



REPORT OF:	HEAD OF FINANCE
AUTHOR:	Bill Pallett
TELEPHONE:	01737 276560
E-MAIL:	Bill.Pallett@reigate-banstead.gov.uk
TO:	EXECUTIVE
DATE:	25 JUNE 2015
EXECUTIVE MEMBER:	COUNCILLOR G KNIGHT

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	ALL

SUBJECT:	PROVISIONAL REVENUE & CAPITAL OUTTURN 2014/15
RECOMMENDATIONS: (i) That the Provisional Outturn position for 2014/15 be noted; (ii) That the use of reserves proposed in paragraph 11 is endorsed and the Chief Finance Officer is authorised to make the necessary arrangements.	
REASONS FOR RECOMMENDATIONS: To advise Members of the revenue and capital expenditure for 2014/15 and to seek authorisation for the proposed use of reserves.	
EXECUTIVE SUMMARY: This report sets out the 2014/15 provisional outturn for revenue (£173,000 overspend) and capital (£5.8m underspend). It identifies and explains key variances, and proposes changes to the levels of the Council's reserves.	

Executive has authority to approve the recommendations.

STATUTORY POWERS

1. Decisions on the use of reserves affect the Statement of Accounts. The Council is required to produce the Statement by the *Local Government and Housing Act 1989* and the *Accounts and Audit Regulations 2011*.

ISSUES

2. The accounting records for the year ended 31 March 2015 have been closed and work to prepare the formal Statement of Accounts is complete. The Statement will form part of the Annual Financial Report which will be presented to Members in the autumn following audit by KPMG (our external auditors).

3. The information in this report is therefore still subject to both minor variation and verification by the Council's external auditor.
4. Table 1 below summarises the provisional outturn position.

Table 1: Provisional Outturn Summary

Description	Budget £000	Outturn £000	Variance £000	Variance %
Capital Programme	21,563	15,744	(5,819)	(27%)
Revenue	16,816	16,989	173	(1%)

Capital Programme

5. The outturn for the capital programme is £15,744,000 against a budget of £21,563,000 which gives an underspend of £5,819,000. Due to its very nature the capital programme is not easy to profile accurately and has - historically - underspent by around 20% to 40% per year. The main components of the 2014/15 underspend have been previously reported and are included in the summary below.
 - *New Banstead Leisure Centre:* The contractors overestimated what would be achieved through the winter months resulting in slippage of £2.3m. The budget profile will be updated for 2015/16. This change will not impact the project completion date.
 - *Merstham Regeneration:* Delays in a land acquisition between Surrey County Council and Raven Housing Trust and negotiations with contractors have resulted in slippage of £1.7m. This will be carried forward into 2015/16.
 - *Vehicles & Plant programme:* The planned purchase of replacement refuse vehicles has been put back until early 2015/16. This has resulted in a budget underspend of £527,000 which will be carried forward.
 - *Redhill Balanced Network:* The final works and payment on this project have slipped beyond the end of 2014/15 resulting in an underspend of £486,000. This will be carried forward in to 2015/16.
6. Where necessary, all ongoing projects and programmes will be re-profiled to reflect the outturn position and revised plans.

Revenue Budget

7. In February 2014 the Council set a net revenue budget for 2014/15 of £16,012,000. Transfers from the Corporate Plan Delivery Fund during the year resulted in a net increase to £16,816,000. Actual expenditure for the year was £16,989,000 giving an overspend of £173,000 (1% of the overall budget).
8. There two main reasons for this overspend have been previously reported and are summarised below:
 - *Waste & Recycling:* As reported during the year, prices for all recyclates – and particularly paper - have reduced significantly. In addition, some recyclates that had previously generated income were incurring disposal costs during the year.

The total impact of this was in the region of £800,000 but cost control and other measures have delivered a net overspend of £575,000.

- *Housing Development & Needs*: An unanticipated – and sustained - level of demand for temporary accommodation has led to higher than budgeted ‘bed and breakfast’ costs. This has resulted in an overspend of £202,000.
9. In both cases steps have been taken to mitigate the impact of these ongoing factors on the 2015/16 budget.
 10. Other variances were due to factors described in the Financial Performance Monitoring reports produced throughout the year, and reflect management actions to minimise the total overspend despite difficult economic and market conditions. A full list of outturn variances can be found in Annex 1.
 11. It is proposed that this overspend is financed from the General Fund Reserve. In anticipation of challenging economic circumstances the balance on this reserve is currently higher than minimum level of 15% of the net revenue budget required by the Medium Term Financial Plan. Financing the overspend from this will reduce the balance to £5.9m.
 12. Following expenditure during the year, the balance on the Corporate Plan Delivery Fund is £2.1m.

OPTIONS

13. The Executive can accept or amend the proposal to fund the overspend as set out in paragraphs 11.

LEGAL IMPLICATIONS

14. There are no legal implications.

FINANCIAL IMPLICATIONS

15. The impact on the Council’s reserves is set out above in paragraph 11. The advantages of the proposed approach are that the burden falls on a reserve which exists to help manage unforeseen events and which has grown due to underspends in previous years.

EQUALITIES IMPLICATIONS

16. There are no equalities implications.

OTHER IMPLICATIONS

17. There are no other implications.

CONSULTATION

18. The Executive Member with responsibility for Finance was consulted during the preparation of this report.
19. The Overview and Scrutiny Committee considered a draft version of this report at its meeting on 17 June 2015. An update will be provided on the views of the Committee.

POLICY FRAMEWORK

20. The Five Year Plan 2015-2020 includes the priority “we will be financially self-sufficient by 2020, without impacting on residents’ priorities.”

Background Papers:

Executive	26 March 2015	<i>Quarter 3 Performance Report</i>
Executive	8 January 2015	<i>Quarter 2 Performance Report</i>
Executive	18 September 2014	<i>Quarter 1 Performance Report</i>
Council	13 February 2014	<i>Budget & Council Tax 2014/15</i>

Revenue Outturn by Service 2014/15

Function/Theme	Budget £000	Outturn £000	Variance £000	Explanation of Significant Variances
Car Parking	(1,683.2)	(1,870.2)	(187.0)	Pay and display and contract income for off-street parking higher than anticipated.
Corporate Policy & Governance	208.5	175.5	(33.0)	
Democratic & Electoral Services	1,026.2	1,062.2	36.0	
Management Team	499.1	525.1	26.0	
Risk, Performance & Contingency Planning	268.0	246.0	(22.0)	
Parks & Countryside	1,383.9	1,381.9	(2.0)	
Planning Policy & Economic Prosperity	847.2	723.2	(124.0)	The result of salary underspends and 2015/16 savings released earlier than planned.
Information & Communication Technology	1,273.1	1,295.1	22.0	
Communications, Web & Information	521.3	519.3	(2.0)	
Customer Services	530.6	483.6	(47.0)	Salary underspends due to vacancies and manager post savings.
Human Resources	562.4	568.4	6.0	
Legal Services	72.1	77.1	5.0	
Finance	6,311.1	6,270.1	(41.0)	Salary savings due to vacancies.
Treasury Management	(464.9)	(442.9)	22.0	
Cleansing & Outreach Community Services	813.0	827.0	14.0	
Engineering Services	171.1	125.1	(46.0)	Higher than expected capitalised salary costs.
Fleet & Stores	792.7	792.7	0.0	
Waste & Recycling	(89.7)	485.3	575.0	The result of income shortfalls and additional disposal costs.
Property & Facilities	903.7	701.7	(202.0)	Higher than budgeted rental and lease income.
Building Control	(54.6)	(88.6)	(34.0)	
Development Management	242.3	165.3	(77.0)	An over-recovery of planning fee income due to the number of large applications received.
Benefits	(205.1)	(165.1)	40.0	Higher than budgeted rent allowance expenditure.
Housing Development & Needs	728.5	930.5	202.0	Higher than anticipated bed and breakfast payments due to additional families entering into temporary accommodation.
Local Taxation	29.8	86.8	57.0	An unbudgeted empty homes review created an overspend but will generate additional New Home Bonus funding.
Community Safety	202.1	205.1	3.0	
Environmental Health	712.7	685.7	(27.0)	
JET Team	315.6	337.6	22.0	
Licensing, Technical and Business Unit	(110.8)	(208.8)	(98.0)	High than budgeted volumes of three-year driver licenses issued.
Community Services	345.9	359.9	14.0	
Harlequin	228.5	217.5	(11.0)	
Leisure Services	(15.4)	5.6	21.0	
Subsidy Grants to Tenants	0.0	63.0	63.0	Unbudgeted rental subsidies.
Voluntary Sector Support	450.3	448.3	(2.0)	
	16,816.0	16,989.0	173.0	