



Cabinet
29 June 2015

Report of the Chief Finance Officer

Wards affected:
ALL

Review of 2014/15 Financial Performance

1.0 Introduction

1.1 This report sets out the year end financial position for 2014/15 and the unaudited statement of accounts

2.0 Recommendations

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

3.0 Budget Monitoring

3.1 The report highlights the key results against the service departments' revenue budgets for 2014/15. The position is summarised in the table below

Department	Gross Expenditure Budget	Gross Income Budget	Net Budget	Outturn	Variance
	£m	£m	£m	£m	£m
Children & Young People	59.4	(17.6)	41.8	42.7	0.9
Adult Social Care	113.2	(22.1)	91.1	90.3	(0.8)
Regeneration & Growth	87.2	(54.8)	32.4	32.3	(0.1)
Environment & Neighbourhoods	72.7	(40.3)	32.4	32.2	(0.2)
Central Departments	36.9	(5.1)	31.8	31.8	-
Public Health	18.8	-	18.8	18.8	-
Service Area Total	388.2	(139.9)	248.3	248.1	(0.2)
*One off income	-	-	-	(0.7)	(0.7)
Net Service Area Total	388.2	(139.9)	248.3	247.4	(0.9)

- 3.2 The majority of service departments have spent within their allocated budgets. The total underspend on budgeted activity is £0.2m.
- 3.3 The Adult Social care department received an additional £0.7m of income from the Brent Clinical Commissioning Group relating to backdated Continuing Health Care funding. This income is backdated from previous financial years and therefore has been considered a one-off item.
- 3.4 Taking this one off income in to account, the net total underspend on service department budgets £0.9m.
- 3.5 A brief commentary on each department is set out below.

Children & Young People

- 3.6 The Children & Young People's department budget overspent by £0.9m. This is primarily related to the SEN Transport budget. This is a demand led service and the number of eligible pupils has increased by 3% this year. In addition, the total cost of transportation through Brent Transport Service has risen due to increased use of taxi's and escorts for pupils travelling out of borough and pupils with complex needs and challenging behaviours.

Adult Social Care

- 3.7 The outturn position for 2014/15 is for an under spend of £0.8m. This is largely due to underspends across Commissioning (£0.3m) and Direct Services (£0.5m) relating to vacant posts that were held in these services in the first half of the year. Within Direct Services this also relates to the John Billam Day Centre that was operating below full capacity for most of 2014/15.

Regeneration & Growth

- 3.8 The departments has reported a favourable variance of £0.1m, which is primarily due to the Supporting People budget where there have been savings from an on-going review of the various Supporting People contracts of £0.9m and in-year staff vacancies across the department of approximately £0.3m.

This is offset by overspends within Property & Asset Management of £0.6m mainly due to a contract payment for the Europa relating to 2013/14 and £0.5m within Temporary Accommodation due to costs of B&Bs relating to Housing Needs for Children & Young People clients which are to be retained within the overall TA account.

Environment & Neighbourhoods

- 3.9 The Environment and Neighbourhood Services has reported an underspend position of £0.2m. This can largely be attributed to income overachievement within

Parking, Sports and Cemeteries. There are also minor budget underspends within various service units, most notably within Regulatory Services where there are a number of planned vacancies representing early delivery of savings and pending service restructure along with some posts being filled part year.

Central Departments

- 3.10 Central Departments as a whole have spent to budget. There are some under and overspends within individual service areas. Legal Services overspent by £0.5m due to budget pressures caused by the increase in volume and complexity of cases that are being managed by them.

The overspend in Legal Services is being offset by underspends elsewhere within Central Departments, most notably within HR - Learning & Development and Contract team where there are a number of deferred projects and planned vacancies representing early delivery of savings of the recent restructure along with some part-filled posts.

Public Health

- 3.11 The Public Health budget has reported a breakeven position. However, with any complex budget there are some under and overspends within individual items.

The service overspent in the activity led GUM contracts but was offset by underspends in the Local Enhanced Services. In addition the service had unfilled vacant positions carried throughout the year.

The Public Health budget is funded via a ring fenced grant, so any over or underspends would need to be transfer to a reserve to meet the grant conditions. Therefore, after accounting for all variance and reserve movements, the overall reported position for Public Health is breakeven.

Ring Fenced Budgets

Dedicated Schools' Grant

- 3.12 The DSG settlement figure for Brent was £205.856m after recoument of academies and direct funding for High Needs places.

Of the 83 schools in Brent, 65 remain under the local authority umbrella and are referred to as maintained schools. At the end of 2014/15, 3 of the 65 maintained schools in Brent are in a deficit position. Schools in deficit are required to apply for a licensed deficit and abide by the terms of the licensed deficit policy.

Prior to 2011/12 the DSG experienced considerable spending pressures relating to Special Educational Needs, in particular due to a large increase in the number of statemented pupils and the provision of specialist SEN placements. This resulted in a cumulative deficit on the DSG of £7.2m at the end of 2011/12. A deficit recovery plan was agreed by the Schools Forum that aimed to clear the deficit by the end of 2014/15. The deficit recovery plan has been successful with the deficit cleared in 2014/15.

Housing Revenue Account

3.13 The Housing Revenue Account is reporting an under spend of £4m for the year after the use of £0.9m from funds brought forward.

Description	Budget 2014-15 £'000	Actual 2014-15 £'000	Variance £'000
Income	(54,615)	(54,362)	253
Expenditure	54,726	50,828	(3,898)
Deficit/(Surplus) for the year	111	(3,534)	(3,645)
Balance B/Fwd	(511)	(949)	(438)
Balance C/Fwd	(400)	(4,483)	(4,083)

However, there continues to be pressure on the rental income budget due to the on-going decanting of dwellings at South Kilburn. The major variances are as follows:

- Repairs and Maintenance (£2,251k) - mainly due to additional income from leaseholders for Major Works and savings on the Wates contract
- Supervision and Management (£825k) – savings on management fee and core recharges offset by additional legal fees of approximately £227k
- Debt Management Expenses (£187k) – share of the authority DME was lower than anticipated and no new borrowings in 2014-15
- Special Services (£281k) –savings on ground maintenance contract via Wates
- Interest Payable and Charges (£598k) – underspend due to interest rate lower than budgeted and no new borrowings in 2014/15.
- Provision for Bad Debts £300k – mainly due to significant increase in External decorations arrears
- Rental Income £246k – overspend mainly due to increased number of RTBs than budgeted

Savings

- 3.14 The table below summarises the 2014/15 savings achieved by service area. Out of £17.8m of committed savings, £17.4m (97.8%) have been delivered.

Service Area	2014/15 Savings	Percentage of 2013/14 budget	Savings Achieved	Variance
	£m		£m	£m
Children & Young People	3.2	7.1%	3.0	0.2
Adult Services	4.5	4.8%	4.3	0.2
Regeneration & Growth	2.7	7.6%	2.7	0.0
Environment & Neighbourhoods	3.4	9.6%	3.4	0.0
Central Departments	4.1	11.6%	4.1	0.0
Total	17.8		17.4	0.4

- 3.15 Children and Young People have a shortfall against their savings target. This under delivery relates to SEN Transport, in particular savings due to efficiencies in routing (£0.1m) and savings arising from new eligibility criteria (£0.1m). Whilst new eligibility criteria has seen a 2.5% reduction in SEN pupils receiving transport, the total number of reductions has not been enough to deliver the savings committed.
- 3.16 Adult Services have a shortfall against their savings target. Mental Health Services had a savings target of £1.0m, of which £0.2m has not been achieved in 2014/15 in terms of a reduction in Mental Health residential care placements.

Debt & Income Collection Analysis

Council Tax and NNDR

- 3.22 In terms of Council Tax, the total amount required to be collected for 2014/15 was £83.9m (excluding the GLA share) and the collection rate target was 95.9%.
- 3.23 The final collection rate for Council Tax in 2014/15 was 95.6%, fractionally down on the figure of 95.7% in 2013/14. Figures for other London boroughs for 2014/15 are not yet available, but the 2013/14 figure was slightly below the London average of 96.2%. Brent had the 21st highest collection of the London boroughs (the same as the previous year). Brent was only narrowly behind several other boroughs. 16 boroughs had collection rates between 95% and 97%, and Brent was within 0.6% of a further 6 boroughs.

- 3.24 For 2014/15 there was a significant reduction in the total of Council Tax Support granted, largely due to falling unemployment. The total granted for 2013/14 was £28.7m, compared to £26.6m in 2014/15. Therefore, the total cash collectable was around £1.6m higher as a result (after allowing for the GLA share). There was also an increase in cash collectable as a result of new properties coming in to rating and reductions in discounts and exemptions. The overall effect of this (including the reduction in CTS) was to increase Brent's share of the collectable income by approximately £4.0m, compared to the figure used in setting the 2014/15 budget. Therefore even though the overall collection rate fell very slightly compared to last year, the actual income was substantially above the budget forecast figure.
- 3.25 For NNDR, the total amount collectable was £110.0m (where Brent retains a 30% share as a result of legislative changes to Business Rates) and the collection rate target was 97.7%. The final collection figure was 98.1%, an increase of 0.5% on the 97.6% achieved in 2013/14, although it should be noted that collection rates for NNDR are more volatile than for Council Tax, as they are affected by changes in the Rating List (e.g. if a property with a large rates bill comes in to rating, until a payment is made this will reduce the overall collection percentage, or if one is removed from rating or has a substantial rateable value reduction the collection percentage will increase until the refund due is made). This has much more effect than for Council Tax, as an individual properties NNDR bill can be several hundred thousand pounds (or in rare instances over £1m). It should also be noted that there was a deadline of 31 March 2015 for ratepayers to appeal against their valuation on the 2010 list, and around 800 new appeals were lodged during March 2015, bringing the number of outstanding appeals to 1,400. Many of these appeals will be speculative and unlikely to be successful, or are for low value properties, but allowance for some reductions was required in the 2014/15 outturn figures. After allowing for this Brent's retained income figure was £300k below the budgeted figure.
- 3.26 In 2013/14 Brent collected 97.6% of the total NNDR due. This was the 17th highest of the London boroughs, up from 20th the previous year. The London average was 98.4%. Collection is higher in inner London, with the outer London average being 97.8%.

Parking

3.27 Parking debt is analysed by measuring the total number of Penalty Charge Notices (PCNs) issued against the expected yield of the total debt raised, as shown below:

Month	Debt Raised £m	Issued PCNs	Forecast £m	Cash collected on 14/15 PCNs £m	Cash collected from previous years debt £m	Total cash collected £m
Apr-14	1.3	14,079	0.7	0.6	0.1	0.7
May-14	1.4	15,659	0.8	0.6	0.1	0.7
Jun-14	1.1	14,139	0.7	0.2	0.5	0.8
Jul-14	1.2	13,844	0.7	0.6	0.1	0.7
Aug-14	1.0	12,898	0.7	0.6	0.1	0.7
Sep-14	1.0	13,035	0.7	0.6	0.1	0.7
Oct-14	1.2	13,822	0.7	0.6	0.0	0.6
Nov-14	1.0	12,353	0.7	0.6	0.0	0.6
Dec-14	0.8	10,991	0.7	0.5	0.0	0.6
Jan-15	1.0	13,281	0.7	0.6	0.0	0.6
Feb-15	1.1	1,244	0.6	0.6	0.0	0.6
Mar-15	1.3	16,072	0.6	0.6	0.0	0.6
Total	13.4	151,417	8.3	6.7	1.0	7.9

3.28 Whilst there are variations in the volume of PCN issued during the current year, the level of revenue forecast remains broadly the same as 2013/14, representing around 64% of actual debt raised. The method of forecasting is based on a prevailing 18 month PCN yield multiplied by the volume of sales by month.

3.29 The brought forward enforcement debt relating to previous financial years is £3.4m (£1.7m from 2012/13 and £1.7m from 2013/14). A bad debt provision was created for this debt, based on an expected recovery rate. To date approx. £0.9m of this debt has been collected.

HRA Council Tenant Debt

3.30 HRA Council Tenant debt is analysed in three categories; Current Tenants, Former Tenants and Other Non-Rental Debts.

The table below shows the balances for 2014/15.

	January £'000	March £'000
Current Tenants	1,587	1,477
Former Tenants	529	523
Other	559	610
Total	2,675	2,610

3.31 Overall debt has reduced from £2.675m in January to £2.610m in March. This indicates a 2.4% reduction in outstanding debt compared to the previous period. The rent collection rate at the end of quarter was 98.52%. The level of the tenants' debt reflects:

- An increasing number of residents claiming they are unable to pay their rent. This is due to changes in employment, changes in benefit rates and people who are in employment but now not eligible to claim housing benefit as they are just above the threshold.
- Debt Relief Orders and IVA are becoming more increasing.
- DWP sanctions are increasing.
- Court hearings being adjourned due to the tenants citing disrepair.
- Issues with successions and introductory tenancies which are having an impact on arrears.

Capital

- 3.32 The following table sets out the 2014/15 Capital Outturn position (£71.4m) against the Revised Budget (£90.3m) approved by Full Council at its meeting on 2nd March 2015. The table outlines the full year variance and proposed budget carry forward (slippage) from 2014/15 to 2015/16.

The major variances on the capital programme relate to Regeneration and Growth, Environment and Neighbourhoods and the HRA which are principally due to slippage into future years of committed expenditure. There was additional spend in regard to Children and Young People reflecting spend brought forward from 2015/16 for grants provided to Nurseries.

Service Area	2014/15 Revised Budget	2014/15 Outturn	2014/15 Variance Outturn to Revised Budget	Carry Forward (Slippage) to 2015/16
	£m	£m	£m	£m
Adult Services	0.1	0.1	0	0
Children and Young People	0.3	0.4	0.1	(0.1)
Environment & Neighbourhoods	13.2	11.7	(1.5)	1.5
Finance & IT	0.4	0.3	(0.1)	0.1
Regeneration & Growth	65.9	50.6	(15.3)	14.7
Regeneration & Growth (HRA)	10.4	8.3	(2.1)	3.0
Total	90.3	71.4	(18.9)	19.2

Regeneration and Growth

- 3.33 The carry forward is £0.6m less than the underspend on the total Regeneration and Growth capital programme. This relates primarily to an actual in year underspend of £1.0m on Housing General Fund Grants which is offset by unbudgeted expenditure of £0.4m on the Civic Centre.

Regeneration and Growth - HRA

- 3.34 The carry forward exceeds the identified underspend on the HRA capital programme by £0.9m as there was unbudgeted capital expenditure in year relating to Major Repairs that was met from additional income from leaseholders in 2014/15 passed over to the capital funding account (£0.6m) with the balance being funded from an additional contribution from the Major Repairs Reserve in year.

Financial Control

- 3.35 Financial control is essential to the operation of any large organisation. The council operates many standard processes, such as budgetary control, risk management and internal audit to ensure that controls operate as intended, and where exceptions are identified these are reported to senior officers and Members in order that corrective action can be taken. The particular issues that should be highlighted at this stage are set out below.
- 3.36 As at 31st March 2015, 78 projects have been completed to draft or final stage. 67 reports have an assurance opinion associated with them, 2 (3%) received a full assurance rating, 44 (66%) are substantial, 19 (28%) are limited, 2 (3%) were given nil assurance. Of the limited assurance reports, 10 relate to council operational systems, 4 to schools and 5 to BHP. The 2 nil assurance reports were both in schools.

Work has recently commenced on the 2015/16 audit plan.

Statement of Accounts

- 3.37 The statement of accounts was considered by the Audit Committee at its meeting on the 23rd June. They will be presented to the Council's external auditor, KPMG, at the end of June. The audit of accounts will follow thereafter. A report on the auditor's work will be presented to the Audit Committee at the end of September and the Committee will be asked to approve the accounts on behalf of the Council. Following that approval the accounts will be published.
- 3.38 The draft statements, as presented to the Audit Committee, are attached as an appendix to this report. Whilst there is a prescribed format for much of the statement we do ensure that the information is presented as concisely as possible.
- 3.39 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)

- 3.40 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 future expenditure and to manage financial risk, these total £319m across the General Fund (revenue & capital), HRA and Schools, and unusable reserves of a technical nature which total £135m and cannot be used to fund expenditure.

Comprehensive Income and Expenditure Statement (CIES)

- 3.41 The CIES sets out the total expenditure by the authority in the 2014/15 financial year, some £1bn of gross expenditure. The format of the CIES is prescribed to us and is completely different to the council's management accounts, which are used for budget monitoring and to present income and expenditure by service area. However, reconciliation between the two is provided in the technical reconciliation section of these financial statements.

Balance Sheet

3.42 The balance sheet reports how much the council is worth. This is the difference between what we own, are owed and what we owe others. A comparison with last year shows that it has increased by £29m over the year to £454m as at 31 March 2015.

	2014/15	2013/14	Movement
	£m	£m	£m
What the council owns or is owed (assets):			
Property, Plant, equipment, vehicles and infrastructure	1,473	1,364	109
Other Assets	7	8	(1)
Amount owed to us by other people/organisations	125	111	14
Cash and cash equivalents	37	62	(25)
The amount we hold in investments	140	76	64
Total we own and are owed	1,782	1,621	161
What the council owes (liabilities)			
We owe other people/organisations	(134)	(126)	(8)
We have outstanding loans	(428)	(433)	5
We have to meet future years' pension costs	(725)	(599)	(126)
We received grants from government towards our assets	(30)	(32)	2
We have other liabilities (e.g. Cash overdrawn and provisions)	(11)	(6)	(5)
Total amount we owe	(1,328)	(1,196)	(132)
Total the council is worth	454	425	29

Cash Flow Statement

3.43 The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the 2014/15 financial year.

Other Statements and Key Notes

3.44 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.

3.45 The accounts also provide substantial detail by way of notes and other statements. In particular:

- Notes 2 and 7 to the core financial statements, which disclose the debtors and creditors of the council as at 31 March 2015
- Note 10 to the core financial statements, which disclose the level of earmarked revenue reserves and the purposes for which these are held.
- Notes 32, 33 & 34 that disclose the required officers pay details.

4.0 Financial Implications

4.1 The key elements of the Council's financial performance for the 2014/15 financial year were:

- Overall service departments maintained spending within budget.
- Budget savings of £17.4m were delivered during the year.
- Capital spending was maintained within budget with all planned carry forwards of funds to 2015/16.
- The level of general fund balances has been maintained at the planned level.

5.0 Legal implications

5.1 Changes to or departure 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.

6.0 Equalities Implications

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

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