

**REPORT TO:** CABINET

**DATE:** 17 JULY 2014

**TITLE:** YEAR END JOINT FINANCE &  
PERFORMANCE REPORT 2013/14

**PORTFOLIO HOLDERS:** COUNCILLOR JON CLEMPNER  
COUNCILLOR MIKE DANVERS

**LEAD OFFICERS:** CORPORATE MANAGEMENT TEAM/HEADS  
OF SERVICE (01279) 446004

**This is a Key Decision**

**It is on the Forward Plan as decision number I001090**

**This decision is not subject to Call-in procedures for the following reasons:**

**The recommendations are within the scope of the original budget and Corporate Plan approved by Full Council in February 2013.**

**This decision will affect no ward specifically.**

**RECOMMENDED that:**

- A** Cabinet acknowledges the outturn position for 2013/14 as detailed within the report and recognises the managerial control this demonstrates over the Council's controllable elements of the General Fund budget.
- B** Cabinet recognises the operational performance which has been achieved across all Council services during 2013/14.
- C** The schedule of CMT recommended budget carry-forward requests, totalling £255,500 (as set out in Appendix two to this report), be approved
- D** The contributions to reserves as set out in the report be recommended to Council for approval.

**REASON FOR DECISION**

- A** To advise the Cabinet of the revenue outturn position for the General Fund as at 31 March 2014 and to seek approval for the carry-over of specific budget sums into 2014/15. This report corresponds with the completion of the Council's final accounts process for 2013/14, which will be reported to Cabinet in September 2014 once external audit work has been completed by Ernst & Young LLP.
- B** To advise the Cabinet of the Council's performance against the Corporate Plan for 2013/14.

## **BACKGROUND**

1. This report sets out the Council's corporate priorities and financial and performance position as at the end of the 2013/14 financial year. The report concludes the formal reporting process for the 2013/14 financial year and seeks approval for requests for budget carry forwards across a range of service areas.

## **SUMMARY OF YEAR END FINANCIAL PERFORMANCE - 2013/14**

2. The closure of the Council's 2013/14 accounts is now complete and the draft Annual Statement of Accounts is now available and published on the Council's website. The closure of the accounts enables the final contribution to the General Fund Reserve to be calculated representing the variance between the approved budget and the actual income received and expenditure incurred delivering Council services during the year.
3. The management of service budgets has once again been extremely good with any in year pressures that have arisen being effectively managed within the overall service budgets wherever possible.

## **KEY ISSUES**

4. A review of 2013/14 financial year indicates that, in total, the General Fund revenue budget underspent by £1,985,000 or -2.77 per cent when compared to the approved General Fund budget. Section four of the Appendix to this report summarises major budget variations. The underspend on controllable service budgets is £959,000 representing a variance of only 1.35% and after adjusting for the carry forward requests these figures reduce further to £703,500 and 0.99% This variance is extremely small given the economic circumstances within which the Council is operating and the wide range and complexity of the services delivered by the Council.
5. Although the underspend is higher than in previous years the following table analyses the key reasons underpinning the year end financial position:-

	£
Total reported Underspend	1,985,000
Less windfall and other non-controllable variations	-1,026,000
Total Underspend - Controllable budgets	959,000
Less Carry Forward requests included	-255,500
Adjusted variation on controllable Service budgets	<b>703,500</b>
Service budget variations already removed from future years base budget	417,000
<b>Underlying Service budget variation</b>	<b>286,500</b>

6. Careful management of budgets has been exercised across all services in order to guard against expenditure pressures and to offset income reductions. Services have also clearly demonstrated that they have sought to reduce expenditure against budgets in 2013/14 where there are approved budget cuts for 2014/15. This has enabled services to prepare to operate at lower levels of funding and has increased the actual underspend when compared with the forecast produced in December 2013 and reported to Cabinet in March 2014.
7. At a service level the management of budgets has been excellent with controllable expenditure having been effectively managed to ensure that areas where pressures have been identified in year have been managed by controlling costs elsewhere within services.
8. As detailed above, of the £959,000 variation generated at a controllable budget level, £417,00 of this has already been removed from the 2014/15 and future years budgets as part of the 2014/15 budget approved at Council on 6 February 2014.
9. The Appendix to this report details the major variations across all service areas and for non-controllable budgets. Significant variations have previously been reported to Cabinet during the year with the last report in March 2014 identifying that at that time and based upon data from December 2013 the underspend would be in excess of £1m. A review relating to the funding mechanisms in place to meet the costs of capital investment decisions and the required Minimum Revenue Provision (MRP) associated with such decisions as required by the Local Government Act 2003 was also carried out and report during the year. Having finalised this work in December 2013 and made a one off contribution to the MRP as part of the 2012/13 outturn report to Cabinet in July 2013, the Council's funding is now aligned to the requirements as set out in the 2003 Act and has resulted in a significant

favourable in year variation of £579,000.

10. As a result of the work undertaken to assess the Council's requirement to make an MRP, the General Fund budget associated with interest charges and capital financing will be reviewed during 2014/15.

## **GENERAL FUND RESERVE BALANCE**

11. As a result of the final outturn and the completion of the draft Statement of Accounts, the position of the General Fund Reserve balance is set out in the table below.

<b><i>2014/15 General Fund Reserve Balance</i></b>	<b><i>£millions</i></b>
<b>Opening Balance (1 Apr 2013)</b>	<b>2.792</b>
<b>Planned use of General Fund balances not applied</b>	(0.024)
<b>General Fund Revenue Budget Variations (net underspend)</b>	1.985
<b>New Balance at 31 Mar 2014</b>	4.753
<b>2013/14 Budget Carry Forward requests.</b>	(0.255)
<b>Projected Year-end Balance at 31 Mar 2014 after budget carry forward requests</b>	4.498
<b>Proposed transfer of 2013/14 underspend to Discretionary Services Fund</b>	(1.985)
<b>Projected 2014/15 General Fund Balance</b>	<b>2.513</b>

12. As part of the 2014/15 budget setting process and as approved in the Medium Term Financial Strategy (MTFS) the target level for the General Fund Reserve balance over the life of the current MTFS is £2,500,000. This level was previously increased to ensure that the Council has adequate reserves to meet the financial uncertainty resulting from the Governments Welfare Reform, the Local Government Resource Review proposals and the impacts of the on-going economic conditions in the medium term. Subject to Cabinet decision, the forecast level for 2014/15 will be £13,000 above the minimum recommended balance.

## **CARRY FORWARDS AFFECTING THE GENERAL FUND BALANCE**

13. Whilst the outturn General Fund Reserve balance stands at £4,498,000, this includes an adjustment as shown in the table above for approved 2013/14 budget carry forward requests. During the closure of the 2013/14 accounts,

services have identified that there are items which require 2013/14 funding to be carried forward for a variety of reasons. The budget carry-overs total £255,500 and are detailed in Appendix two. The carry forward requests have been reviewed by CMT prior to presentation to Cabinet and are recommended for approval. There is no funding provided within the 2014/15 budget for the items identified and if the carry forwards are not approved it is unlikely that the work/projects will be carried out.

## **TRANSFERS TO RESERVES**

14. During the 2013/14 closure processes a number of transfers to reserves have taken place which result from previous Cabinet approvals. Given the continued uncertainty regarding the ability of the Council to find alternative delivery models for a number of the services currently funded from the Discretionary Services Fund (DSF), it is proposed that the 2013/14 underspend of £1,985,000 is contributed in full to the Discretionary Services Fund. This contribution will help to ensure that those services currently supported by the fund are able to continue to be delivered whilst alternative options for their future delivery are planned and implemented. A Cabinet decision was taken at the meeting on 30 January 2014 to utilise New Homes Bonus (NHB) payments to support the DSF and this is a core funding stream. The proposal to contribute the 2013/14 underspend to the fund will protect against potential future losses of the NHB if it is withdrawn under the Government's planned review. Some services supported by the fund may also take longer to find alternative solutions for their delivery and again this contribution will help should this be the case.

## **SUMMARY OF QUARTER THREE OPERATIONAL PERFORMANCE - 2013/14**

15. Section four of the Appendix details information about the Council's operational performance. The Council performed on target or above target for 51 out of 62 (82 per cent) of performance indicators. 95 per cent of all Corporate Plan milestones were successfully completed or implemented by March 2014.

Details of all of the Council's performance indicators can be found on the Council's website, [www.harlow.gov.uk/performance/](http://www.harlow.gov.uk/performance/)

16. Despite an extraordinarily challenging financial environment, the Council performed exceptionally well in several key areas during 2013/14:

**Housing Tenant satisfaction:** Over 9 in 10 housing tenants stated that they were very or fairly satisfied with their housing repair by Kier Harlow.

**Temporary Accommodation:** The number of households living in temporary

accommodation has fallen to an average level of 135.

**Processing of Planning Applications:** 12 out of 15 major planning applications were dealt with within 13 weeks including the construction of the Poundland distribution centre and Aldi.

**Rent Collection:** Performance for rent collection has been exceeded with 99.31 per cent collected during 2013/14

**Average days to process change events:** The time taken to process changes to an individual's benefit arrangements has improved to just 8.4 days

**Compliance with food hygiene law:** 709 premises inspections were undertaken. 9 in 10 were found to be broadly compliant with food hygiene law.

**CO<sup>2</sup> reduction from Local Authority operations:** Further progress was made in reducing the amount of carbon produced by the Council and its operations.

**Domestic Burglary:** Raising awareness of the importance of securing pvc doors, working with vulnerable residents in sheltered housing complexes and identifying hotspots has led to a 27 per cent reduction in domestic burglary.

17. Eleven out of 62 (18 per cent) of performance indicators did not perform as well as expected. Each has a detailed Improvement Action Plan which explains why the performance was not as good as expected. Areas of reduced performance include:

**Street cleaning:** Despite continued improvements, levels of litter and detritus did not meet their targets.

**Street cleaning satisfaction:** Overall satisfaction with Kier Harlow street cleaning operations fell below the target of 87 per cent satisfied.

**Tree works:** The surge in demand for emergency and urgent tree works following exceptional adverse weather led to resource issues and delays in carrying out standard tree works.

**Satisfaction with grounds maintenance:** Overall satisfaction with Kier Harlow grounds maintenance operations fell below the target of 87 per cent satisfied.

**Processing new benefit claims:** Pressures stemming from the introduction of the new Local Council Tax Support Scheme and temporary resource issues meant that the target of processing new claims within 22 days was missed.

**Urgent and standard housing requests:** Exceptional adverse weather resulted in a significant increase in damage to fencing, guttering and roofing works generating an inordinate amount of tenant/leaseholder repair requests in a relatively short period of time.

**Contact Harlow:** The Council's dropped call rate reached 25 per cent which

is due to the high volume of calls being experienced by Contact Harlow.

**Complaints:** A short term increase in complaints mainly due to the exceptional weather conditions led to the Council not meeting its target of responding to 85 per cent of complaints within target time.

**Sickness and absence:** A relatively high number of cases of long-term sickness, and sickness and absence due to recovery from operations have led to the Council not meeting its sickness and absence target.

## **SIGNIFICANT RISKS / OPPORTUNITIES**

18. The Council is operating in a period of major change driven by both the world-wide economic condition and the legislative changes being introduced by the Government. Some of the key changes that will or are already impacting on the Council include -

- i. The Local Government Finance Act 2012 brought in the localisation of Council Tax benefits and business rates. The Council now bears the risk of any increase in the demand for council tax support and any reduction in business rate yields.
- ii. Linked with (i) above, there will be a requirement for the Council to make provision within its accounts for 2013/14 for the costs associated with all outstanding Business Rates Appeals dating back to the 2010 revaluation. For Harlow the total Rateable Value (RV) under appeal totals over £50 million and initial estimates of the cost of these appeals is £1.3 million. This is a significant local impact if the appeals are settled at this level and the provision made as part of the year end accounts process will have a direct impact on the General Fund balance.
- iii. The risk of the impact of the long term austerity measures which continue to be placed upon local government funding by the current Government.
- iv. Low staff turnover rates which put at risk the achievement of the vacancy savings targets allocated to each service within the Council's budget.

19. Section six of the Appendix details information about four exceptional risks (rated 20 or higher – high likelihood, high impact) recorded in the Council's Risk Register as AT 31 March 2014\* these are:

- i. The Government's fiscal policy in respect of deficit reduction reducing public sector funding combined with the Council's limited ability to raise income could result in the Council's financial resilience being at risk.

- ii. Uncertainties regarding the Growth Area Fund (GAF) II neighbourhood regeneration programme may put at risk the completion of projects.
- iii. A lack of private sector investment and/or disinvestment by retailers and landowners in the Town Centre could lead to a further decline in its attractiveness as a shopping and leisure destination.
- iv. If priority allocation and funding by the Highways Agency and Government is not achieved then the delivery of M11 Junction 7a will be put at risk.

\* These risks relate to 31 March 2014 and may have changed between that period of time and the meeting of Cabinet.

## **IMPLICATIONS**

### **Regeneration (includes Sustainability)**

Any specific implications are set out in the report.

Author: **Graeme Bloomer, Head of Regeneration**

### **Finance (Includes ICT)**

Any specific implications are set out in the report.

Author: **Simon Freeman, Head of Finance**

### **Housing**

Any specific implications are set out in the report.

Author: **Andrew Murray, Head of Housing**

### **Community Wellbeing (includes Equalities and Social Inclusion)**

Any specific implications are set out in the report.

Author: **Graham Branchett, Chief Operating Officer**

### **Governance (includes HR)**

Any specific implications are set out in the report.

Author: **Brian Keane, Interim Head of Governance**

### **Background Papers**

None

### **Glossary of terms/abbreviations used**

DSF - Discretionary Services Fund

MRP - Minimum Revenue Provision

MTFS – Medium Term Financial Plan

NHB - New Homes Bonus