

**TO: THE EXECUTIVE**  
**DATE: 17 JULY 2018**

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**REVENUE EXPENDITURE OUTTURN 2017/18**  
**Borough Treasurer**

**1 PURPOSE OF REPORT**

- 1.1 The Council, at its meeting on 1 March 2017, approved a revenue budget for 2017/18 of £88.341m. This report informs Members of the outturn expenditure position, subject to audit, for the financial year 2017/18 highlighting that the Council is within budget for the twentieth successive year and under spent by -£0.544m. The Council has therefore withdrawn £2.024m from General Balances as opposed to a budgeted withdrawal of £2.568m.
- 1.2 The Accounts & Audit Regulations 2015 require the Draft Financial Statements to be signed by the Borough Treasurer by 31 May and the audited version to be approved by the Council or a specific committee by 31 July. The draft statements were actually signed on 24 May. The Council has established a Governance and Audit Committee which will meet on 25 July to approve the audited statements.

**2 RECOMMENDATIONS**

**That the Executive:**

- 2.1 **Note the outturn expenditure for 2017/18, subject to audit, of £87.823m, which represents an under spend of -£0.544m compared with the approved budget.**
- 2.2 **Note the budget carry forwards of £0.084m (see paragraph 5.7 and Annexe C).**
- 2.3 **Recommends that Council note the Treasury Management performance in 2017/18 as set out in Annexe B.**
- 2.4 **Approve the earmarked reserves as set out in Annexe D.**
- 2.5 **Approve the virements relating to the 2017/18 budget between £0.050m and £0.100m and recommend those that are over £0.100m for approval by Council (see Annexe E).**

**3 REASONS FOR RECOMMENDATIONS**

- 3.1 The recommendations are intended to inform the Executive of financial performance against budget in the 2017/18 financial year.

**4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 The report sets out the Council's actual financial performance in 2017/18 and the consideration of options is not therefore appropriate.

**5 SUPPORTING INFORMATION**

## Unrestricted

### General Fund Revenue Expenditure 2016/17

- 5.1 The Council approved a revenue budget of £88.341m for 2017/18. In addition a number of transfers to and from S106 and earmarked reserves have been made during the course of the year. These are shown in Table 1 below and explanations for the use of the reserves are set out in the following paragraphs.

Table 1: Transfers From Earmarked Reserves/Budget Carry forwards

Department	Carry Forwards from 2016/17	Bus Contract (S106)	Other S106	Structural Changes	Other Earmarked Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Services	33	0	0	479	929	1,441
Children, Young People and Learning	0	0	0	255	-1,068	-813
Adult Social Care, Health and Housing	11	0	0	412	-854	-431
Environment, Culture & Communities	177	82	100	216	61	636
Non departmental budgets	-221	-82	-100	-1,362	932	-833
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### **Carry Forwards from 2016/17**

In accordance with the Council's constitution, budget under spends can be carried forward to the following year in exceptional circumstances.

#### **Bus Contract from S106**

The Wykery Copse bus contract was negotiated during the course of the year with the funding to be provided from S106 resources.

#### **Other S106**

Revenue funding for staff and a vehicle involved in the production, co-ordination and monitoring of the Suitable Alternative Natural Green Spaces (SANGS) plans and the maintenance and management of SANGS areas have also been provided from S106 resources.

#### **Structural Changes**

One off costs associated with restructuring and salary protections payments were met from the Structural Changes Reserve during the year.

#### **Other Earmarked Reserves**

Carry forwards to 2018/19 of -£0.084m are included within this figure and are covered in more detail in paragraph 5.7. A number of other budget adjustments were made during the year to reflect transfers to or from reserves, the most significant being transfers to the Better Care Fund Reserve (-£0.803m) and Schools Reserves (-£1.315m), and transfers from the Transformation Reserve (£1.078m). Note, a transfer to the Future Funding Reserve (-£9.060m) was already reflected in the original budget.

### Provisional Outturn Position

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- 5.2 Table 2 analyses by department the outturn compared with the original budget. These figures inevitably remain subject to minor change, pending external audit. However, no significant movement is anticipated.

**Table 2 – Projected Outturn Expenditure**

Department	Original Approved Budget	Carry Forwards & Virements	Current Approved Budget	Outturn	Variance
	£'000	£'000	£'000	£'000	£'000
Resources	7,146	-1,583	5,563	5,073	-490
Children, Young People and Learning	28,104	3,799	31,903	32,055	152
Adult Social Care, Health and Housing	35,875	1,389	37,264	37,264	0
Environment, Culture and Communities	35,828	-4,373	31,455	31,282	-173
Non Departmental Budgets	-27,672	1,225	-26,447	-29,242	-2,795
Transfers to/from Earmarked Reserves	9,060	-457	8,603	11,391	2,788
<b>Total</b>	<b>88,341</b>	<b>0</b>	<b>88,341</b>	<b>87,823</b>	<b>- 518</b>

In addition to these departmental variances the Business Rates tariff set at the beginning of the year was unusually adjusted by Government during the year to reflect the latest Valuation Office figures, resulting in a further under spend of -£0.026m (-£0.544m in total).

- 5.3 The current approved budget takes into account virements actioned during the course of the year. The most significant being:
- Those included in paragraph 5.1 and Table 1
  - Reallocation of budgets to departments for non cash items to reflect actual costs (£1.2m), namely:
    - changes to capital charges (-£3.0m) and
    - pension adjustments (£4.2m).
  - Adjustments relating to the accounting for the waste PFI (-£0.6m) and The Avenue Car Park finance lease (-£0.6m).
  - Allocations from the Contingency Fund (£2.0m).

These reallocations have no overall effect on the amount raised from tax payers as they are reversed out within the Non Departmental Budgets line.

- 5.4 Explanations for significant variances by service are set out in Annexe A and more detail can be found in departmental QSRs. Variances to be highlighted are:

#### Resources/Chief Executive's Office

- An over spend on Industrial and Commercial Properties, primarily from additional costs at Waterside Park (£0.124m) and an increase in the bad debt provision (£0.069m), partly offset by additional income (-£0.061m).

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- An under spend in the Operations Unit primarily from reduced Home to School Transport costs resulting from contract savings and the application of the SEN Transport Policy (-£0.295m).
- Additional fee income within Legal Services (-£0.085m) and under spends on internal audit work (-£0.040m) within Finance, consultants fees within Construction and Maintenance (-£0.062m) and training costs within Human Resources (-£0.060m).

### Children, Young People and Learning

- Within Learning and Achievement there were under spends on employee costs in the Education Centre, Education Welfare Service, Education Psychology and Special Educational Needs due to staff turnover (£0.143m); and an over-achievement of income, mainly through additional lettings and courses at Bracknell Open Learning Centre (-£0.054m).
- Within Children's Social Care there were four significant over spends, all of which were a consequence of an increase in the number of children being looked after, where 125 high cost care packages were required compared to 89 provided for in the budget. Recognising this additional demand pressure, the remaining sum of £1.888m in the Contingency Fund has been transferred to the Department's budget in line with agreed practice.
- Care and accommodation costs exceeded the budget (£2.418m, reduced to £0.530m after the Contingency allocation) as did employee costs (£0.136m). Linked to this was the need for a greater use of the Childcare Solicitor service (operated by Reading Borough Council as a Berkshire Joint Arrangement) with an increase in the number of court proceedings (£0.400m). The increase in court cases also contributed to additional Special Guardianship Orders (£0.073m). These costs were partly offset by additional income or under spends the most significant relating to adoption services (-£0.123m).
- A -£0.311m net under spend within Strategy, Resources and Early Intervention primarily relating to reduced employee costs (-0.053m), additional income earned from schools, academies and external organisations (-£0.112m) and an under spend on general revenue costs (-£0.118m).
- An under spend on employee costs resulting from Chief Officer vacancies (-£0.135m).

### Adult Social Care, Health and Housing

- Over spends within the Community Mental Health Team Older Adults (£0.745m), the Adult Community Team (£0.622m) and the Community Team for People with Learning Disabilities (£0.310m) partly offset by an under spend within the Community Mental Health Team (-£0.204m). These variances primarily relate to the cost of residential and nursing placements and of community services.
- Within Housing, additional rental income (-£0.313m), savings resulting from the receipt of Flexible Homeless grant (-£0.185m) and recovery of Housing Benefit overpayments during the year resulted in additional net income (-£0.127m).
- Within Joint Commissioning there has been an under spend on the budget for grants and donations (-£0.193m), savings from the new Healthwatch Contract (£0.064m) and an under spend on employee costs (-£0.053m).
- An under spend on the Community Equipment budget relating to resources from the Better Care Fund (-£0.361m) and additional Health Care Funding at Waymead (-£0.061m).

### Environment, Culture and Communities

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- Additional income at the Look Out (-£0.090m), from Building Control (-£0.059m), street works (-£0.137m), administration of the Community Infrastructure Levy (-0.061m) and Car Parking (-0.142m), partly offset by reduced income at Easthampstead Park Conference Centre (£0.085m) and an over spend at Bracknell Leisure Centre (£0.225m).
- An under spend on Waste Disposal mainly due to reduced tonnages and the introduction of non-residents access restrictions (-£0.638m).
- Concessionary Fares under spent due to a reduction in passenger numbers (-£0.232m).
- The reduction in income from Coral Reef due to the closure of the facility until September for capital works (£0.389m), which was anticipated and would have been a legitimate call on the Contingency should the Department not have been able to absorb it overall.
- An over spend within Development Control on legal and consultancy costs, primarily due to the Foxley Oaks appeal (£0.166m).
- An overspend on Highways Maintenance where delays to the LED street lighting project have meant projected savings on electricity have not been fully realised (£0.400m).

### Non-Departmental / Council Wide

- Higher cash balances have been sustained throughout the year resulting in lower borrowing, and therefore interest payable, plus additional interest received from paying all 2017/18 employers and employees pension fund contributions, in full, in advance (-£1.850m).
- Internally funded capital expenditure was financed from internal borrowing to spread the cost impact on revenue. The capital expenditure charged to the General Fund budget was therefore not required (-£0.277m). Higher than forecast capital receipts in 2016/17 and significant capital carry forwards into 2017/18 helped to create an under spend against the Minimum Revenue Provision (-£0.686m).
- A net overspend resulting from the end of year Business Rates levy payment (£0.452m) was met by reducing the budgeted transfer into the Future Funding Reserve (-£0.452m).
- An under spend on Council Wide budgets primarily relating to the purchase of commercial properties which has progressed more rapidly than originally anticipated, allowing additional net savings to be generated in year (-£0.364m).

### Earmarked Reserves

- Transfers into the Transformation (£2.000m), Town Centre (£0.590m) and Structural Changes Reserves (£1.500m), primarily to fund the Council's transformation programme and any resulting staffing implications.
- The creation of a new reserve for the London Rd Feasibility Study (£0.050m).
- These changes have been partly funded by withdrawals from the Demographic Pressures and Projects Reserve (-£0.083m), Members Initiatives which remains unspent (-£0.080m) and Revenue Grants Unapplied Reserves (-£0.737m). The Members Initiative Reserve was established in 2015 and no new requests to spend have been received for more than 12 months. On that basis, it is no longer required.
- The overall impact is to reduce the under spend by £3.240m.

- 5.5 A full analysis of the 2017/18 variances, identifying those already built into the 2018/19 base budget, one off items and those of an ongoing nature will be undertaken to inform the evolving 2019/20 budget proposals.

Treasury Management

- 5.6 Annexe B contains a detailed analysis of the Council's treasury management performance during 2017/18. An annual report is required to comply with the Prudential Code for Capital Finance as performance in this area can have a significant impact on the Council's overall financial position and balances.

Budget Carry Forwards

- 5.7 In accordance with the Council's Constitution, some unspent budget provision is permitted to be carried forward to the following year in exceptional circumstances. This would include where expenditure was budgeted for and planned in a particular year, but due to unforeseen circumstances has had to be deferred to the following year. Table 3 summarises the carry forwards by department and a detailed breakdown is included in Annexe C.

Table 3 – Budget Carry Forwards

<b>Department</b> (Details in Annexe C)	<b>Requested Carry Forwards</b>
	<b>£'000</b>
Resources	59
Children, Young People and Learning	5
Environment, Culture & Communities	20
<b>Total</b>	<b>84</b>

Balances (General Reserves)

- 5.8 As the actual outturn for 2017/18 was an under spend of -£0.544m, the Council has only withdrawn £2.024m from General Reserves rather than the budgeted £2.568m. This means that more resources are available to assist the Council with balancing future years' budgets. The General Reserves balance at 31st March 2018 was £9.047m. Of this, £2.515m will be used to finance the 2018/19 budget, leaving £6.532m available (of which £4m is the minimum prudent level).
- 5.9 A detailed review of all existing reserves and provisions has been undertaken as part of the accounts closedown process. The proposed changes to reserves and balances are included in Annexe D.

Virement requests

- 5.10 Financial Regulations require formal approval by the Executive of any virement between £0.050m and £0.100m and of virements between departments of any amount. Full Council approval is required for virements over £0.100m. A number of virements have been made since the February Executive meeting which require the approval of the Executive. These have been previously reported to the Corporate Management Team which recommends them for approval. They have been included in the Quarterly Service Reports. Details of the virements are set out in Annexe E.

## **6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

6.1 There is nothing to add to the report.

### Borough Treasurer

6.2 The financial implications of this report are included in the supporting information.

### Equalities Impact Assessment

6.3 None.

### Strategic Risk Management Issues

6.4 The Council needs to maintain reserves to aid cash flow and to protect itself from fluctuations in actual expenditure and income. The review of reserves undertaken by the Borough Treasurer ensures that the Council has adequate and appropriate earmarked reserves to manage future risks.

## **7 CONSULTATION**

Not applicable.

### Background Papers

None.

### Contact for further information

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