

CABINET

30 June 2014

Title: Final Revenue And Capital Outturn 2013/14	
Report of the Cabinet Member for Finance	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Accountable Director: Jonathan Bunt, Chief Finance Officer	
Summary: <p>The Council's revenue outturn for the financial year 2013/14 is a net spend below budget of £9.7m against a net revenue budget of £178.3m (5.4%). This includes the budgeted surplus of £5.2m agreed by Assembly in February 2013. The reported underspend has increased by £1.3m compared to the position forecast in January.</p> <p>The 2013/14 net spend below budget of £9.7m has resulted in the General Fund balance increasing from £17.4m to £27.1m.</p> <p>The revenue outturn figures have been calculated after taking into account the roll forward requests contained in Appendix B to the report.</p> <p>The Housing Revenue Account (HRA) generated a surplus of £0.2m which has been transferred to HRA balances (which are ring-fenced). The surplus increases the HRA reserve position from £8.5m to £8.7m at 31 March 2014.</p> <p>Capital spend of £119.3m was incurred in 2013/14 against the revised capital budget of £138.2m; this is a reduction of £6.8m compared to the figure forecast in January. Appendix D to the report contains full detail of capital expenditure by scheme. Underspends on capital projects are requested to be rolled forward and are also included in Appendix D.</p> <p>The revised capital budget for 2014/15, including requested roll forwards is shown in Appendix F.</p>	

Recommendation(s)

The Cabinet is recommended to:

- (i) Note the final outturn position for 2013/14 of the Council's revenue budget as detailed in paragraphs 2.3 to 2.10 of the report and Appendix A;
- (ii) Note the outturn against the 2013/14 savings targets in paragraph 2.11 of the report;
- (iii) Note the final outturn position for the HRA as detailed in paragraph 2.8 of the report and Appendix C;
- (iv) Approve the requests to roll forward revenue budgets into 2014/15 and the resulting budget amendments contained in Appendix B of the report
- (v) Approve the request to drawdown the sum of £1.5m from the Children's Services reserve to balance the 2013/14 budget position for Children's Services;
- (vi) Note the final outturn position for 2013/14 of the Council's capital budget as detailed in paragraph 2.12 of the report and agree the roll forward requests detailed in Appendix D;
- (vii) Approve the revised capital programme for 2014/15 as shown in Appendix F and the HRA five year programme as shown in Appendix G;
- (viii) Approve the transfer of the Abbey Road new build scheme from the HRA to the General Fund with all expenditure to be funded from European Investment Bank borrowing; and
- (ix) Approve a budget virement of £0.5m from the Central Expenses budget to the Housing and Environment budget to fund a provision for bad and doubtful debts on the temporary accommodation budget, as detailed in paragraph 2.8.

Reason(s)

As a matter of good financial practice, the 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 will assist members in making sound future decisions.

Effective financial management is key to an efficiently run organisation and underpins the delivery of the Council's vision to encourage growth and unlock the potential of Barking and Dagenham and its residents.

1 Introduction and Background

- 1.1 This report provides a summary of the Council's General Fund, HRA revenue and capital final outturn positions for 2013/14. Robust financial management has meant that the General Fund balance has increased by £9.7m to £27.1m. This position includes the achievement of £16.0m of in year savings targets that represented a significant challenge for the Council.

- 1.2 It is important that the Council regularly monitors its revenue and capital budgets to ensure good financial management. This is achieved by monitoring the Council's financial results on a monthly basis through briefings to the Cabinet Member for Finance and monthly monitoring reports to Cabinet. This ensures Members are regularly updated on the Council's overall financial position and enables the Cabinet to make relevant financial and operational decisions to meet its budgets.
- 1.3 The last budget monitoring report for 2013/14 was presented to Cabinet on 8 April 2014 covering the period April 2013 to January 2014. It projected a contribution to the General Fund balance of £8.4m, resulting in a projected final balance of £25.9m as at 31 March 2014. The additional underspend has been contributed by Adult and Community Services (£1.0m) and Chief Executive's (£0.3m). Paragraphs 2.5 and 2.9 contain further details.
- 1.4 The position for capital expenditure was spend of £119.4m against a revised budget of £138.2m.

2 Overall Outturn Position

- 2.1 The Directorate revenue outturn is a net spend below budget of £9.7m at the end of the financial year 2013/14. This has resulted in the Council's General Fund (GF) balance increasing beyond the target of £15.0m. The Chief Finance Officer has a responsibility under statute to ensure that the Council maintains appropriate balances
- 2.2 In the report to Assembly regarding the setting of the 2013/14 annual budget and Council Tax, the Chief Finance Officer, after consideration of the factors outlined in the CIPFA guidance on Local Authority Reserves and Balances 2003, set a target GF reserves level of £15.0m. The GF balance at 31 March 2013 was £17.4m and the corresponding balance as at 31 March 2014 is £27.1m.
- 2.3 The outturn position for 2013/14 across the Council for the General Fund is shown in the table below.

Council Summary	Net Budget £'000	Outturn £'000	Over/(under) Budget £'000
<u>Directorate Expenditure</u>			
Adult and Community Services	56,198	55,191	(1,007)
Children's Services	65,016	65,016	-
Housing and Environment	25,489	25,586	97
Chief Executive	19,169	18,475	(694)
Central Expenses	7,227	4,382	(2,845)
Central Expenses – Budget surplus agreed in MTFS	5,234	-	(5,234)
Total Service Expenditure	178,333	168,650	(9,683)

The reported outturn is shown after taking into account the roll forward of budget underspends that Cabinet is asked to approve in this report. Detailed outturn by service is shown in Appendix A and details of the roll forward requests are shown in Appendix B.

Whilst the Council's total net service budget is unchanged since the April report to Cabinet, there have been changes between services and the central expenses budget to reflect directorate contributions to reserves. These changes do not impact on the Services' controllable budgets.

At 31 March 2014, the HRA had a net spend below budget of £0.2m resulting in an increased HRA reserve of £8.7m. The table below shows the balances on the General Fund and the HRA at year end compared to target:

	Balance at 1 April 2013 £'000	Balance at 31 March 2014 £'000	Expected Balance at 31 March 2014 £'000
General Fund	17,456	27,138	20,234*
Housing Revenue Account	8,461	8,736	8,461

*The target balance comprises the original target of £15.0m set by the Chief Finance Officer, plus the budgeted surplus of £5.2m.

2.4 Directorate Performance Summaries

The Directorates' outturn performances are outlined in the paragraphs below.

2.5 Adult and Community Services

Directorate Summary	2012/13 Outturn £'000	2013/14 Budget £'000	2013/14 Outturn £'000
Net Expenditure	60,701	56,198	55,191
Over/(under)spend			(1,007)

The Adult and Community Services directorate has recorded an underspend for 2013/14. This position is due to two main developments since the last budget monitoring report, namely surplus property debt income recovery of c.£450k and further identification of expenditure that promoted Public Health outcomes of £547k which was charged to the grant. The surplus property debt income is following a substantive exercise undertaken by the service working closely with Legal Services to recover outstanding property debt during February.

Overall the directorate has also contained a number of pressures within services, particularly for Mental Health and non-residential care budgets for older people and learning disabilities clients. These pressures have been mitigated by management actions within the service with continued growth for Direct Payment care services offset by reducing traditional homecare packages.

The net budget also includes the full allocation of £3.268m social care funding transfer from NHS England; this is allocated by local Section 256 agreement taken to the Health and Wellbeing Board (H&WBB). Payment from NHS London was received in February 2014. The directorate also secured additional funding from health partners including Re-ablement monies totalling £650k, agreed by H&WBB in September 2013, which has been utilised to improve Re-ablement services and outcomes for residents. The directorate has also been successful in negotiating Winter Pressures funding of £410k, which amongst other items provided funding for 7-day social care working. Without these transfers the directorate would have otherwise been overspent against budget. Therefore, continuing to secure effective joint working and pooled budgets through the Better Care Fund and work arising from the Winterbourne View Concordat is critical as the directorate moves forward.

A challenging savings target of £4.324m was built into the 2013/14 budget. These have been delivered with minor shortfalls covered within the relevant division.

The Adult and Community Services budget also includes Public Health, responsibility for which transferred over to the Council in April 2013 and contributes towards the Council's preventative agenda by promoting healthy outcomes for adults and children. This is a wholly grant funded service of £12.921m. At year-end there was a £785k underspend which, as a ring-fenced grant, will be carried forward for utilisation in 2014/15.

The future social care funding regime is going to become increasingly challenging with a number of existing funding streams being rolled up into a single grant that the local authority will have to agree with NHS England following local agreement at H&WBB. This comes at the same time as the planned implementation of the Care and Support Act with significant costs for local authorities.

2.6 Children's Services

Directorate Summary	2012/13 Outturn £'000	2013/14 Budget £'000	2013/14 Outturn £'000
Net Expenditure	69,448	65,016	65,016
Over/(under)spend			-

Despite delivering a balanced budget in 2012/13 and this year, Children's Services has been managing significant pressures within the Complex Needs and Social Care division. During 2013/14, referral activity increased consistently, suggesting more of a trend rather than a 'spike' in demand. This required additional resourcing to ensure that risks were manageable. The number of assessments carried out increased by 21% in the year, compared to 2012/13.

An analysis of the pressures facing the Complex Needs and Social Care division identified ongoing problems with recruitment and retention of staff, high caseloads and increased demands placed upon the service. For 2014/15, current levels of social care need would lead to a budget pressure of £6.0m as numbers of children in the borough increase. Despite the increase in numbers of Looked After Children, subject to plans we remain below our statistical neighbour rates per 10,000 for Looked After Children. Our caseloads, whilst moving to acceptable levels remain well above the Munro recommendation and lead to recruitment challenges.

The position was managed in 2013/14 through flexible use of government grants. For example, the change from Local Authority Central Spend Equivalent Grant to Education Support Grant and the changes to the funding of statutory services to two year olds from General Fund to the Dedicated Schools Grant have released £2.7m of ongoing funding to invest in social care demand pressures. Grant flexibility of £0.6m was also available in 2013/14 to manage pressures.

A number of specific projects were funded from either reserves or ring-fenced external funds in 2013/14. A small number of these have not been completed and Cabinet is requested to approve the roll forward of budgets totalling £0.3m into the 2014/15 financial year so that the schemes can be completed. Also, the balance of the funding of the schools PFI schemes between the PFI grants received from government and the contractual payments made has resulted in a surplus of £0.7m for the year. Cabinet is requested to approve this amount being credited to a reserve to be used towards scheme payments in the later stages of the PFI contracts. Full details are shown in appendix B.

Finally, to balance the budget for 2013/14, Cabinet is requested to approve a drawdown of £1.5m from the Children's Services reserve. This will leave a balance of £1.8m in the reserve, the first use of which will be to cover any budget overspends.

2.7 Dedicated School Grant (DSG)

The DSG is a ring fenced grant to support the education of school aged pupils within the borough. The grant is allocated between the Schools and Centrally Retained budget in agreement with the Schools Forum. In 2013/14 DSG of £211.0m was applied with £23.8m being applied centrally to cover High Needs, Early Years and other non-delegated functions.

2.8 Housing and Environment

Directorate Summary	2012/13 Outturn £'000	2013/14 Budget £'000	2013/14 Outturn £'000
General Fund – net expenditure	24,040	25,489	25,586
Over/(under)spend			97
Housing Revenue Account (HRA) – net expenditure	(192)	0	(275)

The total Housing and Environment General Fund budget outturn shows an overspend of £97k.

The Environmental Services budget overspent by £133k compared to a breakeven position reported last month. Pressures have been reported throughout the year across the service, however, the overspend is mainly attributable to pressure against street lighting electricity which overspent by £496k. Savings were delivered in this area, although based upon current requirement and commodity cost, there is an ongoing pressure. The cost to the Council of street lighting electricity increased by 11% compared to 2012/13. The majority of pressure within the service has been mitigated through in year spend restraint across the division and holding vacant posts.

The Housing General Fund underspent by £36k against a revised budget of £3,197k. Although the overall budget was underspent there were considerable challenges in respect of the level of temporary accommodation placements, and in particular, the numbers within bed and breakfast accommodation.

There were 65 bed and breakfast placements at year end, an improved position on previous months and considerably below the peak of 129 in November 2013. This is a positive step as an increasing trend was a significant risk in year. These placements are a significant cost to the council due to the cap on benefits on this type of accommodation. The service has mitigated pressure through the use of alternative accommodation where possible. It should be noted, however, that this action is limited and the impact of welfare reform has provided a further in-year pressure.

The introduction of welfare reform has had an adverse impact on temporary accommodation arrears. This has required a bad debt provision contribution of £460k to ensure appropriate coverage. In order to fund this a budget transfer has been made from the Central Expenses budget. Discussions are ongoing with the Housing Service and Revenues & Benefits Service to ensure welfare reform impact is monitored and mitigated where possible.

The Housing and Environment directorate started the year with a savings target of £1.67m. Only £44k of the savings remained undelivered, primarily in the Parks service. This under-achievement was covered by underspends in other parts of the directorate.

The directorate had project funding from DEFRA in 2013/14 to cover work on the Flood Risk Management Plan. The work was not completed within the financial year and £70k remains unspent. Cabinet is requested to approve the carry forward of this amount into the 2014/15 budget. Further detail is shown in Appendix B.

Housing Revenue Account (HRA)

The HRA delivered a surplus of £0.275m in 2013/14, which will be added to HRA Revenue Balances.

Income

Income exceeded budget by £1.141m. There are various reasons for this, including the recognition of an extra weeks rent due to the rent week profile, additional leaseholder service charge income, additional commission on the collection of water charges and additional interest received on HRA balances. Leaseholder service charges are initially based on estimated cost and subsequently revised in line with the previous year's actual cost.

Expenditure

Expenditure exceeded budget by £0.866m. This is primarily due to an increase in charges for water, which is predominantly offset by the collection of additional income stated above, increased spend on arboriculture and environmental works following adverse weather conditions and increased spend on support provided to Council tenants in order to assist them into employment following the introduction of welfare reforms.

The position includes the first payment required to equalise TUPE transferred R&M staff within the Councils pension fund. Confirmation of the amount required was provided through actuarial valuation and included in the HRA Business Plan. This is to be funded over a 3 year period starting with a £3m contribution in 2013/14.

As with the General Fund, the introduction of welfare reform is expected to increase pressure on the HRA with the combination of the bedroom tax, benefit cap and Universal Credit impacting on income levels. Some provision has been made within the budget through increased bad debt provision plus the availability of discretionary housing payments. The position is being monitored closely.

HRA Balance

The surplus of £0.275m will increase the HRA reserve from £8.461m to £8.736m. There was an in year contribution to capital resources of £33.3m.

2.9 Chief Executive

Directorate Summary	2012/13 Outturn £'000	2013/14 Budget £'000	2013/14 Outturn £'000
Net Expenditure	19,059	19,169	18,475
Over/(under)spend			(694)

The Chief Executive (CEX) directorate underspent against its revised budget by £694k at year end. The position is due to a number of in year vacancies across the Directorate which have been held, two treasury management contracts which were terminated resulting in savings, an underspend against the external audit fee budget, additional training income generated and tighter controls on expenditure against supplies budgets. Some of these underspends relate to the early delivery of the 2014-15 savings.

Alongside these underspends there were also underspends on projects funded from the Invest to Save reserve and external grants. Overall, Cabinet is asked to approve the carry forward of £1.4m of budgets into 2014/15. The largest of the carry forwards relate to the Employment and Skills service (£0.4m) and pressures from welfare reform (£0.2m). Full details are shown in Appendix B.

For 2013/14, the directorate had a total savings target of £2.7m and there was a shortfall in delivery of £150k in respect of the Facilities Management restructure. The shortfall was managed in year by reduced expenditure against other budgets.

2.10 Central Expenses

Directorate Summary	2012/13 Outturn £'000	2013/14 Budget £'000	2013/14 Outturn £'000
Net Expenditure	1,021	7,227	4,382
Over/(under)spend			(2,845)
Budget surplus (Assembly agreed MTFs)	-	5,234	(5,234)
Total Over/(under)spend		12,461	(8,079)

Management of cash balances has resulted in a lower than budgeted interest cost of £1.4m. The Council also received a windfall from the Directorate for Education of £1.4m. This relates to the Academy top-slice applied to the Council's Revenue Support Grant in 2012/13. Due to changes in how Academies are funded, previously top-sliced sums were returned to local authorities nationally. The planned surplus of £5.2m was agreed as part of the Medium Term Financial Strategy (MTFS) at Assembly at its meeting in February 2013.

Cabinet is asked to approve £0.8m of the underspend being carried forward into 2014/15 to contribute to the costs of the Oracle R12 project and the Windows XP replacement project. Detail is given in Appendix B.

2.11 In Year Savings Targets

The delivery of the 2013/14 budget was dependent on meeting a savings target of £16.6m. Directorate outturns are summarised in the table below.

Directorate Summary of Savings Targets	Target £'000	Outturn £'000	Shortfall £'000
Adult and Community Services	4,234	4,285	39
Children's Services	2,708	2,363	345
Housing and Environment	1,665	1,621	44
Chief Executive	2,733	2,583	150
Central Expenses	5,199	5,199	-
Total	16,629	16,051	578

Any shortfalls in savings targets have been mitigated by underspends in other areas in order to achieve the outturn positions shown in paragraphs 2.3 to 2.10.

2.12 Capital Programme

The capital programme had a revised budget of £138.2m for 2013/14. Against this there was total expenditure for the year of £119.4m, giving an overall underspend of £18.8m. An overall summary by Directorate is shown in the table below:

Directorate	Budget 2013/14 £'000	Outturn 2013/14 £'000	Variance 2013/14 £'000
Adult & Community Services	7,704	6,580	(1,124)
Children's Services	34,740	29,042	(5,698)
Housing & Environment	4,816	4,306	(509)
Chief Executive	10,316	8,343	(1,973)
Housing Revenue Account	80,587	71,087	(9,500)
Total	138,162	119,358	(18,804)

A summary of the main variances by Directorate is given below. Further detail is contained in the following appendices:

- **Appendix D** shows detailed scheme budgets, spend and roll-forward amount for 2013/14. Where a negative figure is shown, more of the 2013/14 budget was spent than anticipated and this will accordingly be deducted from the 2014/15 budget. For the purposes of roll forwards, the HRA has been treated as one budget and roll forwards are shown in aggregate rather than on a scheme by scheme basis
- **Appendix E** gives a comprehensive explanation of all individual scheme variances above £100k;
- **Appendix F** contains details of the revised capital programme budget for 2014/15, (including budget roll-forwards from 2013/14 and any new re-profiles / changes in funding) and
- **Appendix G** details the updated HRA five year capital programme

Adult & Community Services (ACS)

There was an overall net underspend across ACS schemes of £1.1m against a total budget for the year of £7.7m. This overall position is comprised of underspends on Barking Leisure Centre (£868k), the Community Capacity Grant (£491k), and the Mayesbrook Athletics Arena. These underspends are due to slippage, and budget roll-forwards are requested into 2014/15 to complete the projects. There were also overspends on the Barking Park Improvements (£111k), the HRA funded Disabled Adaptations (£228k), and Becontree Heath Leisure Centre, which were previously forecast and reported to Cabinet.

Children's Services (CHS)

Children's Services had a total revised budget for 2013/14 of £34.7m, against which there was final spend for the year of £29.0m, meaning a net underspend of £5.7m. This underspend is derived from several smaller underspends across school expansion projects. Roll-forwards are requested for these budgets into 2014/15 for completion in time for the September 2014 school intake. There were also some overspends on schemes within this overall position, including on the schools VOIP Telephony Project (£0.6m), schools devolved formula capital (£1.5m), (both of which were funded by additional school contributions), and on the Fanshawe Adult College Refurbishment (£0.4m), to be funded by a reallocation of CHS capital budgets.

Housing & Environment (Non HRA)

Housing & Environment had a revised budget for 2013/14 of £4.8m, and spent a total of £4.3m. The overall underspend of £0.5m is due to small slippages across most schemes; there were no significant (over £100k) underspends on any particular schemes. A roll-forward of the unused budgets is requested in order that the scheme can be completed in 2014/15.

Chief Executive

The revised 2013/14 budget for the Chief Executive directorate was £10.3m, with final spend of £8.3m (an overall underspend of £2.0m). This is a net position and is derived from a number of smaller underspends / slippage, as well as some scheme overspends. The most significant underspends were on the Oracle R12 project (£1.1m), the Barking Bath House (£0.2m), and the Creekmouth Arts & Heritage Trail (£0.1m), all of which are due to slippage and are requested for roll-forward for completion in 2014/15. The Oracle R12 go live date has now been scheduled for 2014/15 and the contractor payments have been re-profiled to reflect this, causing the above slippage of £1.1m. Overall, the delay in the go live date is still likely to

lead to an overspend of c.£0.3m. The project sponsor will be negotiating commercial terms with the contractor in order to reduce this overspend.

Housing Revenue Account (HRA)

The HRA had a 2013/14 capital budget of £80.6m, and final spend for the year of £71.1m (an overall underspend of £9.5m). This variance is due to several underspends / slippage across schemes, including on estate renewal (£0.6m), new builds (£2.1m), investment in own stock (£2.0m), and street purchases and environmental improvements (£4.8m).

2014/15 Capital Budgets

Cabinet agreed the original capital budget for 2014/15 at its meeting on 18 February 2014. Including roll forwards and other adjustments, the revised capital programme for 2014/15 stands at a total of £153.9m, including £53.1m for General Fund schemes and £100.8m for the HRA, as summarised in the table below. The individual schemes are also listed in Appendix F to this report.

Directorate	2014/15 Budget £'000
Adult & Community Services (ACS)	10,056
Children's Services (CHS)	30,098
Housing & Environment (H&E)	5,103
Chief Executive (CEO)	7,901
Sub-total – General Fund	53,159
Housing Revenue Account (HRA)	100,808
Total (whole Council)	153,967

This total budget is comprised of the £176m original 2014/15 budget, plus requested budget roll-forwards from 2013/14 of £8.7m and further re-profiles (for changes in funding and transfers to and from subsequent years) that reduced the total by £30.8m. Included in the Housing capital programme is a new build scheme at Abbey Road and it is recommended that this is switched from an HRA project to the general fund and funded from a newly available source to Council from the European Investment Bank (EIB). This will support the wider EIB funded regeneration application for the Gascoigne estate.

A summarised HRA programme for the next five years is also shown in Appendix G.

2.13 Financial Control

At the end of 2013/14 all key reconciliations have been prepared and reviewed and no major reconciling items unexplained.

3. Options Appraisal

- 3.1 The report provides a summary of the financial position at the relevant year end and as such no other option is applicable for appraisal or review.

4. Consultation

- 4.1 This report has been circulated to appropriate Corporate Directors for review and comment on the elements relating to their Directorates. Individual Directorate elements have been subjected to scrutiny and discussion at their respective Directorate management team meetings.

5. Financial Implications

- 5.1 This report details the financial position of the Council.

6. Legal Issues

- 6.1 There are no legal implications.

Public Background Papers Used in the Preparation of the Report

- Budget Framework 2013/14 – Assembly 25 February 2013

List of Appendices

- A - General Fund Outturn by Directorate
- B - Revenue budget roll forward requests
- C - Housing Revenue Account Outturn
- D - Capital Outturn and budget roll forward requests
- E - Capital variances by scheme
- F – Capital Budget 2014/15
- G – HRA 5 year Capital Programme