

Committee:	Executive	Agenda Item No.:	12
Date:	9 December 2013	Status	Open
Subject:	Revised General Fund, Housing Revenue Account and Capital Programme budget for 2013/14		
Report by:	Assistant Director – Accountancy and IT.		
Other Officers Involved	Chief Accountant, Principal Accountant.		
Director Relevant Portfolio Holder	Director of Corporate Resources Councillor E. Watts, Leader of the Council.		

## **RELEVANT CORPORATE AIMS**

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

## **TARGETS**

All.

## **VALUE FOR MONEY**

This report is intended to demonstrate that the Council has in place an appropriate framework for managing the budget. Robust budget management is an essential foundation for securing Value for Money.

## **1 Purpose of Report**

- 1.1 To inform Executive of the outcome of the revised budget process undertaken during October and November 2013 and to seek approval for the revised budget for the General Fund and Housing Revenue Account for 2013/14 and to note the revised position of the Capital Programme based on Council approvals during the course of the financial year and the re-profiling of some approved schemes.

## **2 Background Information**

- 2.1 Officers commenced the budget process in October 2013 in order to establish the revised budget figures for the current year and provide an early indication of the financial position of the General Fund to allow adequate time for budget discussions with Officers and Members. Officers at the same time have prepared Revised Budgets for the Housing Revenue Account (HRA) and the Capital Programme. The scope of this report is therefore limited to the Revised Budget

position on the General Fund and HRA and an update on the Capital Programme position. It was particularly important to commence the Revised Budget process early to ensure that all possible savings could be identified and captured at the earliest opportunity in order to balance the budget for the current financial year. The timely process ensures that all budget managers are working to the revised budgets in the General Ledger and in the provision of their services. Given the extent of the financial pressures that will face the Council in the next financial year (2014/15) it is critical that the budget in respect of the current financial year is managed in a manner that will assist the Council in addressing the financial pressures that have arisen from the Comprehensive Spending Review.

- 2.2 The budgets recommended within this report will be used as the basis of budget monitoring and management. They will then be the basis of the Medium Term Financial Plan reported to Executive in January 2014 and Council in March 2014.

### **3 Issues for Consideration**

#### **General Fund Revenue Account**

- 3.1 The revised budget process is now complete and the proposed revised budget for 2013/14 for the General Fund is attached at **Appendix 1**. The appendix shows the Original Budget for 2013/14 which was agreed in March 2013 on a Directorate basis together with the proposed Revised Budget for 2013/14. The revised budget shows that the **Total Spending Requirement** has been reduced to £12.114m which is £0.918m below the Original Budget figure of £13.032m. The reduction reflects the achievement of many of the £0.615m savings targets which are being delivered and implemented by officers in the current year. It also reflects where budget officers have sought to identify and manage reductions in their budgets whilst maintaining service delivery standards. For budget management purposes the savings target items are now reflected in the relevant service area of the budget. Other budget adjustments have also been made to reflect service needs and approved one-off costs related to service transformation, development and projects which will be funded from the use of reserves. The reserves utilised include the use of the Efficiency Grant, the Local Development Reserve for the local plan, Transition Fund, Transformation Reserve and General Reserve.
- 3.2 It can also be seen within the Revised Budget the S106 monies that the Council must utilise during the financial year to comply with S106 requirements (£0.801m).
- 3.3 In all areas the Assistant Directors and budget managers have been consulted and are in agreement of the budget changes proposed. Also, it has been a clear objective in the exercise not to make any budget changes that have a significant adverse impact on the service provision being delivered. **Appendix 2** shows the net cost of each cost centre by Directorate for further information.
- 3.4 The budget lines below the **Total Spending Requirement** line of **Appendix 1** have also been revised. The items below the Total Spending Requirement covers an increase of £0.05m in the amount of Council Tax Freeze Grant above the original forecast, an increase in the retained Business Rates of £0.155m above the Government baseline settlement reflecting growth in the district and an increase of £0.021m in the grant received in 2013/14 for New Homes Bonus. The total of these revised budgets gives an overall surplus to the General Fund in the current year of £0.275m.

- 3.5 The estimated £0.275m surplus in the year will clearly be dependent on the actual financial performance out-turning in line with the revised budgets. There may be further costs identified from the current restructuring process and other variances as the year progresses. Unless the estimated surplus is earmarked for other purposes then the sum will be transferred into the General Fund balances at the year end. Given the ongoing pressure to achieve financial savings it is crucial that the Council retains sufficient financial reserves to support any necessary transformation, development and restructuring costs.
- 3.6 From the original savings targets there remains two items which have not been moved into the relevant service areas. This is the vacancy allowance which officers anticipate may contribute a further £0.020m in the remainder of the financial year and the one off income sum of £0.100m estimated to be received from Amber Valley BC. If these savings target items are realised the surplus in the year is estimated to increase to £0.395m.

#### **2014/15 to 2016/17 - Roll forward budget – indicative figures**

- 3.7 In addition to developing the revised budget in respect of 2013/14, Officers have at the same time undertaken the work necessary to prepare a roll forward budget in respect of 2014/15 and future years. The figures are still being worked on by the Accountants but at this stage the position is as shown in the table below:

	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Preliminary calculation of In year budget shortfall	752	997	814
Cumulative Shortfall position	752	1,749	2,563

- 3.8 These figures are still subject to change but they do indicate that the Council has made in-roads into the budget shortfall for 2014/15. The original MTFP approved in February 2013 indicated that the budget gap for 2014/15 was £0.993m. A key element securing the improvements identified above has been the minimisation of all budgets but it needs to be recognised that this approach does minimise the opportunities to manage any service pressures which develop during the course of the year.
- 3.9 Officers are currently planning that a report setting out the budget position in respect of 2014/15 will be prepared for consideration by Members in February 2014. In the mean time further meetings of SAMT and the Cabinet are planned and it is anticipated that these meetings will identify further possible savings options for consideration by Executive.

#### **4 Housing Revenue Account (HRA)**

- 4.1 The Housing Revenue Account revised budget proposal is set out in **Appendix 3** to this report.

## **Income**

- 4.2 Rental income is shown as £0.312m more than the original budget which is partly due to the level of void properties being lower than anticipated. The Council has also seen an increase in the money received from Derbyshire County Council in respect of supporting people arrangements. This is as a result of new contractual service arrangements agreed with the County. Funding arrangements in this area, however, remain under review and it is important the position continues to be closely monitored.

## **Expenditure**

- 4.3 The main variances reported within the expenditure side of the HRA relate to an increase in Supervision and Management costs. The net increase is £0.233m which reflects an increase in employee costs, the review of the charges between the General Fund, capital and the HRA and additional Council tax costs arising from the changes in empty property exemptions and property numbers affected within the HRA.
- 4.4 The other main variances within the expenditure side of the HRA relate to an increase in the contribution made to the Bad Debt provision (£0.050m). This increase is purely precautionary at this stage of the financial year and is requested to protect the Council's financial position with regards to rent arrears for the HRA. The year-end bad debt provision calculations will determine the actual top-up requirement from the HRA.
- 4.5 The large favourable variance within the HRA is a reduction in interest costs (-£0.149m). This is as a result of the continued low interest rates currently in place for the Council's borrowing, the earlier than planned repayment of HRA settlement debt and the fact that no prudential borrowing is expected to be incurred by the HRA this year.
- 4.6 The forecast position on the account will allow the introduction of a vehicle replacement reserve with the contribution set at £0.200m in the current year. This approach is as a result of the Council moving away from leasing its housing vehicles to purchasing them. The introduction of the reserve will mean there will be sufficient funds available to finance the vehicle purchases from the reserve without the need for prudential borrowing.
- 4.7 After all the proposed budget changes detailed above the HRA is anticipated to deliver a surplus in the current financial year of £0.086m. This is £0.062m above the original budget for 2013/14 and if realised will increase the level of HRA balances to £1.861m.

## **5 Capital Programme**

- 5.1 The Council's capital programme is shown by Directorate as a summary on **Appendix 4** and on a scheme by scheme basis on **Appendix 5**. It has been updated from the Original Budgets to the proposed Revised Budget which reflects approvals within the year and the profiling of the individual schemes following approved changes by Members and from detailed discussions with budget officers.

- 5.2 The main changes between the original budget and the revised budget relates to the approved carry forward of schemes from 2012/13 and the inclusion of outstanding retention amounts from schemes that are capital creditors.
- 5.3 It can be seen on Appendix 4 that the total capital expenditure is anticipated to be £8.926m in the current year which is split between the General Fund £4.990m and the HRA £3.936m. The Council needs to ensure that sufficient capital financing for this expenditure is put in place which is affordable and sustainable.
- 5.4 The HRA financing is 100% secured and in place for 2013/14. The use of the Major Repairs Allowance and other Reserves to finance the HRA capital expenditure means that there will be no prudential borrowing undertaken which therefore has no impact on affordability for the HRA. The use of these reserves however will have a limited impact on the investment income being earned by the HRA i.e. if these reserves are utilised then they cannot be invested by the Council.
- 5.5 The General Fund financing relies on a significant level of capital receipts being received from the sale of Sherwood Lodge. The capital receipt from this sale is anticipated in January 2014 and as such will secure the final part of the financing for the General Fund capital programme. Some prudential borrowing is currently planned in order to finance the General Fund programme however, where possible officers will seek to minimise this form of financing when the full extent of capital receipts for the year is known and the approved debt repayment for prudential borrowing for the Project Horizon has been repaid. Any remaining available capital receipts will be used to reduce the need for prudential borrowing which in turn limits the impact with regard to affordability to the General Fund.

## **6 Legal Aspects**

- 6.1 There are no legal issues arising directly from this report.

## **7 Risk Management**

- 7.1 The issue of Financial Risk is covered throughout the report. In addition, however, it should be noted that the risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register. While officers are of the view that these risks are being appropriately managed it needs to be recognised that continued reductions in budgets means that any adverse variances arising from particular issues or pressures will not now be able to be absorbed from favourable variances in other budgets and as such may result in an overspend against the revised budget.

There is also no provision within the revised budget to meet any costs of delivering financial savings required for future years. Consideration of the use of the forecast surplus in the current year must bear this in mind.

- 7.2 The HRA is progressing well under the new HRA reforms during 2013/14 and the identified additional resources are being allocated to finance vehicle replacement rather than take on prudential borrowing. The anticipated surplus in the year will increase the HRA balances to an estimated £1.861m which provides a reasonable level of cover for the risk managed by the Council.
- 7.3 The capital programme identifies and recognises the need to maintain the Council's assets in a fit for purpose state and to retain and attract income streams for the

Council. The financing of the capital programme for the HRA is secured for 2013/14 and the General Fund should be secured by January 2014 when the Sherwood Lodge asset sale is completed thus minimising the risk of any additional unplanned borrowing.

## **8 Policy and Performance**

- 8.1 This report is intended to set the revised budgets for the HRA and General Fund and Capital Programme for 2013/14. In turn they will allow progress to be made in achieving the objectives set out in the Council's Corporate Strategies. The achievement of the targets set out in the Medium Term Financial Plan is therefore crucial for achieving against a range of key policy issues.

## **9 Financial Implications**

- 9.1 Financial issues and implications are covered in the relevant sections throughout this report. In summary these are:

### **9.2 General Fund**

The revised budget as detailed in Appendix 1 is estimated to show a surplus in the year of £0.275m and if the remaining target savings are achieved this may increase the surplus to £0.395m.

### **9.3 HRA**

The revised budget for the HRA will accommodate a number of budget changes but is still anticipated to show a surplus in the financial year of £0.086m.

### **9.4 Capital Programme**

The revised capital programme reflects the projects and schemes approved by the Council during the course of the financial year. Certain schemes have also been re-profiled by budget managers to reflect the anticipated spend for 2013/14.

## **10 Equalities Issues / Human Resources Implications / Environmental Considerations**

- 10.1 There are no equalities, human resource or environmental implications arising directly out of this report.

## **11 Crime and Disorder/ Community Safety Implications**

- 11.1 There are no crime and disorder or community safety implications arising directly out of this report.

## **12 Recommendations**

- 12.1 That Executive approves the Revised General Fund operational budget for 2013/14 as set out in **Appendix 1** and detailed in **Appendix 2**.
- 12.2 That Executive approves the Revised HRA operational budgets for 2013/14 as set out in **Appendix 3**.

12.3 That Executive notes the Revised Capital Programme for 2013/14 as set out within **Appendix 4 and Appendix 5.**

**13 Reasons for Recommendations**

13.1 To set revised budgets as early as possible within the financial year for the General Fund and HRA which will ensure that identified budget savings are realised, that all budget managers are working to the revised budgets and to allow the planned changes in the HRA budgets to be delivered.

13.2 To update the 2013/14 capital programme to reflect schemes approved during the year and to note the re-profiling of certain schemes within the programme.

**Background Papers**

**Location**

Held in Accountancy

Room 317