

Southend-on-Sea Borough Council

Report of Corporate Director of Corporate Services
to
Cabinet
on
28 June 2016

Agenda
Item No.

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Provisional Revenue Outturn 2015/16
Policy and Resources Scrutiny Committee
Executive Councillor: Councillor Lamb
A Part 1 Public Agenda Item

1 Purpose of Report

To advise the Cabinet of the provisional revenue outturn for 2015/16, and therefore the likely level of revenue balances going into 2016/17.

2 Recommendation

- 2.1 That the provisional revenue outturn for the General Fund and HRA for 2015/16 be noted; and
- 2.2 That following due consideration, Cabinet approve the appropriation of revenue funds to and from earmarked reserves, as set out in paragraph 4.6 (General Fund) and paragraph 5.4 (HRA).

3 Background

- 3.1 This report provides an overall summary of the provisional revenue outturn for the financial year 2015/16. The closure of the 2015/16 accounts is still ongoing at the time of drafting this report, and therefore there is some potential for change.

4 General Fund

- 4.1 The table below summarises the provisional revenue outturn for the General Fund and the consequential use of balances for 2015/16. The outturn has been prepared on the assumption that all appropriations to and from earmarked reserves are approved. Members are invited to consider the appropriate level of appropriations later in this report.

Portfolio	Original Budget £000	Probable Outturn £000	Forecast Period 11 £000	Actual £000
Adult Social Care & Health	39,911	42,058	42,010	41,281
Children & Learning	33,477	32,860	32,915	32,397
Community & Organisational Development	2,613	2,470	2,139	2,274
Enterprise, Tourism & Economic Development	13,943	15,324	15,435	15,903
Leader	4,098	5,753	3,689	3,721
Public Protection, Waste & Transport	25,236	25,445	25,160	23,957
Housing & Regulatory Services	12,964	13,007	12,942	7,608
Portfolio Net Expenditure	132,242	136,917	134,290	127,141
Reversal of Depreciation	(19,982)	(20,261)	(18,432)	(15,484)
Levies	550	549	550	519
Financing Costs	16,062	15,029	15,006	11,107
Contingency	4,825	2,988	2,898	0
Pension Adjustments etc	(4,782)	(4,782)	(4,782)	(4,297)
Net Operating Expenditure	128,915	130,440	129,530	118,986
Government Grants	(3,973)	(3,973)	(3,973)	(3,838)
Corporate Savings	(50)	0	0	0
Revenue Contribution to Capital	3,090	855	855	1,209
Contribution to / (from) Earmarked Reserves	(1,889)	(1,229)	(319)	10,504
Net Expenditure / (Income)	126,093	126,093	126,093	126,861
Government Grants and Local Taxation	(126,093)	(126,093)	(126,093)	(126,861)
Contribution (to) / from General Reserves	0	0	0	0

Use of Reserves				
Balance as at 1 April 2015	11,000	11,000	11,000	11,000
Use in Year	0	0	0	0
Balance as at 31 March 2016	11,000	11,000	11,000	11,000

4.2 The table above shows that net expenditure for 2015/16 totalled £126.861 million. This was £0.768 million (0.61%) above the month 11 forecast. This was compensated by additional retained business rate income of £0.768 million, and as a result there has been no draw down from the General Fund Reserve to support expenditure. Given that the overall gross spend of the Council is in the region of £380 million, this variance is within acceptable parameters.

4.3 Members have been in receipt of monthly budget monitoring information, so most variances have been well documented. This report therefore concentrates on variances between the month 11 forecast and the outturn.

- 4.4 Although the outturn is in line with the period 11 forecast, there are of course numerous under and overspends on individual services. In particular Directors have continued to bear down on in year costs in preparation for the further budget reductions in place for 2016/17, giving rise to savings over and above the period 11 forecast.
- 4.5 Additionally year end accounting differs from that employed during the year, as management accounts are transformed into statutory reporting formats. This involves many self-balancing adjustments between accounting lines to display income and expenditure in its “appropriate” place together with final allocations from the contingency fund. In particular in compliance with International Accounting Standard 20 and the Local Government Statement of Recommended Practice, service grant income received in year has been fully recognised, even where it has not necessarily been or planned to be spent. In these cases the spending power of the grant has been preserved through the use of earmarked reserves. There are however a number of principal variances:

	£000
Revenue Contribution to Capital	354
Treasury Management etc	(3,899)
Waste and Cleansing	(1,906)
Various net underspends	(155)
Various self-balancing appropriations, particularly relating to the carry forward of the spending power of service specific grants	
Additional appropriations relating to capital, business transformation and other earmarked contingency sums	6,905
Unused contingency budget	(1,299)
Total Variance	0

Appropriations to and from Earmarked Reserves

4.6 Set out below are the recommended appropriations to and from () earmarked reserves, subject to the approval of Cabinet, annotated as appropriate where the appropriation is materially different from that planned.

Reserve	Planned to period 11 £000	Self-Balancing* £000	Additional £000	Total £000
Capital Reserves Additional reserves have been set aside for future capital programme items	111	100	1,500	1,711
Insurance Reserves Following a review, there has been a realignment of the balance between the insurance provision and reserve	0	899	0	899
Corporate Reserves Additional reserves have been set aside for future business transformation as the Council continues to adjust to lower government funding, and to build reserves for potential pension pressures arising from the forthcoming pensions revaluation.	2,878	773	4,655	8,306
Service Reserves Additional reserves have been set aside in particular to facilitate the on-going welfare reform agenda and the Queensway regeneration.	(1,567)	582	750	(235)
Grant Reserves Preservation of the spending power of service grants between years	(1,741)	1,564	0	(177)
	(319)	3,918	6,905	10,504

* Self Balancing appropriations are particularly those where an underspend in grant received is matched by a balancing underspend in expenditure, with the unspent grant being carried forward through earmarked reserves. Another example would be where there has been a need to top up the Insurance provision (via the revenue account) from the Insurance Reserve.

5 Housing Revenue Account

5.1 The table below summarises the provisional revenue outturn for the Housing Revenue Account and the consequential use of balances for 2015/16.

	Original Budget £000	Revised Budget £000	Forecast Period 11 £000	Actual £000
Employees	279	279	279	286
Premises (including repairs)	5,909	5,969	5,969	5,629
Supplies and Services	66	66	66	112
Management Fee	9,264	9,264	9,264	9,264
MATS	956	956	956	957
Provision for Bad Debts	361	361	361	101
Depreciation, Impairment etc	8,989	7,075	7,075	25,984
Interest Charges	3,410	3,551	3,551	3,549
Debt Management	37	55	55	54
Total Expenditure	29,721	27,576	27,576	45,936
Fees and Charges	(3,789)	(3,949)	(3,989)	(4,071)
Dwelling Rents	(26,281)	(26,584)	(26,624)	(26,806)
Other Rents	(596)	(593)	(593)	(603)
Other	(227)	(242)	(242)	(232)
Contribution from Leaseholders	0	0	0	(167)
Interest	(90)	(150)	(150)	(154)
Recharged to Capital	(530)	(530)	(530)	(537)
Total Income	(31,513)	(32,048)	(32,128)	(32,570)
Net Operating Expenditure	(2,242)	(4,472)	(4,552)	13,366
Statutory Mitigation on Capital Financing	(1,813)	0	0	(20,776)
Revenue Contribution to Capital	1,334	94	94	0
Appropriation to Earmarked Reserves	2,721	4,378	4,458	7,410
(Surplus) or Deficit in Year	0	0	0	0
Use of Reserves				
Balance as at 1 April 2015	3,502	3,502	3,502	3,502
Used in year	0	0	0	0
Balance as at 31 March 2016	3,502	3,502	3,502	3,502

5.2 The table above shows a balanced outturn for 2015/16 as anticipated.

5.3 There are however a number of under and overspends on individual budget lines. These include additional rental income coupled with additional fees and charges. There are significant increases in the value of impairments being charged into the HRA, as a result of the revaluation of the stock which saw the carrying value of the assets fall; this is fully mitigated under statutory rules so has no impact on revenue balances. There is also an underlying fall in the depreciation charge to the HRA following a revision in the calculation methodology, that creates a revenue saving. Finally, rather than build a higher general reserve for the HRA, additional net appropriations to HRA earmarked reserves are proposed.

5.4 Therefore the recommended HRA appropriations are;

HRA Reserve	Planned £000	Additional £000	Total £000
Repairs Contract Pensions Reserve	60	0	60
Queensway Reserve	(75)	0	(75)
Capital Investment Reserve	4,398	3,027	7,425
	4,383	3,027	7,410

6 Other Options

6.1 This is a factual report setting out the provisional outturn. As such there are no other options. Members are of course able to suggest changes to the amounts appropriated to and from earmarked reserves, which would result in a compensating adjustment to the amount taken to or from general reserves.

7 Reasons for Recommendations

7.1 As part of the year end processes, Members need to approve any appropriations to or from earmarked reserves. This report fulfils that purpose.

8 Corporate Implications

8.1 Contribution to Council's Vision & Critical Priorities

This report outlines the delivery of the Council's objectives and priorities in financial terms

8.2 Financial Implications

As set out in the report

8.3 Legal Implications

None

8.4 People Implications

None

- 8.5 Property Implications
None
- 8.6 Consultation
None
- 8.7 Equalities Impact Assessment
None
- 8.8 Risk Assessment
None
- 8.9 Value for Money
As set out in the report
- 8.10 Community Safety Implications
None
- 8.11 Environmental Impact
None
- 9 Background Papers**
None
- 10 Appendices**
None