Forest Heath District Council

PERFORMANCE AND AUDIT SCRUTINY COMMITTEE
31 JULY 2014
PAS14/043

(This report is not a key decision. This report has been subject to appropriate notice of publication under the Council's Access to Information Rules)

Report of the Cabinet Member for Resources, Governance and Performance

FINANCIAL OUTTURN REPORT (REVENUE AND CAPITAL) – 2013-2014

1. Summary and reasons for recommendation

1.1 This report updates members on the current position with regard to the 2013/14 revenue and capital spend against budget.

1.2 The revenue outturn position as at 31 March 2014 currently shows a small **overall underspend of £95,000** (representing approximately 1.5% of the net budget), which consists of variances as outlined in **Appendix B**. The Council's capital outturn position for 2013/14 shows a **net underspend of £58,000** after allowing for project timings being carried forward into 2014/15.

2. Recommendation

The Committee is requested to **note** the 2013/14 Outturn revenue and capital outturn positions at **Appendices A and C**.

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3. How will the recommendations help us meet our corporate priorities?

3.1 Monitoring year-end financial performance plays an important role in understanding how the Council's financial plans and strategies have contributed towards the achievement of the Council's corporate priorities.

3.2 In order for the Council to be able to meet its corporate priorities it is essential that sufficient and appropriate financial resources are available.

4. Key issues

4.1 The most significant challenge that the Council faced during 2013/14 was both the continuation of public expenditure cuts and the reduction in central government grant funding and the changing landscape of local government financing such as the business rate retention scheme introduced from April 2013. The Council also faced a number of local challenges in ensuring that its expenditure is constrained in the face of declining interest receipts and increased demand on front line services such as Housing Benefits and homelessness.

4.2 The Council further progressed its savings programme, building on the restructuring efficiencies and general cost cutting exercises in previous years for 2013/14, the majority of which was generated through the sharing of services with St Edmundsbury Borough Council.

Revenue position

4.3 The revenue outturn position as at 31 March 2014 currently shows a small **overall underspend of £95,000.** A summary by Head of Service area can be found in **Appendix A**.

Major variances – Revenue Budgets before interest, minimum revenue provision and business rates retention

4.4 Financial pressures that adversely impacted the Council's financial position during the year include reduced industrial & town centre rental income due to vacancies (£53,000) ; and an overspend on building control mainly as a result of reduced fees levels (£128,000).

4.5 In contrast to the financial pressures, there are areas of budget savings such as the additional tipping fees of £146,000, and savings achieved on the management fee costs previously paid for the operation of car parks £92,000.

4.6 **Appendix B** details all other major variances over £25k and includes further details on those outlined above.

Major variances – Interest, minimum revenue provision and business rates retention

4.7 The overall amount of interest on investments (including accrued interest to 31 March 2014) in respect of the 2013/14 financial year totalled £552,000. This represents an increase of £46,000 against the budget of £506,000 as forecast in the Council's Medium Term Financial Strategy. The actual income from interest on investments was higher than budgeted primarily due to higher than expected cash holdings arising from under spends and project/budget slippage on the capital programme.

4.8 The Business Rates Retention Scheme introduced by Government from April 2013 is intended to provide incentives for local authorities to drive economic growth, as the authorities will be able to retain a share of the growth that is generated in business rates revenue in their areas, as opposed to the previous system where all business rates revenues were held centrally and redistributed to councils based on the government's assessment of their need.

4.9 Under the new scheme local authorities were also allowed to form pools for the purposes of business rates retention. Both West Suffolk authorities signed up along with the other Suffolk Authorities and the County Council to be designated as the Suffolk Pool from April 2013.

4.10 The in-year collection of business rates, income and expenditure such as appeals provisions and exemptions, goes into a designated collection fund. The 2013/14 outturn position shows a deficit in respect of this collection fund for business rates compared to the projected position back in January 2013. However, a large proportion of this deficit is offset by section 31 grants from central government, paid as compensation for those national decisions, such as continuation of the doubling of small business rate relief, which have contributed to the collection fund deficit.

4.11 The business rate collection fund deficit for 2013/14, under current accounting rules, is carried forward into 2014/15 onwards. However the accounting treatment for section 31 grants is in the year of receipt and therefore the general fund position for 2013/14 would be showing an increase/surplus in income, as the deficit would not hit the general fund until after 2013/14. For this reason any increase/surplus on business rate income, mainly via the section 31 grants, has been placed into an earmarked reserve for Business Rates Retention so they can be drawn upon in 2014/15 onwards to offset our share of the collection fund deficit.

Capital Position

4.12 The Council's capital outturn position for 2013/14 shows a **net underspend of £58,000** after allowing for project timings being carried forward into 2014/15.

4.13 **Appendix C** to this report sets out the actual capital expenditure incurred in 2013/14, the carried forward budgets into 2014/15 (project timing) and a comparison to the budgeted expenditure approved for 2013/14. This appendix also includes comments regarding the variances in respect of individual projects.

4.14 It should be noted that the year-end revenue and capital outturn positions are still being finalised and as such these figures may change as the final accounts process progresses.

5. Other options considered

5.1 None.

6. Community impact

6.1 **Crime and disorder impact** *(including Section 17 of the Crime and Disorder Act 1998)*

6.2 Wherever applicable, crime and disorder impact has been assessed by the individual services as part of their ongoing operational functions.

6.3 **Diversity and equality impact** *(including the findings of the Equality Impact Assessment)*

6.4 Wherever applicable, diversity and equality impact has been assessed by the individual services as part of their ongoing operational functions.

6.5 **Sustainability impact** *(including completing a Sustainability Impact Assessment)*

6.6 Wherever applicable, sustainability impact has been assessed by the individual services as part of their ongoing operational functions.

6.7 **Other impact** *(any other impacts affecting this report)*

6.8 Wherever applicable, any other impact has been assessed by the individual services as part of their ongoing operational functions.

7. Consultation *(what consultation has been undertaken, and what were the outcomes?)*

7.1 This report and the figures therein have been complied by the Finance team in consultation with the relevant budget holders and services.

8. Financial and resource implications *(including asset management implications)*

8.1 As set out in the body of this report.

9. Risk/opportunity assessment *(potential hazards or opportunities affecting corporate, service or project objectives)*

Risk area	**Inherent level of risk** (before controls)	**Controls**	**Residual risk** (after controls)
Wider economic situation around income levels	High	Continue to monitor areas closely to ensure assumptions remain reasonable	Medium
Capital investment plans continue to be affordable, prudent and sustainable	Medium	Prudential Indicators are in place to safeguard the Council	Low
Treasury Management	Medium	Treasury Management Policy and Procedures are in place	Low

10. Legal and policy implications

10.1 As outlined in the body of this report.

11. Wards affected

11.1 All

12. Background papers

12.1 None

13. Documents attached

13.1 Appendix A – Revenue Outturn position 2013/14
Appendix B – Analysis of Revenue Variances 2013/14
Appendix C – Capital Outturn position 2013/14