

TO: THE EXECUTIVE

DATE: 23 JULY 2019

REVENUE EXPENDITURE OUTTURN 2018/19

Director: Finance

1 PURPOSE OF REPORT

- 1.1 The Council, at its meeting on 28 February 2018, approved a revenue budget for 2018/19 of £83.655m. This report informs Members of the outturn expenditure position, subject to audit, for the financial year 2018/19 highlighting that the Council is within budget for the twenty-first successive year and under spent by -£2.528m. The Council has therefore returned £0.013m to General Balances as opposed to a budgeted withdrawal of £2.515m.
- 1.2 The Accounts & Audit Regulations 2015 require the Draft Financial Statements to be signed by the Director: Finance 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 29 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 2018/19, subject to audit, of £81.127m, which represents an under spend of -£2.528m compared with the approved budget.**
- 2.2 **Note the budget carry forwards of £0.101m (see paragraph 5.7 and Annexe C).**
- 2.3 **Recommends that Council note the Treasury Management performance in 2018/19 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 2018/19 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 2018/19 financial year.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The report sets out the Council's actual financial performance in 2018/19 and the consideration of options is not therefore appropriate.

5 SUPPORTING INFORMATION

General Fund Revenue Expenditure 2018/19

- 5.1 The Council approved a revenue budget of £83.655m for 2018/19. 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

| Directorate | Carry Forwards from 2017/18 | Bus Contract (S106) | Other S106 | Structural Changes | Other Earmarked Reserves | Total |
|--------------------------|-----------------------------|---------------------|------------|--------------------|--------------------------|----------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Central | 20 | 199 | 481 | 207 | 669 | 1,576 |
| Delivery | 59 | 0 | 0 | 731 | -287 | 503 |
| People | 5 | 0 | 0 | 262 | -1,647 | -1,380 |
| Non departmental budgets | -84 | -199 | -481 | -1,200 | 1,265 | -699 |
| Total | 0 | 0 | 0 | 0 | 0 | 0 |

Carry Forwards from 2017/18

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, as have transformation savings relating to Special Protection Areas.

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 2019/20 of -£0.101m 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 (-£0.672m), Public Health Reserve (-£0.553m) Schools Reserves (-£0.796m) and Revenue Grants Unapplied Reserve (-£0.771m), and transfers from the Transformation Reserve (£1.320m). Note, an £11.214m transfer to the Future Funding Reserve was already reflected in the original budget, enabled by the Council being part of the Berkshire Business Rate pilot.

Unrestricted

Provisional Outturn Position

- 5.2 Table 2 analyses by directorate 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

| Directorate | Original Approved Budget | Carry Forwards & Virements | Current Approved Budget | Outturn | Variance |
|--------------------------------------|--------------------------------|-------------------------------------|-------------------------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Central | 9,028 | 656 | 9,684 | 8,842 | -842 |
| Delivery | 29,355 | 5,530 | 34,482 | 34,198 | -284 |
| People | 66,536 | 283 | 63,372 | 62,753 | -619 |
| Non Departmental Budgets | -32,478 | -6,656 | -35,284 | -43,762 | -8,478 |
| Transfers to/from Earmarked Reserves | 11,214 | 187 | 11,401 | 19,096 | 7,695 |
| Total | 83,655 | 0 | 83,655 | 81,127 | -2,528 |

- 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 (£8.4m), namely:
 - changes to capital charges (£8.4m) and
 - pension adjustments (-£3.8m).
- Adjustments relating to the accounting for the waste PFI (-£0.7m) and The Avenue Car Park finance lease (-£1.1m).
- Allocations from the Contingency Fund (£2.1m).

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:

Central

- The anticipated increase in bus passenger numbers following the opening of the regenerated town centre did not materialise, resulting in an under spend on Concessionary Fares (-£0.288m).
- A lower level of external and internal audit fees within Finance (-£0.095m).
- Additional income for the administration of the Community Infrastructure Levy (-0.212m), for Suitable Alternative Natural Greenspaces (SANGS) capacity (-£0.051m) and from streets works permits and penalties (-£0.168m).

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Delivery

- An over spend on Industrial and Commercial Properties, primarily due to vacant properties across the portfolio (£0.205m) partly offset by an under spend on Construction and Maintenance (-£0.052m).
- An under spend in the Operations Unit primarily from reduced Home to School Transport costs and additional income (-£0.174m).
- The sale of Easthampstead Park Conference Centre was delayed resulting in additional one-off costs being incurred (£0.308m).
- An under spend at the Look Out, primarily relating to equipment and additional income (-£0.117m) plus under spends within Customer Services on licences (-£0.072m) and within Member and Mayoral Services (-£0.031m).
- An under spend within Legal Services primarily from additional fee income (-£0.203m) and additional income at the Cemetery and Crematorium (-£0.082m).
- An under spend in ICT relating to licence and maintenance costs, equipment, mobile telephones and consultants fees (-£0.372m).
- An under spend on Waste Management resulting from a VAT adjustment and additional income (-£0.352m).
- The Car Parks under achieved on income (£0.357m) and additional running costs were incurred (£0.316m).
- An over spend on the leisure contract due to additional running costs and loss of income while repairs were carried out (£0.285m).
- Under spends on a number of other contract areas including street cleaning (-£0.030m), grounds maintenance (-£0.037m)
- An under spend on staffing budgets across the directorate due to a high number of vacancies (-£0.152m).

People

- Within Children's Social Care there were additional costs as a consequence of an increase in the number of children being looked after, where 135 high cost care packages were required compared to 121 provided for in the budget. Care and accommodation costs exceeded the budget (£0.085m following an allocation of £2.134m from the Contingency Fund) as did employee costs (£0.086m). The increase in court cases also contributed to additional Special Guardianship Orders (£0.073m). There were also increases in costs relating to foster care initiatives (£0.076m) and supporting families with no recourse to public funds (£0.060m). These costs were partly offset by under spends on care leavers maintenance grants and direct payments (-£0.124m).
- An over spend within the Adult Community Team on residential costs and community services (£0.374m) partly offset by under spends within the team relating to staff vacancies (-£0.184m).
- Under spends within the Community Team for People with Learning Disabilities relating to staff vacancies and the Learning Disability Development Fund (-£0.137m).
- Under spends within Intermediate Care (-£0.191m), within Waymead due to additional income and staff vacancies (-£0.178m) and on the discretionary budget for grants and donations (-£0.126m).
- An under spend within Housing Strategy primarily due to the funding of the adaptations team from grant and vacant posts (-£0.170m), additional government grant and vacant posts within the Housing Benefits Team (-£0.215m) and recovery of Housing Benefit overpayments during the year resulting in additional net income (-£0.468m).

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- An under spend on the Community Equipment budget primarily relating to resources from the Better Care Fund (-£0.139m).
- An under-achievement of income and additional costs within Forestcare (£0.103m).
- An over spend on directorate wide budgets due to delays in completing the Senior Leadership Restructure and additional transformation costs (£0.414m).

Non-Departmental / Council Wide

- As reported in the Capital Outturn report elsewhere on the agenda, the Council has held significantly higher cash balances than expected due to slippage in the capital programme, additional CIL income and the use of grants rather than borrowing to fund schemes. There has consequently been no requirement to borrow for capital schemes other than commercial property investments. Additional income has also been generated from the Pension Pre-payment, the loan to Downshire Homes Ltd and retained income from the Business Rates Pilot scheme. As a consequence, a significant under spend on interest budgets has been experienced (-£3.369m). Part of this saving is one-off, with the remainder having been included in the 2019/20 budget.
- 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 (-£0.172m). Higher than forecast capital receipts in 2017/18 and significant capital carry forwards into 2018/19 helped to create an under spend against the Minimum Revenue Provision (-£0.415m).
- A net over-achievement of Business Rates income, primarily due to additional income from Section 31 grants and the Council's share of the surplus on the Central Government Levy Account (-£0.874m).
- 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 (-£1.007m).
- The Council has been trying to reclaim VAT on leisure income for a number of years, arguing that the sale of sporting and leisure services should be exempt from VAT. The outcome of a court case last year which ruled in favour of a London council prompted the submission of a revised claim for overpaid VAT for the period 2010 to 2018. This claim proved successful (-£2.299m).

Earmarked Reserves

- Transfers into the Transformation (£2.060m), Structural Changes (£1.500m) and Town Centre (£1.150m) Reserves partly funded by the closure of the Commercial Properties Acquisition Reserve (-£0.125m).
- Creation of new reserves for Schools Support (£0.350m), IT Transformation (£1.000m), Feasibility Studies (£0.500m) and Community Capacity (£1.260m).

- 5.5 A full analysis of the 2018/19 variances, identifying those already built into the 2019/20 base budget, one-off items and those of an ongoing nature has been undertaken to inform the evolving 2020/21 budget proposals.

Treasury Management

- 5.6 Annexe B contains a detailed analysis of the Council's treasury management performance during 2018/19. 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

Unrestricted

- 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 directorate and a detailed breakdown is included in Annexe C.

Table 3 – Budget Carry Forwards

| Directorate (Details in Annexe C) | Requested Carry Forwards |
|--|---------------------------------|
| | £'000 |
| Central | 41 |
| Delivery | 10 |
| People | 50 |
| Total | 101 |

Balances (General Reserves)

- 5.8 As the actual outturn for 2018/19 was an under spend of -£2.528m, the Council returned £0.013m to General Balances as opposed to a budgeted withdrawal of £2.515m. This was signalled during the year, enabled by the £2.3m VAT refund and means that more resources are available to assist the Council with balancing future years' budgets. The General Reserves balance at 31st March 2019 was £9.060m. Of this, £2.614m will be used to finance the 2019/20 budget, leaving £6.446m 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.

Director: Finance

- 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.

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