

Report of the Section 151 Officer

2018-19 Revenue Outturn

1 Purpose of report

1.1 This report presents members with an overview of the council's revenue expenditure against approved budget for the financial year 2018-19.

1.2 The closure of accounts process for the 2018-19 financial year has been completed; which includes reviewing all of the balance sheet accounts for completeness and accuracy. These accounts are subject to external audit, which could result in amendments to the revenue outturn position for 2018-19 which will be reported to a future resources committee, if required.

2 Executive Summary

2.1 The council set its revenue budget in February 2018 at £11.059m for expenditure, with associated ongoing sustainable funding of £10.603m. This meant that approximately £0.456m was needed from revenue reserves to support the expected level of expenditure when the budget was set.

2.2 The final outturn position has now been calculated and there was no requirement to use any general reserves to fund the 2018-19 outturn. This favourable movement is because we carried out a robust exercise of identifying any transactions that could maximise the flexible use of capital receipts. This also resulted in a decrease of £0.311m being required from the initial £10.603m of sustainable funding which was original anticipated.

2.3 Although the 2018/19 outturn position has helped reduce the demands on the use of reserves, this is still a finite resource which needs to be addressed over the medium term.

2.4 It is normal as part of the year end finance report to also propose the changes to earmarked reserves to be included as part of the closedown process. These changes are detailed in section 6.7 and 6.8 of the report.

3 Appendices

- Appendix 1 Revenue Monitoring Position to 31 March 2019

The Committee is invited to RESOLVE to:

4.1 APPROVE the utilisation of existing earmarked reserves, creation of new earmarked reserves and contributions to existing earmarked reserves as detailed in Table 2 at 6.8a

4.2 APPROVE the known budget movements for 2019/20 and 2020/21 as shown in table 5 at 8.2

4.3 NOTE the outturn position, subject to audit, outlined in this report and the reasons for the projected outturn variations as at 31 March 2019

5 Introduction

5.1 The anticipated 2018-19 revenue monitoring outturn position was last reported to the March 2019 resources committee. Monitoring is reported four times in the year, with three in year reports and the final outturn position in June of the year following. This report reflects the final outturn position as at 31 March 2019, subject to any changes that may result as part of the audit process.

6 2018-19 Revenue Outturn

6.1 The council set its revenue budget in February 2018 as £11.059m, using £1.842m of general reserves to support revenue spending. The budget monitoring reports show the variance to the use of reserves reflecting any under or over spending on the budget set. The areas that contribute to this movement are summarised in Appendix 1 of the report.

6.2 The monitoring of the outturn position is required in order to identify any under or over spends that occur during the year and to identify any mitigating actions.

6.3 An underspend can either be expenditure which is less than budget, or income which has exceeded the budget (or a combination of both), and an overspend is the opposite of this.

6.4 The revenue monitoring position reported in March 2019 showed that at the end of January 2019 the forecast use of reserves to balance the budget was £2.150m. Compared to the original budget estimate of £1.842m, this was £308k more than originally expected. This was made up of:

- Total net service overspend - £308k

6.5 The final outturn position has now been calculated and no general reserves were used to fund the 2018-19 outturn position. This represented a favourable movement of £1.305m on the previous forecast position and £997k against the budget, which is broken down as follows:

- Net service underspend: £767k (a favourable movement of £1.075m)
- Net increase in External Funding: £230k (a favourable movement of £230k)

6.6 The final net service spend and the movement in reserves is shown in Table 1 below, following the reported movements throughout the financial year, and further detailed in 6.7 and 6.8.

	Outturn Movement as at 31.07.18	Outturn Movement as at 30.09.18	Outturn Movement as at 31.01.19	Outturn as at 31.03.19	2018-19 Forecast Outturn
	£'000	£'000	£'000	£'000	£'000
Budgeted Use of General Reserves	456	473	659	764	764
Budget Savings:					
Underspend on repairs and maintenance costs				-100	-100
Establishment related savings across the services	2	18	-27	-209	-216
Savings on community development initiatives			-32	-9	-41
Net savings on community safety initiatives			-10	-3	-13
Net effect of service restructure and sharing post with ENC	-33	-2	6	-4	-33
Increased income/reduction in spend on Waendel Walk		-7		-5	-12
Central recharges			-23	-4	-27
Savings on equipment & furniture			-8	5	-3
Increase in income from investments	-12	-21	21	-35	-47
Refund of software licence costs incurred in prior year			-26		-26
Increase fees and charges income	-33	-15	-19	50	-17
Additional planning fee income				-57	-57
Reduced printing/stationery costs	-14	9	-13	-8	-26
Reduction in grants and subscription costs	-6	-4		-4	-14
Government grants		-18		-212	-230
Increased rental income		-20		-67	-87
Increased income from food hygiene certificates		-4	-1	-4	-9
Savings on services			-4	-33	-37
Savings on procurement costs				-10	-10
Insurance income received				-11	-11
Advertising underspend				-7	-7
Miscellaneous savings	-4	4	-11	-19	-30
Savings on utilities				-19	-19
Increase in income from Hackney Carriage licences				-16	-16
Savings on Utilities costs at the leisure centres				-14	-14
Savings on the cost of twinning				-5	-5
Unspent Community grants				-13	-13
Savings in respect of Norse contract		133	61	-333	-139
Depreciation & Amortisation				-38	-38
Internal Audit				-7	-7
Corporate Contingency				-158	-158
Audit Fee & Bank Charges				-26	-26
Reduction in the net cost of housing benefits payments		-6	35	-64	-35
Total Budget Savings	-134	101	-51	-1,439	-1,523
Budget Pressures:					
Predominantly Castle theatre income to be paid to new operator			98	-69	29
Increased cost of DL shared service				74	74
Net overspend on temporary accommodation, including allowance for cost of temporary posts agreed at June 2018 Resources Committee		40	9	229	278
Increase in service costs due to more delivery				6	6
Recruitment costs	4	11	-5	-12	-2
External legal costs	24	-4		-9	11
Planning applications advertising				10	10
Street lighting repairs required	14	-		-5	9
Additional security for evening meetings	9	-		-2	7
GDPR IT module			8	7	15
Reduction in licensing income	3	-		4	7
Costs for dangerous structures			7		7
Utility costs	-	4		33	37
Non achievement of income due to no staff to deliver schemes				94	94
Shared service savings not delivered				97	97
Festival lighting				6	6
Computer hardware for canvassing				7	7
Catering for mayoral functions				2	2
Increased insurance costs				18	18
Bad Debt Provision				23	23
Non Distributed Costs- Pension Fund				11	11
Parish Precepts				3	3
Net miscellaneous costs	3	1	2	1	7
Total Budget Pressures	151	85	156	364	756
Net Budget Pressure/-Saving	17	186	105	-1,075	-767
Use of Reserves Before Funding Reduction	473	659	764	-311	-3
Net Movement in Use of Reserves	17	186	105	-1,075	-767

6.7 Variance Analysis over £50k

Budget Savings:

- a) On Investment Properties there was an underspend on repairs and maintenance costs of £100k. The works are ongoing but it was not possible to complete the jobs during the year.
- b) Establishment related savings across the council of £216k due to staff turnover and an inability to recruit partly offset by some agency costs.
- c) Additional government grants received over and above budget of £230k.
- d) Increased rental income of £87k. This was due to a combination of letting Tithe Barn, an uplift in lease costs and previous years fees reclaimed.
- e) Savings in respect of the Norse contract of £139k partly due to less requirement of the inflationary pressure budget approved in 2018/19 and partly due to an increased profit share of underspend of the core contract.
- f) Corporate contingency saving of £158k as this was not required.

Budget Pressures:

- g) Increased cost of the District Law shared service was split between all partners and resulted in an overspend of £74k for the council.
- h) There was a net overspend on temporary accommodation of £278k which included the cost of temporary posts agreed at the June 18 Resources Committee.
- i) Non achievement of income due to not enough staff to deliver schemes resulted in a £94k pressure.
- j) IT shared service savings did not materialise resulting in a £97k pressure.

6.8 Funding Movements:

- 1) The top section of the table shows the use of reserves as agreed by council in February 18. The use of the business rates retention reserve has reduced due to the positive outturn shown above.
- 2) The middle section of the table shows contributions to reserves in year and these are where income and grants have been received and have been put into reserve for use in future financial years for their respective purposes.
- 3) The bottom section shows the creation of 2 new reserves for specific purposes to be used in 2019/20 onwards.

a. Table 2 shows the movement on earmarked reserves:

	£'000	£'000
Revenue Earmarked Reserves as at 1.4.18		-3,420
Use of reserves in year:		
Welfare Reform	250	
Business Rates Retention	612	
Individual Electoral Registration	1	
Property Service Charges	68	
Norse Development Reserve	165	1,096
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Increase in reserves in year:		
Property Service Charges	-73	
Homelessness	-141	
Total Service Earmarked Reserves		-214
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		882
New Reserves In Year		
Local Authority Parks Improvement	-12	
The Castle	-25	-37
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Estimated Earmarked Reserves as at 31.3.19		-2,575
Revenue General Fund Reserves as at 31.3.19		-3,155
Total Revenue Reserves as at 31.3.19		-5,730

b. Table 3 detailing the earmarked reserves, as per the 2018-19 statement of accounts is detailed below:

Reserves	Balance 31st March 2017	Transfers in 2017/18	Transfers out 2017/18	Balance 31st March 2018	Transfers in 2018/19	Transfers out 2018/19	Balance 31st March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Efficiency and Services							
Transformation	-355	-	-	-355	-	-	-355
Organisational Property	-250	-	-	-250	-	-	-250
Investment Property	-186	-	-	-186	-	-	-186
Broadband Infrastructure	-76	-	76	-	-	-	-
ICT Infrastructure	-3	-	-	-3	-	-	-3
Members IT Allowance	-10	-	3	-7	-	-	-7
Welfare Reform	-250	-	-	-250	-	250	-
Business Rates Retention	-1,266	-	-	-1,266	-	612	-654
Leisure Services	-180	-	-	-180	-	-	-180
Property Service Charges	-165	-52	90	-127	-73	68	-132
Community Rights	-30	-	-	-30	-	-	-30
Individual Electoral Registration	-64	-27	-	-91	-	1	-90
VAT Reserve	-88	-	-	-88	-	-	-88
Neighbourhood Dev Reserve	-11	-	-	-11	-	-	-11
Custom & Self Build Reserve	-21	-30	-	-51	-	-	-51
Brownfield Register Reserve	-15	-5	-	-20	-	-	-20
New Burdens Impact Reserve	-16	-	-	-16	-	-	-16
Members Allowance Costs	-	-25	-	-25	-	-	-25
Homelessness	-	-92	-	-92	-141	-	-233
Norse Development Reserve	-	-165	-	-165	-	165	-
Voluntary Sector Reserve	-	-30	-	-30	-	-	-30
Local Authority Parks Improvement	-	-	-	-	-12	-	-12
The Castle	-	-	-	-	-25	-	-25
Miscellaneous Revenue Grants Reserve	-184	-	7	-177	-	-	-177
Earmarked Reserves	-3,170	-426	176	-3,420	251	1,096	-2,575
General Fund	-3,992	-176	1,013	-3,155	-	-	-3,155
	-7,162	-602	1,189	-6,575	251	1,096	-5,730

- c. Table 4 compares the actual outturn against the budget set and the variance for the year, before and after the application of earmarked reserves:

	Original Budget 2018/19	Revised Budget 2018/19	Actual Expenditure to 31st March 2019	Variance at Period 13 Before Reserves
	£000's	£000's	£000's	£000's
Environmental & Health Protection	544	588	521	-67
Planning Policy and Regeneration	361	382	342	-40
Planning and Building Control	380	400	362	-38
Environmental Services	4,177	4,119	3,980	-139
Organisational Development	233	236	223	-13
Democratic Services	794	818	728	-90
Investment Property	-1,676	-1,636	-1,799	-163
Operational Property	891	887	809	-78
Information Technology Shared Service	895	765	833	68
District Law Shared Service	146	146	220	74
Community Support	1,551	1,564	1,473	-91
Housing	508	517	666	149
Accountancy	760	506	503	-3
Internal Audit	65	65	59	-6
Revenue and Benefits - Operational	360	386	327	-59
Revenue and Benefits - Benefit Subsidy	599	599	564	-35
Other Income and Expenditure	-249	-7	-243	-236
Corporate Management	172	176	173	-3
Parish Precepts	548	548	551	3
2018/19 Budget Requirement	11,059	11,059	10,292	-767
Government Funding	-531	-531	-531	-
Business Rates	-2,458	-2,458	-2,458	-
Section 31 Grant	-984	-984	-1,160	-176
Council Tax	-4,147	-4,147	-4,147	-
New Homes Bonus	-1,097	-1,097	-1,151	-54
Use of General Fund Reserves	-456	-456	-	456
Ear Marked Reserves	-1,386	-1,386	-845	541
2018/19 Funding	-11,059	-11,059	-10,292	767
Net Position	-	-	-	-

- d. A detailed breakdown of the service expenditure variances by service area with explanatory notes is shown at Appendix 1.
- e. The analysis in table 3 shows in which area of service delivery the budgets were set and variances arose.

7. Flexible use of capital receipts

Capital receipts will be utilised on transformational projects that contribute towards the council's efficiency strategy and action plan. This includes Local Government Reorganisation and the council's contribution towards this and any other costs that the council deems as transformational including creating a more efficient management and organisational structure and improving and streamlining processes. These costs totalled £376k in 2018/19.

8. 2018-19 Revenue Budget and Reserves

8.1 Following another round of budget clinics over the end of March/beginning of April and bearing in mind the revised vesting date and the forecast level of general reserves previously reported in February when the 2019/20 budget was set it was essential to review the savings and pressures agreed as part of the budget setting process and to identify any potential improvements to this position to protect the level of general reserves being carried into 2020/21.

8.2 Table 5 below shows some known movements against the budget set in February 2019 that the committee is asked to approve that will change the council's reliance on reserves during the 2019/20 and 2020/21 financial years.

Following Additional Budget Clinics		Apr 2019	Apr 2020
		£'000	£'000
Base Budget Movements			
2019-20 Base Budget		10,631	10,068
	Use of Earmarked Reserves	-729	0
	Use of General Reserves	-1,001	-1,332
	Total Use of Reserves	-1,730	-1,332
Service	Increases to Net Budget		
IT Shared Service	Non-achievement of pre-planned savings due to remediation works required and staffing capacity/recruitment issues	100	0
	Net Pressures	100	0
	Decreases to Net Budget		
Corporate	Business Rates Reduced Deficit and Section 31 Grant Income	-522	-131
NORSE Contract	Reduction of previously assumed inflationary pressures	-100	0
Elections	Budget only required in the year elections will take place	-36	36
Register of Electors	Reduce Central Postage Budget	-5	0
	Net Savings	-663	-95
	Net Budget Decrease	-563	-95
	2019-20 Revised Total Budget Requirement	10,068	9,973
	Use of Earmarked Reserves	-729	0
	Use of General Reserves	-438	-674
	Total Use of Reserves	-1,167	-674

8.3 As you can see in the table these movements will reduce the currently required £1m contribution from general reserves down to £438k. This also has a positive knock on effect for 2020/21 as well, however, the other assumed pressures and savings will also need revising to give the full updated picture and this will be done later in the year with a selection of options to the committee including reductions in non-staff expenditure,

increased income generating schemes and reductions of services that may have staff reductions attached. These proposals will be reviewed over the summer and will be brought to the next relevant committee to consider.

- 8.4 The corporate movement is aligning the business rates position for the council to the agreed positions for the year of the income to be received and a lower deficit to be paid than budgeted for. The IT pressure has been agreed by the IT Steering group to remove the previous £100k savings target to ensure the current remediation work for IT across BCW and ENC is delivered this year and that the team has capacity for this and any LGR involvement required. The proposed saving for NORSE is in line with last year's actual spend compared with the previously approved inflationary pressures budget.

9. Legal Powers

Local Government Act 2003

10. Financial and Value for Money Implications

The financial accounts will be reviewed on completion of the closure of accounts process to see if there is a need for virements. These will be reported to future Resources Committees if required.

11. Risk Analysis

Nature of risk	Consequences if realised	Likelihood of occurrence	Control measures
Error in reported position	Over spend and reduced Reserves and Balances	Low due to level of quality assurance	Robust financial arrangements.
Changes in Service outturn positions	Revised outturn	Low until the Annual Audit has been completed	Robust financial arrangements.

12. Implications for Resources

None other than those already identified within the body of the report.

13. Implications for Stronger and Safer Communities

No specific implications.

14. Implications for Equalities

No specific implications.

15. Author and Contact Officer

Caroline Conway-Hook, Service Accountant

16. Consultees

Liz Elliott, Managing Director
Shaun Darcy, Director
Julie Thomas, Director

17. Background Papers

2019-20 – 2021-22 Medium Term Financial Plan

Service Area	Original Budget 2018/19	Revised Budget 2018/19	Profiled Budget	Actual Expenditure to Period 12	Variance at Period 12	Comments & Remedial Actions
	£000's	£000's	£000's	£000's	£000's	
	(a)	(b)	(c)	(d)	(e)	
						Savings: £41k savings by ceasing to part fund Police Community Support Officers and employing Community Protection Enforcement Officers directly. £14k savings on utilities costs for the Leisure Centres £13k net savings on community safety initiatives due to a vacant post and delay in partnership projects getting started. £13k community grants not issued £12k increase in income from the 2018 Waendel Walk and a reduction in expenditure on the 2019 Waendel Walk £2k Miscellaneous savings across the service £25k grant income for the Castle
Community Support	1,551	1,564	1,564	1,473	-91	Pressures: £29k predominantly Castle theatre show income paid to Parkwood
						Savings: £20k establishment savings due to vacancies £16k net increase on Hackney Carriage licences £11k increase in income from HMO licences £9k net increased income from food hygiene certificates £6k increase in pollution control income £5k savings on the cost of kennelling for the Dog Warden service £4k increase in pest control income £3k miscellaneous savings across the service
Environmental & Health Protection	544	588	588	521	-67	Pressures: £7k reduction in licensing income
						Savings: £3k Miscellaneous net savings over the service £141 Homelessness grant income
Housing	508	517	517	666	149	Pressures: £220k net overspend on temporary accommodation £58k net overspend on agency staffing costs to cover sickness and vacancies £15k GDPR IT module + Jigsaw Licence costs
						Savings: £175k savings on salaries and associated costs due to staffing vacancies £3k reduction in grants and subscriptions costs £1k miscellaneous savings £12k grant income for parks improvement
Planning Policy and Regeneration	361	382	382	342	-40	Pressures: £94k non achievement on income £37k net reduction in capitalisation of salaries due to current vacancies £9k as a result of more street lighting repairs having to be carried out. £6k overspend on festival lighting and planning agreements £5k overspend on utility costs
						Savings: £57k additional planning fee income. £20k additional government grants £14k saving on printing & stationery. £21k on services
Planning and Building Control	380	400	400	362	-38	Pressures: £8k recruitment costs for permanent staff. £10k planning applications advertising £49k extra cost of agency staff covering vacancies. Difficulty in recruitment & extra planning work. £7k dangerous structures
Environmental Services	4,177	4,119	4,119	3,980	-139	Savings: £139k net decrease of Norse Contract costs.
						Savings: £16k due to pending restructure £8k grant income
Organisational Development	233	236	236	223	-13	Pressures: £11k external legal costs
						Savings: £87k disengagement costs which have been capitalised as transformational costs £33k net effect of service restructure and sharing post with ENC £18k government grants £27k savings on central recharges £5k training savings £12k saving on printing £3k equipment & furniture savings £6k savings on travel related expenditure £1k miscellaneous savings
Democratic Services	794	818	818	728	-90	Pressures: £7k additional security for evening meetings £2k catering for mayoral functions £6k computer hardware for canvassing £87k disengagement fees
						Savings: £39k extra rental income including surplus for fees relating to previous year £25k relating to salaries as more capitalised than anticipated £19k utility savings £1k miscellaneous savings
Operational Property	891	887	887	809	-78	Pressures: £6k overspend on services due to more delivery
						Savings: £100k underspend on repairs & maintenance £27k savings on services £48k extra rental income £11k insurance income £7k savings on advertising & professional fees £2k miscellaneous
Investment Property	-1,676	-1,636	-1,636	-1,799	-163	Pressures: £32k utility costs
						Savings: £26k refund of prior year software licence overpaid £3k miscellaneous savings
Information Technology Shared Service	895	765	765	833	68	Pressures: £97k shared services savings not delivered.
District Law Shared Service	146	146	146	220	74	Pressures: £74k overspend on the cost of services
						Savings: £10k Savings on procurement costs £5k net staffing savings due to vacancies £6k Miscellaneous savings across the service
Accountancy	760	506	506	503	-3	Pressures: £18k increased insurance costs
Internal Audit	65	65	65	59	-6	Savings: £7k reduction in the cost of supplying the service
						Savings: £245k net savings on the cost of housing benefits payments,
Revenue and Benefits - Benefit Subsidy	599	599	599	564	-35	Pressures: £210k net housing benefits overpayments recovery
						Savings: £45k net employee savings due to vacancies £7k savings on subscription costs £4k net increase in grant funding £3k savings on office costs across the service
Revenue and Benefits - Operational	360	386	386	327	-59	
	10,588	10,342	10,342	9,811	-531	
Corporate Contingency	160	160	160	2	-158	Savings: £158k contingency not required
Bad Debt Provision	10	10	10	33	23	Savings: £23k bad debt provision not required
Depreciation & Amortisation	-1,630	-1,388	-1,388	-1,426	-38	
Non Distributed Costs- Pension Fund	1,338	1,338	1,338	1,349	11	Pressures: £11k Prior year pension charges
						Savings: £47k increase in income due to the Bank of England's base rate increasing in August 2018. This and the likelihood of it increasing in the near future pushed the investment income rates up further on a monthly basis
Investment Income	-193	-193	-193	-240	-47	
Audit Fee & Bank Charges	66	66	66	39	-27	Savings: £26k reduction in the cost of the external audit as a result of a change in audit providers
Other Income and Expenditure	-249	-7	-7	-243	-236	
						Savings: £5k savings on the cost of twinning
Corporate Management	172	176	176	173	-3	Pressures: £2k net cost of recruitment , offset by staff vacancy
Parish Precepts	548	548	548	551	3	
2018/19 Budget Requirement	11,059	11,059	11,059	10,292	-767	
Government Funding	-531	-531	-531	-531	0	
Business Rates	-2,458	-2,458	-2,458	-2,458	0	
Section 31 Grant	-984	-984	-984	-1,160	-176	
Council Tax	-4,147	-4,147	-4,147	-4,147	0	
New Homes Bonus	-1,097	-1,097	-1,097	-1,151	-54	
Use of General Fund Reserves	-456	-456	-456	0	456	
Earmarked Reserves	-1,386	-1,386	-1,386	-845	541	
2018/19 Funding	-11,059	-11,059	-11,059	-10,292	767	
Net Position	0	0	0	0	0	

