

Policy and Finance Committee

2 July 2015

Medium Term Service and Financial Plan – *Destination Kingston 2014/15 – 2017/18 – 2014/15 Revenue Outturn*

Report by Director of Finance

Purpose

To report the revenue outturn position for 2014/15 and note the way in which this will impact on the delivery of the Medium Term Service and Financial Plan for 2015/16 to 2018/19.

Recommendations of the Lead Member for Treasurer, Finance and HR

To **RESOLVE** that:

1. the action taken to achieve the revenue net under spend for the General Fund for 2014/15 and its application to increase the General Fund Balance as set out below, be noted.
2. for 2014/15, Neighbourhood Committees net under spends be carried forward for use by those Committees in 2015/16.
3. The On Street Parking Account (**Annex 1**); the Bus Lane Enforcement Account (**Annex 2**) and the Moving Traffic Contraventions Account (**Annex 3**) be approved for submission to the Mayor of London and the Secretary of State respectively.
4. the 2014/15 outturn positions on the Housing Revenue Account and Schools budget be noted.

Key Points

- A. The General Fund Revenue budget was £0.066m under spent in 2014/15, increasing the General Fund Balance to £8.018m.
- B. The General Fund Balance now represents 6.5% of the 2015/16 net budget requirement – an improvement of 0.1% against this performance indicator.
- C. The under spend position has been reached by bringing forward by 8 months the policy approved by Council in March 2015 of drawing down £2m from the statutory parking and traffic enforcement reserves to fund qualifying expenditure. This has resulted in an additional contribution of £1.333m in 2014/15.
- D. The outturn position assumes the carry forward to 2015/16 of £0.376m of Neighbourhood Committees under spends.
- E. There were over spends within Health & Adult Services and Learning & Children's Services offset by under spends in Place Services, One Council Services and Other Corporate Services
- F. Planned investment for the final projects of the One Kingston Programme from Strategic Reserves was lower than anticipated which has improved the position of the reserve to fund future transformational expenditure.
- G. The Housing Revenue Account was £0.142m under spent in 2014/15, increasing the HRA balance to £3.308m.

- H. The Schools budget was over spent by £0.011m in 2014/15, along with planned additional use of £1.4m this reduced the central balance of unspent Dedicated Schools Grant to £0.829m from £2.240m.
- I. The Statutory On Street Parking Account exceeded income projections by £0.262m. This gave a net spend of £0.308m against the account which reduced the balance to £1.312m at 31 March 2015
- J. The Statutory Bus Lane Enforcement Account exceeded income projections by £0.472m. This gave a net spend of £0.280m against the account which reduced the balance to £2.225m at 31 March 2015.
- K. The Statutory Moving Traffic Contraventions Account exceeded income projections by £0.748m. This gave a net spend of £0.135m against the account which reduced the balance to £0.749m at 31 March 2015

Context

1. The Council approved *Destination Kingston* the Medium Term Service and Financial Plan for 2015 to 2019 *Destination Kingston* on 3 March 2015. This report sets out the Council's performance against the previous edition of *Destination Kingston* for 2014/15 approved by the Council on 27 February 2014.
2. The medium term financial plan for 2014/15 to 2017/18 was shaped by the Comprehensive Spending Review (CSR) 2010 which outlined government reductions from 2011/12 to 2014/15 and the Spending round 2013 which detailed 10% cuts to local government departmental expenditure limits between 2014/15 and 2015/16.
3. It can be difficult to track the real effect of deficit reduction on our finances based simply on published information. Transfers of responsibility to or from local government distort comparative figures and the impact of growing demand for services is hidden. Our analysis shows that:
 - During 2014/15 we spent 20% less in real terms (taking inflation into account) than we did in 2010.
 - Since 2010 our funding from the government has reduced by more than 33% (in straight cash terms in comparison to the 2014/15 budget)
 - During the period the Borough's population grew by 8%
4. The Committee has considered the *Destination Kingston 2015 to 2019* Medium Term financial plan on its 12 February agenda. This shows the medium term funding projections and detailed 2015/16 budget and explains how the headline figures from the 2014 Autumn Statement show a reduction for the Resource Departmental Expenditure Limits, which is the element of public expenditure containing Local Government Funding through to 2019/20. The estimated reduction is 10% in cash terms and 17% in real terms. When factoring areas of expenditure that enjoy 'protected' status such as the NHS, the reductions to Local Government can be assumed to be even greater.
5. This means that the scale of the financial challenge that the Council has faced and met since 2010 is likely to be repeated in the next 4 years. With the General Election now behind us, it is likely that the Government will deliver a new CSR to report in autumn of 2015 after a second 2015 budget to be announced by the Chancellor in July 2015. A new CSR should allow for some medium term clarity over Government Funding levels which would confirm the level of financial challenge that the Council faces over the medium term.

6. Since the 2010 CSR, RBK have primarily met the financial challenge through the delivery of savings via the One Council and One Kingston Programmes. With further cuts to funding forecast by government, the continued exploration of shared services and alternative delivery methods for services will be vital for Kingston to deliver a balanced budget in the future. This will require new ways of working and a new approach to delivering services, not just efficiency savings
7. As outlined in the most recent edition of *Destination Kingston*, we are launching 'Our Kingston'. This will be our primary vehicle for transforming our services to allow us to continue to meet our ambitious outcomes within a reducing overall level of resources.
8. The under spend position for 2014/15 within the General Fund points to the fact that RBK continues to meet these financial challenges. This under spend has facilitated an increase to the General Fund Balance to £8.018m. This means that the Council has managed to increase its General Reserve to 6.5% of the 2015/16 net budget requirement which was highlighted in the March 2015 budget report as being important to mitigate the Council's future financial risk.

General Fund Revenue Outturn Position and General Fund Balance 2014/15

9. The outturn position indicates an under spend of £0.066m.

Function	Month 10 2014/15 Forecast Outturn Variance £000s	2014/15 Budget £000s	2014/15 Outturn £000s	2014/15 Outturn Variance £000s
Health & Adult Social Care	2,823	51,558	54,466	2,908
Learning & Childrens Services	308	39,604	40,237	634
Place	(550)	26,156	25,188	(968)
Total Services	2,581	117,318	119,892	2,574
One Council Services (ICT)	(4)	27	(0)	(27)
One Council Services (Assets)	(286)	(2,594)	(3,083)	(489)
One Council Services (Strategic Business)	110	3,515	3,541	26
One Council Services (Finance)	(445)	7,060	6,721	(339)
Total One Council Services	(625)	8,009	7,179	(830)
Neighbourhoods	0	7,382	7,382	0
Other Corporate Services	(805)	(3,383)	(3,860)	(477)
One Kingston Programme	0	1,644	1,644	0
Total Other Services	(805)	5,644	5,167	(477)
Statutory Parking & Traffic Reserves	0	0	(1,333)	(1,333)
Total General Fund	1,151	130,971	130,905	(66)

This under spend has increased the General Fund Balance as follows:

	£m
Balance at 1 April 2014	7.952
2014/15 under spend	0.066
Balance at 31 March 2015	8.018

10. The position shows an improvement from that reported to Committee at Month 10 due to changes in the use of earmarked reserves. The underlying position reported at Month 10 had worsened before these adjustments. There have been some changes in specific services in both directions; however, the driver for the improvement has been the decision to bring forward by 8 months the additional contributions from statutory parking and traffic enforcement reserves to fund qualifying expenditure. From 2015/16 the budget allows for an annual contribution

of £2m from these reserves which was agreed at the Council's meeting on 3 March 2015. By bringing forward this policy by 8 months, an additional £1.333m has been drawn down in 2014/15. This should be borne in the context that the reserves will still maintain a sustainable balance of £4.1m over the medium term and by the fact that these statutory enforcement functions over achieved income projections by £1.482m in 2014/15.

11. Planned investment for the final projects of the One Kingston programme from Strategic Reserves was lower than anticipated which has improved the position on the reserve and its ability to fund future transformational expenditure. The balance at 31 March stands at £1.974m with current expenditure commitments in 2015/16 of £1.326m and a planned contribution of £1.000m.
12. The outturn position assumes the carry forward to 2015/16 of under spends of £0.376m within the budgets of Neighbourhood Committees
13. A summary of significant contributions and appropriations to and from earmarked reserves can be seen under paragraph 27.

General Fund – Major Variations

14. The major variances in each function and service are described below.

Health & Adult Social Care

15. The 2014/15 outturn position for the service is an over spend of **£2.908m**, an adverse movement of **£0.085m** from Month 10.

The main reasons these relate to are:

- the Your HealthCare contract (Kingston at Home and Amy Woodgate) - £0.545m over spend,
- Long-term external commissioning support for clients excluding Mental Health over spends (£0.934m in Homecare, £0.489m in residential, personal budgets and nursing budgets),
- pressures around Mental Health Placements - £0.572m over spend
- commissioning staffing - £0.115m over spend
- Deprivation of Liberties (DOLs) Court Judgement - £0.273m over spend
- Additional consultancy costs - £0.115m over spend
- Mental Health Care Management Staffing costs - £0.149m over spend
- Taxi Card contract based on latest usage figures – (£0.197m under spend)
- One off income relating to client funding from previous years – (£0.385m under spend)

	2014/15 Forecast Outturn Variance at Month 10 £000s	2014-15 Budget £000s	2014/15 Outturn £000s	2014/15 Outturn Variance £000s
Health & Adult Social Care				
Adult Services Other	253	19,565	20,388	824
Short & Long Term	2,594	30,742	32,825	2,083
Social Activities	(24)	527	529	2
Public Health	0	724	724	0
Total Health & Adult Social Care	2,823	51,558	54,466	2,908

16. Director's Comments

The major variances within Health & Adult Social Care relate to:

Short & Long Term

- Long term external commissioning support for clients

Home Care - £0.934m over spend:

The Kingston at home strategies to manage demand have seen a reduction of need, including those becoming fully independent, of 74% against a target of 80%. A reduction in the level of need was recorded in 52% of the 87 people who started re-ablement, against a target of 35%. However, against a target of 45% to enable people to be fully independent, performance is at only 22%. This will have a direct impact on Home Care costs and an indirect one on other services.

The number of people completing re-ablement is lower than planned, although the rise in acuity of potential users is demonstrated by the fact that 30% of people are readmitted to Hospital within the first week.

The Kingston at Home model and contract is being reviewed and negotiations for 2015/16 are underway, which will seek to achieve improved outcomes and value for money.

Two further elements of increased cost are very small number of clients that did not transfer to the new Home Care contract and remained at a higher cost and the one-off additional costs from slower than anticipated migration to the new arrangements. This represents about £0.105m of the Home Care overspend.

Residential, personal budgets and nursing budgets - £0.489m over spend reduced by £0.385m one off income from previous years:

The over spend has been generated by an increase in demand. In terms of activity for the year there has been a net increase of 10 over-65 placements between 1 April 2014 and 31 March 2015.

The numbers admitted at 104 exceeds the target of 91 admissions by 13 places or 14%.

Residential and Nursing - Adults over 65	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total in/ out
Numbers at beginning of month	263	260	262	270	274	271	277	275	272	268	263	267	263
Numbers admitted	8	8	16	11	4	10	5	4	9	8	10	11	104
Numbers exiting	(11)	(6)	(8)	(7)	(7)	(4)	(7)	(7)	(13)	(13)	(6)	(5)	(94)
Total at month end	260	262	270	274	271	277	275	272	268	263	267	273	273

Adults under 65 has seen a net reduction of 5 places over the year of which 3 were people with learning disabilities.

Residential and Nursing - Adults under 65	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Total in/ out
Numbers at beginning of month	136	134	134	134	133	132	132	131	130	131	131	131	136
Numbers admitted	0	0	0	1	0	0	0	0	1	0	0	1	3
Numbers exiting	(2)	0	0	(2)	(1)	0	(1)	(1)	0	0	0	(1)	(8)
Total at month end	134	134	134	133	132	132	131	130	131	131	131	131	131

The over spend was reduced by £0.385m of one off income from the Kingston CCG related to client costs from previous years.

- Kingston at Home Contract - £0.545m over spend

The Kingston at Home (KAH) contract with YourHealthCare was agreed at a sum that was £0.400m higher than the available budget. Of this, £0.180m was offset by a one-off contribution from corporate budgets in 2014/15 and £0.220m was agreed to be added to the budgeted sum on a non-recurrent basis. In addition one-off payments related to increased demand were made during the year to the provider totalling £0.122m.

£0.203m of lost income relating to 2013/14 and 2014/15 has increased the over spend. This relates to St Georges Mental Health Trust decommissioning 15 places at the Amy Woodgate day centre from 2013/14. St Georges previously paid RBK for this provision through RBK's contract with YHC and subsequently YHC has not accepted a corresponding reduction in the contract value. This is the subject of ongoing review.

- Mental Health Placements - £0.572m over spend

Commissioners have renegotiated and continue to negotiate down costs with providers with this generating better value for money. The Commissioner states that there is a noticeable increase in demand for the three main following reasons:

- South West London and St Georges NHS Trust (SWLStGs) have reduced the number of Adult Acute Beds within Tolworth Hospital.
- Acute Mental Health bed occupancy in London is currently in the region of 130% with a recognised national shortage of availability this increases pressure on RBK to transfer earlier from acute beds.
- The level of acuity of mental ill health before an admission to hospital is considered to be higher than at any other time meaning the likelihood of detention under the Mental Health Act is more likely, which increases the Boroughs duty to fund discharging patients under Section 117 of the Act (Statutory).

A number of actions are currently being undertaken to address the Mental Health residential care budget overspend

Adult Services – Other

- Deprivation of Liberties Court Judgement - £0.273m over spend

The costs arising from this judgement were difficult to estimate at the beginning of the year because the number of assessments and referrals to the Court of Protection to be made in 2014/15 was unknown. As a consequence a maximum budget risk of £0.460m was flagged earlier in the year of which £0.273m has materialised. A new process for monitoring the costs, involving regular invoices from the doctors, has been agreed for 2015/16.

For 2015/16 Adults Social Care will review delivery of all of its statutory duties including DOLS and develop a sustainable cost effective model to meet the requirements of these functions.

- Mental Health Care Management Salaries - £0.149m over spend

The over spend arises from the delayed implementation of the staffing changes associated with the new section 75 agreement. The expectation is that this will be completed by the end of the financial year and will not have an effect in the 2015/16 budgets.

- Commissioning staffing - £0.115m over spend

Relates to unfunded staff within the supporting people commissioning team

- Additional work commissioned to Newton consultants - £0.115m over spend.

Additional work commissioned to Newton consultants around the sustainability of the savings and training of the in-house team.

- Taxi card budget - £0.197m under spend

The under spend reflects reduced usage charge from London Councils

Public Health

The service was over spent by £0.059m at the end of the year which was funded from the earmarked Public Health reserve balance which now stands at £0.375m.

Public Health are continuing their negotiations with CCG relating to prescribing drugs costs. There is still uncertainty surrounding whether there is a liability for 2014/15 and if so how much. Any costs agreed will need to be funded from the £0.375m reserve balance. The maximum liability the service is exposed to in relation to 2014/15 is £0.175m

General

Although the over spend in Adult Services has been managed in relation to compensating under spends in other RBK services, it is important to analyse the potential recurrent nature of these issues in 2015/16. Analysis shows that of the £2.908m over spend in 2014/15, £0.849m was restricted to 2014/15. Of the potential £2.059m pressures carried through to 2015/16, £1.202m has been mitigated through budget growth, leaving £0.857m as a residual risk. The majority of this relates to Mental Health services and is the focus of specific work to address this area. The specific work relates to a review of all current placements, more integrated use of current management information systems and improved financial monitoring through the S75 agreement with Health and the joint commissioner.

Learning & Children's Services

17. The 2014/15 outturn position for Learning & Children's Services is an over spend of **£0.634m**, an adverse movement of **£0.326m** since the last reported position.

	2014/15 Forecast Outturn Variance at Month 10 £000s	2014-15 Budget £000s	2014/15 Outturn £000s	2014/15 Outturn Variance £000s
Learning & Children's Services				
AfC Commissioner	328	34,645	35,311	666
Culture & Lifelong Learning	(20)	4,959	4,927	(32)
Total Learning and Children's Services	308	39,604	40,237	634

18. Director's Comments

The major variation relates to change control requests under the provisions of the contract with AfC. These requests are in line with the contractual provisions centred around the risk and reward mechanism with AfC and relates to the unavoidable cost of an increase in demand for statutory Children's services. The provisions of the contract allows for the company to elect to a 'risk/reward' position on budgets that could demonstrate high volatility (external placements; leaving care packages; unaccompanied asylum seeker children and special educational needs). Where a level or risk is accepted, the matching benefits of up-side risk gain also fall to the company. The company can elect to take a neutral/nil risk position and did so in 2014/15.

Both requests relate to pressures within the Kingston Social Care division.

The requests were received firstly in February 2015 (£0.426m) and secondly in May as AfC was finalising its year end position (£0.232m). Both requests have been agreed to by Kingston. Richmond have also received and agreed similar requests of £1.099m and £0.273m respectively.

The 2014/15 company financial position for AfC is detailed in paragraphs 44 to 47.

A small under spend of £0.032m was achieved within the Culture and Lifelong Learning Service.

Place Services

19. Place Services report a **£0.968m** under spend against General Fund budgets, an improvement of **£0.418m** since month 10. The underlying service variance is £2.450m under spend, but surpluses of £1.482m relating to On Street parking, Bus lane enforcement and Moving Traffic Contraventions have been transferred from the General Fund to the statutory ring fenced accounts.

	2014/15 Forecast Outturn Variance at Month 10 £000s	2014-15 Budget £000s	2014/15 Outturn £000s	2014/15 Outturn Variance £000s
Place				
Environment	(246)	19,386	18,850	(537)
South West London Partnership	145	4,508	4,664	156
Planning & Transport	(79)	2,493	2,465	(27)
Housing	(370)	3,970	3,410	(560)
On-Street Parking (income surplus above target)	(184)	(2,910)	(3,172)	(262)
Bus Lane Enforcement (income surplus above target)	(458)	(841)	(1,313)	(472)
Moving Traffic Contravention (income surplus above target)	(780)	(450)	(1,198)	(748)
Transfer of income surplus to Statutory Accounts	1,422	0	1,482	1,482
Total Place	(550)	26,156	25,188	(968)

20. Director's Comments

The main variations were as follows:

Environment & South West London Waste Partnership (HRRC) - £0.381m under spend. The under spend increased by £0.279m from month 10, mainly due to deferring to 2015/16 some project management costs associated with the Shared Waste Collection project. Significant variances related to:

Environmental Health & Trading Standards	-	£0.077m under spend
Street Services	-	£0.170m under spend
Waste Disposal	-	£0.055m under spend
Waste Collection	-	£0.153m under spend
Household Refuse & Recycling Centre	-	£0.156m over spend

Planning & Transport - £0.027m under spend. Predominantly related to under spends in Directorate Management and Support.

Housing General Fund - £0.560m under spend. The under spend has increased by £0.190m from month 10 due to the inclusion at year end of Discretionary Housing Payment grant monies which enabled improved rent collection and also further operational under spends. Significant variances related to:

Private Leasing Scheme	-	£0.417m under spend
Bed & Breakfast Accommodation	-	£0.093m under spend
Tenant Finder Scheme	-	£0.062m under spend

Statutory Parking Accounts. As described in paragraph 10, the statutory parking accounts all over achieved their income projections as follows:

On Street Parking Account	-	£0.262m over achievement
Bus Lane Enforcement Account	-	£0.472m over achievement
Moving Traffic Contraventions	-	£0.748m over achievement

One Council Services

21. One Council Services' outturn position is an under spend of **£0.830m**, a favourable movement of **£0.205m** since month 10. Details by service are summarised in the table below:

One Council Services	2014/15 Forecast	2014-15		2014/15
	Outturn Variance at Month 10 £000s	Budget £000s	Outturn £000s	Outturn Variance £000s
ICT	(4)	27	(0)	(27)
Assets	(286)	(2,594)	(3,083)	(489)
Strategic Business & Organisational Development	110	3,515	3,541	26
Finance	(445)	7,060	6,721	(339)
Total One Council Services	(625)	8,009	7,179	(830)

22. Director's Comments:

- ICT – a small under spend of £0.027m relating to operational expenditure
- Assets achieved a £0.489m under spend, primarily related to staffing under spends and over achievement of commercial rental income targets.

- Strategic Business & Organisational Development - £0.026m over spend. Pressures in Business Support (£0.276m) and Legal (£0.147m) have been largely offset by under spends within Strategic Business (£0.378m) and Corporate Governance (£0.048m).
- Finance - £0.339m under spend. This is primarily driven by significant operational under spends of £0.206m in Revenues & Benefits; under spends of £0.241m against the Social and Hardship Funds and an over spend of £0.125m in the One Council Finance team.

Neighbourhood Committees

23. It is recommended to the Policy & Finance Committee that because the Council has reached an overall under spend position, the under spend of **£0.376m** in Neighbourhood Committee budgets be carried forward to 2015/16 in accordance with recent precedent and the Budgeting Code of Practice for Neighbourhood Committees.

	2014/15 Forecast Outturn Variance at Month 10 £000s	2014-15 Budget £000s	2014/15 Outturn £000s	2014/15 Outturn Variance £000s
Neighbourhoods				
Kingston Town	(26)	2,036	1,971	(65)
Maldens & Coombe	(23)	2,050	1,942	(108)
Surbiton	(2)	1,618	1,576	(42)
South of the Borough	(15)	1,678	1,517	(161)
Total Neighbourhoods	(66)	7,382	7,006	(376)
C/fwd of Neighbourhood under spend to 2015-16	66	0	376	376
Total Neighbourhoods	0	7,382	7,382	0

Other Corporate Services

24. The Other Corporate Services outturn position shows an under spend of **£0.477m**, and adverse change of **£0.328m** since month 10. Details by service are summarised in the table below:

	2014/15 Forecast Outturn Variance at Month 10 £000s	2014-15 Budget £000s	2014/15 Outturn £000s	2014/15 Outturn Variance £000s
Other Corporate Services				
Interest & Capital Financing	(296)	(2,414)	(2,510)	(96)
Employers Past Pension Costs	(580)	0	(526)	(526)
Housing Benefit/Subsidy/Overpayment	0	(145)	(322)	(177)
Redundancy & Early Retirement Costs	(60)	2,536	2,487	(49)
Corporate Grants & Resources	31	0	206	206
NNDR Discretionary Budget	0	124	0	(124)
Corporate Contingency	100	(4,175)	(3,888)	287
Levies	0	692	692	(0)
Total Other Corporate Services	(805)	(3,383)	(3,860)	(477)

25. The main variations are:

- Interest & Capital Financing - £0.096m under spend. The main elements to this variance are described as follows:

£0.161m under spend related to the Minimum Revenue Provision (MRP). This is effectively the cost to the Council of borrowing to fund capital expenditure. It is lower than budgeted due to slippage in the capital programme in 2013/14.

Secondly there is £0.145m of additional income related to interest received regarding the Council's cash deposits.

Thirdly, a £0.231m under achievement of interest receivable from the HRA. Due to slippage in the HRA capital programme, its planned need to borrow was negated thereby reducing interest returns to the General fund

- Employers Past Pensions costs - £0.526m under spend related to budgets that fund the employers contribution to the Pension Fund for past deficit costs.
- Housing Benefits/Subsidy/Overpayments - £0.177m under spend derived from an increase in performance in the recovery of overpayments which has also meant that no additional top up to the related bad debt provision is required.
- Redundancy & Early Retirement Costs - £0.049m under spend. This under spend relates to early retirement costs. The corporate redundancy budget was under spent by £0.342m and this balance was taken to Strategic reserves to fund future transformational expenditure.
- Corporate Grants & Resources - £0.206m over spend. This relates to the shortfall in resources funding the 2014/15 budget to that estimated when the budget was set. The over spend primarily relates to the new S31 NNDR grant which compensates the Council for changes to NNDR reliefs as a result of recent changes to government policy. The actual amount of the grant is estimated prior to the year but determined by actual results during the year. This has partially been offset by under spends in the NNDR discretionary relief budget of £0.124m.
- Corporate Contingency - £0.287m over spend. The majority of this over spend relates to the need to increase bad debt provisions by £0.343m related to the Council's service income.

One Kingston Programme

26. The performance against investment requirements for the One Kingston programme in 2014/15 produced under spends of £0.881m against earmarked resource of which £0.661 will be carried forward into 2015/16 and £0.220m represents genuine under spends which will be used to increase strategic reserves.

Project	Source	Planned			Earmarked		Additional Resource to Strategic Reserves
		Investment 2014/15 £000s	Expenditure 2014/15 £000s	Variance 2014/15 £000s	for Project expenditure 2015/16 £000s	Reserves £000s	
PMO & Strategic Business	SIR	417	313	(104)	0	(104)	
Adult Social Care	SIR	201	131	(70)	(70)	0	
Care Bill	SIR	125	103	(22)	(22)	0	
Place P1	SIR	157	157	0	0	0	
Place P2	Grant	10	5	(5)	0	(5)	
Place P3 (Kingston Futures)	SIR	428	0	(428)	(428)	0	
Place P3 (Kingston Futures)	S106	340	340	0	0	0	
Place P5	SIR	208	67	(141)	(141)	0	
Place P5	Assets c/fw d	300	300	0	0	0	
OK3 Finance	SIR	50	0	(50)	0	(50)	
OK3 ICT	SIR	125	125	0	0	0	
OK6	SIR	64	3	(61)	0	(61)	
Total OK Programme		2,425	1,544	(881)	(661)	(220)	

In addition to the table above £0.100m was drawn down from the AfC Transformation Challenge Award Grant to fund set up costs as was the case in Richmond. This reduced the total set up costs charged to AfC from £1.604m to £1.404m (see paragraph 46).

General Fund Earmarked Reserves – Significant Contributions and Appropriations

27. The table below is for information only but shows significant transactions with reserves 2014/15.

Reserve	Detail	Qtr	Contribution £000s	Appropriation £000	Decision Point
Strategic Investment Reserve	2014/15 budgeted contribution for transformational investment	1	(1,000)	0	Budget Council 2014
Strategic Investment Reserve	Care Bill Grant	4	(125)	0	Commissioning Support Board
Strategic Investment Reserve	2014/15 OK Programme - reserve funded investment	1	0	1,625	Budget Council 2014
Strategic Investment Reserve	2014/15 OK Programme - additional Adult Social Care Transformation	3	0	151	Commissioning Support Board
Strategic Investment Reserve	2014/15 OK Programme - reserve funded investment under spends	4	(215)	0	P&F - Outturn Report 2014/15
Strategic Investment Reserve	Kingston Futures funding c/fw d to 2015/16	4	(428)		Commissioning Support Board
Strategic Investment Reserve	P5 TFM funding c/fw d to 2015/16	4	(141)		Commissioning Support Board
Strategic Investment Reserve	Care Bill & Adults Transformation c/fw d to 2015/16	4	(93)		Commissioning Support Board
Strategic Investment Reserve	2014/15 Redundancy budget underspend	4	(342)	0	P&F - Outturn Report 2014/15
Strategic Investment Reserve (Operational)	2014/15 OK Programme Investment from agreed c/fw ds to 2014/15	1	0	100	P&F - Outturn Report 2013/14
Strategic Investment Reserve (Operational)	L&CS agreed c/fw ds to 2014/15	1	0	309	P&F - Outturn Report 2013/14
Strategic Investment Reserve (Operational)	Services agreed c/fw ds to 2014/15	4	0	178	P&F - Outturn Report 2013/14
Strategic Investment Reserve (Operational)	Services agreed c/fw ds to 2015/16	4	(551)	0	P&F - Outturn Report 2014/15
Strategic Investment Reserve (Operational)	AfC one off transition costs	4	0	265	P&F - Outturn Report 2013/14
Strategic Investment Reserve (Operational)	Adult Services 2012/13 Grant c/fw ds	4	0	145	P&F - Outturn Report 2013/14
Strategic Investment Reserve (Operational)	Use of AfC 2014/15 TCA Grant (set up costs)	4	0	100	P&F - Outturn Report 2014/15
LPFA Sub Fund	2014/15 Contribution	4	(110)	0	Budget Council 2014
Education Kingston	Use of balance (directed by AfC)	4	0	200	P&F - Outturn Report 2014/15
Neighbourhoods	Use of 2013/14 c/fw d	4	0	540	P&F - Outturn Report 2013/14
Neighbourhoods	Amounts c/fw d to 2015/16	4	(376)	0	P&F - Outturn Report 2014/15
On Street Parking Account	Planned Expenditure	4	0	3,217	Budget Council 2014
On Street Parking Account	2014/15 Net Surplus	4	(2,909)	0	Budget Council 2014
Bus Lane Enforcement Account	Planned Expenditure	4	0	841	Budget Council 2014
Bus Lane Enforcement Account	Additional Highways Maintenance funding	1	0	1,000	P&F - Outturn Report 2013/14
Bus Lane Enforcement Account	2014/15 Net Surplus	4	(1,561)	0	Budget Council 2014
Moving Traffic Contraventions Account	2014/15 Net Surplus	4	(1,198)		Budget Council 2014
Moving Traffic Contraventions Account	Acceleration of 2015/16 policy of additional contributions to qualifying expenditure	4	0	1,333	P&F - Outturn Report 2014/15
Repairs & Renewals	Capital Funding	4	0	275	Budget Council 2014
TCA 2013/14	Distribution of shared award to partner boroughs	4	0	193	P&F - Outturn Report 2013/14

The table below shows current commitments against Strategic Reserves over the medium term:

	£000s
Balance at 1 April 2014	(1,393)
Budgeted Contribution	(1,000)
2013/14 Transformation Challenge Award Grant - RBK Share	(108)
Care Bill Grant	(125)
OK Programme Expenditure	1,776
OK Programme Expenditure deferred to 2015/16	(662)
OK Programme Expenditure under spends	(215)
2014/15 Redundancy budget under spend	(342)
Other Corporate Expenditure	95
Balance at 31 March 2015	(1,974)
Budgeted Contribution	(1,000)
OK Programme Expenditure b/fw d	234
Kingston Futures (element funded from Strategic reserves)	428
Adults Re-commissioning	130
PMO Programme Support	419
Other Corporate Expenditure	115
Forecast Balance at 31 March 2016	(1,648)
Budgeted Contribution	(1,000)
PMO Programme Support	373
Forecast Balance at 31 March 2017	(2,275)
Budgeted Contribution	(1,000)
Forecast Balance at 31 March 2018	(3,275)

Housing Revenue Account (HRA) Outturn & HRA Balance 2014/15

28. The outturn position indicates a net under spend of £0.142m as detailed below

	2014/15 M11 Forecast Outturn Variance £000s	2014/15 Budget £000s	2014/15 Outturn £000s	2014/15 Outturn Variance £000s
Gross Expenditure	194	31,591	31,636	45
Gross Income	(34)	(31,591)	(31,778)	(187)
Net Expenditure	160	0	(142)	(142)

This has had the following effect on the HRA Balance:

	£m
HRA Balance at 1 April 2014	3.166
HRA 2014/15 under spend	0.142
HRA Balance at 31 March 2015	3.308

30. The main reasons for this variation are:

HRA Variances	M10 £000s	Outturn £000s
Staffing & Housing Transformation Redundancy Costs	109	34
Running Costs & Operational expenditure	(83)	(430)
Repairs & Maintenance Costs	356	839
Overheads	0	(98)
Bad Debt Provision - full budget not required	(200)	(84)
Debt Charges	0	(216)
Total Expenditure Variances	182	45
Dwellings Rents/Voids	(34)	97
Non Dwellings Rents/Voids	37	(16)
Service Charges Tenants & Lessees	128	(3)
Right to Buy Allowance	(193)	(216)
Use of HRA reserves	0	(85)
Other Income Variances	40	36
Total Income Variances	(22)	(187)
Total HRA Variance	160	(142)

31. Variation comments:

Having forecast an over spend throughout the year, the position on the HRA improved to achieve a £0.142m under spend. This was largely due to a reduction in debt charges compared to that budgeted. This was due to expenditure slippage in the HRA capital programme which, along with increasing capital receipts from right to buy sales, negated the planned need for the HRA to borrow to fund its capital expenditure.

The delivery of this under spend should be put in the context of significant change within the service in 2014/15 through the Housing Services Transformation Programme (HSTP). This programme generated significant, one-off redundancy costs, which have been absorbed by the HRA. The full effect of savings from this programme will be seen in 2015/16.

The repairs and maintenance service faced significant pressures in 2014/15, overspending by £0.839m (repairs and maintenance £1.139m less £0.300m direct revenue (capital) financing reduction relating to repairs). The repairs cost pressures related to the final costs for the previous contractors filtering through into 2014/15, as well as the first year of the new contractor Axis. The repairs spend is continuing to be reviewed. Housing has employed a quantity surveyor to help review and challenge the repairs costs in the future.

These cost pressures were partly managed by reducing expenditure in other operational expenditure budgets and a reduction in overheads. There was also increased income from the right to buy allowance to the HRA as a result of the increasing right to buy sales as well as use of minor HRA earmarked reserves to fund specific expenditure

Schools Budget Outturn and DSG Balance 2014/15

32. The Schools Budget outturn was £0.011m over spent. This position was reached after the allocation of the planned use of £0.323m and additional use of £1.077m, approved by the Schools Forum on 22 October 2014, from the DSG reserve which has reduced from £2.240m to £0.829m. The carry forward of £2.240m from 2013/14 greater than expected in the 2014/15 budget plans which allowed for its additional use in 2014/15.

Item	M9 2014/15 Forecast Variance £000	2014/15 Original Budget £000	2014/15 Revised Budget £000	2014/15 Outturn £000	2014/15 Variance £000
Expenditure:					
Schools Block	294	51,476	52,449	52,390	(59)
Early Years Block	(184)	7,937	8,002	7,721	(280)
High Needs Block	834	17,762	17,343	17,694	351
Total Expenditure	944	77,175	77,794	77,805	11
Funding:					
Grant Funding	0	(76,852)	(76,394)	(76,394)	0
Budgeted use of 2013/14 c/fw d	0	(323)	(323)	(323)	0
Use of additional 2013/14 c/fw d	0	0	(1,077)	(1,077)	0
Balanced Budget	944	0	0	11	11

DSG Reserve Position	£000
Balance at 1 April 2014	2,240
Use of budgeted c/fw d from 2013/14	(323)
Use of additional c/fw d from 2013/14	(1,077)
Outturn over spend	(11)
Balance at 31 March 2015	829

34. The outturn position has improved significantly from that reported during the year mainly due to reduced over spends around the budgets in the High Needs block.
35. However, as with previous years, the main pressure on the Schools budget remains the High Needs block which was over spent by £0.351m and this after application of £0.974m of the additional £1.077m drawn down from the DSG balance during the year. Within that budget the main pressures centre around Special Educational Needs and Independent placements.
36. This outturn position has been reported by AfC, who manage the budget on behalf of RBK, to the RBK Schools Forum on 24 June.

On Street Parking Account, Bus Lane Enforcement Account & Moving Traffic Contraventions Account

37. The Council is required to maintain a separate account of its on-street parking business activities and to report annually to the Mayor of London on its outcome and the use of any surplus generated. The account must contain all expenditure and income in relation to the provision, management and enforcement of on-street parking in the borough. The on street parking account for 2014/15 is included as **Annex 1**.

38. In 2014/15, the account over achieved on income projections by £0.262m. This meant that the account generated ££2.909m of income. Expenditure of £3.217m against this produced a net expenditure position of £0.308m which reduced the balance of the account to £1.312m at 31 March 2015.
39. The Council is also required to maintain a separate account of its Bus Lane Enforcement activities and report annually to the Secretary of State on its outcome and the use made of any surplus generated. The account must contain all expenditure and income in relation to the provision, management and CCTV enforcement of bus lanes in the borough. The CCTV Bus Lane Enforcement account for 2014/15 is included in **Annex 2**.
40. In 2014/15, the account over achieved on income projections by £0.472m. This meant that the account generated ££1.561m of income. Expenditure of £1.841m against this produced a net expenditure position of £0.280m which reduced the balance of the account to £2.225m at 31 March 2015.
41. The Council is also required to maintain a separate account of its Moving Traffic Contraventions activities and report annually to the Secretary of State on its outcome and the use made of any surplus generated. The account must contain all expenditure and income in relation to the provision, management and CCTV enforcement of moving traffic contraventions in the borough. The CCTV Bus Lane Enforcement account for 2014/15 is included in **Annex 3**.
42. In 2014/15, the account over achieved on income projections by £0.748m. This meant that the account generated ££1.198m of income. Expenditure of £1.333m against this produced a net expenditure position of £0.135m which reduced the balance of the account to £0.749m at 31 March 2015
43. Included in the expenditure above is the additional £1m for highways maintenance expenditure in 2014/15 approved by this Committee on 3 July 2014, as well as £1.333m additional contributions to qualifying expenditure in 2014/15, representing the decision to bring forward the policy agreed in the medium term financial plan at Council on 3 March 2015.

Financial Performance of Significant Subsidiaries

44. 2014/15 represents the first year of operation for Achieving for Children Ltd (AfC). AfC's financial performance has been considered in more detail by its Board and by the Joint Committee for Achieving for Children.
45. In terms of AfC's trading position, in other words, its performance against its contract with Kingston and Richmond, a loss of £0.142m was realised. This is compared to a forecast breakeven position projected at Quarter 3. This loss was reached after taking into account the income received from the core contract with both Councils and contract change control requests, allowable under the contract provisions for specific demand led cost pressures. These change control requests were made in the last quarter of the financial year and totalled £0.658m for Kingston and £1.372m for Richmond.
46. The Councils also charged the company for the costs incurred in setting up the company, primarily for programme management costs, legal costs, ICT infrastructure costs; HR and Service transformation advice and financial systems and advice. These costs totalled £1.404m after the applied use of £0.2m DCLG Transformation Challenge Award Grant by both Councils and increased the trading loss within the company.

47. AfC will be expected to manage these total losses of £1.546m generated in 2014/15 over the next 3 years through to 2017/18. During the 2015/16 budget setting process, the Councils asked AfC to make an additional £2m saving each year for the next 3 years. The loss realised in 2014/15 now means that this target effectively increases to £2.5m.
48. AfC's accounts are currently being audited and will be consolidated into the Group Accounts of Kingston and Richmond reflecting the ownership share of those boroughs. Kingston's single entity and group accounts will be audited over the summer and the results of that audit and the AfC audit will be reported to the Audit and Governance Committee in September where the Kingston accounts will be approved.

Timescale

49. The outturn position is one of the essential building blocks for planning the next stages of the Council's medium term service and financial plan. It is good practice for this to be reported to members as soon as it is available. The draft RBK Statement of Accounts was submitted to the external auditors for audit on 30 June 2015. The auditors will report on their findings to the Audit Committee in September 2015 when the accounts will be approved and published.

Resource Implications

50. These are detailed above.

Legal Implications

51. There are no direct legal implications arising from this report. The report is made as part of the requirements for managing the Council's spending within budget.

Risk Assessment

52. This report considers the outturn position and is therefore concerned with past activities where risks have already been managed. Where identified risks have continuing effects in 2015/16, these risks have been carried forward into the management of the 2015/16 budget.

Equalities Impact Assessment

53. There are no direct equalities implications arising from this report. Where necessary, a full Equalities Impact Assessment was made as part of the process for any adjustments to services arising from the medium term planning process leading to the approval of that plan on 27 February 2014.
54. A full Equalities Impact Assessment will be made in respect of any additional service changes required as the next stages of the medium term service and financial planning process progress.

Environmental Implications

55. There are no direct environmental implications arising from this report.

Background papers: held by Toby Clarke (Capability Lead – Finance Accounting - 020 8547 5668, email: Toby.Clarke@kingston.gov.uk (Author of report)

- Medium Term Plan “Destination Kingston 2014-18” approved on 27 February 2014.
- 2013/14 Revenue & Capital Outturn report to Policy & Finance Committee, 3 July 2014
- Medium Term Service & Financial Plan – *Destination Kingston 2014/15 – 2017/18* – Month 10 2014/15 Revenue Monitoring Position, 14 April 2015
- Medium Term Service & Financial Plan – *Destination Kingston 2014/15 – 2017/18* – Month 6 2014/15 Revenue Monitoring Position, 4 December 2014
- Medium Term Service & Financial Plan – *Destination Kingston 2014/15 – 2017/18* – Month 3 2014/15 Revenue Monitoring Position, 25 Sept 2014