



**Cabinet**  
21 July 2014

## **Report from the Chief Finance Officer**

Wards Affected:  
ALL

### **Review of 2013/14 Financial Performance**

#### **1. Introduction**

- 1.1 This report sets out the year end financial position for 2013/14 and the unaudited statement of accounts.

#### **2. Recommendation**

- 2.1 The Cabinet is asked to note the year end financial performance and the unaudited statement of accounts.

#### **3. Background**

- 3.1 This report highlights the key results against service departments' revenue budgets for 2013-14. The position is summarised in the table below.

Service Area	2013/14		
	Budget £m	Actual £m	Variance £m
Adult Social Care	91.4	91.4	0.0
Children & Young People	45.3	44.9	(0.4)
Environment & Neighbourhoods	36.6	36.5	(0.1)
Regeneration & Growth	36.3	32.0	(4.3)
Transfers to Reserves (TA)	0.0	3.0	3.0
Corporate Services	50.7	50.1	(0.6)
<b>Service Area Total</b>	<b>260.3</b>	<b>257.9</b>	<b>(2.4)</b>

- 3.2 All service departments have spent within their allocated budgets. The total underspend is £2.4m on service area budgets.
- 3.3 A brief commentary on each department is set out below.

## **Adult Social Care**

- 3.4 The year end variance for Adult Social Care was an underspend of £40k. However there are some under and overspends within individual service areas. The Brent Mental Health Service overspent by £0.288m due to a reduction in joint funding contributions from Health. This was offset by underspends on activity and transport costs for clients in Direct Services of £0.252m. Expenditure as a whole has been contained within the funds available.

## **Children & Young People**

- 3.5 The Children & Young People's department underspent by £0.4m. This is largely due to a refund of the Local Authority Central Spend Expenditure Grant of £0.541m.
- 3.6 SEN transports overspent by £0.867m due to a higher number of eligible children requiring transport. This overspend was offset by :
- lower than anticipated numbers of children in residential care placements;
  - a reduction in the school improvement service attributable to the general fund; and
  - lower property related charges within the care leavers service and youth centres.

## **Environment & Neighbourhood**

- 3.7 As with any large and complex budget there are some under and overspends within individual service areas, but expenditure as a whole has been contained within the funds available with a small underspend of £0.1m achieved. Overspends on Parking Control due to under achievement of income in the early part of the new contract and additional costs on the use of Taxis within the Transport Services budget have been more than offset by savings across all other service areas.

## **Regeneration & Growth**

- 3.8 The departmental underspend of £4.3m is principally due to the impact of welfare reforms on temporary accommodation and this year's costs being significantly less than anticipated when the budget was set. The underspend on temporary accommodation amounts to £3m and this has been transferred to a reserve to assist the council to meet its policy objectives in 2014/15 and beyond.

- 3.9 After adjusting for the transfer to reserves the remaining underspend of £1.3m reflects the increased savings arising from the retender of the Supporting People contracts.

### **Corporate Services**

- 3.10 Corporate Service departments have underspent by £0.6m. In particular the Assistant Chief Executive's service underspent by £0.5m, reflecting vacant posts pending the completion of the recruitment process in that area.

### **Virements**

- 3.11 There were no virements in the quarter.

### **Debt Write-Offs**

- 3.12 Under the Council's constitution bad debt write offs of over £3,000 are reported to the Executive twice yearly. For the period October 2013 to March 2014 there are write offs of £1,410,845.39 including 94 write offs totalling £1,195,803.55 for Non Domestic Rates and 25 sundry debt write offs for £215,041.84. These relate to debts where all recovery actions have been pursued and the debt is not considered recoverable.

### **Statement of Accounts**

- 3.13 The draft statement of accounts was considered by the Audit Committee at its meeting on 26 June and certified by the Chief Finance Officer on 30 June. The audit of the financial statements is currently being undertaken by the Council's external auditor, KPMG. A report on the auditor's work will be presented to the Audit Committee at its meeting on 29 September 2014 and the Committee will be asked to approve the accounts on behalf of the Council.
- 3.14 The draft statements, as presented to the Audit Committee, are attached as an Appendix to this report. The draft statement of accounts is set out in the appendix to this report. There is a prescribed format for much of the information although a review has been undertaken to ensure that the information is presented as concisely as possible.
- 3.15 Within the accounts four statements are defined as "core financial statements", which means that they are fundamental to understanding the accounts. A short commentary on each of these is set out below.

### **Movement in Reserves Statement (MiRS)**

- 3.16 The MiRS shows the movement in the year on the different reserves held by the Council, analysed into those reserves which can be used to fund expenditure and other reserves of a technical nature which cannot be used to fund expenditure. This is therefore a summary of the resources that the council has available to fund future expenditure and to manage financial risks.

#### Comprehensive Income and Expenditure Statement (CIES)

- 3.17 The CIES sets out the total expenditure by the authority in the 2013/14 financial year, some £1.1bn. The format of the CIES is completely different to council's management accounts, which present income and expenditure by service area. However, reconciliation between the two is provided in the technical reconciliation section of the financial statements.

#### Balance Sheet

- 3.18 The balance sheet reports the 'total equity' of the council, and shows that it increased by £306m over the year to £435m as at 31 March 2014.

#### Cash Flow Statement

- 3.19 The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the 2013/14 financial year.

#### Other Statements

- 3.20 Members' attention is also drawn to the following financial statements, which although not technically defined as "core financial statements" are nonetheless highly important to understanding key aspects of local authority services and financing
- The Housing Revenue Account (HRA) which presents the financial transactions relating to the provision of council housing; and
  - The Collection Fund which presents a summary of the collection of council tax and national non domestic rates.
- 3.21 The accounts also provide substantial detail by way of notes and other statements. In particular, Members may find the following helpful to their understanding the financial position of the authority:
- Notes 2 and 7 to the core financial statements, which disclose the debtors and creditors of the council as at 31 March 2014
  - Note 9 to the core financial statements, which discloses the provisions held by the Council against the costs of likely future events

- Note 10 to the core financial statements, which discloses the level of earmarked revenue reserves and the purposes for which these are held.

#### **4 Financial implications**

4.1 The key elements of the Council's financial performance the 2013/14 financial year were:

- All services areas maintained spending within budget
- Budgeted savings of £7.3m were delivered during the year, meaning that more than £70m has been delivered since April 2010
- The level of General Fund balances has been maintained at the planned level of £12m

#### **5 Legal implications**

5.1 Changes to or departures from the budget during the year (other than those by Full Council) can only be agreed in accordance with the Scheme of Transfers and Virements contained in the Council's Constitution. Any decisions the Cabinet wishes to take and any changes in policy which are not in accordance with the budget and are not covered by the Scheme of Transfers and Virements will need to be referred to Full Council.

#### **6. DIVERSITY IMPLICATIONS**

6.1 There are no specific diversity implications arising from this report.

#### **7. STAFFING IMPLICATIONS**

7.1 There are no specific diversity implications arising from this report.

#### **8. BACKGROUND INFORMATION**

Draft Statement of Accounts – Audit Committee – 26 June 2014

#### **9. CONTACT OFFICERS**

Mick Bowden  
Tel: 020 8937 1460  
[mick.bowden@brent.gov.uk](mailto:mick.bowden@brent.gov.uk)

CONRAD HALL  
Chief Finance Officer