outturn of £12.552m. The majority of the variance has occurred from the rephasing of large scale projects to 2014/15.

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3.0 INTRODUCTION

3.1 A key feature of reporting the outturn for the financial year is to compare it against the original budget which provides an indication of the accuracy and robustness of financial control within the Council.

3.2 This report provides an analysis of the revenue and capital outturns for 2013/14. Further detail can be found in the draft Statement of Accounts that will be reported to the Audit Committee on 29th September 2014.

4.0 REVENUE OUTTURN 2013/14

4.1 **Appendix 1A** shows the net expenditure by service area which compares the original 2013/14 budget (as approved by Council on 30th January 2013) to the outturn. The net effect is an underspend on the cost of services of £1.972m. This is made up of underspends, service changes and additional income in some areas that are higher than the budgeted figure.

4.2 **Appendix 1B** details the variances when comparing original budget to the outturn.

The significant variances which have been included in Budget Panel updates during the year are:

£342,000 previously identified additional expenditure on the ICT Shared Service

£260,000 savings from the outsourcing of the Veolia Contract

£209,000 savings from the Charter Place transfer

£563,000 underspend on the repairs and maintenance of operational buildings

£218,000 increase in rental income from the property portfolio

£380,000 previously identified overspend on Revenues & Benefits

£475,000 underspend on provisions & contingencies i.e. pay & price inflation, superannuation and bad debt provision.

£251,000 Additional Business Rates grant

4.3 **Appendix 1C** shows the difference in funding when comparing original budget to the outturn. This totals £7.495m and is attributable to additional grants for Weekly Collection Support Grant (£2.001m), New Homes Bonus (£1.021m) and Business Rates funding (£4.224m) which the Council will be required to release during 2014-15 due to the way in which business rates are accounted for. The Weekly collection grant was largely spent during the year, the increase in NHB is to be used to fund capital expenditure but was not required during 2013/14 following reviews.

4.4 **Appendix 1D** compares the outturn for employee costs to the original budget and shows a favourable variance of £4.065m. The main reason for the variance is due to the outsourcing of Waste, Parks and Street Cleansing to Veolia and the transfer of Charter Place security staff to Intu. This variance was reported to Budget Panel during the year and included in the year end forecast.

4.5 **Appendix 1E** details those unspent balances that Leadership Team recommend should be carried forward to 2014/15.

4.6 **Appendix 1F** details the end of year position regarding the Council's holding of reserves. This shows an increase in reserves of £7.263m during 2013/14. The majority of this is due to additional business rates of £4.661m and is expected to be spent in 2014/15 and future years.

5.0 CAPITAL OUTTURN 2013/14

5.1 A summary analysis of the council's capital programme has been attached at **Appendix 2**. The overall position shows a net decrease in capital spend of £9.034m. The majority of the variance has occurred from the rephasing of the following projects to 2014/15:-

- Watford Health Campus £1.604m
- Cultural Quarter Phase 1 £1.445m
- New Market £2.362m
- Allotment Upgrades £0.975m
- Play Areas £1.146m
- Farm Terrace Allotments £0.298m
- Hurling Club Relocation £0.908m
- Building Investment Programme £0.300m

5.2 During the year there was a review of capital projects which included a realignment of budgets; this was reported to Budget Panel during the year.

5.3 Investment within Watford is seen as a key priority and has been financed from capital receipts and government grant. Capital expenditure totalling £23.598m is planned for the period 2014/17 (2014/15 £15.020m) and built into the medium term financial strategy.

6.0 CONCLUSION

6.1 The general fund underspend totals £1.972m. Some of this underspend relates to final decisions being made after setting the original budget. These include the Veolia outsourcing, the transfer of staff and facilities of Charter Place and final pay and price inflation. There was also a grant received in late March for Small Business Rate relief that was not included in the budget due to the timing of the announcement and the implementation of local business rates. Due to increased activity in the property market there was additional rental income and planning fees.

From 2014/15, Finance are proposing to implement a new budget monitoring process that will be designed for budget holders to monitor and scrutinise their budgets more closely and report variances as they arise. Additionally, at the budget setting stage, Finance will work closely with budget holders to identify potential on going savings in the base budget.

6.2 Earmarked reserves have increased by £7.263m (although it was originally anticipated that this would decrease by £0.584m). Much of this increase relates to business rate funding and the Government having to pay a grant to the Council for their business rates being lower than the 'Safety Net' level for 2013-14. This grant will be required during 2014/15 to balance the Collection Fund.

6.3 With regard to the capital outturn, although the 2013/14 showed an underspend of £9.033m this was mainly due to the rephasing of projects, which most are scheduled to be completed in 2014/15. The Council continues to have an ambitious programme which includes ensuring its infrastructure/assets are well maintained as well as seeking to move forward through investment in key projects where the aim is to secure the future prosperity of the Watford area.

7.0 FINANCIAL IMPLICATIONS

7.1 These have been included within the report.

8.0 LEGAL IMPLICATIONS

8.1 There are no legal implications in the report.

9.0 POTENTIAL RISKS

| Potential Risk | Likelihood | Impact | Overall Score |
|---|------------|--------|---------------|
| That the External Auditor finds material errors within the Final Accounts process | 2 | 4 | 8 |
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10.0 EQUALITIES

10.1 Watford Borough Council is committed to equality and diversity as an employer, service provider and as a strategic partner. In order to fulfil this commitment and its duties under the Equality Act 2010 it is important to demonstrate how policies, practices and decisions impact on people with different protected characteristics. It is also important to demonstrate that the Council is not discriminating unlawfully when carrying out any of its functions.

10.2 The reporting of the Final Outturn for 2013/14 does not have any direct equality implications. In effect it is reporting upon the financial consequences of policies already established by the Council and is not seeking to change those policies in any way.

Appendices:

Appendix 1A Revenue Account General Fund Summary 2013/14

Appendix 1B Major Variances 2013/14

Appendix 1C Funding Variances 2013/14

Appendix 1D Employees Costs - Variances 2013/14

Appendix 1E Carry Forward requests into 2014/15

Appendix 1F Summary of Reserves 2013/14

Appendix 2 Capital Outturn 2013/14