

Key Decision Required:	Yes	In the Forward Plan:	Yes
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CABINET

12 JUNE 2015

REPORT OF FINANCE AND TRANSFORMATION PORTFOLIO HOLDER

A.1 FINANCIAL OUTTURN 2014/15

(Report prepared by Richard Barrett and the Accountancy Team)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide Cabinet with an overview of the financial outturn for the year 2014/15 and seek approval for:

- Revenue and capital commitments to be carried forward to 2015/16.
- Funding of the 2014/15 General Fund and HRA Capital Programmes.
- The reserves position at the end of 2014/15.
- The updated General Fund Capital Programme for 2015/16 to 2018/19 and associated funding.
- The allocation of the overall General Fund variance for the year.
- Amendments to the 2015/16 General Fund revenue budget to reflect the latest position.

EXECUTIVE SUMMARY

Following the completion of the comprehensive end of year processes, the financial outturn position for 2014/15 has been prepared across the various general fund accounts with a summary of the position set out below.

Summary by Key General Fund Areas of the Budget

Key Area	Budgeted Outturn Position <i>£m</i>	Actual Outturn Position <i>£m</i>	Variance <i>£m</i>
General Fund Revenue and the Capital Programme (after carry forwards)			
General Fund Revenue			
Net Budget	15.898	15.856	(0.042)
Financing	(15.898)	(16.142)	(0.244)
Total	0	(0.286)	(0.286)
Capital Programme	21.458	21.346	(0.112)
RESERVES			
Earmarked Reserves (excluding commitments reserves) – total at 31 March 2015	6.555	6.904	0.349

Earmarked Commitment Reserves - total at 31 March 2015	3.092	15.099	12.007
Uncommitted Reserves – Total at 31 March 2015	4.000	4.000	0
TOTAL RESERVES	13.647	26.003	12.356
OTHER KEY AREAS			
Collection Fund (TDC Element) – Council Tax (Surplus)	(0.358)	(0.515)	(0.157)
Collection Fund (TDC Element) – NNDR (Deficit)	0.091	0.352	0.261

General Fund Revenue

The final outturn position for the General Fund revenue account after taking into account carry forwards to 2015/16 and other adjustments is a net favourable variance of **£0.286m**.

Additional financial pressure has arisen in two areas of the Council's 2015/16 budget so far to date and therefore it is proposed to allocate the full net variance for 2014/15 to support this additional expenditure. Although covered in more detail further on in this report, the two areas are as follows:

- Frinton and Walton Pool Redevelopment
- Major Repairs to the Venetian Bridge at Pier Gap, Clacton

General Fund Capital Programme

The year end variance position for the Capital Programme for 2014/15 is **£0.112m**, after taking into account carry forwards of **£4.496m**. **£0.287m** of the carried forward amount relates to the revenue contributions to the capital programme originally budgeted for in 2014/15.

In respect of the capital programme for 2015/16 and beyond, adjustments have been made since Council approved the budget in February 2015 to reflect Cabinet or Portfolio Holder decisions and the most up to date position against relevant schemes.

Reserves

The Council's overall reserves at 31 March 2015 total **£26.003m**. However **£22.003m** is in respect of earmarked reserves which relate to future years commitments. The balance of **£4.000m** is the level of uncommitted reserves which includes a working balance requirement of **£1.600m**. This level of uncommitted reserves matches that previously approved.

Collection Fund

The Council's share of the Council Tax surplus for the year is **£0.515m**, a **£0.157m** greater surplus than budgeted. This will be taken into account in the budget setting process for 2016/17.

The Council's share of the Non Domestic Rates (NDR) deficit for the year is **£0.352m**, a **£0.261m** greater deficit than budgeted. This will be taken into account in the budget setting process for 2016/17.

Review of the Outturn for 2014/15

The imperative to find savings and reduce the net budget has meant that all services across the Council have been striving to reduce spending and identify efficiencies, with savings 'banked' as the year progressed via the Corporate Budget Monitoring Reports. There is no doubt that this approach has continued to have a significant impact on the level of expenditure and therefore the overall position for 2014/15. Although a number of budgets have already been reduced on an on-going basis the opportunity will be taken to further review budgets in light of the outturn position to inform the Financial Strategy for 2016/17.

Housing Revenue Account (HRA)

The HRA is a separate fund of the Council which captures the costs that relate to the provision of landlord services.

The outturn position on the Housing Revenue Account shows a reduced call on HRA Balances of **£0.614m**. However this is before taking into account revenue commitments totalling **£1.280m**.

The level of HRA balances at 31 March 2015 is **£6.153m**, or **£4.873m** after allowing for commitments.

2015/16 Budget Adjustments

In addition to reporting the outturn position for 2014/15, this report also sets out a number of adjustments required to the 2015/16 budget, which are reflected in the recommendations below with further details set out later on in this report.

RECOMMENDATION(S)

(a) That Cabinet notes the financial outturn position for 2014/15 as set out in this report and appendices.

(b) That Cabinet approves the General Fund Revenue Commitments of £9.075m to be carried forward from 2014/15 to 2015/16 as set out in Appendix A of this report.

(c) Subject to (b) above, and against the background of taking opportunities to reinvest increased savings and the increasingly difficult financial environment faced by the Council along with balancing the deliverability of key priorities and actions, the following 2015/16 budget adjustments are agreed funded from the General Fund variance for 2014/15 of £0.286m and £0.010m from the Contingency Budget:

- **£0.096m be allocated to the Frinton and Walton Swimming Pool Redevelopment Project**
- **£0.200m be allocated to enable the required repairs to the Venetian Bridge at Pier Gap, Clacton to be undertaken and that delegation be given to the Corporate Director (Public Experience) to undertake the necessary design and procurement activities required to deliver this project at the earliest opportunity.**

(d) That Cabinet approves the financing of General Fund capital expenditure for 2014/15 as detailed in Appendix D

(e) That subject to (d), Cabinet approves the General Fund capital budgets of £4.496m to be carried forward from 2014/15 to 2015/16 and the associated carry forward of the revenue contribution to capital of £0.287m.

(f) That Cabinet approves the updated General Fund capital programme for 2015/16 to 2018/19 and associated financing as set out in Appendix K.

(g) That Cabinet approves the movement in uncommitted and earmarked General Fund reserves for 2014/15 set out in Appendix E and any amendments arising from recommendation (c) above.

(h) That in respect of the HRA, Cabinet approves the movement on HRA balances for 2014/15 including the commitments set out within Appendices I and J along with recharges to the HRA from the General fund of £2.156m for the year and the financing of the HRA capital expenditure set out in Appendix J.

(i) That in respect of the 2015/16 General Fund revenue budget, the necessary adjustments that reflect the latest position for the Council Tax Sharing agreement with the Major preceptors as set out in this report be agreed.

(j) That in respect of the next phase of the Council Tax Sharing agreement with the Major Preceptors that is currently being developed by Essex Authorities, delegation is given to the Benefits and Revenues and Finance and Transformation Portfolio Holders to sign up to the agreement if beneficial to this Council.

(k) That delegation is given to the Council's S151 officer in consultation with the Finance and Transformation Portfolio Holder, to adjust the outturn position for 2014/15 along with any corresponding adjustment to earmarked reserves as a direct result of any recommendations made by the Council's External Auditor during the course of their audit activities relating to the Council's 2014/15 accounts.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Careful planning to ensure financial stability underpins the Council's capacity to deliver against its priorities. Both the capital and revenue budgets of the authority are prepared and monitored with the aim of supporting key objectives. The outturn position reflects this process and supports the successful financial planning process.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The main financial implications for each section of the Council's accounts are as set out in this report.

Risk

There are no direct risks associated with the outturn position although the ability to fund future financial forecasts is recognised as a strategic risk to support the achievement of financial resilience of the Council in both the short and long term.

LEGAL

The Council is legally required to calculate a Council Tax requirement each financial year. Within this framework is the requirement to monitor and report accordingly on the financial position of the authority against this requirement.

The outturn position set out in this report and the actions proposed are within the Council's

powers and reflect the statutory requirements and responsibilities of the Council in the preparation of its accounts.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

Although there are no direct equality and diversity issues, the overall Financial Strategy and budget process aims to recognise any such issues where appropriate within the Council's wider Financial Framework.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The financial outturn for 2014/15 forms the basis of the information included in the Council's Statement of Accounts which will be published 'Subject to Audit' by the end of June 2015. The external audit of the Statement of Accounts is required by legislation to be completed by the end of September 2015.

Details around specific items such as Revenue, Capital, Reserves and carry forwards are set out in the following separate sections of the report along with the Appendices.

GENERAL FUND REVENUE CARRY FORWARDS INTO 2015/16

It is recognised that due to the size, nature and lead-in times of some schemes, expenditure can span financial years with some schemes not completed by the 31 March in any one year. Therefore commitments for goods and services are likely to remain outstanding at the 31 March, examples of which include uncompleted work that the Council has a contractual obligation against or the project is either currently underway or will be started shortly with payment dates or trigger points within the process yet to be reached, finalised and paid.

Subject to the approval of the carry forward requests, payments will become due as work is progressed during 2015/16, including budgets where general commitments have been made.

Details of the General Fund Revenue carry forward requests are set out below and in **Appendix A** with capital items included within the capital section further on in this report.

The overall General Fund favourable variance for the year of **£0.286m** is after taking into account the following carryforwards:

Revenue Contributions to Capital Programme - £0.287m

The 2014/15 capital programme budgeted for a revenue contribution of **£1.277m** to support the overall funding of the General Fund programme. A more detailed analysis of the capital programme for 2014/15 is given in a separate section further on in this report.

Other Revenue Items - £9.075m

Although projects and activities can span financial years, requests for carry forwards are considered against general criteria and those set out in **Appendix A** have been included on this basis.

The most significant items are summarised by Department as follows:

Chief Executive and Member and Management Support

- **Rural Infrastructure Improvement Fund - £0.099m**
The amount requested is to support this initiative in 2015/16.

Corporate Services

- **Fit for Purpose Budget - £2.206m**
Commitments against this budget will continue in 2015/16 as part of the wider transformational agenda and to support the delivery of savings required to continue to balance the Council's budget in 2015/16 and beyond. It is important to note that **£0.420m** of the above figure is already committed or earmarked to the Frinton and Walton Pool Redevelopment (£0.200m), Public Health Specialist (£0.060m) and Street Lighting (£0.160m) via separate Cabinet decisions made earlier in the year.
- **Contingency Budget - £0.364m**
Similarly to the Fit for Purpose budget, this budget is requested to be carried forward to continue to provide an adequate 'buffer' against unexpected costs in 2015/16 and beyond. It is worth highlighting that there continues to be the risk of having to fund from this budget amounts that may become due under the Municipal Mutual Insurance 'Scheme of Arrangement'.
- **New Homes Bonus - £1.400m**
This relates to the grant amounts that are receivable under the Government's New Homes Bonus scheme that remain uncommitted, with projects and initiatives to be considered in 2015/16 and beyond.
- **Essex Family Needs project - £0.148m**
The amount requested is to support this externally funded project in 2015/16 along with the Mental Health Hub Pilot as previously agreed by Cabinet.

Public Experience

- **Business Investment and Growth Projects- £1.147m**
The amount requested is to support schemes and projects in 2015/16.
- **SME Growth Fund - £0.500m and Development Growth Fund - £0.500m**
To support these initiatives in 2015/16 and beyond.
- **Big Society Initiative- £0.087m**
The amount requested is to support further schemes and projects in 2015/16.
- **Recycling and Waste Initiatives - £0.323m**
This carry forward relates to the 'weekly waste' grant from the Government and is requested to enable the continuation of various projects and initiatives in 2015/16.

Life Opportunities

- **Homelessness Initiatives - £0.077m**
This will enable work relating to the prevention of single homelessness to continue in 2015/16 funded from an external Government grant.

Planning

- **Local Plan - £1.106m**

Similarly to previous years, as this project is not year specific and spans a number of years it is necessary to review and carry forward the necessary elements of the budget to meet expenditure commitments as they arise in delivering the overall project.

GENERAL FUND REVENUE OUTTURN 2014/15 – DETAILED ANALYSIS

The following table sets out a summary of the outturn position after taking into account the carry forward requests mentioned above. A more detailed Portfolio / Committee and Departmental analysis is set out in more detail in **Appendices B and C**.

Summary of General Fund Revenue Account Outturn 2014/15

	Budget	Outturn	Variance
	£m	£m	£m
Total net expenditure for Portfolio and Committee budgets	11.258	1.866	(9.392)
<i>Financing Items:</i>			
Capital Investment	5.298	2.446	(2.852)
Financing Items	10.544	10.390	(0.154)
Net expenditure before use of reserves			
Transfers to / (from) Reserves	(11.202)	1.154	12.356
Net Total	15.898	15.856	(0.042)
Financing			
NDR / Business Rates (net)	(4.048)	(4.292)	(0.244)
Revenue Support Grant	(5.105)	(5.105)	0
Council Tax (including Collection Fund)	(6.745)	(6.745)	0
Total	15.898	16.142	(0.244)
Total Variance for 2014/15			(0.286)

In terms of the approved budget set out above, this has changed from the figure reported to Council in February 2015 due to a number of virements and decisions that have taken place for the period up to the 31 March 2015.

The variance figure (after carry forwards) shown in the table above reflects a number of issues such as those reported as part of the Corporate Budget Monitoring process during 2014/15 along with a number of adjustments which have been finalised as part of the usual year end processes and / or based on revised or up to date information. There are also a number of smaller net variances that although individually relatively minor, on aggregation they make a significant contribution to the overall outturn position.

It is important to note that grants received for the year, such as Housing Benefit Subsidy, that are included in the above remain subject to audit during 2015/16 although historically any subsequent changes have been relatively minor.

Explanations for significant items within the overall variance of **£0.286m** are set out below with a high level summary as follows:

Variations on Employee Budgets (including vacancy provision)	(£0.032m)
Significant Variations on Income Budgets including Non Domestic Rates	(£0.425m)
Significant Variations on Expenditure Budgets	(£0.121m)
Smaller Variations (Aggregated)	(£0.118m)
Variations on Indirect Budgets such as Recharges – Primarily due to change in recharges between GF and HRA	£0.061m
Additional Contribution to Earmarked Reserves	£0.495m
Additional Contribution from Earmarked Reserves	(£0.146)
Total Variance	(£0.286m)

Variations on Income budgets

One of the main factors contributing to the overall year end position relates to a number of income streams being greater than budgeted with the net variance being **£0.425m**, with further details as follows:

Income Stream	Variance for 2014/15	Comments
Planning Fees	(£0.062m)	
Parking Fees	(£0.073m)	This primarily relates to general fees and charges rather than penalty charges.
Benefits and Revenues – Income from Court Costs	(£0.143m)	Although a favourable position for 2014/15, this is currently under review for 2015/16 and future years following a recent court ruling that Local Authorities can only charge reasonable costs incurred rather than a fixed amount that is currently the case.
Land Charges fees	(£0.055m)	
Government Grants	(£0.025m)	Amounts that have not required a corresponding expenditure budget so in effect are supporting the overall year end position.
Careline Income	(£0.049m)	A significant element of this position relates to income from ECC.

Cemetery and Crematorium Fees	(£0.040m)	
Investment Income	(£0.027m)	
Non Domestic Rates	(£0.189m)	Although this area remains very complex in terms of the year end accounting requirements etc. this is the net position after taking into account the income for the year adjusted for other item such as levies and associated government grants. Due to risks that remain in this area it is proposed to contribute additional money to the NDR Resilience Reserve with further details set out below.
Other	(£0.070m)	
<i>Income Streams lower than budgeted</i>		
Recycling Credits	£0.109m	This figure is as expected and reported as part of the Corporate Budget Monitoring Report at the end of December 2014. Work remains in progress to increase the level of recycling with the longer term aim of recovering back to the position where the budgeted level of recycling credit income is achieved, although recycling performance continues to be faced with a difficult environment both locally and nationally.
Licensing Fees	£0.025m	
Building Control	£0.050m	In line with information reported during the year, income has remained behind budget at the end of the year.
Leisure Facilities	£0.026m	This is the net income position which reflects the managed response by the department in aiming to deliver the service as close to budget as possible.
Print Unit	£0.046m	This position is currently being responded to for 2015/16 and beyond as part of the transformational agenda previously considered and agreed by Cabinet.
Other	£0.052	

Net Income Variance Position for 2014/15	(£0.425m)	Net income is over and above the amount budgeted for the year

Variations on Expenditure budgets

Expenditure Item	Variance for 2014/15 (£m)	Comments
Homelessness	(£0.084m)	The service continues to focus on homelessness prevention whilst also utilising the various options and initiatives to meet the Council's homelessness responsibilities.
Insurance Costs	(£0.089m)	Despite significant increase in insurance premiums during 2014/15, reduced expenditure has occurred for contingent items such as consultancy along with a reduction in the provision for insurance excess payments.
Street Sweeping Contract	(£0.050m)	Contract costs are lower than budget due to issues such as the inflationary uplift on the contract being lower than originally estimated.
Financial Strategy 'Allowance'	(£0.085m)	An 'allowance' was included within the 2014/15 budget to offset any issues that may arise due to specific risks associated with the estimates process such as salaries, given restructuring activities that remain on-going.
Revenues and Benefits, Rent Rebates and Allowances	(£0.090m)	<p>This position primarily reflects a number of underspends within the service along with net subsidy payments relating to rent rebates.</p> <p>This area of the budget is volatile in terms of the actual position each year and set against the context of an overall annual budget in excess of £50.000m, which is also subject to audit as part of the wider activities that will be undertaken by External Audit over the summer months.</p>
Careline Expenditure	(£0.024m)	
Expenditure Items Greater than Budgeted		
External Audit Fees	£0.021m	Fees are higher than budgeted, primarily as a result of the work undertaken to support the procurement exercise associated with the Clacton to Holland Coast Protection project.

St Osyth Planning Inquiry	£0.146m	It is proposed to meet this cost from earmarked reserves with further details set out below.
Revenue Contributions to the Capital Programme	£0.081m	Additional expenditure was incurred during the year on the Dovercourt Pool Redevelopment Project given issues identified such as additional flooring and roof work that emerged as the project progressed. However, although a variance on this particular line of the budget, the funding of the project has been managed within the overall Life Opportunities budgets via the savings within that department that are set out elsewhere in this report and appendices.
Utility Costs – Public Conveniences	£0.020m	Although costs are greater than the budget within Public Conveniences, this has been managed within the overall utilities costs of the Council. This will however be reviewed as part of the 2016/17 budget setting process to ensure such budgets remain sufficient to meet actual costs.
Clacton Airshow	£0.011m	This reflects the final overall net position for the 2014 show.
Land Charges Litigation	£0.022m	This relates to the ongoing claim against Local Authorities for land charge fees and charges. The Government have intimated that they will reimburse Local Authorities for such claims but it is uncertain how this will be dealt with and what elements they will fund, so this potential external funding has yet to be recognised within the Council's accounts.
Total net expenditure variance position for 2014/15	(£0.121m)	

In addition to the above, the following changes to earmarked reserves have been made in 2014/15:

- **An additional Contribution to the Non Domestic Rates Resilience Reserve - £0.495m**

As previously mentioned this remains a very complex area of the Council's accounts with changes to payments and income potentially being charged to different years in line with accounting recommendations.

One significant issue faced by the Council is the cost of rateable value appeals from businesses. As part of a number of recent announcements by the Government, they stated that any appeal made after 31 March 2015 would not be backdated. This has therefore led to a significant increase in the number of appeals made to the Valuation Office. The provision for appeals is reviewed and determined each year with this year seeing a significant increase. Such a prudent approach will also support the Essex NDR pool as each local authority within the pool is seeking to make adequate provision within their 2014/15 accounts rather than the impact being felt on the financial position of the

pool in 2015/16.

Due to items such as the above, there is an estimated deficit on the NDR Collection Fund at the end of 2014/15. Based on this and other issues such as the year in which income from NDR on renewable energy business is recognised in the accounts, it is proposed to contribute **£0.495m** to the NDR Resilience Reserve. This would increase the reserve to **£1.585m** but it remains prudent to set aside this level of funding given the risks and variables involved, not least the underlying risk of reductions in income where businesses close or fail given the economic difficulties faced nationally and within the district.

- **An additional 'call' on the Planning Inquiries and Enforcement Reserve – (£0.146m)**

As previously mentioned, the cost of the St Osyth planning inquiry resulted in the associated revenue budget being exceeded by **£0.146m**. However an earmarked reserve was established over recent years to respond to such risks, so it is proposed to use this reserve in 2014/15 to meet the cost of this inquiry. The reserve is also supporting an annual cost of **£0.020m** in planning enforcement work but the reserve still stands at **£0.339m** at the end of 2014/15 so it remains adequate for this on-going purpose.

GENERAL FUND CAPITAL OUTTURN POSITION FOR 2014/15

Full details of the outturn position for each scheme together with the carry forward requests are set out in **Appendix D**. However a summary is set out in the following table:

	Budget 2014/15	Outturn	C/Fwd	Remaining Variance
	£m	£m	£m	£m
GF Capital Expenditure	21.458	16.850	4.496	(0.112)

Financing the Capital Programme

A summary of the proposed financing of the capital expenditure in 2014/15 is set out in the following table, with a more detailed analysis being provided in **Appendix D** to this report:

	Budget	Outturn	To Fund C/fwds	Variance
	£m	£m	£m	£m
External Sources of Finance	1.170	1.152	0.018	0
S106	0.202	0.149	0.053	0
Leasing	0.160	0	0	(0.160)
Government Grants	13.723	12.733	0.989	(0.001)
Capital Receipts	0.905	0.370	0.503	(0.032)
Revenue and Reserves	5.298	2.446	2.933*	0.081
Total	21.458	16.850	4.496	(0.112)

**This amount is carried forward via the earmarked Capital Commitments Reserve unlike the other financing items that are carried forward outside of reserves within the Council's overall Statement of Accounts / Balance Sheet.*

The budget reflects a number of changes where separate decisions have been taken or the timing of expenditure has changed since Council considered the budgets in February 2015. One such example is the Clacton to Holland Coast Protection Scheme where the pace of the project is ahead of the original cash flow forecast with additional expenditure being incurred in 2014/15. However the 2015/16 budget has been adjusted accordingly, with the total estimated project costs remaining the same over the two year delivery period of the scheme.

The variance relating to leasing reflects the timing of the acquisition of vehicles rather than an underlying budget issue.

In respect of the **£0.081m** relating to schemes funded from revenue and reserves, this position reflects the additional expenditure on the Dovercourt Pool Refurbishment project as mentioned earlier on in this report, that is in effect being funded through savings delivered elsewhere within Life Opportunities budgets.

GENERAL FUND RESERVES OUTTURN POSITION FOR 2014/15

The following table sets out the end of year position in respect of uncommitted and earmarked reserves:

2014/15	Budget	Outturn	Variance
	£m	£m	£m
Uncommitted Reserve (including £1.6m minimum working balance)			
B/fwd at 1 April 2014	4.000	4.000	
Net Increase/(Decrease) in Uncommitted Reserve	0	0	0
Uncommitted Reserve C/fwd at 31 March 2015	4.000	4.000	0

2014/15	Budget	Outturn	Variance
	£m	£m	£m
Earmarked Reserves			
B/fwd at 1 April 2014	20.850	20.850	
Net Increase/(Decrease) in Earmarked Reserves	(11.203)	1.153	12.356
Earmarked Reserves C/fwd at 31 March 2015	9.647	22.003	12.356

2014/15	Budget	Outturn	Variance
	£m	£m	£m
Total General Fund Reserves			
B/fwd at 1 April 2014	24.850	24.850	
Net Increase/(Decrease) in Reserves	(11.203)	1.153	12.356
Total Reserves C/fwd at 31 March 2015	13.647	26.003	12.356
Reserves relating to Carry Forwards	3.092	15.099	12.007
Total Reserves C/fwd at 31 March 2015 Excluding Carry Forwards	10.555	10.904	0.349

The change in the earmarked reserves of **£12.356m** takes into account the proposed level of revenue and capital carry forward requests of **£12.007m**.

The overall level of reserves at the end of 2014/15 is **£26.003m**, made up of **£15.099m** for earmarked commitment reserves, **£6.904m** for other earmarked reserves and **£4.000m** for uncommitted reserves.

It should be noted however that transfers to earmarked reserves are not an increase in the Council's longer-term general resources as it relates to future years commitments.

Earmarked reserves are shown in more detail in **Appendix E**.

Significant changes (excluding the commitments reserves) compared with the budgeted position are as follows:

- **NDR Financial Resilience Reserve - £0.495m**

As previously mentioned an additional amount has been contributed to this new reserve to respond to a number of risks that the localising of non domestic rates has presented to Local Authorities. Including the budgeted contribution in 2015/16, this reserve is estimated to total **£1.585m** at the end of 2015/16.

- **Planning Inquiries and Enforcement Reserve – (£0.146m)**

As previously mentioned, the use of this reserve supports the cost of the St Osyth Planning Inquiry in 2014/15.

The Financial Strategy has continued to aim to maintain the Uncommitted Reserve, including the minimum working balance of **£1.600m**, at **£4.000m**. At 31 March 2015 the uncommitted reserve stands at **£4.000m** so it remains in line with this requirement.

CORPORATE DEBT AND INCOME FROM S106 AGREEMENTS

The position against general debt and housing rent and service charges is set out in **Appendix F** along with additional comments. There are no significant issues to highlight.

Details around the use of income from S106 agreements is set out in **Appendix G**. There are no significant issues to highlight.

LOCAL COUNCIL TAX SUPPORT SCHEME (LCTSS) AND NNDR

The outturn position for the year is set out in **Appendix H**.

For both Council Tax and NNDR, the amounts collected during the year are in excess of the amounts budgeted for.

In accordance with the associated regulations, surpluses or deficits remain within the Collection Funds for both Council Tax and NDR respectively that will be applied as part of the budget setting processes in following years.

It is also worth highlighting that in respect of any additional NDR income achieved, a levy is payable to the Government in the year that the income relates to rather than when the Council can access it. Therefore for 2014/15 a levy is payable to the government on any additional income which is out of step with the fact that the Council will not be able to access this income until 2016/17. The surplus or deficit for the year also takes into account any provision for rateable value appeals which has been mentioned earlier on in this report. For NDR, **Appendix H** therefore only sets out the underlying income position against the budget with all other adjustments appearing elsewhere in the overall outturn position. The current budget monitoring information presented to members on a quarterly basis is currently under review to identify a way of capturing both the actual income achieved to date and any further adjustments to bring together the overall impact of NDR on the Council.

PROPOSED USE OF THE GENERAL FUND REVENUE VARIANCE FOR THE YEAR

Taking all of the variances and adjustments mentioned earlier on in this report, there is an overall favourable variance for the year of **£0.286m**.

At the same time as the end of year accounting process have been in progress, two areas of additional expenditure have emerged. The timing of which provides the opportunity to use the

variance of **£0.286m** for 2014/15 to meet these additional costs which are as follows:

Item	Cost £m
<p>Frinton and Walton Swimming Pool Refurbishment</p> <p>An additional £0.200m was allocated to this project by Cabinet in April 2015 funded from the Fit for Purpose budget, which was the amount identified following the initial review of the associated tenders received back from potential contractors. This brought the total budget for the project up to £0.800m.</p> <p>However further work has now been undertaken as part of the detailed tender process in consultation with the bidders and the lowest tendered price, including all fees and surveys is £0.896m. This amount reflects the difficult ground conditions at the site and the aim of keeping the facility open wherever possible throughout the period of works. As set out in the report to Cabinet in April 2015, the aim is to provide a similar offer to that at Dovercourt following its recent redevelopment, and the tenders received and evaluated are designed to deliver the same standard and quality.</p>	<p>£0.096m</p>
<p>Venetian Bridge, Pier Gap, Clacton</p> <p>As Members will be aware, significant structural faults emerged over 2014/15, which resulted in temporary works to make the site safe until a longer term solution could be developed.</p> <p>Further detailed inspections have now been concluded which have identified a programme of permanent remedial works that should significantly extend the future life of the bridge.</p> <p>The review undertaken also looked at the potential demolition of the bridge, but even putting important non-financial issues to one-side, the cost of this option is estimated to be nearer £0.250m.</p> <p>Taking the above into account and subject to the recommendations set out in this report, it is proposed to repair the bridge at an estimated cost of £0.200m.</p>	<p>£0.200m</p>
<p>Total Cost</p>	<p>0.296m</p>

After applying the full favourable variance for the year of **£0.286m**, there remains a small shortfall in funding of **£0.010m**. Subject to the agreement to the revenue carry forwards set out earlier on in this report, it is proposed to use **£0.010m** from the Contingency Budget of **£0.364m** to meet this shortfall.

During the external audit of the Council's Accounts during the summer months, adjustments or amendments may be recommended by the Council's External Auditor. Although subject to the actual adjustments that may be recommended by the Auditor, they may have a direct impact on the overall outturn position for the year rather than be just presentational changes. They would then be included in the Statement of Accounts that would be presented to the Audit Committee in September for approval. To enable the right level of flexibility in responding to any changes recommended by the External Auditor, a delegation is included in the recommendations above

to enable the Council's S151 officer, in consultation with the Finance and Transformation Portfolio Holder, to make the necessary adjustments to the 2014/15 outturn position along with any corresponding changes to earmarked reserves, as it may not be possible to secure the formal approval of Cabinet within the Statement of Accounts' reporting timescales. This will not change the allocation of the variance of **£0.286m** above as it is proposed on only granting a delegation to amend the outturn position and earmarked reserves as a direct consequence of any recommendations made by the External Auditor.

A REVIEW OF THE HRA OUTTURN POSITION FOR 2014/15

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for the income and expenditure arising from a housing authority's landlord functions.

A summary of the Council's Housing Revenue Account for 2014/15 is set out in the table below with a more detailed analysis provided in **Appendix I** to this report.

	Budget	Outturn	Variance
	£m	£m	£m
Income	(14.402)	(14.414)	(0.012)
Expenditure	4.636	4.457	(0.179)
Indirect Income / Expenditure	10.599	10.176	(0.423)
Net HRA (Surplus) / Deficit for year before transfers to / from reserves	0.833	0.219	(0.614)
Transfers to / (from) HRA General Reserves	(0.833)	(0.219)	(0.614)
HRA General Reserves b/fwd at 1 April 2014	(6.372)	(6.372)	
HRA General Reserves c/fwd as at 31 March 2015	(5.539)	(6.153)	(0.614)

Housing Repairs Reserve

In addition to the movement on HRA General Reserves above the Repairs Reserve increased by **£0.048m** for the year to total **£1.422m** at the 31 March 2015, which are available to support on-going repairs to the housing stock in 2015/16 and beyond.

Housing Revenue Account Overview

The outturn position shows a reduced transfer from balances of **£0.614m** with further details set out in **Appendix I**. However this position excludes two commitments that will need to be met via carry forwards from the 2014/15 budgets with details as follows:

- Use of business planning expenses to deliver increased IT improvements to the service to support channel shift and self-service initiatives - **£0.022m**
- A revenue contribution to the capital programme to support the new build and acquisition programme - **£1.258m**.

An original revenue contribution of **£1.706m** was budgeted for within the HRA to support the capital programme. However during the year the external grant money originally allocated within the general fund capital programme to bring empty properties back into use has been transferred to the HRA to support the acquisition of sites within

Jaywick. This change has been made in accordance with both the grant conditions and the deadline for spending the grant money. However there is a minimal risk that the Housing and Communities Agency, who provided the grant funding, may not accept this approach and unless they are willing to extend the grant spending deadline, the money may have to be repaid to them. If this unlikely event occurred, the revenue carry forward would be used to make this repayment with the capital programme being no worse off if the grant reallocation had not been made.

After taking into account the above commitments, the deficit on the HRA at the end of the year would have been **£1.499m** compared with the budgeted deficit of **£0.833m**. The difference is primarily due the impairment charge relating to the Jaywick land purchases where the accounting value entered into the accounts at the end of the year was less than the purchase price paid by **£0.900m**. The Officer report produced earlier in the year covered the various risks associated with the purchase of land in Jaywick and provided more details on this specific issue. A letter has been sent to the Government highlighting the impact that charging the cost of impairment has on key regeneration projects such as Jaywick and it is hoped that a solution to the problem will be provided, such as having the ability to reverse out impairment losses incurred on acquisition.

General Fund recharges to the HRA totalled **£2.156m**, a reduction of **£0.074m** for the year. Agreement to this level of recharge forms part of the recommendations set out earlier on in this report.

In general the outturn for the year is broadly in line with the budgets, albeit with some budgets ahead of profile whilst others behind profile.

HRA Capital Programme

A summary of the Council's HRA Capital Programme for 2014/15 is set out in the table below with a more detailed analysis provided in **Appendix J** to this report.

	Budget 2014/15	Outturn	C/Fwd	Remaining Variance
	£m	£m	£m	£m
HRA Capital Expenditure	7.327	5.470	1.685	(0.172)

Financing the HRA Capital Programme

A summary of the proposed financing of the capital expenditure in 2014/15 is set out in the following table, with a more detailed analysis being provided in **Appendix J** to this report:

	Budget	Outturn	To Fund C/fwds	Variance
	£m	£m	£m	£m
Major Repairs Reserve	4.325	3.726	0.427	(0.172)
S106	0.092	0.102	0	0.010
Government Grant	1.051	1.051	0	0
External Funding	0.153	0.153	0	0

Revenue funding from the HRA	1.706	0.438	1.258	(0.010)
HRA Total	7.327	5.470	1.685	(0.172)

As previously mentioned, Government grant funding of **£1.051m** was reallocated from the General Fund capital programme to support the land purchases in Jaywick. This has resulted in the variance on revenue funding from the HRA of **£1.258m** which is requested to be carried forward to support the new build and acquisition project, which would include the next phase of the Jaywick redevelopment scheme.

The overall variance of **£0.172m** is largely due to the timing and programme of works which will continue in 2015/16 funded by the Major Repairs Reserve.

HRA Balances

The overall level of HRA Balances has decreased to **£6.153m**, of which **£1.280m** will be used in 2015/16 to meet the cost of the commitments set out above, with the balance of **£4.873m** available to support the HRA in future years.

PROPOSED CHANGES TO 2015/16 GENERAL FUND BUDGETS

The outturn report enables any changes since the 2015/16 budget was approved by Council in February 2015 to be considered and adjustments made where appropriate. The following set out proposed changes to both the revenue budgets and capital programme.

Revenue Budgets

Council Tax Sharing Agreement with the Major Preceptors

During the budget setting process for 2015/16, work on the revised Council Tax Sharing agreement was on-going and so no changes to the budgets were made until such time as the final arrangements had been agreed. The final agreement has now been finalised with the following budget adjustments in 2015/16 proposed:

Budget	Current 2015/16 Estimate (£m)	Proposed 2015/16 Estimate (£m)	Variance (£m)
Income from the Major Preceptors – Share of increases in Council Tax Income	(0.573)	(0.734)	(0.161)
Income from the Major Preceptors – Contribution to Compliance and Collection Activities undertaken by the Billing Authority	(0.062)	(0.171)	(0.109)
Setting up a Hardship Fund in accordance with the terms of the agreement	0	0.027	0.027

Contribution from Major Preceptors to Hardship Fund	0	(0.023)	(0.023)
Staff and Other Costs associated with undertaking Compliance and Collection Activities expected from Billing Authorities under the terms of the agreement	0	0.125	0.125
Totals	(0.635)	(0.776)	(0.141)

It is proposed to transfer the favourable variance of **£0.141m**, generated by the above budget adjustments to the Benefit Reserve to act as a 'buffer' to the potential non achievement of the additional income due from the major preceptors under the terms of the agreement if Council Tax income does not increase in line with estimates. If agreed, the Benefits Reserve would be estimated to total **£0.820m** by the end of 2015/16.

Additional Proposals for Council Tax Sharing Arrangements with the Major Preceptors

Work remains in progress across Essex on a comprehensive and additional stage of increasing Council Tax income which would then be 'shared' by the Major preceptors. This phase involves the procurement of a bespoke intelligent software solution, with the aim of sharing data across all of the Essex authorities (both Billing and Precepting Authorities) to allow authorities to identify cases where reductions, discounts, exemptions have been claimed incorrectly or fraudulently.

Investment costs required to support this phase are not yet known. However the implementation of this software will support and enhance the effectiveness and efficiency of the new processes initiated under the current agreement, and help maximise income from Council Tax across the County. Although this phase remains subject to ongoing work and procurement processes across the various Essex authorities, a delegation to the Benefits and Revenues Portfolio Holder and Finance and Transformation Portfolio Holder is included in the recommendations above to enable this Council to decide to sign up to any new opportunities in a timely manner if advantageous to the Council to do so.

Capital Programme 2015/16 to 2018/19

The annual outturn process also enables the planned capital programme to be revisited and updated in line with any additional information or funding becoming known. Therefore the revised capital programme for the period 2015/16 to 2018/19 is detailed in **Appendix K**.

The adjustment made over and above the carry forward amounts previously mentioned relate to decisions made by Cabinet or Portfolio Holders during the early part of 2015/16 along with the adjustment to the Clacton to Holland Coast Protection Project to match the revised cash flow forecast for the project previously mentioned.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A **GF - Carry Forward Requests**

Appendix B **GF - Portfolio / Committee Outturn Summary 2014/15**

Appendix C **GF – Revenue Departmental / Directorate Outturn 2014/15**

Appendix D	GF - Capital Outturn 2014/15
Appendix E	GF - Reserves
Appendix F	Corporate Debt
Appendix G	Income from S106 Agreements
Appendix H	LCTSS and NNDR
Appendix I	HRA – Revenue Outturn 2014/15
Appendix J	HRA – Capital Outturn 2014/15
Appendix K	Revised Capital Programme 2015/16 to 2018/19