

CORPORATE COMMITTEE

9 JULY 2018

REPORT OF THE DIRECTOR FOR CORPORATE SERVICES

REVENUE BUDGET 2017/18 - PROVISIONAL YEAR END POSITION

1.0 THE PURPOSE OF THE REPORT

- 1.1 To provide Members with information on the provisional year end position subject to external audit approval for 2017/18.
- 1.2 To provide Members with information on the implications for the Council's balances and reserves.

2.0 RECOMMENDATIONS

- 2.1 **The provisional year end position, variations to the 2017/18 estimated year end position and the resultant effect on the Council's balances and reserves as set out in the attached papers be noted.**

3.0 KEY ISSUES

- 3.1 The following table compares the provisional year end position for 2017/18, subject to audit, for all General Fund, Special Expenses and Housing Revenue Account (HRA) Services to the approved budget (including carry forwards and supplementary Estimates) as agreed by members during 2017/18. For members further information columns have been added to show performance against the original budget set in February 2017. Attached at Appendix A is a summary of budget holder performance comparing the provisional year end position to the approved budget (the original budget as adjusted by supplementary estimates, virements and budget reductions authorised during the financial year) but for controllable budgets only i.e. excludes support service recharges, capital charges and other internal recharges between services. The approved budget is the authorised budget for spending purposes.

General Expenses

	Original Budget	Approved Budget	Provisional Year End Position	Variance to Original (Underspend) / overspend	Variance to Approved Budget (Underspend) / overspend
	£	£	£	£	£
Net Expenditure	5,149,169	5,467,549	5,297,462	148,293	(170,087)
Funding					
Business Rates	(1,149,165)	(1,149,165)	(1,162,514)	(13,349)	(13,349)
NNDR Collection Fund	(123,570)	(123,570)	(123,570)	0	0
RSG	(238,097)	(238,097)	(238,097)	0	0
Council Tax Collection Fund	25,000	25,000	25,000	0	0
New Homes Bonus	(490,660)	(490,660)	(567,035)	(76,375)	(76,375)
Council Tax	(2,947,387)	(2,947,387)	(2,947,387)	(0)	(0)
Total funding	(4,923,879)	(4,923,879)	(5,013,603)	(89,724)	(89,724)
Surplus (-) / Deficit for year	225,290	543,670	283,859	58,569	259,811

Special Expenses – Melton Mowbray

	Original Budget	Approved Budget	Provisional Year End Position	Variance to Original	Variance to Approved Budget
	£	£	£	£	£
Net Cost of Services	622,440	639,420	619,581	(2,859)	(19,839)
Non Service Related and funding	(644,294)	(644,294)	(633,517)	10,777	10,777
Surplus (-)/Deficit for year and reserve movement	(21,854)	(4,874)	(13,935)	7,919	(9,061)

Other Key Budgets

	Original Budget	Approved Budget	Provisional Year End Position	Variance to Original	Variance to Approved Budget
	£	£	£	£	£
Special Expenses (Sproxton) Net Surplus (-) / Deficit	(422)	(422)	(1,198)	(776)	(776)
Special Expenses (Frisby) Net Surplus (-) / Deficit	(2,968)	(2,968)	(4,280)	(1,312)	(1,312)
HRA Working Balance Net Surplus (-) / Deficit	59,910	(252,340)	(480,510)	(540,420)	(228,170)

3.2 The net position against the approved budget position for each of the main funds is therefore as follows:

General Fund General Expenses - Underspend of £259,811
 Special Expenses (Melton Mowbray) – net transfer to reserve after surplus / deficit
 £9,061
 Housing Revenue Account – Underspend of £228,170

3.3 As part of the Council's flexible budget monitoring processes budgets are updated throughout the year to take into account supplementary estimates, virements and budget reductions creating an approved budget for budget holders to work within. As part of the budget monitoring and review process all budget holders have been requested to provide an explanation of significant variations against their approved budget on individual services. A full set of the more detailed explanations will be available at the meeting or members can contact the Finance Section in advance if there are any particular queries. Brief comments summarising the reasons for any budget variations for items which are within the budget holder's control have been included against the relevant service line in Appendix A. Only those in excess of £10k have been commented on. There are some key variances we would draw members attention which are outlined in paragraph 3.5

3.4 Also, included for information is the level of carry forwards previously approved at this Committee's meeting of 11 April 2018 which originally totalled £290,750 for general expenses and £6,150 for Special Expenses. This has since reduced on the general expenses to £220,080 once the final accounts have been completed and actual underspends are known. As such this reduces the underspend against the estimated year end position on general expenses from £259,811 to £39,731 and net transfer to the reserve from £9,061 to £2,911 on Special Expenses.

3.5 Key Variances Against Approved Budget

GENERAL FUND

3.5.1 **Underspends**

- **Project Work** - It should be noted there was an underspend against the Commercialism budget which will be partly carried forward into 2018/19 to enable completion of some outstanding items prior to project closure (£11k). In addition to this the funds provided to support the Cattle Market redevelopment will be carried forward into 2018/19 to support the review of phase two development on the southern section of the site (£28k).
- **Benefits** – There has been an underspend on rent rebates (£14k) due to the level of subsidy being higher than budgeted due to an increase in recovery of benefit overpayments. However, this has been partly offset by rent allowances being higher than anticipated with a number of large eligible overpayments being processed (£13k).
- **Business Rates** – Increased funds were received from Government relating to the Small Business Rate Reliefs offered (£33k) and additional section31 grants were also provided (£10k).
- **Digital Strategy** – due to the appointment of a new Chief Executive and structural realignment this has impacted on the ability to progress the Digital Strategy Roadmap which will be carried forward into 2018/19 to be delivered (£40k).
- **Reduced costs** – In general there have been a number of savings across services such as a delay in Housing Strategy being refreshed (£24k), Council Tax Collection costs lower than expected (£18k), professional fees and additional income generated around Legal Services (£22k). There was also a saving generated within the Environmental Maintenance Service through lower staff costs and Repairs & Renewals contributions (£23k) as well reduced Waste management costs due to delays in procurement of new bins (£12k).
- **Staffing** – due to vacancies and staffing changes across the Council during the year a number of services have seen an underspend including; Regulatory Services (£18k), Procurement Unit (£11k), Me and My Learning (£14k) and Communications including underspend relating to the training budget as a result of the in-year vacancies (£109k). Some of these have been requested to be carried forward.
- **Income** – the council has seen an increase in a some key income streams such as:
 - Development control with higher than anticipated number of level and complexity of applications being received in year coupled with the 20% fee increased introduced during 2017/18 which was offset by additional staffing levels (£40k).
 - Land Charge income is up due increased demand for services (£12k)
 - Investment income from interest received was higher than anticipated as a result of greater returns achieved from Treasury Management activities (£103k).

3.5.2 **Overspends**

- **Wheels to Work** – There have been a number of issues affecting this service during the year including the number of riders being lower than anticipated, large number of write-offs being processed due to the level of bad debt and the funding bid for the Northampton bid being unsuccessful leading to an overspend of £117k.
- **Write Offs** – along with the write offs referred to above there have been other services which have had to manage levels of bad debt and process write offs during the year. These include Homelessness (£20k) and Melton Lifeline (£15k).
- **Income** – the council has seen a reduction of some key income streams such as:
 - Rents and service charges at Parkside are down due to Leicestershire Partnership Trust leaving during the year (£16k).
 - Shortfall in car parking income due to usage levels being down and the offer of 20

- min free parking (£29k)
 - Cattle Market commission levels are lower than budgeted due to over optimistic throughput levels being provided by GillStream Markets (£111k)
 - The number of applications received through the Building Control service was down during the year resulting in reduced income (£49k)
- **Additional costs** – along with the overspends outlined above there have been some additional costs incurred elsewhere which include the management fee and legal fees incurred as part of the new interim lease negotiations for the MSV (£17k).

3.6 HOUSING REVNUUE ACCOUNT

The HRA year-end position when compared to the approved budget shows a net reduction in spending of £228k. The majority of the underspend has been caused by an underspend on responsive repairs (£167k) and planned maintenance (£124k) due to a delay in some contract work commencing in relation to the longer than anticipated procurements process coupled with a reduction in demand. There has also been additional income achieved from higher interest on balances (£84k) and higher number of Right to Buy Sales (£40K). Alongside these there have been additional costs relating to write offs (totalling £90k) due to the increase in bad debts as a result of the Universal Credit roll out and changes to the Welfare system

3.7 Overall despite continued funding pressures the Council as a whole has managed its budgets prudently which is evident in the underspend position for the year on controllable costs even after taking in account the proposed carry forwards. However, as there are a number of variances across budget headings we will continue to undertake further work with budget holders to develop more accurate forecasting in order to ensure the most efficient use of resources in year.

3.8 The impact on reserves and balances of the provisional year end position is summarised in the tables below:

Working Balances	General Fund	Special Expenses	HRA
	£	£	£
Balance as at 31 st March 2017	640,000	50,000	1,186,019
Contribution from /to (-) Revenue Account	0	0	480,510
Provisional Balance @ 31st March 2018	640,000	50,000	1,666,529
<u>Less:</u>			
Budgeted changes to Reserves 2018/19	0	0	(488,390)
Revised Estimated Position @ 31st March 2019	640,000	50,000	1,178,139

Specific Reserves	Approved Use of Corporate Priorities Reserve	Actual Corporate Priorities Reserve	Spending Pressure Reserve	Special Expense Reserve
	£	£	£	£
Balance as at 31 st March 2017	2,004,099	2,004,099	153,374	244,621
Contribution from /to (-) Revenue Account	(543,670)	(283,859)	(79,860)	13,935
Contribution to the carry forward reserve	0	(220,080)	0	(6,150)
Contribution to the Spending Pressure reserve from 2016/17	(138,000)	(138,000)	138,000	0
Contribution to New Homes Bonus	75,816	69,816	0	0
Provisional Balance @ 31st March 2018	1,398,245	1,431,976	211,514	252,406
Less:				
Budgeted changes to Reserves 2018/19	0	0	(185,650)	(4,782)
Revised Estimated Position @ 31st March 2019	1,398,245	1,431,976	25,864	247,624

- 3.9 As a result of the above, the balance on the Corporate Priorities Reserve is estimated to be £33,731 more as approved by members during 2017/18. The difference on the Reserve is a result of the Council being proactive in managing its finances through utilising underspends across the Council to fund cost pressures rather than seeking additional funding through members from reserves. To date during 2018/19 there have been supplementary estimates approved of £112,510 which results in an updated projection balance of £1,319,466.
- 3.10 For Special Expenses (MM) as a result of the figures in the table above, the balance on the Special Expenses Reserve is estimated to be slightly less that reported to Full Council in February 2017 (£256,613). The majority of the difference on the Reserve can be accounted for by the slight increase in capital funding required and the actual transfer into the reserve being less than originally budgeted for.
- 3.11 The HRA working balance as at the 31 March 2019 is now expected to be £211,270 higher than estimated due to the underspend on the revenue account and remains above the target working balance of £750,000. A more detailed report regarding the outturn position and impact on the HRA business plan was presented to the Place Committee at its meeting on the 6 June 2018.
- 3.12 Financial Procedure Rules require that any overspending on service estimates in total must be carried forward to the following year unless a supplementary estimate has been approved by this Committee and will constitute the first call on service estimates in the following year.

3.13 Therefore this Committee needs to determine whether to approve supplementary estimates for those service areas which have overspent their budget in 2017/18, as attached at Appendix A, or whether these are to be carried forward into 2018/19. There are no particular overspends recommended for carry forward into 2018/19.

4.0 **POLICY AND CORPORATE IMPLICATIONS**

4.1 Policy and corporate implications are covered in the key issues section of this report.

5.0 **FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

5.1 In summary, taking into account carry forwards, the 2017/18 end of year position has resulted in an increase to the balance on the corporate priorities reserve of £34k against the estimated year end position based on members approvals during 2017/18.

5.2 The provisional year end position has shown that flexible budget management processes and the good working relationships and partnership between finance and budget holders has enabled increased costs to be offset by savings elsewhere. This represents a tremendous achievement for the Council in such economically challenging times.

5.3 This management approach has produced once again a positive end of year position. As set out earlier there continues to be a need to focus on budget management as whilst overall (excluding carry forward requests) there has been an underspend there are still a number of over and underspends across the budget headings.

5.4 In response to previous years underspends an approach taken in recent years was to not bring requests for supplementary estimates to committee early in the year but instead, whilst still highlighting to members the additional spend, look to address this by identifying funds in other areas that can be used to offset this need. This approach has proved successful whilst challenging as the Council was able to identify funds within services and reduce the number of requests for supplementary estimates and submit only those which specifically needed member approval.

5.5 The current economic climate continues to prove challenging for the Council in terms of financial management and is set to worsen with the continued planned cuts in Government grant funding coupled with the uncertainty over the 100% Business Rate Retention Scheme and outcome of the Fairer Funding Review. The Council has developed a Budget Management Strategy to help meet the future budget pressures with the aim of these savings and income generation initiatives to mitigate the loss in grant funding. This will be a challenging target and requires a Council wide approach in order to achieve

6.0 **LEGAL IMPLICATIONS/POWERS**

6.1 Legal implications/powers were addressed in setting the current year's budget. There are no further legal implications arising from this report.

7.0 **COMMUNITY SAFETY**

7.1 Community safety issues were addressed in setting the current year's budget. There are no further community safety issues arising from this report.

8.0 **EQUALITIES**

8.1 Equalities issues were addressed in setting the current year's budget. There are no further equalities issues arising from this report.

9.0 RISKS

- 9.1 The Council's Chief Financial Officer has a duty under the Local Government Act 2003 in setting the budget to comment on the robustness of the estimates and the adequacy of the reserves.

This requires that effective budget monitoring procedures are set in place to monitor expenditure and income against the budget and careful consideration is given to determining the level of reserves.

- 9.2 It is still early in the 2018/19 financial year for budget monitoring and therefore it isn't clear whether the under and overspends in 2017/18 have continued including any upturn on significant income budgets. As usual the council will need to monitor any trends as they are still subject to sensitivity. Whilst investment returns have been positive for the Council over recent years, with interest rates expected to remain low during the forthcoming year with a small increase predicted in December 2018, it is unlikely there will be any significant returns over and above the levels achieved in 2017/18.
- 9.3 There are a number of financial pressures and uncertainties which could affect the estimates particularly in future years and collectively these indicate significant financial pressure on the council's resources. The forward projections have been subjected to sensitivity analysis in light of the potential risks associated with particular items and assumptions. These do indicate potential wide fluctuations in any year which could see the likely surplus/deficit being substantially different to that expected. This emphasises both the high level and impact of the risks that face the Council's finances in the future. In recognition of the significance of these risks there is a risk contained within the Council's corporate risk register relating to finance as referred to in the risk table below. As a corporate risk an action plan is in place and is actively managed.
- 9.4 Offset against the risk below are the level of reserves and balances the Council holds as referred to in para 3.8. Whilst the Council does have a good level of reserves and balances this should be taken in the context of the future significant cuts that are set to continue. Such reserves could be used, should the need arise, to support the revenue budget in any year to mitigate the impact of any deficit whilst more long term sustainable plans are developed to reduce net expenditure. This approach has been taken for 2018/19 with the use of the Spending Pressure Reserve to balance the budget whilst the plans outlined in the Budget Management Strategy are developed and delivered.

L I K E L I H O O D	A	Very High				
	B	High			1	
	C	Significant				
	D	Low				
	E	Very Low				
	F	Almost Impossible				
			Negligible 1	Marginal 2	Critical 3	Catastrophic 4

IMPACT

Risk No	Risk Description
1	Risk of failing to secure financial stability in the medium term

10.0 CLIMATE CHANGE

10.1 Climate change issues were addressed in setting the current year’s budget. There are no further climate change issues arising from this report.

11.0 CONSULTATION

11.1 Not applicable.

12.0 WARDS AFFECTED

12.1 All wards are affected.

Contact Officers: David Scott, Corporate Services Manager

Date: 25 June 2018

Appendices: Appendix A – Provisional Year End Position 2017-18

Background Papers: Budget Variation Analyses
Oracle General Ledger Reports

Reference: X: C'tees, Council & Sub-C'tees/Corporate/2018-19/09-07-18/DG-Provisional Year End Position 2017-18