

10 July 2013		ITEM: 10 01104222
Cabinet		
2012/13 REVENUE OUTTURN REPORT		
Report of: Councillor John Kent		
Wards and communities affected: All	Key Decision: Non-key	
Accountable Head of Service: Sean Clark, Head of Corporate Finance		
Accountable Director: Martin Hone, Corporate Director of Finance & Corporate Governance		
This report is Public		
Purpose of Report: To advise Cabinet of the General Fund and Housing Revenue Account outturns and the reserve positions as at 31 March 2013.		

EXECUTIVE SUMMARY

This report sets out the revenue outturns for both the General Fund and the Housing Revenue Account in a format required for the Financial Statements.

The report also sets out the reserves positions for both the General Fund and Housing Revenue Account and shows that both funds have finished the year with the recommended optimum unallocated balances and a series of earmarked reserves set aside to meet the Council's priorities going forward.

1. RECOMMENDATIONS:

1.1. That the Cabinet:

- a) Note the Comprehensive Income and Expenditure and Movement in Reserves extracts from the Financial Statement demonstrating the link between net expenditure, technical accounting, financing and the General Fund unallocated balance;**
- b) Note the Management Accounts outturn analysis in Appendices 1 and 2;**
- c) Note the allocation of General Fund balances and reserves; and**
- d) Note the allocation of Housing Revenue Account balances and reserves.**

2. FINANCIAL ACCOUNTING ANALYSIS OF THE OUTTURN

- 2.1. The first thing for Cabinet to note is that, despite the pressures that are set out below, the Council has actually underspent its operational budget by £15,000 in 2012/13 and has managed to increase its usable reserves to support both the Council's priorities and a budget pressure reserve to help manage financial pressures such as demographic related increases in Children's and Adults' Social Care.
- 2.2. The Council traditionally reports its budget monitoring and outturn in a management accounts format. That is in the format that is best known to the Council of which the main elements include Thurrock Council service categorisations and ignoring technical accounting entries, such as depreciation, pensions fund accounting, etc that net to zero.
- 2.3. Although clearer for the reader of a report, this has caused a great deal of difficulty in recent audits where the notes are required to reconcile the financial statement to the public reports.
- 2.4. To meet both requirements, the main body of this report will set out the Council's income and expenditure in line with the financial statements whilst Appendix 1 sets out the detail in the management accounts format. Both will demonstrate that the Council finishes with a General Fund unallocated balance of £8m.
- 2.5. Cabinet will recall from previous budget monitoring reports that there were a number of pressures, mainly from Children's Placements, but also Asset Related Savings, ICT, Serco and Procurement targets not being achieved (represented under Serco/Corporate Savings in Appendix 1). The reports also demonstrated that these were being met from other identified savings and the reserve set up by Council on 29 February 2012 specifically to meet unbudgeted demographic pressures.
- 2.6. The outturn has improved on previous projections and a variance analysis is included at Appendix 1.
- 2.7. There is a statutory format for reporting the Council's Income and Expenditure – the Consolidated Income and Expenditure Statement (CIES). This format is more in line with private sector accounting and includes items such as depreciation, asset revaluations and impairments and pension accounting.
- 2.8. However, local authorities do not need to finance these items and so are included within the statement to demonstrate the economic cost of services and are then reversed out of the net expenditure through the Movement in Reserves Statement (MIRS). Therefore, the CIES and MIRS combined, gives the actual net cost that contributes to any movement on the General Fund balance (set at £8m).
- 2.9. The following is an extract from the Financial Statement of the CIES and MIRS, combined to lead the reader through to that General Fund balance movement.

CONSOLIDATED INCOME AND EXPENDITURE STATEMENT	Expenditure	Income	Grand Total
	£000's	£000's	£000's
Adult Social Care	52,260	(11,581)	40,679
Central Services To The Public	41,525	(12,413)	29,113
Children's and Education Services	174,771	(51,586)	123,185
Cultural, Environmental, Regulatory and Planning Services	39,610	(7,813)	31,797
Highways, Roads and Transport Services	12,646	(2,369)	10,277
Housing Services - Housing Revenue Account	(21,207)	(48,869)	(70,076)
Housing Services - Other	66,488	(60,192)	6,296
Corporate and Democratic Core	19,906	(2,583)	17,323
Non Distributed Costs	(8,900)	(730)	(9,630)
Cost Of Services Total	377,100	(198,136)	178,964
Levies	578	0	578
Payments to the Government Housing Capital Receipts Pool	758	0	758
Gains/losses on the disposal of non-current assets	54,721	(6,537)	48,184
Other Operating Expenditure	56,057	(6,537)	49,520
Interest payable and similar charges	2,504	0	2,504
Pensions interest cost and expected return on pensions assets	0	4,007	4,007
Interest receivable and similar income	0	(435)	(435)
Income and expenditure in relation to investment properties	0	(175)	(175)
Changes in fair value in relation to investment properties	203	(1,407)	(1,205)
Financing & Investment Income	2,707	1,990	4,696
Council tax income (Thurrock Precept & share of CF surplus/deficit)	0	(58,784)	(58,784)
Non-specific revenue grants and contributions	0	(74,891)	(74,891)
Capital grants and contributions	0	(16,427)	(16,427)
Taxation and Non-Specific Grant Income Total	0	(150,102)	(150,102)
Pre Adjustment Deficit on Provision of Services	435,864	(352,785)	83,079

MOVEMENT IN RESERVES STATEMENT	GF	HRA	Total
	£000's	£000's	£000's
Opening Balance	(7,379)	(1,047)	(8,426)
Surplus / Deficit on Provision of Services	153,155	(70,076)	83,079
Depreciation of PPE	(9,195)	(6,470)	(15,664)
Revaluation of PPE	(123,968)	67,321	(56,648)
Amortisation on Intangibles	(195)	0	(195)
Movement in fair value of Investment Property	1,191	14	1,205
Movement in value of held for sale	0	(65)	(65)
Capital Grants and conts to CIES	16,427	0	16,427
Revenue Expenditure Funded through Capital Under Statute	(6,470)	0	(6,470)
Net Book Value of Disposal through CIES	(54,721)	0	(54,721)
Sales to CIES	6,537	0	6,537
Housing Capital Receipts Pool Payment	(758)	0	(758)
Actuarial Pension recognition	(3,923)	(368)	(4,291)
Employers cont paid to pension fund	9,811	433	10,244
MRP Repayment of Debt	6,287	0	6,287
Capital Receipts for Admin Disposal	(65)	0	(65)
Financial Instrument costs diff under IFRS and Statue	188	0	188

MOVEMENT IN RESERVES STATEMENT	GF	HRA	Total
	£000's	£000's	£000's
Financial Instrument costs diff under IFRS and Statute	1	0	1
Difference due to Accumulated Absense	684	7	691
	(5,016)	(9,203)	(14,219)
Transfers to/from other Reserves	458	7,593	8,051
Transfers to/from Earmarked Reserves	3,938	957	4,895
Closing Balance	(8,000)	(1,700)	(9,700)

3. BALANCES AND RESERVES

3.1. The extracts above demonstrated that the Council's General Fund balance is at £8m, as recommended by the S151 Officer and endorsed by Council as part of the budget setting process.

3.2. The Council holds various other balances and reserves and these largely fall into three categories:

- a) Those General Fund Reserves where there is flexibility in how they are allocated. The following is in line with the S151 Officer's perceived use considering historic allocations and agreement, current pressures and Cabinet and Council decisions. Cabinet are asked to note this allocation.

Reserve	31 March 2013	Use
Other General Fund Balances	8,000,000	Unallocated balance to cushion the Council against unforeseen events or to help phase major change.
Corporate Plan	550,000	To finance initiatives in meeting the Council's objectives.
LABGI	764,164	To support economic development activity.
Budget Pressure	2,278,044	To cushion the Council against unbudgeted demographic growth and any shortfalls in the achievement of savings targets.
Electronic Government	818,774	To support ICT and system development within the Council.
Capital Expenditure	614,737	Earmarked for the 2013/14 capital programme, including the £0.5m grant to ROH.
Historic Buildings	63,620	A long standing balance that is earmarked for 2013/14 in relation to the State Cinema.
The Salting, Tilbury	1,500	To support any future work on the site.
PRG/LSPA Reserve	220,273	Residual funding from the Local Strategic Partnership and Reward Grant earmarked for various community initiatives.
DCLG DC Reserve	1,541,232	Balance of funding in line with the MTFs from the DCLG towards the costs of Major Planning Projects and Regeneration.
HR / OD Reserve	183,000	Previously agreed carry forward by Cabinet.

Reserve	31 March 2013	Use
Regeneration Reserve	160,000	Previously agreed carry forward by Cabinet.
DC Receipts	886,218	Balance of funding from the DCLG towards Purfleet Regeneration project. This is revenue and could be allocated for other revenue purposes but would require capital resources to be committed to the project.
NEETS Reserve	300,000	Agreed as part of the 2013/14 Budget Resolution.
School Improvement Reserve	1,000,000	Agreed as part of the 2013/14 Budget Resolution.
Flood Defence	326,000	Grant provided from DCLG as part of the local government settlement to support the Council in its statutory duty to carry out flood defence surveys.
	17,707,562	

b) Those non-HRA Reserves where the Council has little or no influence. The major items include:

3.2.b.1. Schools balances of £6.447m.

3.2.b.2. Committed capital resource balances of £12.2m.

3.2.b.3. Ring fenced revenue grants carried forward of £3.5m.

c) Housing Revenue Account Balances and Reserves:

Reserve	31 March 2013	Use
Balances HRA	1,700,000	Unallocated balance to cushion the HRA against unforeseen events or to help phase major change.
Capital Receipts Reserve HRA	869,538	To meet the costs of the HRA capital programme and new development
Major Repairs Reserve	3,103,116	To meet the costs of the HRA capital programme
Development Reserve	2,791,118	Set aside to meet the costs of new housing development
Total	8,463,772	

Further detail of the HRA Income and Expenditure is included at Appendix 2.

4. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:

4.1. The closure of the accounts is largely governed by statute, professional disciplines in both finance and valuation and CIPFA guidance. There is

flexibility in the allocation of 'unringfenced' balances and these have currently been allocated in line with democratic decisions and service need.

5. REASONS FOR RECOMMENDATION:

- 5.1. As the financial statement has already been completed and will be audited over the coming weeks, this report is for information. However, should Members decide on a different allocation of balances, officers will amend during 2013/14.

6. CONSULTATION (including Overview and Scrutiny, if applicable)

- 6.1. Directors Board have been consulted on the allocation of balances.

7. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

- 7.1. The efficient use of the Council's limited resources is an essential part to maximising the impact of services.

8. IMPLICATIONS

8.1. Financial

Implications verified by: **Sean Clark**
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sclark@thurrock.gov.uk

These are included in the body of the report but, to summarise, the report demonstrates that the Council once again came within the budget envelope and has clearly set out a number of reserves to support the Council in achieving its objectives.

8.2. Legal

Implications verified by: **David Lawson**
Telephone and email: **01375 652087**
dlawson@thurrock.gov.uk

There are no direct legal implications arising from this report.

8.3. Diversity and Equality

Implications verified by: **David Lawson**
Telephone and email: **01375652087**
dlawson@thurrock.gov.uk

There are no specific implications from this report.

8.4. **Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental**

There are no specific implications from this report.

BACKGROUND PAPERS USED IN PREPARING THIS REPORT (include their location and identify whether any are exempt or protected by copyright):

- There are various working papers within directorates and accountancy.

APPENDICES TO THIS REPORT:

- Appendix 1 – General Fund Outturn by Service Area
- Appendix 2 – Housing Revenue Account Outturn

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GENERAL FUND OUTTURN BY SERVICE AREA

Row Labels	Revised Budget	Outturn	Variance
Adult Social Care	37,611,421	36,709,208	902,213
Chief Executive	2,285,919	2,216,945	68,974
Chief Executive Delivery Unit	1,999,107	1,564,524	434,583
Children's Services	30,307,662	32,102,967	(1,795,305)
Environment	15,564,740	15,190,106	374,634
Finance and Corporate Governance	11,254,652	10,594,318	660,334
Housing	2,901,650	2,675,660	225,990
Libraries and Cultural Services	1,654,058	1,598,200	55,858
Planning and Transportation	6,281,233	6,185,006	96,227
Public Protection	2,699,131	2,375,050	324,081
Serco/Corporate Savings	17,825,528	19,905,531	(2,080,003)
Treasury	8,988,002	8,240,326	747,676
Operating Net Surplus	139,373,103	139,357,841	15,262
GF Opening Balance			8,740,697
Operating Net Surplus			15,262
Balance Sheet Rationalisation			426,285
Set aside for:			
- ROH Loan			(500,000)
- Land Charges			(35,000)
- Flood Defence			(326,000)
- Other Reserves			(321,244)
GF Closing Balance			8,000,000

HOUSING REVENUE ACCOUNT OUTTURN

	2012/13 Revised Budget £'000s	2012/13 Outturn £'000s	Budget Variance £'000s
Bad Debt Provision	300	300	0
Debt Management Costs	5,809	5,714	(96)
Financing	14,497	13,486	(1,011)
HRA Subsidy	0	164	164
Interest and Investment	(15)	(34)	(19)
Rent and Income	(45,452)	(43,074)	2,378
Repair and Maintenance	13,376	13,944	567
Supervision & Management	12,012	6,580	(5,432)
Surplus / Deficit on Provision of Services	528	(2,920)	(3,448)
Transfer to Development Reserve			2,791
Net Operational Position			(657)
Opening HRA Balance			(1,043)
Closing HRA Balance			(1,700)