



# Confident Capable Council Scrutiny Panel

10 September 2014

<b>Report title</b>	Budget Update and Review	
<b>Cabinet member with lead responsibility</b>	Councillor Andrew Johnson Resources	
<b>Wards affected</b>	All	
<b>Accountable director</b>	Keith Ireland, Delivery	
<b>Originating service</b>	Strategic Financial Services	
<b>Accountable employee(s)</b>	Mark Taylor	Assistant Director Finance
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<b>Report to be/has been considered by</b>		

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## Recommendation(s) for action or decision:

The Panel is recommended to:

1. Consider the arrangements for:
  - a. Ensuring adequate identification and management of budget risks;
  - b. Budget planning and forecasting for future years.

## 1.0 Purpose

- 1.1 To bring to the Panel's attention information about the Council's finances which has recently been reported to the Cabinet and Cabinet (Resources) Panel, including:

Information relating to the 2013/14 outturn

- The outturn position for 2013/14 against capital budgets (paragraph 4);
- The outturn position for 2013/14 against revenue budgets (paragraph 8);
- The use of, and additions to, specific reserves, provisions and balances during 2013/14 (paragraph 7);
- The Council's treasury management activities during 2013/14 (paragraph 5).

Information relating to monitoring of the 2014/15 budgets

- The forecast outturn position for 2014/15 against capital budgets as at quarter one, and the forecasts for 2015/16 to 2018/19 (paragraph 4);
- The forecast outturn position for 2014/15 against revenue budgets as at quarter one (paragraph 9);
- The Council's treasury management activities during the first quarter of 2014/15 and the forecasts for the remainder of the year (paragraph 5).

Information relating to the medium term financial strategy

- The Council's forecast general fund budget and savings requirements for 2014/15 and beyond (paragraph 3).

Information relating to the Council's Housing Revenue Account (HRA) business plan

- The Council's HRA outturn position for 2013/14 against revenue and capital budgets (paragraph 6);
- The Council's HRA forecast outturn position for 2014/15 against revenue budgets (paragraph 6);
- The Council's HRA Business Plan, including the capital programme for 2014/15 – 2018/19 (paragraph 6).

## 2.0 Background

- 2.1 As set out in the Confident Capable Council Scrutiny Panel work plan, the Panel will receive regular updates on the budget and medium term financial strategy throughout the year. This is the first report of this nature for 2014/15.
- 2.2 Reports focussing on the Council's finances have been received by Cabinet and Cabinet (Resources) Panel as set out below:

Cabinet, 25 June 2014

- Managing the Budget Cuts – The Next Phase
- Capital Budget Outturn 2013/14 including Quarter One Monitoring 2014/15.

Cabinet, 23 July 2014

- Treasury Management - Annual Report 2013/14 and Activity Monitoring Quarter One 2014/15;
- Housing Revenue Account Business Plan Update Quarter One 2014/15;
- Reserves, Provisions and Balances 2013/14;
- Revenue Budget Outturn 2013/14.

Cabinet (Resources) Panel, 29 July 2014

- Quarter One Revenue Budget Monitoring 2014/15.

**\*In order to minimise printing costs the Panel Chair has agreed that full versions of the reports will not be circulated again - however it is recommended that Panel members review the reports ahead of the meeting, and are requested to please bring the full versions that were circulated with the relevant Cabinet agenda papers to this meeting.**

### **3.0 Managing the Budget Cuts – The Next Phase**

- 3.1 This report (available via this [link](#)) identified additional savings for both 2014/15 and 2015/16 in accordance with the strategy set out in the five year budget and medium term financial strategy (MTFS) 2014/15 to 2018/19, that was approved by Cabinet in February 2014 and Council in March 2014.
- 3.2 The following strategy to address the budget deficit was approved by Council on 6 March 2014:
- A minimum of £25.0 million of additional savings for 2015/16 should be identified and reported to Cabinet in June 2014, in order to demonstrate that a balanced budget can be achieved and that general reserves can be partially replenished.
  - That additional savings for 2014/15 should be identified and reported to Cabinet in June 2014 and then Council in July 2014 in order to revise the 2014/15 budget and reduce the call on general reserves.
  - That a further £35.0 million of additional savings should be identified, taking the total additional savings to be identified to £60.0 million, in order to address the projected budget deficit over the medium term to 2018/19.
- 3.3 Since the 2014/15 budget was set work has been in progress to identify the required savings with savings proposals amounting to £18.1 million identified for 2015/16; £1.7 million of which can be achieved during 2014/15.
- 3.4 Work is continuing to deliver the agreed strategy to address the projected budget deficit; namely to identify a further £7.0 million of savings for 2015/16.
- 3.5 The overall level of risk associated with the five year budget and MTFS for 2014/15 to 2018/19 continues to be assessed as red. The six main areas of risk are summarised in Appendix B of the report.

#### **4.0 Capital Budget Outturn including Quarter One Monitoring 2014/15**

4.1 The Council's capital expenditure (identified in the report available via this [link](#)) for 2013/14 totalled £117.5 million. This represented 83% of the approved budget for the year. The forecast spend for the current year, and the following four years is as follows:

- 2014/15: £124.2 million.
- 2015/16: £48.0 million.
- 2016/17: £14.7 million.
- 2017/18: £5.9 million.
- 2018/19: £2.0 million.

4.2 There are a number of significant risks associated with the medium-term capital programme. These are discussed in Appendix G of the report. The overall risk associated with the Programme continues to be quantified as amber.

#### **5.0 Treasury Management - Annual Report 2013/14 and Activity Monitoring Quarter One 2014/15**

5.1 This report (available via this [link](#)) confirms that during the course of 2013/14, the Council followed the recommendations as set out in the Treasury Management Strategy 2013/14. This included the authorised borrowing limit set at £905.8 million, the Treasury Management Strategy, the Annual Investment Strategy, the Prudential Indicators and the Annual Minimum Revenue Provision (MRP) Statement.

5.2 Overall treasury management activities generated a saving of £10.7 million for the general fund and a saving of over £2.0 million for the HRA in 2013/14. Included within the general fund figure is the one-off benefit of £10.0 million arising from the adjustment to the value of variable E calculation in respect of redemption of debt. This was approved by Cabinet on the 23 October 2013 as part of the five year budget and medium term financial strategy 2014/15 to 2018/19 report.

5.3 Revenue savings of £214,000 for the general fund and £5.9 million for the HRA are projected for the year 2014/15, arising mainly as a result of the Council's strategy to use cash balances to finance capital expenditure rather than external borrowing. Borrowings and investments are actively managed to achieve savings wherever possible.

#### **6.0 Housing Revenue Account Business Plan Update Quarter One 2014/15**

6.1 The revenue outturn for 2013/14 (as stated in the report available via this [link](#)) was a surplus (before allocations to reserves and redemption of debt) of £18.5 million compared to a budgeted surplus of £11.9 million. This favourable variance is almost entirely due to savings on interest payable of £6.0 million. This is the result of two factors: the council's active approach to treasury management, and the significant re-profiling of capital expenditure from 2013/14, which has resulted in lower than forecast borrowing.

- 6.2 The total capital expenditure for 2013/14 was £43.1 million, £32.2 million less than the £75.3 million budgeted. This was primarily due to the strategic construction partnership not coming on stream as quickly as had been anticipated and a re-profiling of works which has moved significant amounts of planned expenditure into the current financial year.
- 6.3 The forecast revenue outturn against the 2014/15 budget is a surplus before allocations of £13.9 million, which is on budget.
- 6.4 The HRA continues to be forecast to have sufficient resources to fund the £1.9 billion of capital works that will be required to its houses over the next 30 years, as well as meeting its management and maintenance obligations over the same period.
- 6.5 There are a number of risks associated with the HRA Business Plan Update. These are discussed in Appendix C of the report. The overall risk associated with the budget continues to be quantified as amber.

## **7.0 Reserves, Provisions and Balances 2013/14**

- 7.1 This report (available via this [link](#)) details the Council's specific reserves, provisions and general balances as at 31 March 2014, and the movements during the year. Specific reserves decreased by £15.9 million to £27.6 million, provisions decreased by £4.9 million to £39.1 million and general balances increased by £9.5 million to £47.5 million.
- 7.2 General balances have increased on the whole as a result of £17.1 million that was transferred into the general fund balance during 2013/14. This was a combination of funding previously earmarked for a specific purpose that was no longer deemed to be required and therefore available to general fund balances, as approved by Council in November 2013, in addition to a one-off benefit to the General Fund arising from an adjustment to the value of variable E in the annual provision for the redemption of debt formula, as set out in the Council's Annual Minimum Revenue Provision (MRP) Statement and approved by Council on 6 November 2013.

## **8.0 Revenue Budget Outturn 2013/14**

- 8.1 This report (available via this [link](#)) confirmed a net overspend of £2.3 million (0.91%) was incurred against the general fund net budget requirement of £255.6 million for 2013/14; after taking account of the cost of redundancy during the year totalling £4.6 million. This overspend was met by a transfer from the general fund balance.
- 8.2 The net overspend position takes into account transfers to and from reserves and provisions, including the budgeted use of £3.7 million of the general fund balance, which was included in the 2013/14 approved budget.
- 8.3 The collection fund outturn was a £1.3 million surplus during 2013/14; this resulted in an overall surplus of £700,000 to be carried forward, after taking account of the deficit of £600,000 from previous years.

8.4 Schools balances reduced by £1.4 million during 2013/14. This is a more favourable position when compared to the projected use of £3.8 million of reserves anticipated for the year.

## **9.0 Quarter One Revenue Budget Monitoring 2014/15**

9.1 Overall a net over spend of £613,000 (0.25%) is projected against the general fund net budget requirement of £247.8 million (report available via this [link](#)).

9.2 An update to the budget and medium term financial strategy presented to Cabinet on 25 June 2014, detailed the work that has taken place during the early part of 2014/15 to identify further savings. A strategy was approved by Cabinet to identify £25 million of savings for 2015/16 by October 2014 in addition to a further £35 million for the medium term period to 2018/19. Acceleration and identification of 2014/15 savings proposals equating to £1.7 million were approved and therefore a revised budget has been reflected in this budget report. Those savings will reduce the call on general fund reserves this financial year.

9.3 There are a number of risks associated with the revenue budget for 2014/15. These are discussed in Appendix F of the report. The overall level of risk associated with the revenue budget for 2014/15 is assessed as amber.

## **10.0 Financial Implications**

10.1 These are detailed within the reports to Cabinet and Cabinet (Resources) Panel. [MH/19082014/L]

## **11.0 Legal implications**

11.1 These are detailed within the reports to Cabinet and Cabinet (Resources) Panel. [KO/27082014/D]

## **12.0 Equalities implications**

12.1 These are detailed within the reports to Cabinet and Cabinet (Resources) Panel.

## **13.0 Environmental implications**

13.1 These are detailed within the reports to Cabinet and Cabinet (Resources) Panel.

## **14.0 Schedule of background papers**

14.1 Managing the Budget Cuts – The Next Phase, report to Cabinet, 25 June 2014.  
Capital Budget Outturn 2013/14 including Quarter One Monitoring 2014/15, report to Cabinet, 25 June 2014.

Treasury Management - Annual Report 2013/14 and Activity Monitoring Quarter One 2014/15, report to Cabinet, 23 July 2014.

Housing Revenue Account Business Plan Update Quarter One 2014/15, report to Cabinet, 23 July 2014.

Reserves, Provisions and Balances 2013/14, report to Cabinet, 23 July 2014.

Revenue Budget Outturn 2013/14, report to Cabinet, 23 July 2014.

Quarter One Revenue Budget Monitoring 2014/15, report to Cabinet (Resources) Panel, 29 July 2014.