

## CABINET

28 June 2016

<b>Title:</b> Revenue and Capital Final Outturn 2015/16	
<b>Report of the Cabinet Member for Finance, Growth &amp; Investment</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
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<b>Accountable Divisional Director:</b> Kathy Freeman, Finance Director	
<b>Accountable Director:</b> Jonathan Bunt, Strategic Director of Finance and Investment	
<b>Summary:</b> <p>Following the submission of a Provisional Revenue and Capital Outturn report to Cabinet on 24 May 2016, this report now presents Cabinet with the authority's final Revenue and Capital outturn position for 2015/16. The figures presented in the provisional outturn report remain unchanged and consequently this report contains only a summary of those figures.</p> <p>The Council's revenue outturn for the financial year 2015/16 was a net spend above budget of £2.9m against a net revenue budget of £151.4m (1.9% variance).</p> <p>This net spend above budget has resulted in the General Fund (GF) balance decreasing from £26.0m to £21.1m. Whilst this represents a deterioration in the Council's financial position, the balance is still substantially above the £15m GF balance target identified in the report to Assembly in February 2015 on the Budget for 2015/16 by the Strategic Director of Finance and Investment.</p> <p>The revenue outturn figures have been calculated after taking into account roll forward requests that were included in the Provisional Revenue and Capital Outturn report and agreed by Cabinet at its meeting on 24 May 2016.</p> <p>The only change since the provisional outturn has been the incorporation of the revenue transactions of Barking &amp; Dagenham Reside Ltd into the Council's accounts, where previously they were shown in the Council's Group Accounts. The accounting treatment has been advised by KPMG, who were instrumental in setting up the company, and results in income of £0.1m coming into the Council's accounts. A payment of £0.04m will also be received from the Council's other housing company, Barking &amp; Dagenham Reside (Abbey Road).</p> <p>The Housing Revenue Account (HRA) broke even as forecast and the HRA balance (which is ring-fenced) remains at £8.7m as at 31 March 2016.</p> <p>Capital spend of £146.0m was incurred in 2015/16 against the revised capital budget of £134.7m. Whilst in overall terms expenditure was above budget, there were also a number</p>	

of scheme underspends which Cabinet agreed to be carried forward to the 2016/17 capital programme. A number of schemes have now had their projected spend re-profiled and Appendix A shows the proposed revised capital programme for 2016/17.

### **Recommendation(s)**

The Cabinet is recommended to:

- (i) Note the final outturn position for 2015/16 of the Council's revenue budget as shown in paragraph 2.1 of the report;
- (ii) Agree to transfer the surplus of £0.14m generated by Barking and Dagenham Reside Ltd and Barking and Dagenham Reside (Abbey Road) to an earmarked reserve as shown in paragraph 2.3 of the report;
- (iii) Note the final outturn position for the HRA as shown in paragraph 2.2 of the report; and
- (iv) Note the final outturn position for 2015/16 of the Council's capital budget and approve the re-profiled budget for 2016/17 as shown in paragraphs 4.1 and 4.2 of the report.

### **Reason(s)**

As a matter of good financial practice, Cabinet should be informed of the final outturn and performance of the Council's Revenue and Capital resources. Knowledge of the variances from planned budgets and effective financial management supports the priority of "growing the borough" by assisting members to make sound future decisions.

## **1 Introduction and Background**

- 1.1 This report provides a summary of the Council's General Fund, HRA and Capital final outturn positions for 2015/16. A General Fund overspend of £2.9m and an agreed drawdown of £2.0m to fund service transformation has resulted in the Fund balance decreasing from £26.0m to £21.1m. This position should be seen against the achievement of some £22.2m of in year savings targets that represented a significant challenge for the Council.
- 1.2 The Provisional Revenue and Capital Outturn report for 2015/16 was presented to Cabinet on 24 May 2016 and contained detailed commentaries on each directorate's outturn position. The directorate outturn position remains unchanged and this report therefore contains only summarised information.
- 1.3 The only change since the provisional outturn has been the incorporation of the revenue transactions of Barking & Dagenham Reside Ltd into the Council's accounts, where previously they were shown in the Council's Group Accounts. The accounting treatment has been advised by KPMG, who were instrumental in setting up the company, and results in income of £0.1m being incorporated into the accounts. A payment of £0.04m will also be received from Barking and Dagenham Reside (Abbey Road).

- 1.4 The position for capital expenditure was spend of £146.0m against a revised budget of £134.7m. Detailed reasons for variances were given in the provisional outturn report. Following a number of expenditure re-profiles, a revised budget for 2016/17 is shown for members' approval.

## 2 Overall Outturn Position

- 2.1 The outturn position for 2015/16 across the Council for the General Fund is shown in the table below.

<b>Council Summary</b>	<b>Net Budget £'000</b>	<b>Provisional Outturn 2015/16 £'000</b>	<b>Over/(under) Budget £'000</b>
<u>Directorate Expenditure</u>			
Adult and Community Services	53,113	53,163	50
Children's Services	61,673	66,887	5,214
Housing (GF)	3,369	3,623	254
Environment	19,267	19,370	103
Chief Executive	18,591	17,640	(951)
Central Expenses	(4,569)	(6,255)	(1,686)
<b>Total Service Expenditure</b>	<b>151,444</b>	<b>154,428</b>	<b>2,984</b>

The reported outturn is shown after taking into account roll forwards approved in the Provisional Outturn report of 24 May 2016.

- 2.2 At the 31 March 2016, the HRA broke even, leaving the HRA reserve at £8.7m. The table below shows the balances on the General Fund and the HRA at year end compared to target:

	<b>Balance at 1 April 2015 £'000</b>	<b>Balance at 31 March 2016 £'000</b>	<b>Minimum Balance at 31 March 2016 £'000</b>
General Fund	26,024	21,115	15,000
Housing Revenue Account	8,736	8,736	8,736

- 2.3 Established in 2013/14, Barking and Dagenham Reside Ltd (B&D Reside Ltd) became fully operational in 2014/15 and manages 477 residential properties in the borough. Following the receipt of accounting advice from KPMG, the assets and revenue transactions relating to the management and renting of the properties are now to be accounted for in the Council's accounts. The draft accounts were completed after the submission of the Provisional Outturn report and have resulted in net income of £0.102m, relating to both 2014/15 and 2015/16, being transferred into the Council's accounts. Barking and Dagenham Reside (Abbey Road) became operational in 2015/16 and a payment of £0.04m will be received into the Council's accounts. It is proposed that this additional sum of £0.14m is credited to an earmarked reserve to cover any potential future losses that the Reside companies may incur.

### 3. Dedicated School Grant (DSG)

The DSG is a ring fenced grant to support the education of school aged pupils within the borough. In 2015/16 DSG of £208.0m was received, with an outturn of £210.0m. The overspend of £2.0m has been charged to the DSG reserve, which now stands at £8.7m.

### 4. Capital Programme

4.1 The Capital Programme outturn is summarised in the table below. Detailed reasons for variances were given in the provisional outturn report.

<b>Directorate Summary of Capital Expenditure</b>	Revised Budget £'000	Outturn 2015/16 £'000	Variance £'000
Adult & Community Services	2,192	1,903	(289)
Children's Services	27,111	32,590	5,479
Environmental Services	4,005	3,473	(532)
Chief Executive's	10,669	9,959	(710)
Housing GF (EIB funded)	9,222	15,256	6,034
<b>Sub-total - GF</b>	<b>53,199</b>	<b>63,181</b>	<b>9,982</b>
HRA	81,493	82,867	1,374
<b>Total</b>	<b>134,692</b>	<b>146,048</b>	<b>11,356</b>

Total spend exceeded budget by £11.356m (8%). The main variances were in Children's Services and Housing (GF). There were a number of under and overspends within Children's Services, the main overspend being on Barking Riverside Secondary Free School (£5.071m) and within Housing GF, expenditure on the Gascoigne Estate exceeded budget by £5.702m. The overall overspend was essentially a result of accelerated spend from future years, as opposed to unfunded or unplanned overspends and as such future year budgets will be brought forward / reduced accordingly.

4.2 Members agreed to roll forward slippage on a number of schemes at Cabinet on 24 May 2016. Following on from this a number of schemes have been re-profiled and the revised capital programme for 2016/17 is summarised in the table below:

<b>Directorate Summary of Capital Expenditure</b>	Original Budget 2016/17 £'000	Revised Budget 2016/17 £'000	Roll-forwards / Re-profiles £'000
Adult & Community Services	3,656	3,702	46
Children's Services	61,198	52,801	(8,397)
Environmental Services	2,794	4,094	1,300
Chief Executive's	9,742	24,672	14,930
Housing GF (EIB funded)	28,379	38,011	9,632
<b>Sub-total - GF</b>	<b>105,769</b>	<b>123,280</b>	<b>17,511</b>
HRA	79,058	74,000	(5,058)
<b>Total</b>	<b>184,827</b>	<b>197,280</b>	<b>12,453</b>

4.3 Appendix A contains a scheme by scheme breakdown of roll-forwards and re-profiles. Other major variances are as follows:

- **Children's Services:** The main variance is due to a re-profiling of expenditure on the Barking Riverside Secondary Free School from £30.0m to £20.0m. This is largely due to increased expenditure on this scheme in 2015/16.
- **Chief Executive's:** The following new schemes have been approved since the original budget was approved by Cabinet – Barking Riverside Transport Link (£9.8m), purchase of Sacred Heart Convent to convert for homeless provision (£3.0m) and investment in IT via Elevate (£2.2m)
- **Housing GF:** Re-profiled expenditure on the Gascoigne estate (£8.6m).
- **HRA:** Various re-profiles between schemes and future years, including the HRA Members Budget which has transferred into revenue.

## 5 Consultation

The Provisional Outturn report was circulated to Strategic Directors for comment. As this report contains no significant changes it has not been re-circulated.

## 6 Financial Implications

This report details the financial position of the Council.

## 7. Legal Issues

There are no legal implications.

## Background Papers Used in the Preparation of the Report

- Provisional Revenue and Capital Outturn 2015/16, Cabinet 24 May 2016

## List of appendices:

- Appendix A – Revised Capital Programme 2016/17