

REPORT FOR: CABINET

| | |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Date: | 26 June 2014 |
| Subject: | Revenue and Capital Outturn 2013/14 |
| Key Decision: | Yes |
| Responsible Officer: | Simon George, Director of Finance & Assurance |
| Portfolio Holder: | Councillor Sachin Shah, Portfolio Holder for Finance and Major Contracts |
| Exempt: | No |
| Decision subject to Call-in: | Yes |
| Wards affected: | All wards |
| Enclosures: | Appendix 1 - Revenue Directorates Summary Appendix 2 - Revenue Carry forward Schedule Appendix 3 – Capital Monitoring Appendix 4 – HRA Revenue Outturn |

Section 1 – Summary and Recommendations

This report sets out the Council's revenue and capital outturn position for 2013-14

Recommendations:

1. That Cabinet notes the revenue and capital outturn position for 2013-14
2. That Cabinet approves the contributions to reserves outlined in paragraphs 21 to 27
3. That Cabinet approves the revenue carry forwards outlined at paragraph 20 and detailed in Appendix 2

4. That Cabinet approves the debt write off outlined in paragraphs 29 and 30
5. That Cabinet approve the net remaining revenue under spend of £1.354m is transferred to general reserves
6. That Cabinet note the changes in quarter 4 to the Capital Programme outlined in paragraph 33
7. That Cabinet notes the carry forwards on the capital programme outlined in table 2 (paragraph 31) and set out at Appendix 3 that have been approved under delegated authority by the Director of Finance and Assurance
8. That Cabinet notes the timetable for accounts completion and external audit review as outlined in paragraph 39

Reason (for recommendation)

To report the financial position as at 31 March 2014.

Section 2 – Report

EXECUTIVE SUMMARY

1. The revenue outturn position of the Council at the end of the financial year 2013/14 year is showing a net under spend of £13.159m before transfers to reserves. Carry forwards of £4.009m are requested which will reduce the net under spend before transfers to £9.150m. This is a significant achievement as the council has delivered services within the approved budget, contained the pressures arising from the challenging financial environment and the risks around demand pressures.

2. It is recommended that the under spend of £13.159m is used to increase reserves as follows:

| | |
|------------------------------------------------|-----------------|
| • Carry forwards | £4.009m |
| • MTFs Implementation costs | £2.796m |
| • Business Risk Reserve | £2.000m |
| • Transformation and Priority Initiatives Fund | £3m |
| • General Reserves (*) | <u>£1.354m</u> |
| | £13.159m |

(*) This will increase general reserve balances from £8.646m to £10m

3. The recommended contributions to reserves will support the Council moving forward to deliver agreed services in the challenging financial environment facing local government.

4. All outturn positions detailed in this report are provisional until agreed by Cabinet.

5. Total spend on the capital programme for the year was £35.283m (£29.022m General Fund and £6.261m HRA). This compares to an

approved budget of £93.486m, giving underspends of £56.073m General Fund and £2.129m HRA before carry forward. The value of carry forwards agreed, under delegated authority, is £35.347m General Fund and £0.949m HRA, a total of £36.296m. The underspends not carried forward are £14.134m General Fund and £1.180m HRA.

REVENUE OUTTURN

6. The revenue outturn for the Council after transfer to ear marked reserves for the financial year 2013-14 is £179.709m against the approved budget of £181.063m. This represents an under spend of £1.354m or 0.7% variation on budget and this report recommends transferring the £1.354m into General Reserves.

Table 1 below summarises the position:

| Original Budget | Directorate | Latest Budget | Provisional Outturn | 2013-14 | | | | 2012-13 Outturn Variance |
|-----------------|----------------------------------------------|----------------|---------------------|------------------|-------------|--------------|----------------------------|--------------------------|
| | | | | Outturn Variance | % | Carry Fwd | Variance adj for Carry Fwd | |
| £000 | | £000 | £000 | £000 | | £000 | £000 | £000 |
| 27,363 | Resources | 28,818 | 26,173 | -2,645 | -9.2 | 1,079 | -1,566 | -2,092 |
| 37,091 | Environment & Enterprise | 39,717 | 37,343 | -2,374 | -6.0 | 1,626 | -748 | -3,056 |
| 77,722 | Community, Health & Wellbeing | 77,762 | 77,137 | -625 | -0.8 | 564 | -61 | -168 |
| 45,078 | Children & Families | 46,135 | 45,770 | -365 | -0.8 | 740 | 375 | -246 |
| 187,254 | Sub Total Directorate | 192,432 | 186,423 | -6,009 | -3.1 | 4,009 | -2,000 | -5,562 |
| 2,912 | Inflation and Corporate Items | 2,570 | 695 | -1,875 | -73.0 | | | -1,507 |
| 1,171 | Contingency | 1,171 | 0 | -1,171 | -100.0 | | | -1,000 |
| 2,000 | Welfare Reform contingency | 2,000 | 0 | -2,000 | -100.0 | | | |
| -6,907 | Capital Financing and Interest | -4,761 | -5,678 | -917 | -19.3 | | | -1,809 |
| -5,367 | Grants | -5,416 | -6,603 | -1,187 | -21.9 | | | -33 |
| | Carry Forwards 2012-13 | -3,735 | -3,735 | 0 | 0.0 | | | |
| | Reserves Use | -3,198 | -3,198 | 0 | 0.0 | | | -621 |
| 181,063 | Sub Total | 181,063 | 167,904 | -13,159 | 7.3 | | | -10,532 |
| | Contribution to Reserves | | | | | | | |
| | MTFS Implementation cost | | 2,796 | 2,796 | | | | 4,576 |
| | Carry Forward Requests 13-14 | | 4,009 | 4,009 | | | | 3,268 |
| | Business Risk | | 2,000 | 2,000 | | | | 1,691 |
| | Transformation and Priority Initiatives Fund | | 3,000 | 3,000 | | | | |
| 181,063 | Total Budget Requirement | 181,063 | 179,709 | -1,354 | 0.7 | | | -997 |

Directorates' Position

7. The outturn for the Directorates is an under spend of £6.009m against the approved budget of £192.432m which represents a 3.1% variance. The position for each directorate is summarised below and further details are provided in Appendix 1.

Resources

8. The outturn position for Resources is an under spend of £2.645m. The key reasons are detailed below:

- Finance and Assurance – Reduced pension augmentation payments (£217k) and an under spend on the finance transformation project (£141k) contribute to an under spend of £412k
- HRD & Shared Services – Savings on operational activity for payroll (£198k), reduction or delay on training programmes (£145k) and additional income from HR services contribute to an under spend of £443k
- Strategic Commissioning – Over recovery of SIMS income (£65k) and Local Area Agreement (LAA) Grant (£192k) contribute to an under spend of £283k
- Customer Services – There are a number of variances that have contributed to the overall under spend of £1.213m. The key variances are:
 - Low take up of the Emergency Relief scheme (347k)
 - Impact of the taxi card policy (£100k)
 - BTP payments not required due to delays in Mobile and Flex project (£262k)
 - Small Capita projects not progressed (£200k)
 - Additional Capita service credits (£150k)
 - The Housing Benefit overpayment bad debt provision was £113k overspent

9. The under spend is reduced to £1.566m after accounting for carry forwards of £1.079m which this report recommends (Appendix 2)

Environment and Enterprise

10. The outturn position for Environment & Enterprise is an under spend of £2.374m. The key reasons are detailed below:

- Additional income and under spends - Additional parking enforcement income (£1.202m), delays in the project implementation costs of Towards Excellence (£0.423m), delays in spending on highways and street lighting (£0.729m) due to contractor issues, savings on Waste disposal costs (£0.233m), additional rents from corporate estates (£0.317m), savings on salaries (£0.279m) and additional Streetworks income (£0.212m).
- Off setting these underspends are MTFS savings not achieved (£0.538m), a shortfall on Building Control fee income (£0.280m) and a shortfall on dry recyclable income (£0.336m)

11. The under spend is reduced to £0.748m after accounting for carry forwards of £1.626m which this report recommends (Appendix 2)

Community Health and Wellbeing

12. The outturn position for Community Health and Wellbeing is an under spend of £0.625m. The key reasons are detailed below:

- Housing General fund services are under spent by £0.477m, of which £0.400m is requested for carry forward mainly due to delays in the implementation of the Government's Welfare Reforms
- Public Health is under spent by £0.458m as a result of containing the Council's general fund contribution in relation to Drugs & Alcohol within the grant spend, increasing the MTFS saving by £100k in the overheads charged across the shared service, and lower levels of spend than anticipated in the Council funded transition cost budget. There has also been a contribution of £0.666m to an earmarked reserve of the ring fenced grant that was not spent in the first year.
- Community and Culture is overspent by £188k mainly relating to the late signing of the Libraries and Leisure contract which was compensated to a degree by Public Health funding in relations to leisure services. After accounting for carry forward requests the over spend is £293k.
- Adult Services is under spent by £59k and relates in the main to the early achievement of Supporting People savings to offset pressures in the In house Residential savings. After accounting for carry forward requests a balanced position is reported.

13. The directorate under spend is reduced to £0.061m after accounting for carry forwards of £0.564m which this report recommends (Appendix 2).

Children's and Families

14. The outturn position for Children and Families is an under spend of £0.365m. The key reasons are detailed below:

- Quality Assurance, Commissioning and Schools under spent by £579k which is largely unspent Troubled Families grant funding of £672k which is recommended for carry forward
- The Early Intervention Service under spent by £415k as a result of staff savings (£125k), public health contributions (£221k) and not spending an IT related carry forward at the Children Centres.
- Targeted Services over spent by £609k mainly from pressures in the Placements Service (£445k) and staffing (£270k) which are partly off set by under spends within the Children Looked After Service

- Management and Business Support over spent by £139k mainly from unachieved procurement, vacancy management and agency savings
 - Special Needs have under spent by £84k mainly from unspent SEN Reform Grant (£68k) which is recommended for carry forward
15. The directorate under spend of £0.365m is increased to an overspend of £0.375m after accounting for two recommended carry forwards of government grant funding totalling £0.740m.

INFLATION AND CORPORATE ITEMS

16. The position shows an under spend of £1.875m. £1m relates to a lower level of provisions being required for litigation, debt and redundancies than anticipated. £0.45m is a result of utilities inflation not being required and £0.4m the surplus relating to previous years on the Goods Received, Invoice Received suspense code.

CONTINGENCY

17. There have been no calls on the contingency and therefore an under spend of £1.171m is contributing to the overall position.

WELFARE REFORM CONTINGENCY

18. £2m was provided for this in the budget for 2013-14. This was not required in 2013-14 due to a combination of delays in the implementation of welfare reform and mitigating actions taken by Housing services and the Housing Benefits team to reduce the homelessness that would otherwise have occurred.

CAPITAL FINANCING

19. The outturn is an under spend of £0.917m. A reduced Minimum Revenue Provision, as a result of slippage in the 2012-13 capital programme, and more investment income as a result of higher cash balances than anticipated have realised this under spend.

REVENUE CARRY FORWARDS

20. Carry forward requests were received, mainly in relation to projects not completed and government grants not yet spent. The carry forward requests are summarised below and listed in appendix 2:-

| | Council Funding | Grant Funding | Total |
|----------------------------------------------------------------------------|-----------------|---------------|--------------|
| | £000 | £000 | £000 |
| Resources | 520 | 559 | 1,079 |
| Environment & Enterprise | 1,513 | 113 | 1,626 |
| Community, Health & Wellbeing | 457 | 107 | 564 |
| Children & Families | 0 | 740 | 740 |
| 2013-14 Carry Fwd Total | 2,490 | 1,519 | 4,009 |
| 2012-13 Carry Fwd for Local Development Framework not allocated in 2013-14 | 138 | | 138 |
| Total | 2,628 | 1,519 | 4,147 |

MTFS IMPLEMENTATION COSTS

21. As part of the 2012-13 accounts, Cabinet approved the establishment of a Medium Term Financial Strategy Implementation reserve of £4.849m. £1.571m has been drawn down during 2013/14, mainly in relation to severance costs, leaving a balance of £3.278m. In view of the costs still required to implement the MTFS, it is recommended that £2.796m is now added to the reserve. The Council's policy on General Reserves was agreed as part of the budget setting process in February 2013 and is outlined below:

“The first call on any under spend at the end of the year will be to fund the one off cost to transition. A contribution to general balances will then be considered with regard to the size of the under spend, the underlying strength of the balance sheet and the need to support other priorities.”

BUSINESS RISK

22. This reserve was established as part of the 2012-13 outturn to provide for a number of identified business risks with a balance of £1.691m. There have been three draw downs during in year:

- Waste Costs £0.220m
- Print contract termination costs £0.500m
- CCG contribution towards STARRS (agreed NHS Funding Transfer) £0.112m

23. This leaves a balance of £0.859m, which is recommended to be retained as the originally identified risks are ongoing. In addition it is recommended to add a further £2m to fund new and emerging business risks and any new contractual risks.

TRANSFORMATION AND PRIORITY INITIATIVES FUND (TPIF)

24. The TPIF balance at 1 April 2013 was 1.117m. During the year four bids against the fund were approved:

- Environment projects £0.560m
- Welfare Reform £0.100m
- Planning Enforcement £0.063m
- GIS £0.024m

25. This leaves a balance of £0.369m. It is recommended to add an additional £3m to fund invest to save initiatives and further member priorities.

GENERAL RESERVES

26. Harrow's level of General Reserves is low compared to most other authorities. In a survey by the LGA of the level of general reserves compared to percentage of net revenue showed Harrow the lowest in London and 346 out of 353 in England. After assigning the under spends to fund MTFS implementation costs, Carry Forward Requests and Business Risks, it is recommended to allocate the balance of £1.354m to General Reserves which will increase the balance from £8.646m to £10m as detailed below.

| | |
|---------------------------------|---------------------|
| | General Fund |
| | £000 |
| Balance b/fwd as at 01.04.2013 | 8,646 |
| Contribution | 1,354 |
| Balance as at 31.03.2014 | 10,000 |

27. Increasing general reserves to £10m will bring Harrow closer in line with other London Boroughs.

HOUSING REVENUE ACCOUNT (HRA)

28. The HRA has a surplus of £0.399m against a budgeted surplus of £0.456m. The main contributing factors are an over spend on repairs expenditure of £0.468m offset by lower than expected employee and other expenditure. The outturn also includes valuation losses on the Council's garages of £0.683m which have been mitigated to £0.225m by revising accounting entries in respect of depreciation in prior years.

DEBT WRITE OFF

29. The Council has been unable to recover £81,150 in respect of 2 invoices to a developer in respect of parking bay suspensions between 2009 and 2011. The company is in liquidation and all recovery processes have now been exhausted. Approval is sought from Cabinet for the debts to be written off. There has already been a 100% bad debt provision for these debts and there is no impact on the revenue outturn.
30. The reported outturn for the Housing Revenue Account includes a contribution to the provision for bad & doubtful debts of £142,589. This is after allowing for the write off of £339,633 HRA debt owed by tenants but which is not recoverable. We maintain a dialogue with tenants using all means available followed by formal correspondence offering repayment plans. Where this is unsuccessful, preparations for legal proceedings are put in place and ultimately eviction as a last resort. The majority of write offs in 2013-14 relate to former tenants who have left no forwarding address. Although checks are made with Revenues and Benefits and Experian, there is often no alternative but to write off. Approval of Cabinet is sought to write off this irrecoverable debt.

CAPITAL

31. The total spend on the capital programme for the year was £35.283m (£29.022m General Fund and £6.261m HRA). This compares to an approved budget of £93.486m including £6.593m below the line items (£85.095m General Fund and £8.390m HRA).

Table 2

| Directorate | Original Programme | CFWD's | Adjustments | Total Budget | Actual | Variance | Carry Fwd | Under spend |
|-------------------------------------|--------------------|---------------|---------------|----------------|---------------|---------------|---------------|--------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Community, Health and Wellbeing | 3545 | 2543 | 1962 | 8049 | 4291 | -3758 | -3,588 | -170 |
| Children & Families | 6404 | 11997 | 14458 | 32859 | 7302 | -25557 | -11767 | 13790 |
| Environment & Enterprise | 13798 | 7007 | 1786 | 22591 | 11910 | -10681 | -10674 | -7 |
| Resources | 5390 | 8059 | 1555 | 15004 | 5519 | -9485 | -9318 | -167 |
| TOTAL GENERAL FUND | 29137 | 29605 | 19761 | 78502 | 29022 | -49480 | -35347 | 14134 |
| HRA | 7633 | 757 | 0 | 8390 | 6261 | -2129 | -949 | -1180 |
| TOTAL GENERAL FUND & HRA | 36769 | 30362 | 19761 | 86892 | 35283 | -51609 | -36296 | 15314 |
| BELOW THE LINE ITEMS | 12411 | 0 | -5818 | 6593 | 0 | -6593 | 0 | -6593 |
| TOTAL CAPITAL PROGRAMME | 49180 | 30362 | 13943 | 93486 | 35283 | -58203 | -36296 | 21907 |
| NOTE: | | | | | | | | |
| General Fund Funding: | | | | | | | | |
| Grant | -8747 | -14076 | -14730 | -37553 | -9468 | 28085 | 14292 | 13846 |
| Section 106 | | -427 | -12 | -439 | -71 | 368 | 368 | 0 |
| RCCO | | -63 | -579 | -642 | -578 | 64 | 64 | 0 |
| Capital Receipt | | 0 | -3578 | -3578 | -4315 | -737 | 1199 | 0 |
| Borrowing | -20390 | -15039 | -862 | -36290 | -14590 | 21700 | 19424 | 288 |
| TOTAL GENERAL FUND | -29137 | -29605 | -19761 | -78,502 | -29022 | 49480 | 35347 | 14134 |
| HRA Funding: | | | | | | | | |
| Capital Receipt | | | | -100 | -150 | 50 | 0 | 0 |
| RCCO/DRF | -7633 | -757 | | -8290 | -6111 | -2179 | 949 | 1180 |
| TOTAL HRA | -7633 | -757 | 0 | -8390 | -6261 | -2129 | 949 | 1180 |

32. The total variance on General Fund is £49.480m. This includes £35.347m of slippage on General fund Projects and £0.949m slippage on HRA projects. The summary above shows £13.790m of underspend on Children & Families which is accounted for by the full budget for the additional grant funding received for the school expansion programme being added to the programme in November 2013, although it has also been included in the 2014-15 programme. There is an underspend of £6.593m against the below the line items. This budget was included in

the programme on a contingency basis and related to potential land acquisitions, new cost saving projects to be identified and the school expansion programme if not covered by new grant allocations. There have been a number of minor underspends across the programme totalling £0.344m.

33. A number of virements within the capital programme were approved under delegated authority in quarter 4. These are listed in the table below;

| From | To | Amount |
|------------------------------|---------------------------------------------------------|---------------|
| | | £000 |
| Disability Facilities Grant | Upgrading Library Management System | 75 |
| Parking Management Programme | CCTV Camera Extension Project | 28 |
| Parking Management Programme | Roxborough Bridge Underpass CCTV | 14 |
| Harrow Card | CCTV Enforcement Monitoring System Re-engineering | 80 |
| Harrow Card | Public Realm Services – Parks, Open Spaces & Cemeteries | 60 |
| Harrow Card | Public realm Services – Waste and Recycling | 70 |
| Harrow Card | Corporate Accommodation Maintenance | 110 |
| BTP - PCI Cap | Corporate Accommodation Maintenance | 52 |
| BTP Minor Projects | Small Schemes (Council wide) | 231 |
| BTP Minor Projects | BTP - Public Realms | 234 |
| BTP Minor Projects | ICT Infrastructure & Corporate Applications | 250 |

34. The HRA capital programme is showing a spend of £6.261m against the revised programme of £8.390m resulting in a variance of £2.129m which includes slippage of £0.949m and an under spend of £1.180m.

35. The capital programme by directorate is included at Appendix 2 showing performance against the latest approved budget for each programme line.

COLLECTION FUND

36. The overall position for the Collection Fund is a net surplus for 2013-14 is £1.495m against an estimated surplus of £2.096m resulting in an adverse variance of £0.601m. This resulted from a drop in Business Rates income mainly from Leisure Centre and Libraries due to their eligibility for charitable relief (£0.574m) and an increase in the appeals provision (£0.400m). This was partly offset by a reduced bad debt provision requirement on Council Tax (£0.373m) due to an improved collection rate as detailed below.

37. The net impact of the variance for the Council is however, virtually nil as Harrow's share of the Council Tax surplus (£299k) is proportionately higher than the share of the Business Rates deficit (298k).

38. The in-year Council tax collection rate for 2013-14 was 97.5% which is 1.5% above target and a tremendous achievement in the current economic climate. Business rate collection was 95.6 % which was a little below the target of 96.5 %, however this was not unexpected as the Council's predominant rate payers are Small Medium Enterprise and

these businesses have been most affected by the current economic climate.

TIMETABLE FOR ACCOUNTS COMPLETION AND EXTERNAL AUDIT REVIEW

39. The draft accounts will be completed by the statutory deadline of 30th June and the audit will commence in early July. The final accounts will be considered by the Governance, Audit and Risk Management Committee (GARM) on 17 September 2014 and must be signed off by the Council and the Auditor by the end of September.

LEGAL IMPLICATIONS

40. Section 151 of the Local Government Act 1972 states that ;"without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs"

41. Section 28 of the Local government Act 2003 imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against budget calculations.

FINANCIAL IMPLICATIONS

42. Financial matters are integral to the report.

PERFORMANCE

43. Good financial monitoring is essential to ensuring that there are adequate and appropriately directed resources to support delivery and achievement of Council priorities and targets as set out in the Corporate Plan. In addition, adherence to the Prudential Framework ensures capital expenditure plans remain affordable in the longer term and that capital resources are maximised.

44 Financial performance is considered quarterly at Cabinet.

ENVIRONMENTAL IMPACT

45. There are none directly related to this report.

RISK MANAGEMENT IMPLICATIONS

46. The risks to the council and how they are being managed are clearly set out in the report:

Risks included on Directorate risk registers? Yes

EQUALITIES IMPLICATIONS

47. Financial monitoring is important in ensuring resources are used to deliver equitable services to all members of the community. There are no direct equalities impacts arising from the decisions within this report.

CORPORATE PRIORITIES

48 This report deals with the Revenue and Capital monitoring which is key to delivering the Council's corporate priorities.

Section 3 - Statutory Officer Clearance

| | | |
|----------------------|-------------------------------------|----------------------------------------|
| Name: Simon George | <input checked="" type="checkbox"/> | Chief Financial Officer |
| Date: 10 June 2014 | | |
| Name: Jessica Farmer | <input checked="" type="checkbox"/> | on behalf of the Monitoring Officer |
| Date: 17 June 2014 | | |

Section 4 – Performance Officer Clearance

| | | |
|-------------------------|-------------------------------------|--------------------------------------------------------------------|
| Name: Jonathan Kilworth | <input checked="" type="checkbox"/> | on behalf of the Divisional Director Strategic Commissioning |
| Date: 20 May 2014 | | |

Section 5 – Environmental Impact Officer Clearance

| | | |
|-----------------------------|-------------------------------------|----------------------------------------------------------------------|
| Name: Venetia Reid-Baptiste | <input checked="" type="checkbox"/> | on behalf of the Corporate Director (Environment & Enterprise) |
| Date: 21 May 2014 | | |

| | |
|-----------------------------------|-----------|
| Ward Councillors notified: | NO |
|-----------------------------------|-----------|

Section 6 - Contact Details and Background Papers

Contact: Dawn Calvert (dawn.calvert@harrow.gov.uk)
Tel: 020 8424 1393

Background Papers:

[REVENUE AND CAPITAL MONITORING FOR QUARTER 3 AS AT 31, Cabinet 13 February 2014](#)
[FINAL REVENUE BUDGET AND MEDIUM TERM FINANCIAL STRATEGY, Cabinet 14 February 2013](#)

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

[Call –in applies]