



City of Westminster

# Cabinet Agenda

Title: **Cabinet**

Meeting Date: **Monday, 7th July, 2014**

Time: **6.30 pm**

Venue: **Rooms 5, 6 & 7 - 17th Floor, City Hall**

Members: **Councillors:**

Philippa Roe (Chairman)	Danny Chalkley
Heather Acton	Robert Davis
Nickie Aiken	Rachael Robathan
Ed Argar	Steve Summers
Daniel Astaire	Tim Mitchell
Melvyn Caplan	

**Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda**

**Admission to the public gallery is by ticket, issued from the ground floor reception at City Hall from 6.00pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.**



**An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer, Mick Steward.**

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Corporate Website: [www.westminster.gov.uk](http://www.westminster.gov.uk)**

**Note for Members:** Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Head of Legal & Democratic Services in advance of the meeting please.

## **AGENDA**

### **PART 1 (IN PUBLIC)**

**1. WELCOME**

**2. DECLARATIONS OF INTEREST**

To receive declarations by Members and Officers of the existence and nature of any personal or prejudicial interests in matters on this agenda.

**3. MINUTES**

To approve the minutes of the meeting held on Monday 24 February 2014.

**(Pages 1 - 10)**

**4. FINANCIAL OUTTURN 2012-2014**

Report of City Treasurer.

**(Pages 11 - 30)**

**5. ANY OTHER BUSINESS WHICH THE CHAIRMAN  
CONSIDERS URGENT**

**Peter Large  
Head of Legal & Democratic Services  
27 June 2014**



CITY OF WESTMINSTER

## DRAFT MINUTES

CABINET MEETING – 24 February 2014

### MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Cabinet** held at 7.00pm on **Monday 24 February 2014** in Committee Rooms 5, 6 and 7, 17<sup>th</sup> Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6QP

**Cabinet Members Present:** Councillors Philippa Roe (Chairman), Nickie Aiken, Ed Argar, Daniel Astaire, Melvyn Caplan, Danny Chalkley, Robert Davis, Rachael Robathan and Steve Summers.

**Also Present:** Councillors Edward Baxter, Alastair Moss and Audrey Lewis

#### 1. INTRODUCTION

- 1.1 Councillor Philippa Roe, the Leader of the Council, welcomed those present, particularly Charlie Parker (Chief Executive) to his first Cabinet meeting.

#### 2. DECLARATION OF INTEREST

- 2.1 Councillor Ed Argar declared an interest in item 10 'Aims of the new Contract for Contact Centre and Back Office Processing, and confidential item 13 'Award of Contract for the Provision of Contact Centre and Back Office Processing', in that he was employed by one of the parties involved in the procurement process. He confirmed that he would leave the room during consideration of those items and take no part in the discussion or vote.

#### 3. MINUTES

- 3.1 **RESOLVED:** That the non-confidential minutes of the meeting held on 16 December 2013 be signed by the Chairman as a correct record. It was agreed that the confidential minutes also be approved, subject to the amendment of Minute 7 'Award of Contract for Parking Services' to record that Councillor Ed Argar declared an interest in that he was employed by one of the parties involved in the procurement process, and that he left the room during consideration of that item and took no part in the discussion or vote. .

#### **4. BUDGET AND COUNCIL TAX REPORT 2014/15 (see report agenda, Item 4)**

- 4.1 Anna D'Alessandro (Acting Chief Finance Officer) introduced the report which set out the City Council's financial framework for the 2014/15 financial year.
- 4.2 Since 2010, the Local Government funding regime from Central Government had changed significantly, which had resulted in the City Council having to face substantial financial challenges.
- 4.3 In 2013/14, Central Government had introduced a further radical change to funding with the retention of localised Business Rates. The 2014 Local Government Financial Settlement had confirmed a funding reduction of c£21 million for 2014/15, which when combined with the continuing adverse impact from localised Business Rates of c£6 million had resulted in a total negative impact on the City Council's finances c£27 million for the forthcoming year. These funding challenges would be met by service area savings of c£13 million, including c£5 million from significant transformation activity. The remaining c£8 million would be met from the use of reserves and other provisions. The Council would set a balanced budget for 2014/15.
- 4.5 The Cabinet noted that Westminster had successfully delivered a transformation/ investment programme of c£100 million over the last three years. The service area savings/investments for 2014/15 were set out in Schedule 5 of the report.
- 4.6 In 2014/15 the City Council would be eligible for a Council Tax Freeze Grant of 1%, which would yield a further c£0.5 million. If this grant was also offered in 2015/16, it would be the Council's intention to continue to take advantage of this position. For the seventh consecutive year, it was accordingly recommended that the level of Council Tax in Westminster be frozen.
- 4.7 The City Council had adopted an active two-tier approach to risk management, with Corporate and Service Area risks being tracked and monitored throughout the year. The successful delivery of a significant transformation programme, together with mitigated risks and strengthened Reserves, strengthened the Council's ability to deliver its future financial challenges.
- 4.8 The proposed budget was robust, and placed the City Council on a strong foundation to deliver the Leader's Better City, Better Lives vision and supporting programmes. This vision detailed how Westminster would operate, and what it would do, and set out the roles that residents, businesses and visitors should play in order to help deliver the shared vision for the City. Throughout the process of setting the budget, the City Council had been mindful of the impact of service changes or reductions on residents and service users, and the report had included the findings of an Equalities Impact Assessment.

- 4.9 A resilient process for the review of capital expenditure was in place, and details of the Capital Expenditure Programme which would be funded through grants, third party funding and the Council's own Capital Receipts, were set out in the report. There was a rolling programme of capital works which extended to 2017/18, with each scheme being subject to separate approval as required by Financial Regulations.
- 4.10 The Acting Director of Finance reported that at the time the report was issued, a number of external levies and precepts were still to be finalised. Information on these had now been received, and the Cabinet noted that the minor increases, which totalled £10,000, could be met from the overall risk provision with no changes to the proposed 2014/15 budget being required.
- 4.11 Councillor Edward Baxter (Chairman of the Budget & Performance Task Group) reported on the findings of a detailed scrutiny of the budget proposals, which had been found to be robust.
- 4.12 Councillor Melvyn Caplan (Cabinet Member for Finance, Resources & Customer Services) thanked officers and his Cabinet colleagues for their work in reaching this stage in the budget process, and also thanked Councillor Baxter for the detailed review that had been undertaken by the Task Group. Councillor Ed Argar (Cabinet Member for City Management, Transport and Environment) also highlighted the contributions of Members and officers.
- 4.13 The Leader also spoke in favour of the budget and thanked officers and Cabinet colleagues, in particular Councillor Caplan, for the work in producing balanced and robust budget proposals.

**Resolved:** That

- (i) Approval be given to the budget, and that the Council be recommended to approve the 2014/15 budget, as set out in the report attached as Appendix A and the recommended Council Tax levels as set out in the Council Tax resolution at Annex B to the report;
- (ii) The Council be recommended to approve the Capital Expenditure programme as set out in Schedule 11 of the report attached as Appendix A;
- (iii) The level and use of Earmarked Reserves as set out in in Schedule 6 of the report to be approved;
- (iv) The local element for Band D properties be confirmed at the same level as 2013/14 (i.e. £377.74) in 2014/15 and that Westminster accordingly take advantage of the 1% (£0.5 million) Council Tax Freeze grant for 2014/15;
- (v) It be noted that a 1% (£0.5 million) Council Tax freeze grant is likely to be available in 2015/16 and that the intention to freeze Council Tax in 2015/16 in that event be confirmed;

- (vi) The Council Tax for the City of Westminster, excluding the Montpelier Square area, and the City of Westminster Montpelier Square area for the year ending 31 March 2015 be as specified in the Council Tax Resolution in Annex B. That the Council Tax be levied accordingly and that officers be authorised to alter the Council Tax Resolution as necessary following the announcement of the (Greater London Authority) GLA precept, drawing specific attention to any change and the Queen's Park Community Council;
- (vii) Cabinet delegate to the Strategic Director of Housing, Regeneration & Property responsibility for setting fees and charges for Temporary Accommodation and Bed and Breakfast including the storage of possessions; and
- (viii) The views of the Budget & Performance Task Group be noted.

### **Reason for Decision**

The preparation of the budget is the final stage of the annual business planning cycle leading to the approval of the Council Tax for the forthcoming financial year. There is a statutory requirement to submit budget returns to the Department of Communities & Local Government (CLG) and approval of the revenue estimates constitutes authority for the Strategic Executive Board (SEB) to incur expenditure in accordance with approved policies.

## **5. TREASURY MANAGEMENT STRATEGY – ANNUAL CASH INVESTMENT STRATEGY FOR 2014/15, INCLUDING PRUDENTIAL INDICATORS AND STATUTORY BORROWING DETERMINATIONS (see report of the Chief Operating Officer)**

- 5.1 Jonathan Hunt (Director of Corporate Finance & Investment) introduced the report which set out Westminster's annual strategy for investing its cash balances and borrowing within appropriate risk parameters.
- 5.2 The City Council's investment priorities were to ensure the security of capital, the liquidity of its investments and an optimum return on its investments commensurate with proper levels of security and liquidity. The strategy also set out the policies for ensuring the Council's capital investment plans were prudent, affordable, and sustainable.
- 5.3 Various changes to the 14/15 Treasury Strategy had been proposed, in part to reduce reliance on the Debt Management Office and to provide some flexibility for better investment returns, within the structure of a cautious investment outlook.
- 5.4 **Resolved:** That the Council be recommended to approve:
  - (i) The proposed Treasury Management Strategy, the Annual Investment Strategy, the Borrowing Strategy and the Minimum Revenue Protection Provision Statement for 2014/15, as set out in the report;

- (ii) The Minimum Revenue Provision proposal for 2014/15, as set out in paragraph 5 of the report;
- (iii) The proposed Prudential Indicators (A-I), as set out in Appendix 2 of the report;
- (iv) The Treasury Management Policy Statement as set out in Appendix 3 of the report; and
- (v) That an Affordable Borrowing Limit (as required under Section 3 of the Local Government Act 2003) as set out below be agreed and these remain unchanged from the 2014/15 affordable borrowing limits.
  - § £510 million for the financial year 2014/15
  - § £540 million for the financial year 2015/16
  - § £570 million for the financial year 2016/17

### **Reason for Decision**

The Council is required under the Local Government Act 2003 (as amended) and other regulations to approve an Annual Treasury Management Strategy to cover: Borrowing Strategy, Investment Strategy and set Prudential Indicators together with borrowing limits for the next three years. In addition, the Council must approve an annual Minimum Revenue Provision Statement.

## **6. PAY POLICY 2014-15 (see report of the Acting Director of Human Resources)**

- 6.1 Carolyn Beech (Acting Director of Human Resources) introduced the report which set out the proposed Pay Policy for 2014 - 2015 in line with the requirements of the Localism Act 2011. The Policy had been amended to include current salary figures and take into account guidance issued by the Secretary of State, but was based on previous policies which had been approved formally by Full Council.
- 6.2 **Resolved:** That the Council be recommend to approve the proposed Pay Policy for 2014 - 2015, as set out in Appendix 1 of the report.

### **Reason for Decision**

The Council is required to publish a Pay Policy statement which has been approved by full Council by 31 March 2014.

## **7. HOUSING INVESTMENT STRATEGY AND HRA BUSINESS PLAN (see report of the Strategic Director of Housing, Regeneration & Property)**

- 7.1 Ben Denton (Strategic Director of Housing, Regeneration & Property) presented the 30-year Housing Revenue Account (HRA) Business Plan and investment plans for housing related activity. Detailed capital budgets for the five years 2014/15 to 2018/19 were also presented.

- 7.2 Gross HRA expenditure of £342 million over the five years was required to deliver the Plans within this Investment Strategy, including £224 million on works to existing stock and £118 million on housing estate renewal and new housing supply schemes. Non-HRA investment of £51 million from the Affordable Housing Fund, and anticipated investment of £600 million private sector funding also contributed to delivery of the programmes within this Strategy. Key investment programmes included were:
- The HRA capital programme of investment in existing housing stock;
  - The housing estate renewal programme;
  - New affordable housing supply schemes, funded through both the HRA and the Affordable Housing Fund; and
  - Leverage of private investment.
- 7.3 The HRA Business Plan demonstrated that the investment proposals were fundable, subject to the assumptions within the Plan, and that the HRA remained a viable entity over the thirty year period.
- 7.4 Councillor Daniel Astaire (Cabinet Member for Business, Skills & Housing) commended the Business Plan, and highlighted the value of establishing a Cabinet Sub-Committee to oversee implementation of the housing renewal programme.
- 7.5. **Resolved:** That
- (i) The priorities of the Housing Investment Strategy (set out in paragraph 5.1 of the report) be approved;
  - (ii) The proposed HRA capital programme budgets for 2014/15 to 2018/19 (set out in paragraph 6.1 and Appendix B of the report) be approved;
  - (iii) The housing renewal investment programme budgets for 2014/15 to 2018/19 (set out in Appendix B of the report) be approved;
  - (iv) The wide-ranging benefits to be delivered through the proposed HRA investment programmes be noted;
  - (v) The establishment of a Cabinet Committee to oversee implementation of the housing renewal programme, with the objective of securing cross-service involvement to improve the opportunities for our residents in the more deprived parts of the city be agreed;
  - (vi) The proposal to establish a cross-departmental team of officers to support delivery of the wider benefits arising from the housing renewal programme be noted; and
  - (vii) That a further report be submitted to Cabinet Members for Finance, Resources & Customer Services and Business, Skills & Housing, seeking approval of revised governance arrangements to ensure efficient and effective delivery, monitoring, management and control of the housing renewal programme.



## Reasons for Decision

Adoption of the Business Plan and Investment Strategy will enable the Council to invest in maintaining and improving the existing stock of homes and neighbourhoods, while also delivering wider benefits to the city's residents and businesses. The financial plan will ensure the housing stock continues to meet the housing needs with which we are faced; and ensure the HRA is sustainable and viable over the long term.

### 8. SCHOOL ORGANISATION AND INVESTMENT STRATEGY 2014-2016 (see report of the Tri-Borough Executive Director for Children's Services)

- 8.1 Andrew Christie (Tri-Borough Executive Director for Children's Services) presented an updated School Organisation and Investment Strategy. The Strategy had been based on projected pupil numbers and opportunities for providing new school places, and would inform the requirement for capital resources.
- 8.2 The previous focus on additional primary school places had been successfully implemented, and the Cabinet noted that the revised Strategy anticipated the increasing need for secondary school places.
- 8.3 The Government had announced the Basic Need grant allocation for providing new school places for the period 2013-17. Any potential schemes were also eligible for s106 planning contributions, and the Cabinet noted that no corporate resources had been allocated.
- 8.4 It was proposed that Corporate Property and Children's Services establish a Working Group to plan for new school pupil places. Where there were capital investment implications, the Group would submit a proposal to the Council's Capital Review Group for funding within the overall programme.
- 8.5 The Cabinet noted that key stakeholders including the Diocesan Authorities, the Education Funding Agency, Tri-Borough forums, and individual schools, had been consulted on the development of the Strategy and on individual proposals.
- 8.6 Councillor Danny Chalkley (Cabinet Member for Children & Young People) commended the work of officers and the support given by the Children & Community Services Policy & Scrutiny Committee in the development of the Strategy.
- 8.7 **RESOLVED:** That
- (i) The School Organisation and Investment Strategy 2014-16 contained in Appendix B to the report and the recommendations contained therein be approved;
  - (ii) The establishment of a joint Corporate Property and Children's Services working group to plan for providing additional pupil places in schools, including representatives from the Planning Department and Diocesan authorities be approved; and

- (iii) The establishment of a programme team reporting to the working group, to assess the secondary schools estate and prepare a business case for delivering the strategy in (2.1) whilst considering the wider Corporate Property goals for the Council be approved.

### **Reasons for Decision**

The decision is required in order to:

- set the amount and method of investment for meeting the Council's statutory duty to provide sufficient school places.
- develop a implementation plan in line with its wider corporate objectives for property, and housing duties and aspirations.

## **9. DEVELOPING A TRI-BOROUGH CORPORATE SERVICE (see report of the Chief Executive)**

- 9.1 The Cabinet received an update from Charlie Parker (Chief Executive), on proposals for the creation of Tri-borough Corporate Services, which could include Human Resources, Procurement, Legal Services and Revenues & Benefits.
- 9.2 The initial savings across the Tri-borough area, which could be achieved through establishing a Tri-borough Corporate Services, were estimated to be £2.5 million per annum by 2015/16 with significant future savings potentially to follow once further analysis of all the options had been completed.
- 9.3 Councillor Melvyn Caplan acknowledged that this was the next logical stage in Tri-borough working, which had the potential to offer significant savings. Councillor Daniel Astaire (Cabinet Member for Business, Skills & Housing) highlighted the importance of ensuring that any changes to the procurement function would not be open to challenge, and that processes remained robust.
- 9.4 **Resolved:** That
- (i) The principle of the establishment of Tri-borough Corporate Services be agreed, subject to securing the agreement of the Cabinets of the London Borough of Hammersmith & Fulham, and the Royal Borough of Kensington & Chelsea;
  - (ii) The Chief Executive of Westminster City Council be appointed as the SRO overseeing the development of detailed business plans, including the establishment of necessary business cases, for the creation of Tri-borough Corporate Services;
  - (iii) The decision of the Chief Executive of Westminster City Council to appoint the s151 officer from the London Borough of Hammersmith & Fulham to undertake the consequent planning and implementation be endorsed; and
  - (iv) That further reports with detailed business cases for a Tri-borough Corporate Services be provided to Cabinet in due course. At that stage, each of the Tri-borough Cabinets will be asked to take a formal

decision on whether to proceed with the establishment of a Tri-borough Corporate Services.

### **Reason for Decision**

The creation of a single Corporate Services function would deliver greater efficiencies, additional annual savings and contribute to the shared objective of safeguarding front line services.

## **10. AIMS OF THE NEW CONTRACT FOR CONTACT CENTRE AND BACK OFFICE PROCESSING (see report of the Director of Strategy & Communications)**

- 10.1 Councillor Ed Argar declared an interest and left the room during consideration of in this item, taking no part in the discussion or vote.
- 10.2 Julia Corkey (Director of Strategy & Communications) presented a report which set out the background, customer strategy and aims of a new three year contract for the provision of a contact centre and for back office processing. The current contract for the provision of a contact centre and back office processing will expire on 3 November 2014, and a procurement exercise had been concluded which recommended the award of 3 year contract with a further 3 years by extension. A confidential report seeking Cabinet approval for the award of the contract had been included elsewhere in the agenda.
- 10.3 Councillor Melvyn Caplan (Cabinet Member for Finance, Resources & Customer Services) thanked officers for the detailed work which had been undertaken in developing the strategy and aims for the new contract, and commended the significant improvements to the City Council's website.
- 10.4 Councillor Philippa Roe (Leader of the Council) also commended the proposals for the new contract.
- 10.5 **Resolved:** That the report be noted.

## **11. ANY OTHER BUSINESS WHICH THE CHAIRMAN CONSIDERS URGENT**

- 11.1 None.

**12. EXEMPT REPORTS UNDER THE LOCAL GOVERNMENT ACT 1972**

12.1 **RESOLVED:** That under Section 100 (A) (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business because it involved likely disclosure of exempt information on the grounds shown below:

<u>Item No:</u>	<u>Grounds</u>	<u>Paras of Part 1 of Schedule 12A of the Act</u>
13	Information relating to the financial and business affairs of an individual, including the authority holding the information and legal advice.	3 and 5

**13. AWARD OF CONTRACT FOR CONTACT CENTRE AND BACK OFFICE PROCESSING**

13.1 Councillor Ed Argar declared an interest and left the room during the consideration of this item, taking no part in the discussion or vote.

13.2 The Cabinet discussed the aims of a new three year contract for the provision of a contact centre and for back office processing. They agreed to award the contract.

**14. CLOSE OF MEETING**

14.1 The meeting ended at 8.00pm.

\_\_\_\_\_  
**CHAIRMAN:**

\_\_\_\_\_  
**DATE**



City of Westminster

## Cabinet Report

<b>Decision Maker:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>7<sup>th</sup> July 2014</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>2013/14 Outturn Report</b>
<b>Wards Affected:</b>	<b>All</b>
<b>Policy Context:</b>	<b>Council's financial position</b>
<b>Financial Summary:</b>	<b>This report outlines the Council's financial position for the 2013/14 financial year.</b>
<b>Report of:</b>	<b>Anna D'Alessandro, Acting CFO/Section 151</b> <b><a href="mailto:adalessandro@westminster.go.uk">adalessandro@westminster.go.uk</a></b> <b>0207 641 1184</b>

### 1. Executive Summary

This report identifies the full-year outturn position of the Council for the 2013/14 financial year and covers the following sections:

- Revenue expenditure;
- Closing General Fund Reserves;
- Balance Sheet, including Capital expenditure and Debt; and
- Finance Strategic Projects.

### 2. Recommendations

That Cabinet notes the outturn position for the 2013/14 financial year.

### 3. Reasons for Decision

The report sets the outturn position for the 2013/14 financial year.

#### 4. Background

##### 2013/14 Financial Overview

- **Revenue Expenditure.** The Council commenced the year with some significant financial challenges as a result of continuing funding reductions from Central Government and broader policy and legislative changes, for example in Housing. However, the financial position continued to improve steadily throughout the year culminating in a **c£5M overall surplus for the Council.**
- **Closing General Fund Reserves.** We have strengthened General Fund Reserves by c£3M to close at c£35M (taking account of a £2M budgeted use of Reserves), which will provide resilience and help to mitigate the heightened tension around the ongoing economic climate. In reaching this position risks have largely been mitigated, and Reserves created to fund significant future procurements and transformational/investment activity, through the recycling of Reserves and Provisions.
- **Capital Expenditure.** The **Capital Programme** is significantly below budget by £6.4M against the latest (February 2014 Forecast). Slippage for the year into 2014/15 is £7.8M largely due to Libraries & Culture, Built Environment, Property and Children's Services. A more intense and critical focus on capital monitoring and reporting will be a priority for Finance in 2014/15.

#### 5. Financial Implications

There are no direct financial implications arising from this report.

#### 6. Legal Implications

There are no direct legal implications arising from this report.

#### 7. Consultation

There was no consultation in relation to this report.

**If you have any queries about this Report or wish to inspect any of the Background Papers please contact:**

**Anna D'Alessandro [adalessandro@westminster.gov.uk](mailto:adalessandro@westminster.gov.uk)**

## 2013/14 OUTTURN REPORT TO CABINET/SEB

### KEY MESSAGES

#### 2013/14 FINANCIAL OVERVIEW:

The Council commenced the year with some significant financial challenges as a result of continuing funding reductions from Central Government and broader policy and legislative changes, for example in Housing. However, the financial position continued to improve steadily throughout the year culminating in a **£5M overall surplus for the Council**.

We have strengthened **General Fund Reserves** by £3M to close at £35M (taking account of a £2M budgeted use of Reserves), which will provide resilience and help to mitigate the heightened tension around the ongoing economic climate. In reaching this position risks have largely been mitigated, and Reserves created to fund significant future procurements and transformational/investment activity, through the recycling of Reserves and Provisions.

**Surpluses have been delivered** through the prudent management of budgets across the authority which has resulted in a small overall contribution from Service Area operating activities (£0.6M) combined with continuing favourable improvements in Corporate Financing, an additional £1.4M from last period and £4.3M overall for the year.

The **2013/14 Savings Programme** monitored through the Council's Delivery Assurance process, has progressed well during the year and delivered 93% of the £29M savings programme. Where areas have not been able to fully deliver savings as planned, they have mitigated these by alternative proposals that will deliver the overall target. This process will be refocused in 2014/15 with more scrutiny on change control and strengthened governance arrangements.

The **Capital Programme** is significantly below budget by £6.4M against the latest (February 2014 Forecast). Slippage for the year into 2014/15 is £7.8M largely due to Libraries & Culture, Built Environment, Property and Children's Services. A more intense and critical focus on capital monitoring and reporting will be a priority for Finance in 2014/15.

A substantial amount of work has occurred over the year on the **Accounts Receivable Project** led by Corporate Finance. This project has been underway for c18 months and has undertaken significant activity in the re-engineering of back office processes in key areas such as Corporate Property and Parking. The 30 point action plan to deliver best practice accounts receivable/debt management which was identified in the first phase of the project has been fully implemented during the year. The second phase will concentrate on embedding best practice right across the organisation and linking this firmly to Service Area financial targets.

A significant and crucial project for Finance and HR for the coming year is to ensure the successful implementation of the **Managed Services Programme** in Q3 2014/15. We will continue to work closely with our Tri-Borough colleagues, our external Project/Programme support (PWC) and BT as the third party provider.

An important project for the entire organisation is the **Medium-Term Planning process**. We embarked on this in the summer of last year and have been making good progress to address the substantial financial challenges over the coming years. This will continue to be a key priority of Finance by supporting services in driving forward viable business cases for efficiencies and where necessary investment decisions.

Finance is progressing well with the challenge of closing the **2013/14 Annual Accounts** three months (i.e. by June 2014) ahead of 2012/13. An interim audit has just been completed and has highlighted no significant issues. We are well on track to achieving a June close.

## INTRODUCTION

This report provides an overview of the Council's outturn position for 2013/14 and covers:

- **SECTION 1** – Revenue expenditure including the Savings Programme. **Appendix 1** Profit and Loss Statement; **Appendix 2** Housing Revenue Account (HRA) and **Appendix 3** Virements Table;
- **SECTION 2** – 2013/14 General Fund Closing Reserves;
- **SECTION 3** – Consolidated Balance Sheet including Capital Expenditure and Debt, and
- **SECTION 4** – Finance Strategic Projects.

## SECTION 1: REVENUE EXPENDITURE

### 1. 2013/14 Operating Outturn – By Service Area/SEB

As **Table 1** below shows, the **Service Area** outturn for 2013/14 is a £0.6M operating surplus against the net Budget of £223.1M. The Service Area surplus has been driven largely through prudent budget management across the Council with underspends/upside in Adults Social Care (£1.6M), Parking (£2.2M), Finance & Operations (£0.3M), SEB & Strategic Support (£0.2M) and Children's Services (£0.2M). The economic climate has contributed towards a homelessness related overspend in Housing (£3.7M), whilst external factors have adversely affected Libraries & Culture (£0.4M).

Improved net financing costs – resulting from high cash balances across the year and related net interest improvements and the beneficial disposal of Icelandic deposits – has resulted in a significant improvement in **Corporate Financing** for the year of £4.3M. **Therefore, the total operating surplus for the Council for the year is £4.9M.**

**Table 1 – 2013/14 Outturn by Service Area and Corporate Financing**

SERVICE AREAS	Budget £000	Outturn £000	Projected Variance £000	P11 Variance £000	Vs P11 Movement £000	Better / Worse / Unchanged
Adults Social Care	83,376	81,740	1,637	1,563	74	Better
Children's Services	40,911	40,678	233	0	233	Better
Libraries & Culture	7,120	7,522	(402)	(594)	191	Better
Built Environment	16,641	16,512	129	151	(21)	Worse
City Management	51,956	51,912	43	(7)	50	Better
Parking	(52,073)	(54,308)	2,235	2,000	235	Better
Housing	28,495	32,195	(3,700)	(3,700)	0	Unchanged
Property	(1,861)	(1,732)	(130)	(930)	801	Better
Sports & Leisure	962	958	4	0	4	Better
Public Health	(1,217)	(1,227)	10	0	10	Better
SEB & Strategic Support	12,225	11,982	243	246	(3)	Worse
Finance & Operations	36,594	36,297	298	297	1	Better
<b>SERVICE AREA TOTAL</b>	<b>223,129</b>	<b>222,529</b>	<b>600</b>	<b>(974)</b>	<b>1,574</b>	<b>Better</b>
Government Funding	238,802	238,836	34	0	34	Better
Corporate Income	7,850	7,935	85	0	85	Better
Total Funding / Income	246,652	246,771	119	0	119	Better
Less: Corporate Financing	25,307	21,110	4,197	2,962	1,235	Better
<b>Corporate Financing</b>	<b>221,345</b>	<b>225,661</b>	<b>4,316</b>	<b>2,962</b>	<b>1,354</b>	<b>Better</b>
<b>Net Surplus/(Deficit)</b>	<b>(1,784)</b>	<b>3,132</b>	<b>4,916</b>	<b>1,988</b>	<b>2,928</b>	<b>Better</b>

This outturn position for the year is comprised of the following.



- **Adults Social Care** (*Liz Bruce*)

The year-end position for Adults Social Care is an underspend of £1.6M. This is mainly due to a lower (than budgeted) volumes of placements and care and savings resulting from reductions in the volume of high cost placements packages in the Learning Disability and Mental Health services.

- **Children's Services** (*Andrew Christie*)

The outturn for Children's Services is an underspend of £0.2M. This is due to reduced revenue costs relating to the Building Schools for the Future Programme and lower demand led expenditure in Social Care and Early Years services.

- **Libraries & Culture** (*Ben Denton*)

For year-end, the position for Libraries & Culture is an overspend of £0.4M, this is mainly driven by an increased business rates liability following the revaluation of Church Street Library (£0.2M) and backdated charges on Pimlico Library (£0.2M).

- **Built Environment** (*Rosemarie MacQueen*)

The outturn for Built Environment is an underspend of £0.1M, primarily due to higher than anticipated Planning income (£0.8M) which is mostly offset by an income shortfall of £0.7M within Building Control.

- **City Management** (*Leith Penny*)

City Management has a break-even position for the year. The shortfall in Sex licensing income (£0.5M), an increase in the Licensing Provision (£0.5M – to cover the liability relating to Tables & Chairs and Isolated Pitches) and the increased cost of urinal facilities (£0.2M) are offset by higher than anticipated Street Management income (£0.8M), a net underspend within Crime Commissioning (£0.3M) and improved Commercial Waste income (£0.1M).

- **Parking** (*Leith Penny*)

At year-end, Parking has an upside of £2.2M, which is mostly due to a strong performance in paid-for-parking income.

- **Housing** (*Ben Denton*)

The outturn for Housing is an overspend of £3.7M, this is largely due to a combination of significantly higher level of Temporary Accommodation volumes and higher spot rates than Budget.

- **Corporate Property** (*Ben Denton*)

The outturn for Corporate Property has been an overspend of £0.1M. Significant overspends arising from delays in delivering planned savings have largely been mitigated by the recognition of one-off items including the release of surplus provisions and the receipt of compensation for the delayed re-provisioning of a depot following the disposal of Audley Square car park.

- **SEB & Strategic Support** (Charlie Parker)

The outturn for SEB & Strategic Support is an underspend of £0.2M. This is mostly due to net underspends in Legal & Democratic Services (£0.5M), Strategy and Communications (£0.2M) and Communications External Trading (£0.1M). These favourable movements are partly offset by a shortfall in branding income (£0.4M) and translation savings being below target (£0.2M).

- **Finance & Operations** (Charlie Parker)

The year-end position for Finance & Operations is an underspend of £0.2M. This is mainly due to a net underspend – after the recognition of associated grants and income - on the administration costs of Housing Benefits, Council Tax and Business Rates (£0.8M). This is partly offset by a net overspend in Banking Control (£0.3M) and a shortfall in the recovery of duplicate payments (£0.3M).

- **Sports & Leisure** (Leith Penny)

Sport & Leisure has delivered a break-even position for the year.

## 2. **2013/14 Operating Outturn – By Cabinet Member**

The year-end position for the Council is an overall surplus to Budget of £4.9M. The surplus, by Cabinet Member has been driven largely through underspends/upside in Finance, Resources & Customer Services (£4.9M); Adults & Public Health (£1.7M); Community Protection, Premises & Parking (£2.1M) partly offset by an overspend within Business, Skills & Housing (£4.1M).

Table 2 provides detail for all Cabinet portfolios.

**Table 2 – 2013/14 Outturn by Cabinet Member**

Cabinet Members	P12 FULL YEAR ANALYSIS			Vs Previous Period		Better / Worse / Unchanged
	Budget	Outturn	Variance	P11 Variance	Vs P11 Movement	
	£000	£000	£000	£000	£000	
Leader - Cllr Roe	4,184	4,516	(332)	(313)	(19)	Worse
Built Environment - Cllr Davis	4,685	4,474	210	247	(36)	Worse
Finance, Resources & Customer Services - Cllr Caplan	39,383	38,782	601	(59)	660	Better
Children & Young People - Cllr Chalkley	40,861	40,519	343	(14)	357	Better
Business, Skills & Housing - Cllr Astaire	20,302	24,419	(4,117)	(3,978)	(140)	Worse
Community Protection, Premises & Parking - Cllr Aiken	(40,688)	(42,811)	2,123	1,583	540	Better
City Management, Transport & Environment - Cllr Argar	55,481	54,966	515	310	205	Better
Adults & Public Health - Cllr Robathan	87,865	86,210	1,655	1,845	(190)	Worse
Community - Cllr Summers	11,056	11,454	(398)	(594)	195	Better
<b>SERVICE AREA TOTAL</b>	<b>223,129</b>	<b>222,529</b>	<b>600</b>	<b>(974)</b>	<b>1,573</b>	Better
Finance, Resources & Customer Services - Cllr Caplan	(221,345)	(225,661)	4,316	2,962	1,354	Better
<b>Corporate Financing</b>	<b>(221,345)</b>	<b>(225,661)</b>	<b>4,316</b>	<b>2,962</b>	<b>1,354</b>	<b>Better</b>
<b>Net Surplus/(Deficit)</b>	<b>(1,784)</b>	<b>3,132</b>	<b>4,916</b>	<b>1,988</b>	<b>2,927</b>	<b>Better</b>

Details of the major variances are given below.

- **Finance, Resources & Customer Services** (Cllr Caplan)

The outturn for Finance, Resources & Customer Services is an underspend of £4.9M. This is mostly due to a net upside on Interest Earnings & Debt (£2.3M), the release of the Earmarked Reserve held for impaired recoverability of deposits with Icelandic

banks (£1.9M) and net underspends in Legal & Democratic Services (£0.5M) and Human Resources (£0.1M).

- **Community Protection, Premises & Parking** (Cllr Aiken)

The year-end position for Community Protection, Premises & Parking is an underspend of £2.1M, which is mostly due to the strong performance in paid-for-Parking (£2.2M).

- **Adults & Public Health** (Cllr Robathan)

At year-end, Adults & Public Health is underspent by £1.7M. This is mainly due to the underspend within Adult Social Care (lower than budgeted) volumes of placements and care and savings resulting from reductions in the volume of high cost placements packages in the Learning Disability and Mental Health services.

- **Business, Skills & Housing** (Cllr Astaire)

The year-end position for Business, Skills & Housing is an overspend of £4.1M. This is largely due to the overspend within Housing (£3.7M) (higher level of Temporary Accommodation volumes and higher spot rates than Budget) and a net overspend within Street Trading (£0.4M).

### 3 **2013/14 Savings Programme**

The progress of the savings programme, as reported in the February 2013 Budget and Council Tax Report, is monitored through the Council's Delivery Assurance process. This process assesses the robustness of delivery plans for each initiative. **At year-end, 93% of savings are rated as Complete** with the remainder (7%) rated Red. We are re-focussing the Delivery Assurance process with more emphasis on change control and a review of governance arrangements.

**Table 5 – 2013/14 Savings Tracker – Year-end Position**

Service	2013/14 SAVINGS ANALYSIS					
	FY Budget Saving £000	Complete £000	Green £000	Amber £000	Red £000	Projected FY £000
Adults Social Care	2,928	2,928	0	0	0	2,928
Children's Services	4,156	4,156	0	0	0	4,156
Libraries & Culture	260	260	0	0	0	260
Built Environment	406	406	0	0	0	406
City Management	3,626	3,626	0	0	0	3,626
Parking	3,214	3,214	0	0	0	3,214
Housing	3,502	1,502	0	0	2,000	3,502
Property	2,450	2,320	0	0	130	2,450
Sports & Leisure	143	143	0	0	0	143
Public Health	0	0	0	0	0	0
SEB & Strategic Support	698	698	0	0	0	698
Finance & Operations	7,365	7,365	0	0	0	7,365
<b>Total</b>	<b>28,748</b>	<b>26,618</b>	<b>0</b>	<b>0</b>	<b>2,130</b>	<b>28,748</b>
<b>Total %</b>	<b>100%</b>	<b>93%</b>	<b>N/A</b>	<b>N/A</b>	<b>7%</b>	

*Footnote: Each initiative is given a status; **Red** - No plans currently available or high risk item, **Amber** - Plan(s) is available but risks involved, **Green** - Plan(s) being implemented and no risks involved, **Complete** - Item completed. No further activity required to realise forecasted savings.*

- **Housing (£2M Red)** comprises the largest proportion of savings Red rated. This has been a particularly financially challenging year for Housing with significant policy and legislative changes. However, in accordance with its Temporary Accommodation (TA) Strategy, the Council plans to use a combination of leased properties and purchase units to meet its statutory duty to house homelessness families and individuals. As a consequence of the high costs of B&Bs at the start of the year, the TA portfolio was losing more than £100K per week. The target of the Service Area is to continue with the different strands of the commissioning strategy and to deliver a surplus in 2014, delivered through maintaining the leasing arrangements for properties that make a surplus or a small deficit and reducing the use of those properties that are in deficit.
- **Property (£130k)** – Delays in delivering planned savings have largely been mitigated by the recognition of one-off items as discussed in Section 1 above.

#### **4 WCC 2013/14 Profit and Loss (P&L) Statement**

A Profit and Loss Statement has been prepared to increase visibility of the Council's income and expenditure shown at **Appendix 1**. There is a bottom line improvement to budget of £4.9M. The major movements consist of the following:

**Income £3.5M (adverse)** the major components of which are:

- *Total Pass through Income (£27.3M) (adverse)* – largely driven by Housing Benefit including Discretionary HP Grant (£26M) and Schools income (£2M) partly offset by Council Tax benefit payments (£1M);
- *Customer & Client Receipts (£25M) (favourable)* – largely driven by City Management (£7M), Housing (£6.9M), Parking (£5.2M), Finance & Operations (£3.5M), Built Environment (£3.4M) and Children's Services (£3M);
- *Grants & Contributions (£2.9M) (adverse)* – largely driven by Children's Services (£4.2M) and Public Health (£4M) but partly offset by favourable variances in Housing (£3.3M) and Finance & Operations (£2.8M); and
- *Interest Received (£1.7M) (favourable)*.

**Expenditure (£8.4M) (favourable)** the major components of which are:

- *Total Pass through costs (£30M) (favourable)* - Housing Benefit payments (£28M) and Schools income (£2M);
- *Supplies & Services (£8.2M) (favourable)* – Supplies & Services budgets within Corporate Financing (£10.9M). Spend has incurred on Transfer Payments codes;
- *Transfer Payments (£38.6M) (adverse)* – creation of Earmarked Reserves to fund future change/investment programmes and procurements; and
- *Debt Charges (£8.4M) (favourable)*.

## **5 2013/14 Housing Revenue Account (HRA) Outturn**

The outturn for the HRA is a net surplus of £0.1M, a favourable variance of £23.4M against the net Budget position of £23.5M. This is an improvement of £3M from Period 11. A detailed analysis can be found in the HRA Expenditure Statement in **Appendix 2**. The variances that contribute towards this outturn position are:

- *Favourable variances* - Due to both slippage on the Capital Programme and the application of other funding sources at year-end, the favourable variance in funding the Capital Programme was £25.4M. A reduction in planned maintenance of £3.3M, a need for a bad debt position of £2.8M, underspends on business transformation of £2.4M, reduced Capital financing costs of £1M, increased income of £2.6M, not utilising contingency of £1M and other minor variances totalling £0.4M.
- *Adverse Variances* - An under recovery in invoiced income for Lessee major works of £11.1M and increased asset depreciation of £4.2M.

## **SECTION 2: 2013/14 CLOSING GENERAL FUND RESERVES**

As a consequence of the improved financial position for the year with both the operating activities of Service Areas and Corporate Financing, the Council is able to increase its General Fund Reserves by £3M to a **closing balance of £35M**. This will provide the Council with ongoing financial resilience in an increasingly austere economic climate over the medium-term.

## **SECTION 3: BALANCE SHEET**

### **1. Balance Sheet – Summary**

At Period 12, the Balance Sheet net asset position has moved from £312.6M reported at the end of FY12/13 to £377.5M as at the end of March 2014. The major movements are: increases in receipts in advance £54.1M - primarily within Built Environment and Housing - and increases in Earmarked Reserves £17.1M. The former is due to increase developer receipts reflecting the more active property market whilst the latter reflects the Council's plans to drive forward change and efficiencies via a number of improvement programmes.

The summary position is shown in **Table 5** below.

**Table 5 – Summary Consolidated Balance Sheet**

	Total 31 March 2013	Total 31 March 2014	Movement
	£'000	£'000	£'000
<i>CURRENT ASSETS</i>			
SHORT TERM DEBTORS	90,881	101,726	10,845
SUNDRY DEBTORS	14,468	16,910	2,442
BAD DEBT PROVISION	(60,356)	(67,788)	(7,432)
PREPAYMENTS	3,488	2,049	(1,439)
INVENTORIES	244	354	110
CASH	2,004	1,691	(313)
	50,729	54,943	4,214
<i>CURRENT LIABILITIES</i>			
SHORT TERM CREDITORS	(94,998)	(95,666)	(668)
CAPITAL RECEIPTS IN ADVANCE	(103,085)	(146,335)	(43,250)
RECEIPTS IN ADVANCE	(32,475)	(43,374)	(10,899)
	(230,559)	(285,376)	(54,817)
<i>LONG TERM ASSETS</i>			
LONG TERM DEBTORS	3,100	2,900	(200)
<i>LONG TERM LIABILITIES</i>			
PROVISIONS	(37,391)	(34,541)	2,850
<i>USABLE RESERVES</i>			
EARMARKED RESERVES	(58,724)	(75,864)	(17,140)
CAPITAL RECEIPTS UNAPPLIED	(1,956)	0	1,956
CAPITAL GRANTS UNAPPLIED	(7,741)	(553)	7,188
OTHER RESERVES	(30,001)	(38,995)	(8,994)
	(98,423)	(115,413)	(16,991)
<i>HOLDING ACCOUNTS</i>			
	(2)	6	8
<b>Grand Total</b>	<b>(312,545)</b>	<b>(377,481)</b>	<b>(64,935)</b>

## 2. 2013/14 Capital Expenditure Outturn

### (a) **Service Area Capital Expenditure**

The outturn for the Service Areas for 2013/14 is £19.9M, a £5.3M reduction from the Period 11 forecast (£25.2M) and **£6.4M from the February CRG forecast of £26.3M**. It is a £17.6M favourable movement from the Approved 2013/14 Budget of £37.5M.

**By Service Area, the £6.4M reduction to the latest (February) CRG forecast is comprised of:**

- **Adults Social Care** (*Liz Bruce*)

The outturn is £0.1M, which is a reduction of £0.2M from forecast. The reduction is due to the proposed slippage of SHSOP design consultancy fees in line with the re-phasing of the design stage.

- **Children's Services** (*Andrew Christie*)

The outturn is £0.8M, a reduction of £0.6M from forecast. The reduction is due to delayed drawdown by schools for the BSF ICT programme impacted by the delay in completing the new BSF funded Quintin Kynaston. Proposed slippage is £1.1M which equates to the reduction referred to above plus slippage already flagged in the 2014/15 Council Tax Report.

- **Libraries & Culture** (*Ben Denton*)

The outturn is £1.9M which is broadly in line with the original CRG projection. Proposed slippage is £2.2M which relates to the new Marylebone Library. Work is now underway.

- **Built Environment** (*Rosemarie MacQueen*)

The outturn is £10.2M which is a £1.9M reduction from the CRG projection and the Period 11 forecast. The main reasons for the movement are; the delay to works to take advantage of the reduced rates offered by the new provider (£1.2M) and the reduction of client costs and release of unused risk and contingency funds following the final review of all projects with the previous provider (£0.6M). Gross expenditure for the year has also fallen from £41.2M to £33.2M as projects have been transferred to the new service provider in order to lever better value for money. Proposed slippage for Built Environment is £1.7M, an increase of £1.3M, for the value for money reasons given above, from what was reported in the 2014/15 Council Tax report.

- **City Management** (*Leith Penny*)

The outturn is £1.5M which is in line with the CRG projection and the Period 11 forecast with proposed slippage of £0.1M for CCTV.

- **Parking** (*Leith Penny*)

The outturn is Nil. The proposed slippage is £0.5M which relates to the enforcement contract.

- **Housing** (*Ben Denton*)

The outturn is a net credit of £0.9M. This is due to the successful outcome of the Emmanuel House LVT which ruled that the works costs may be recovered from leaseholders, enabling the Service Area to reverse its provision for non-recovery of £1.7M.

- **Property** (*Ben Denton*)

Outturn is £3.2M, a reduction of £0.8M from Period 11 and £1.5M to the CRG Approved forecast. The main variances relate to:

- Works on properties owned by WCC and which have been affected by the delay in implementing the TFM contract totalling £0.5M;
- Emmanuel House released provision for £0.4M which had been set aside for potential works arising from the LVT ruling;
- City Hall chiller works which has slipped by a further £0.3M and the completion date is now August 2014; and
- City Hall Infrastructure works for £0.2M which have been postponed whilst analysis and discussion on the options around City Hall continues.

Indicative slippage of £0.7M was approved in the 2014/15 Council Tax Report. This has increased to £1.5M following delays on projects highlighted above.

- **Sports & Leisure** (*Leith Penny*)

The outturn is £1.1M as was indicated by the CRG and Period 11 forecasts.

- **Finance & Operations** (*Charlie Parker*)

The outturn is £2.1M. Although unchanged from Period 11 it is a £0.5M reduction from CRG due to delays in shipping hardware for the Windows 7 project. The proposed slippage is £0.6M which includes this hardware as well as costs relating to the Libraries ICT refresh which was incorporated in the 2014/15 Council Tax Report.

- **Self-Financing schemes**

Total expenditure on self-financing schemes was £2.6M consisting of: Grosvenor Waterside second unit £1M and Amberely Road Academy £1.6M.

**Slippage for the year is £7.8M**, an increase of £3.2M on the indicative amount of £4.6M agreed at CRG and presented in the 2014/15 Council Tax report. The major elements are:

- **Libraries & Culture - £2.2M;** Marylebone Library (£2.2M);
- **Built Environment - £1.7M;** Highways and Lighting (£0.7M), Public Realm (£0.7M) and Cathedral Piazza (£0.2M);
- **Property - £1.5M;** Chillers for City Hall (£0.9M); Coroners Court compliance works (£0.1M); TFM and landlord responsibility projects (£0.5M);
- **Children's Services - £1.1M;** BSF ICT (£0.5M) and Crompton Street reception (£0.4M);
- **Finance & Operations - £0.6M;** Windows 7 hardware (£0.5M) and Libraries ICT refresh (£0.1M); and
- **Parking - £0.5M;** Parking enforcement contract (£0.5M)

The other main explanation of the reduction to the capital expenditure outturn is an underspend **against the latest CRG forecast of £3.2M**. The major items are:

- Housing – due to the recovery of monies and therefore release of provisions relating to Emmanuel House of £1.7M;
- Built Environment – the final review of the West One contract yielded savings in risk, contingency and client costs of £0.6M; and
- Property – a further £0.4M relating to the release of a provision for Emmanuel House works and £0.2M for the City Hall Works which are to be undertaken as part of the main project.

The total gross Service Area capital expenditure for the year was £64.2M, £20.7M below the CRG Approved forecast.

**Table 7** below shows both the final 2013/14 outturn CRG and Approved Budget with variances reported against the revised CRG forecast. It includes the proposed slippage for each Service Area.



**Table 7 – Service Area Capital Expenditure**

All	P12 Full Year Analysis			Proposed for 2013/14	2013/14
Service Areas	CRG Forecast Net £000	Outturn Net £000	Variance Net £000	Slippage Net £000	Budget Net £000
<b>All Service Areas</b>					
Adults Social Care	275	77	198	183	10
Children's Services	1,415	781	634	1,088	3,473
Libraries & Culture	1,959	1,893	66	2,179	4,612
Built Environment	12,182	10,238	1,945	1,659	12,020
City Management	1,459	1,529	(70)	90	2,403
Parking	0	(4)	4	500	1,500
Housing	772	(945)	1,717	0	811
Property	4,651	3,178	1,473	1,505	8,661
Sports & Leisure	1,083	1,086	(3)	0	1,072
Finance & Operations	2,557	2,086	471	575	2,957
<b>SERVICE AREA TOTAL</b>	<b>26,354</b>	<b>19,918</b>	<b>6,435</b>	<b>7,779</b>	<b>37,519</b>
Self financing	(2,667)	2,586	(5,253)		
<b>SELF FINANCING TOTAL</b>	<b>(2,667)</b>	<b>2,586</b>	<b>(5,253)</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>23,686</b>	<b>22,504</b>	<b>1,182</b>	<b>7,779</b>	<b>37,519</b>

**(b) Cabinet Member Portfolio Capital Expenditure**

Table 8 below shows CRG Approved Budget and projects by Cabinet Member for 2013/14.

**Table 8 – Cabinet Member Capital Expenditure**

All	P12 Full Year Analysis			2013/14	P11
Cabinet Member	Forecast (CRG) Net £000	Actuals Net £000	Variance Net £000	Budget Net £000	Projection
<b>Cabinet Member</b>					
Adults & Public Health - Cllr Robathan	275	77	198	10	275
Business Skills and Housing - Cllr Astaire	772	(945)	1,716	811	680
Children and Young People - Cllr Chalkley	1,414	781	634	3,473	1,415
City Management Transport and Environment - Cllr Argar	13,643	11,763	1,880	15,923	13,620
Community Protection, Premises and Parking - Cllr Aiken	0	0	0	0	0
Community - Cllr Summers	3,042	2,979	63	5,684	3,142
Finance, Resources and Customer Services - Cllr Caplan	7,208	5,264	1,944	11,618	6,057
<b>SERVICE AREA TOTAL</b>	<b>26,354</b>	<b>19,918</b>	<b>6,436</b>	<b>37,519</b>	<b>25,190</b>
Finance, Resources and Customer Services - Cllr Caplan	(2,667)	2,586	(5,253)		
<b>SELF FINANCING TOTAL</b>	<b>(2,667)</b>	<b>2,586</b>	<b>(5,253)</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>23,686</b>	<b>22,504</b>	<b>1,182</b>	<b>37,519</b>	<b>25,190</b>

The major variances by Cabinet Member are as follows:

- **City Management, Transport & Environment (Cllr Argar)**

The reduction of £1.9M is due to the delay to works to take advantage of the reduced rates offered by the new provider (£1.2M) and the reduction of client costs and release unused risk and contingency funds following the final review of all projects with the previous provider (£0.6M).

- **Business Skills and Housing** (Cllr Astaire)

Reduction of £1.7M which is due to the successful outcome of the Emmanuel House LVT which ruled that the works costs may be recovered from leaseholders, enabling the Service Area to reverse its provision for non-recovery.

- **Children and Young People** (Cllr Chalkley)

Reduction of £0.6M which is due to delayed drawdown by schools for the BSF ICT programme impacted by the completion of the new BSF funded Quintin Kynaston.

- **Finance, Resources and Customer Services** (Cllr Caplan)

Property is showing a £1.5M underspend primarily due to delays in the City Hall Chillers and works on WCC owned properties and Finance & Operations a £0.5M underspend due to equipment shipping delays.

- **Self financing** (Cllr Caplan)

The £5.3M movement is primarily due to the timing of cash flows for the self financing schemes. The full year net expenditure of £2.6M for these schemes was due to the purchase of an additional unit at Grosvenor Waterside (£1M) and the removal of WAES funding for the new Academy on Amberley Road (£1.6M).

**(c) Year-end Work In Progress**

Meetings were held with the Service Areas and SEB Directors to identify the action that needed to be taken to:

- Ensure that completed projects were transferred to the Fixed asset register, and
- Deliver a robust Work In Progress (WIP) figure to meet audit requirements.

The current closing 2013/14 WIP balance of £47.2M, is not only significantly higher in absolute terms than 2012/13 but also a significant proportion (68%) of gross expenditure. Although some progress has been made in validating this position, activities are ongoing as part of the closure/Annual Accounts preparation process, to validate Work in Progress and update project status. SEB Directors, with the support of Finance Business Partners, are requested to support these activities within their respective areas. Individual reports will be sent out over the coming weeks to each Director to confirm that their WIP figure is correct and supportable.

Over the last 2-3 years, Finance has worked to increase the scrutiny and challenge on capital reporting, monitoring and ownership. We have also refocused key capital accounting and reporting activities in-year as opposed to year-end through soft and hard closes. Despite having made good progress there is more to be done and this will be core to Business Partner and Corporate Finance activities over the coming year.

### 3. Debt Position

#### (a) Accounts Receivable/Debt Management Project

The first phase of the project concluded with the resolution of a number of long term issues, primarily within Property and the delivery of a 30 point Action Plan, emanating from the Phase 1 work. The Phase 2 will be to ensure that attainable improvement targets are identified and agreed with Service Areas and re-engineered processes are implemented throughout the Council and embedded in core business as usual processes.

#### (b) Year-end Debt Position

At Period 12, the current position comprises of: £16.9M Sundry Debt (an increase of £1.6M on Period 11) and £68.6M Service Specific Debt (an increase of £2.2M on Period 11). The increase in Sundry Debt of £1.6M relates largely to increases in Children's Services (£2M) and City Management (£0.6M) partly offset by decreases in Built Environment (£0.4M), Public Health (£0.3M) and Adults Social Care (£0.3M). The increase in Service Specific Debt of £2.2M relates mostly to an increase in Property (£2.3M).

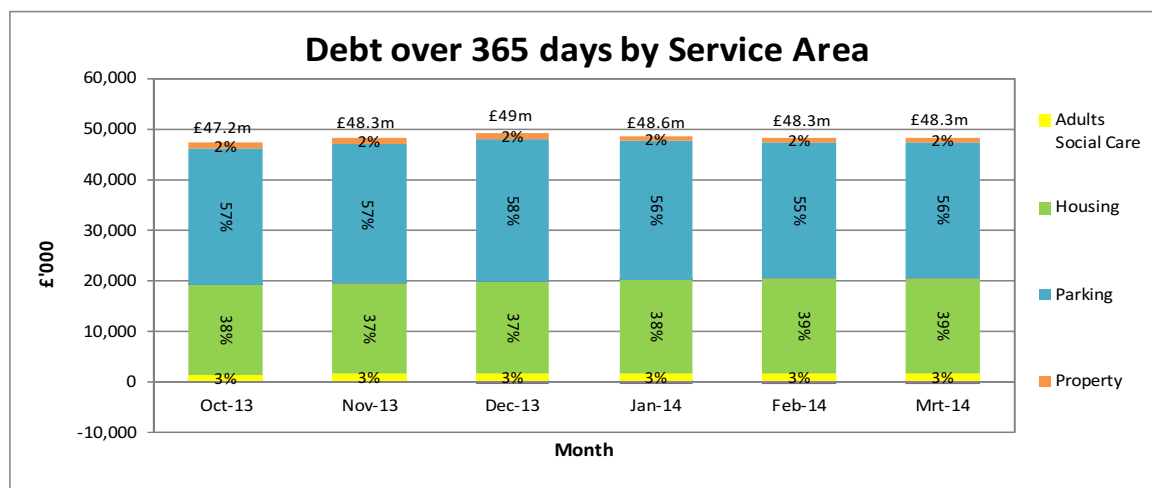
The total aged Debt profile is shown in the **Table 9** below.

**Table 9 – Total Aged Debt Profile**

Service Area - Sundry Debt (SSC - Order to Cash Team)	Days	Days	Days	Days	Days	Days	Total	Provision
	0-30	31-60	61-90	91-180	181-365	>365		
	£000	£000	£000	£000	£000	£000	£000	£000
Adults Social Care	7,778	144	380	362	419	1,403	10,485	2,144
Children's Services	2,455	583	17	54	20	59	3,189	89
Libraries & Culture	5	3	47	3	2	19	80	9
Built Environment	472	113	106	31	24	22	769	365
City Management	766	29	8	74	59	121	1,057	416
Parking	0	0	0	0	0	0	0	0
Housing (incl CWH)	50	0	14	6	18	50	139	2
Property	0	0	0	13	0	1	15	2
Sports & Leisure	53	0	0	40	0	(2)	91	14
Public Health	0	0	0	0	0	0	0	0
SEB & Strategic Support	226	53	33	113	(1)	(7)	417	118
Finance & Operations	512	21	26	27	(7)	89	668	135
<b>Total</b>	<b>12,319</b>	<b>947</b>	<b>631</b>	<b>723</b>	<b>535</b>	<b>1,756</b>	<b>16,910</b>	<b>3,294</b>
% of Debt	73%	6%	4%	4%	3%	10%		
<b>Service Specific Debt</b>								
Property	2,751	211	3	98	141	929	4,133	950
Housing Benefit Overpayment	878	439	440	1,157	1,835	14,072	18,821	16,796
Housing TA Arrears	1,076	0	0	0	0	4,829	5,905	4,569
Commercial Waste	894	92	70	69	21	(149)	998	112
Parking	1,508	1,055	1,026	3,068	5,211	26,903	38,771	36,436
<b>Total</b>	<b>7,108</b>	<b>1,798</b>	<b>1,539</b>	<b>4,392</b>	<b>7,208</b>	<b>46,584</b>	<b>68,628</b>	<b>58,864</b>
% of Debt	10%	3%	2%	6%	11%	68%		
<b>Grand Total</b>	<b>19,427</b>	<b>2,744</b>	<b>2,170</b>	<b>5,115</b>	<b>7,743</b>	<b>48,340</b>	<b>85,538</b>	<b>62,159</b>

The level of extremely old Debt (over 365 days) stands at £48.3M which is unchanged from Period 11. The bad debt provision stands at £62.2M equivalent to 73% of the total (£85.5M) debtor balance. A breakdown of old debt (over 365 days) by Service Area is shown in **Graph 1** below.

A breakdown of old Debt (over 365 days) by Service Area is shown in **Graph 1** below.



## **SECTION 5: FINANCE STRATEGIC PROJECTS**

The status of the key Finance Strategic Projects as at Period 12 is identified below:

- **Finance/HR Managed Services Programme** – This remains the key strategic project for Finance. We are working, in conjunction with PWC and BT, towards a successful “Go Live” in Q3 2014/15. Overall the Programme remains on track and key achievements this month have included:
  - Baselining and agreeing standard operating procedures (SOPs);
  - Resolving outstanding system design issues;
  - Mapping of organisational structures to form the basis for system access, responsibilities, and financial approval levels;
  - Drafting of a Learning Strategy which sets out the approach for go-live and beyond; and
  - Rolling out career development support to directly impacted staff

Work will now continue into 2014/15 and the focus over the next month will include solution build, legacy systems integration, preparation for Systems Integration Testing, and identification of reporting requirements to support the operation of the Tri-Borough Intelligent Client Function.

- **Medium-Term Financial Planning/Strategic Planning** - The medium-term financial planning process commenced in the summer of last year and is progressing well in meeting the medium-term financial challenge. A Cabinet Member sub-group has been established and has met on several occasions to canvass options. All Service Areas are working increasingly across cross-cutting themes to deliver savings to the Council. We have also met with a number of academic partners, including Andrew Likierman (Dean of the London Business School), Henry Overman (Professor of Economic Geography at the London School of Economics) and Greg Clark (economist and member of the London Enterprise Panel) to provide external challenge and validation for our proposals. Detailed business cases are prepared for all proposals to ensure robust investment decision-making. We are well on track to deliver a detailed savings programme for 2015/16 and 2016/17.

**25 April 2014**

**PROFIT & LOSS STATEMENT AS AT MARCH 2014**

	P12 Full Year Analysis						
	Outturn	Budget Current Year	Outturn vs Budget		Prior Year Actual	Forecast Outturn vs Prior Year	
			£'000	£'000		£'000	%
<b>Total Pass through Income</b>	<b>318,816</b>	<b>346,131</b>	<b>(27,315)</b>	<b>(8%)</b>	<b>373,190</b>	<b>(54,373)</b>	<b>(15%)</b>
<b>Total Formula Grant Income</b>	<b>118,683</b>	<b>118,683</b>	<b>0</b>	<b>0%</b>	<b>173,593</b>	<b>(54,910)</b>	<b>(32%)</b>
<b>Total Other specific Grant &amp; Contributions Income</b>	<b>137,514</b>	<b>140,422</b>	<b>(2,908)</b>	<b>(2%)</b>	<b>138,968</b>	<b>(1,454)</b>	<b>(1%)</b>
Parking	80,617	75,375	5,242	7%	77,755	2,862	4%
City Management	108,163	101,153	7,010	7%	104,197	3,966	4%
Built Environment	11,459	8,075	3,385	42%	12,748	(1,289)	(10%)
Housing	43,644	36,758	6,887	19%	37,851	5,794	15%
Adults	7,507	8,252	(746)	(9%)	9,869	(2,362)	(24%)
Property Income	28,711	27,865	845	3%	26,554	2,157	8%
Finance & Operations	8,528	5,031	3,497	70%	8,498	30	0%
Libraries & Culture	1,303	1,282	21	2%	1,057	246	23%
Leisure centre income	1,454	1,346	108	8%	1,557	(103)	(7%)
Strategic Support	5,355	4,698	657	14%	4,926	428	9%
Schools	1,613	1,413	199	14%	2,227	(614)	(28%)
Children's	5,777	2,738	3,039	>100%	4,565	1,212	27%
Corporate (incl Council Tax)	516,904	516,423	481	0%	59,045	457,858	>100%
<b>Total Customer &amp; client Receipts</b>	<b>739,828</b>	<b>714,859</b>	<b>24,969</b>	<b>3%</b>	<b>271,750</b>	<b>468,078</b>	<b>&gt;100%</b>
Interest Received	3,689	1,974	1,714	87%	4,015	(326)	(8%)
<b>TOTAL INCOME</b>	<b>1,318,531</b>	<b>1,322,070</b>	<b>(3,539)</b>	<b>(0%)</b>	<b>961,516</b>	<b>357,015</b>	<b>37%</b>
<b>Total Pass through costs</b>	<b>320,641</b>	<b>350,561</b>	<b>29,920</b>	<b>9%</b>	<b>375,714</b>	<b>(55,074)</b>	<b>(15%)</b>
Employee costs and other employee expenses	114,016	114,281	265	0%	117,894	(3,878)	(3%)
Premises Costs	44,714	46,492	1,778	4%	43,690	1,024	2%
Transport Expenses	2,617	3,021	404	13%	3,098	(481)	(16%)
Supplies and Services	73,541	81,754	8,214	79%	77,176	(3,635)	(27%)
Contracted Services	265,771	264,240	(1,531)	(1%)	249,156	16,615	7%
Traded Services	(4,271)	(4,635)	(364)	8%	(2,510)	(1,761)	70%
Transfer Payments	495,783	457,192	(38,591)	(8%)	57,848	437,935	>100%
Debt Charges	2,585	10,947	8,362	76%	4,917	(2,331)	(47%)
<b>Total Direct Expenditure</b>	<b>994,757</b>	<b>973,293</b>	<b>(21,464)</b>	<b>(2%)</b>	<b>551,269</b>	<b>443,488</b>	<b>80%</b>
<b>TOTAL EXPENDITURE</b>	<b>1,315,398</b>	<b>1,323,854</b>	<b>8,456</b>	<b>1%</b>	<b>926,984</b>	<b>388,414</b>	<b>42%</b>
<b>NET SURPLUS / (DEFICIT)</b>	<b>3,132</b>	<b>(1,784)</b>	<b>4,916</b>	<b>&lt;-100%</b>	<b>34,532</b>	<b>(31,399)</b>	<b>(91%)</b>

Net Budget by Service Area	Outturn	Budget Current Year	Outturn vs Budget	
			£'000	%
Adults Social Care	81,740	83,376	1,637	2%
Children's Services	40,678	40,911	233	1%
Libraries & Culture	7,522	7,120	(402)	(6%)
Built Environment	16,512	16,641	129	1%
City Management	51,912	51,956	43	0%
Parking	(54,308)	(52,073)	2,235	(4%)
Housing	32,195	28,495	(3,700)	(13%)
Property	(1,732)	(1,861)	(130)	7%
Sports & Leisure	958	962	4	0%
Public Health	(1,227)	(1,217)	10	(1%)
SEB & Strategic Support	11,982	12,225	243	2%
Finance & Operations	36,297	36,594	298	1%
<b>Service Area Net Approved Budget</b>	<b>222,529</b>	<b>223,129</b>	<b>600</b>	<b>0%</b>
Corporate Financing	225,661	221,345	4,316	(2%)
<b>NET SURPLUS / (DEFICIT)</b>	<b>3,132</b>	<b>(1,784)</b>	<b>4,916</b>	<b>&lt;-100%</b>

## Housing Revenue Account Consolidated Monthly Management Report

Period 12 2013/14

### YTD and Forecast Outturn

#### Executive Summary:

Then full year outturn position is a net surplus of £0.2M. This compares to a budgeted net deficit of £23.4M, giving a favourable variance against budget of £23.6M. The variances that contribute towards this outturn position are;

Favourable variances - Due to both slippage on the Capital Programme and the application of other funding sources at year end the favourable variance in funding the Capital Programme was £25.4M. A reduction in planned maintenance of £3.3M, a need for a bad debt position of £2.8M, underspends on business transformation of £2.4M, reduced Capital financing costs of £1M, increased income of £2.6M, not utilising contingency of £1M and other minor variances totalling £0.4M.

Adverse Variances - An under recovery in invoiced income for Lessee major works of £11.1M and increased asset depreciation of £4.2M.

	P12 YTD Analysis				P12 Full Year Analysis			
Subjective Analysis	YTD		Projected Variance		FY Budget £000	Projected Outturn £000	Projected Variance	
	Budget £000	Actuals £000	£000	%			£000	%
Employee Costs	0	0	0	0%	0	0	0	0%
Other Employee Expe	0	0	0	0%	0	0	0	0%
Premises Costs	222	68	154	69%	222	68	154	69%
Transport Expenses	0	0	0	0%	0	0	0	0%
Supplies and Services	28,391	23,679	4,712	17%	28,391	23,679	4,712	17%
Contracted Services	34,206	31,533	2,673	8%	34,206	31,533	2,673	8%
Transfer Payments	35,715	10,700	25,015	70%	35,715	10,700	25,015	70%
Traded Services	(1,979)	103	(2,082)	105%	(1,979)	103	(2,082)	105%
Miscellaneous Expens	2,305	1,751	554	24%	2,305	1,751	554	24%
Debt Charges	14,693	13,708	984	7%	14,693	13,708	984	7%
<b>TOTAL DIRECT EXPENDITURE</b>	<b>113,553</b>	<b>81,542</b>	<b>32,011</b>	<b>28%</b>	<b>113,553</b>	<b>81,542</b>	<b>32,011</b>	<b>28%</b>
Grants	0	0	0	0%	0	0	0	0%
Interest Received	(411)	(847)	436	(106%)	(411)	(847)	436	(106%)
Customer & Client Re	(110,323)	(99,155)	(11,167)	10%	(110,323)	(99,155)	(11,167)	10%
Miscellaneous Income	(1,401)	(3,157)	1,757	(125%)	(1,401)	(3,157)	1,757	(125%)
<b>TOTAL INCOME</b>	<b>(112,134)</b>	<b>(103,159)</b>	<b>(8,975)</b>	<b>8%</b>	<b>(112,134)</b>	<b>(103,159)</b>	<b>(8,975)</b>	<b>8%</b>
<b>TOTAL DIRECT COST OF SERVICE</b>	<b>1,418</b>	<b>(21,618)</b>	<b>23,036</b>	<b>1624%</b>	<b>1,418</b>	<b>(21,618)</b>	<b>23,036</b>	<b>1624%</b>
<b>Indirect Charges:</b>								
Recharges In	0	0	0	0%	0	0	0	0%
Recharges Out	0	0	0	0%	0	0	0	0%
Depreciation & Amorti	22,046	21,453	593	3%	22,046	21,453	593	3%
<b>TOTAL COST OF SERVICE</b>	<b>23,464</b>	<b>(164)</b>	<b>23,629</b>	<b>101%</b>	<b>23,464</b>	<b>(164)</b>	<b>23,629</b>	<b>101%</b>

Reserves

HRA General RESERVES B/F

Movement

HRA General RESERVES C/F

(91,832) (93,061)

23,464 (164)

(23,629)

(68,367) (93,225)

## Period 12 - March 2014

## Virements

SERVICE AREA	Auto Enrolment (1) £000
ADULTS SOCIAL CARE	
CHILDREN'S SERVICES	
LIBRARIES & CULTURE	65
BUILT ENVIRONMENT	
CITY MANAGEMENT	
PARKING	
HOUSING	
PROPERTY	
SPORTS & LEISURE	
PUBLIC HEALTH	
SEB & STRATEGIC SUPPORT	
FINANCE & OPERATIONS	
CORPORATE FINANCING	(65)
<b>Grand Total</b>	<b>0</b>

**Notes:**

1) Transfer budget for Pension Auto Enrolment

A number of other virements took place in Period 12 - all of which were wholly within single SEB portfolios and net zero.

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