

OUTTURN REPORTS 2013/14

EXECUTIVE MEMBER: Cllr Gillian Troughton
LEAD OFFICER: Angela George – Interim FMS
REPORT AUTHOR: Ann Treble, Accountant Financial Management and Treasury

SUMMARY:

The revenue out turn, capital outturn and treasury management outturn report were all considered by the Executive at their meeting on 27th May 2014 and this report summarises the Executive's recommendations to Council who will meet on 19 June, with respect to:

- (i) Revenue Out turn 2013/14 (Appendix 1)
- (ii) Capital Out turn 2013/14 (Appendix 2)
- (iii) Treasury Management Out turn 2013/14 (Appendix 3)

RECOMMENDATION:

That OSC note the recommendations to Council to approve the following:

1. Revenue Out Turn 2013/14:

- (i) Approve the transfer of the underspend in the mainstream budget of £962k to the General Fund unallocated balance in accordance with Table in paragraph 2.4
- (ii) Approve the transfer of £7k of the underspend in the budget funded by earmarked reserves to the General Fund unallocated balance in accordance with paragraph 2.4
- (iii) Approve the transfer of £247k of the underspend in the budget funded by earmarked reserves to be returned to reserves.
- (iv) Approve the carry forwards from mainstream budget underspends of £454k and the carry forwards from the budget funded by Earmarked Reserves of £118k, both as detailed in paragraph 2.8, to increase the 2014/15 budget by £572k.
- (v) Approve the transfer of £240k of the underspend in the mainstream budget to Earmarked Reserves as detailed in paragraphs 2.11.
- (vi) Approve the use of £25k from reserves in 2013/14 in accordance with paragraph 2.10.
- (vii) Increase the balance on the budget for 2014/15 to £11.179m as set out in paragraph 2.12.

2. Capital Out Turn 2013/14:

- (i) Approve the total revised Capital Programme budget of £4.016m as detailed in the table at paragraph 3.1
- (ii) Approve the provisional outturn (subject to audit) of £782k as detailed in paragraph 3.2, resulting in a favourable variance of £3.234m, which is to be split as detailed in the table in 3.2 and below:-

- a) Approve £2.9m as carry forward requests to enable the completion of the outstanding projects in 2014/15 and beyond.
- b) Approve the remaining £313k underspend to be returned to the Useable Capital Receipts Reserve for use on new projects.
- (iii) Approve the financing of the capital programme for 2013/14 as set out paragraph 3.3
3. Treasury Management Out Turn 2013/14:
- (i) Approve the actual 2013/14 prudential and treasury indicators in paragraph 4.3
- (ii) As detailed in our Treasury Management Strategy and as required under The Code, this report has to be considered by the Audit & Governance Committee before being recommended to Full Council. This report will be considered by Audit & Governance Committee on 25th June 2014 and Council are asked to approve that the portfolio holder in conjunction with the section 151 Officer be delegated authority to fully approve the out-turn subject to the outcome of scrutiny, as per paragraph 4.1.

1. INTRODUCTION

1.1. The Revenue Out Turn, Capital Out Turn and Treasury Management Out Turn reports were considered in detail by the Executive on 27 May 2014 following which they have made recommendations to Council. This report summarises the main issues with full detailed reports attached as follows:

- **Appendix 1** – Revenue Out Turn 2013/14
- **Appendix 2** – Capital Out Turn 2013/14
- **Appendix 3** – Treasury Management Out Turn 2013/14

2 REVENUE OUT TURN 2013/14 (APPENDIX 1)

2.1 This year has seen the authority develop and deliver significant service changes as well as new budget proposals for 2014/15 and future financial strategy for the council against the backdrop of reducing and uncertain settlements. This work will need to be continued in the current financial year as the Council will need to operate with reducing budgets.

2.2 A *savings target* of £1.76 was set as part of 2013/14 budget. The amounts were reduced from individual budget lines as and when identified.

2.3 The Change Programme Board has been responsible for monitoring and managing the delivery of the savings programme. A number of savings were not met in the year, however additional management actions has meant that savings in excess of those required have been achieved,

- Strong vacancy management has achieved in year savings on salaries of £455k netted of against legal and professional fees of £121k and agency fees of £44k to give a saving of £290k. This has however created some capacity issues which has meant that some projects could not be supported, contributing to the overall underspend in year.
- Extra Income from PPAs
- External funding from DECC and CoNE
- Deliberate strategy to seek partner funding wherever possible

2.4 The following table summarises the out-turn position by department, and the funding requirement for the out turn. A more detailed breakdown of the out turn by cost centre is attached in an appendix to the revenue report (appendix 1)

Department	Original Budget 21 Feb 2013	Carry forwards from 2012/13 (corrected) 28 May 2013	Changes period 1- 12	Current Approved Budget	Actual spend	Net Contribution to reserves	Carry forwards	Out turn 2013/14	Variance from General Fund Reserve	Variance from Ear- Marked Reserve	Variance to Budget
	£'000	£'000	£'000	£'000	£'000						£'000
Chief Executive	559	0	684	1,243	1,159	0	12	1,171			72
Corporate Resources	4,206	228	314	4,748	3,785	169	253	4,207			541
Policy and Transformation	1,169	37	205	1,411	1,195	0	105	1,300			111
Neighbourhoods	2,532	63	39	2,634	2,332	37	86	2,455			179
Nuclear, Energy and Planning	377	95	49	521	148	149	16	313			207
Regeneration and Communities	1,519	141	135	1,795	1,493	96	100	1,689			106
Total	10,362	564	1,426	12,352	10,112	451	572	11,135			1,217
Funding											
RSG	3,312			3,312				3,312			-
Baseline need	2203			2,203				2,203			-
New homes bonus	236			236				236			-
PFI Grant	837			837				837			-
Council Tax	3590			3,590				3,590			-
Collection Fund Surplus	44			44				44			-
Additional grant 1 year only CTS scheme	17			17				17			-
Specifc Grants	21			21				21			-
Earmarked Reserves	132	180	767	1,079				825		(255)	(255)
General Fund Reserves	-30	384	658	1,012				50	(962)		(962)
Total	10,362	564	1,425	12,351	0			11,135			-1,217

CARRY FORWARDS FROM BUDGETS

- 2.5 We are currently experiencing the biggest changes to Local Government Finance that have been felt for many years. Significant changes to the Business Rates system and Council Tax Benefit schemes mean a transfer of risk from Central Government to Local Government.
- 2.6 The council has had to refocus its aims and priorities, looking now to 'work with partners and communities to arrange services for residents in Copeland'. In order to ensure we are in the best position possible to be able to provide the statutory services required it is essential to use our policy framework so as to direct what we do and don't do and how and where we direct funding.
- 2.7 Carry forwards proposed at year end by managers were considered in terms of whether commitments currently exist. Carry forwards must be necessary either to allow the completion of previously approved programmes or provide resources for additional budget pressures that have arisen since the 2014/15 budget was approved.
- 2.8 The following carry forward requests, totalling £572k have been included within the out-turn position:-

Department	Cost centre	Detail	Amount	Business Rationale	Funded - GFR/EMR
Corporate Resources					
	22304	0947	159	Leader requested hospitality carry forward	GFR
	26101	0150	117,000	air handling unit work to be undertaken in 14/15 when pool shut down for extension works	GFR
	26101	0150	57,540	to fulfill obligations under contract for PMP	GFR
	26125		48,500	to rectify dangerous structure, northern boundary on conservation area	GFR
	GFR underspend		12,000	estimate shortfall identified in 14/15 budget in connection with member investiagtion fees	GFR
	GFR underspend		30,000	Revs & Bens request - required to fund review work to realise efficiencies	GFR
sub total			265,199		
Policy & Transformation					
	21114	0728	65,036	phase 1 & 2 of change programme allocated not delivered in 13/14	EMR
	21114	0001/5/6	21,396	to use to support housing MVM system upgrade	GFR
	25000	0001/5/6	18,157	to use to support housing MVM system upgrade	GFR
sub total			104,589		
Neighbourhoods					
	26005	0200	12,800	severe weather demands st bees sink hole works	GFR
	48008	various	39,300	estimated wage and redundancy costs in connection with loss of Home Group contract	GFR
	48004	0715	5,000	drainage for millom cemetery utilising current year u/spend	GFR
	46203	0111	7,690	to complete fire risk assessment work	GFR
	48007	0100	21,069	Green houses were due to be demolished in 13/14 but had a tennant, once tennant vacates in 14/15 demolition will take place	GFR
sub total			85,859		
Nuclear, Energy & Planning					
	22215	0900	16,289	remainder of CAT pot needed each year to deal with transfers	GFR
sub total			16,289		
Regeneration & Community					
	11036	0728	1,368	commitment to pay licence site	EMR
	11065	0728	7,988	to underpin IAG apprenticeship scheme	EMR
	11001	Various	12,540	regeneration & youth team funding needed to match over time of external funding	GFR
	32546	Various	9,345	regeneration & youth team funding needed to match over time of external funding	GFR
	43030	0317	23,726	to complete pool project QS fees	GFR
	11044	Various	2,316	required for 5 year program	GFR
	32201	0291	43,014	to complete Beacon refurbishment	EMR
sub total			100,297		
Total			572,233		

RESERVES

2.9 The total approved use of reserves in 2013/14 is £1.08m, with the out turn position showing that only £825k will be required leaving £255k unspent in year, as detailed in the Table at paragraph 2.4 of this report. Of this £7k can be released into the general fund reserve with the remaining £248k being returned to the relevant earmarked reserve for future use.

2.10 During 2013/14, certain items of spending have been incurred which can justifiably be charged to earmarked reserves, which have been set aside for these purposes. These are;

- £5k costs in excess of budget within the Building Control fess based account;
- The costs of £20k incurred on Coastal Management (in addition to the £35k released into the budget during the year) to fund works necessary as a result of bad weather that cannot be funded through the Bellwin Scheme.

Members are asked to approve the use of reserves to the value of £25k to provide funding for the above items, taking the total usage of earmarked reserves (including carry forwards as detailed in paragraph 2.8) to £850k in year.

2.11 The table below shows proposed contributions into the earmarked reserves at year end, which Members are asked to approve:

Department	Cost Centre	Cost Centre	transfer to EMR	Notes
Neighbourhoods				
	48004	Crematorium	250	
			250	
Nuclear, Energy & Planning				
	various	Nuclear	150,339	1
	31601	Dilapidated Buildings	3,834	
sub total			154,173	
Regeneration & Community				
	32201	Beacon	29,157	2
	32203	Beacon Grants	6,699	3
	12012	HoS Regeneration and Communities	50,000	4
sub total			85,856	
Total			240,279	

Notes:

- 1 This is a net contribution to the Planning for Nuclear reserve, after all applicable expenditure has been allocated against unbudgeted external grant income from DECC and unbudgeted PPA income.
- 2 In accordance with existing business plan this net underspend for the Beacon will be a contribution to the Beacons earmarked reserve which will now act as a profit /loss account for the new collaboration
- 3 This is unused external grants made to the Beacon which will be used for conservation works on the collection in the future by CBC.
- 4 The Council have set out their priorities for economic growth in their work with the Cumbria LEP and Energy Coast West Cumbria. An ear marked reserve is required to enable the Council to deliver against its growth priorities through maximising external funding and partnership working in the borough to support local economic growth.

IMPACT ON 2014/15 BUDGET

2.12 As a result of the changes set out in this report, and subject to the approval of members to the carry forward amounts, the 2014/15 budget will be revised as follows:

	2014/15 Impact £
Budget approved February 2014	10,511
Carry Forwards from 2013/14 (table at paragraph 2.8)	572
Land Management Budget (2101&2102) fees and charges (additional income budget)	(8)
Land Management Budget (0483) Disposal of land & property (additional expenditure budget)	8
Extra release reserves:	
Knotweed	7
Planning for Nuclear (salaries not included in original budget)	34
Planning for Nuclear (to fund salary protection)	10.2
Housing refresh Copeland housing survey – Executive 12 May 14	10
Housing business & temporary accommodation needs research – Executive 12 May 14	10
Growth Strategy (works in 14/15 to enable increased economic growth in the borough)	25
Total Revised Budget 2014/15	11,179

3 CAPITAL OUT TURN 2013/14 (APPENDIX 2)

3.1 The table below details the amendments to the 2013/14 capital programme since it was originally approved in February 2013

<i>CAPITAL PROGRAMME BUDGET 2013/14</i>			
	£	£	CUMULATIVE
Original Budget approved at Council 21/02/13		1,599,524	1,599,524
Approved amendments to budget:			
Addition: Approved at Q3 12/13 Capital Report P10 EXE 12/03/13 - £12k from eventual sale of Kells Plots for Kells Drainage	12,000		1,611,524
Addition: Approved at Outturn 12/13 EXE 28/05/13 - Slippage from 2012/13	639,845		2,251,369
Addition: Approved at Outturn 12/13 EXE 28/05/13 - £27,452 to re-instate Millom Cemetery from £121,764 to £149,216	27,452		2,278,821
Addition: Approved External Funding St Bees Play in addition to £40k CBC EXE 18/12/12 - £30,250 CCF, £60k WREN, £5k St Bees Group & £3k additional St Bees Group	89,367		2,368,188
Addition: Approved THI External Funding in addition to CBC £250k EXE 28/05/13 - £394.6k BEC, £659.2k HLF	1,053,800		3,421,988
Addition: Approval for Copeland Pool: receipt and spend of match funding to CBC £263k Capital EXE 12/09/13 £150k Sport England, £300k CCF	450,476		3,872,464
Addition: Approved EXE 19/11/13 £15k in crease in relation to Operational Buildings Beacon Lift replacement budget	15,000		3,887,464
Addition: Approved EXE 17/12/13 (Part II) £35k Moresby Depot splitting of services	35,000		3,922,464
Reallocation: External THI funding of £14,951 transferred to revenue to cover revenue costs	- 14,951		3,907,513
Addition: Further external income received re St Bees Play Area from St Bees Parish Council	8,000		3,915,513
Addition: External funding for Empty Homes Clusters	101,069		4,016,582
Current Budget		4,016,582	

3.2 The capital outturn information and the action on the resulting variance is summarised below:

Total Revised Capital Programme Budget 2013/14	Provisional Outturn 2013/14	Variance
4,016,582	782,213	3,234,369

Breakdown of favourable variance			
Carry Forward request (to complete project in 2014/15)	Projects Completed Under Budget		Total
	UCRR	External	
2,911,719	313,153	9,497	3,234,369

3.3 Utilisation of resources to fund the 2013/14 Capital Programme in the light of the provisional outturn is estimated as follows:

Financing of the Capital Programme 2013/14

Financing	Original Annual Gross Budget £	Amended Annual Gross Budget £	Provisional Outturn £
Useable Capital Receipts	1,970,357	2,020,357	335,577
Other External Funding	308,464	1,996,225	446,636
Other Reserves & contributions	0	0	0
TOTAL CAPITAL PROGRAMME	2,278,821	4,016,582	782,213

4 TREASURY MANAGEMENT OUT TURN (APPENDIX 3)

- 4.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual review of treasury management activities and the actual prudential and treasury indicators for 2013/14. This report meets the requirements of the CIPFA Code of Practice for Treasury Management (The Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). As detailed in our Treasury Management Strategy and as required under The Code, this report has to be considered by the Audit & Governance Committee before being recommended to Council and so will be considered for scrutiny on 25th June 2014. It is recommended that the Portfolio holder in conjunction with the section 151 Officer be delegated authority to fully approve the outturn subject to the outcome of the scrutiny of Audit & Governance Committee.
- 4.2 Investments held by the Council - Over the full financial year, the Council maintained an average balance of £40m of internally managed funds. The actual interest earned for 2013/14 was £212,783 (as reported in the Revenue Out-turn Report) against a budgeted return of £202,822, resulting in a net improvement against the budgeted return on investments for 2013/14 of £9,961. The Treasury Management Strategy 213/14 remained unchanged since its approval in February 2013. The continuing low interest rates which fell further during the year as a result of the Funding for Lending Scheme afforded the small return. This compares to actual interest earned in 2012/13 of £288,585 against a budget estimate of £227,822, resulting in an overachievement of income of £60,763.
- 4.3 The authority's prudential indicators for 2013/14 are as follows:

Table A

Actual prudential and treasury indicators	Ref	2012/13 Actual £m	2013/14 Original Estimate* £m	2013/14 Actual* £m
Capital expenditure		£1.52m	£1.60m	£0.78m
Capital Financing Requirement		£8.47m	£7.91m	£7.93m
Gross borrowing - External debt	(a)	£11.94m	£10.83m	£11.38m
Investments - Under 1 year	(b)	£18.45m	£14.60m	£25.67m
Net Investments	(a-b)	(£6.51m)	(£3.77m)	(£14.29m)

*Prior to approval of Final Accounts

Table B

Prudential Indicator	2013/14
Authorised limit	£17.00m
Maximum gross borrowing position	£11.94m
Operational boundary	£12.00m
Average gross borrowing position	£11.66m
Financing costs as a proportion of net revenue stream	6.55%

Affordability Prudential Indicators

The previous tables cover the overall capital and control of borrowing prudential indicators, but we are also required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

The indicator detailed in Table C below, identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Table C

Ratio of financing costs to net revenue stream	31 March 2013 Actual	2013/14 Estimate	31 March 2014 Actual
Ratio	7.16%	7.73%	6.55%

The next indicator as detailed in Table D, identifies the revenue costs associated with proposed changes to the three year capital programme recommended at Full Council on 21 February 2013 compared to the Council's existing approved commitments and current plans.

Table D

Ratio of financing costs to net revenue stream	31 March 2013 Actual	2013/14 Estimate	31 March 2014 Actual
Ratio	7.16%	7.73%	6.55%

The maturity structure of the debt portfolio was as follows:

	31 March 2013 Actual	2013/14 Original Limits	31 March 2014 Actual
Under 12 months	100%	100%	100%
12 months and within 5 years	100%	100%	100%
5 years and within 10 years	100%	100%	100%
10 years and within 20 years	100%	100%	100%
21 years and within 30 years	100%	100%	100%
31 years and within 40 years	0	0	0
41 years and above	0	0	0

All investments within the Councils portfolio were placed for under one year. The authority held 100% specified investments at the year-end against a maximum limit of 75% non-specified investments.

The exposure to fixed and variable rate investments was as follows:

	31 March 2013 Actual	31 March 2014 Actual
Fixed rate (Principal)	£7.40m	£14.90m
Variable rate (Principal)	£11.05m	£10.77m
TOTAL INVESTMENT	£18.45m	£25.67m

The Treasury Management Strategy is set out in Appendix 3. This incorporates the Annual Investment Strategy and the Minimum Revenue Provision (MRP) Statement.

5. CONCLUSIONS

- 5.1 The report sets out the revenue out turn, capital out turn and treasury management out turn reports for 2013/14 (subject to audit) for approval by Council on 19 June 2014.

6. STATUTORY OFFICER COMMENTS

- 6.1 The Monitoring Officer's comments are:
- 6.2 The Section 151 Officer's comments are: included in the report
- 6.3 EIA Comments:
- 6.4 Policy Framework:
- 6.5 Other consultee comments:
 - Budget Managers
 - Corporate Leadership Team
 - Executive

7. HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?

- 7.1 The out-turn position for 2013/14 is the culmination of the year long budget monitoring exercise, which is designed to identify budget savings and budget pressures during the year.
- 7.2 The next stage is the finalisation of the statutory Statement of Accounts and the formal audit of the Council's accounts, which includes an analytical review of spending in the year and matches this with the out-turn for 2013/14 to assess significant changes in spending patterns on an annual basis. This in turn provides a base for assessment of identified variances which may indicate further scope for changes within the current year budget, longer term savings or better utilisation of the Council's resources, in light of the 2015/16 MTFS position.

8 WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?

- 8.1 The out-turn position for 2013/14 is key to determining the required use of reserves for the year and the level of general and earmarked reserves the Council will have available to support its revenue budget in future years.
- 8.2 Spending areas that vary significantly from the approved budget are also identified, which can then be fed into the budget planning process to enable informed decisions on changes to the Council's budget to be made.

List of Appendices

- Appendix 1 – Revenue out turn report
- Appendix 2 – Capital out turn report
- Appendix 3 – Treasury Management out turn report

List of Background Documents:

2013/14 Management Accounts Reports periods 3 -11

Reserves Reports (EM & GF) Dec 13 and Jan 14

Financial Regulations / Constitution

List of Consultees:

Corporate Team

CLlr G Troughton