



# EXECUTIVE BOARD DECISION

<b>REPORT OF:</b>	Executive Member for Finance and Governance
<b>LEAD OFFICERS:</b>	Director of Finance and Customer Services
<b>DATE:</b>	13 June 2019

<b>PORTFOLIO/S AFFECTED:</b>	All
<b>WARD/S AFFECTED:</b>	All
<b>KEY DECISION:</b>	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>

**SUBJECT: CORPORATE REVENUE BUDGET MONITORING REPORT QUARTER 4 - 2018/19 OUTTURN POSITION**

## 1. EXECUTIVE SUMMARY

The report details the overall revenue position of the Council for the year ended 31st March 2019, highlighting the key issues for review. It also determines the year end position with regard to portfolio under/overspends and the impact on earmarked and unallocated reserves.

## 2. RECOMMENDATIONS

The Executive Board is asked to approve:

- the portfolio budget adjustments outlined in Appendix 1.
- carry forward of the specific amounts shown in Appendix 1 from 2018/19 to 2019/20.
- the earmarked reserves position shown in Appendix 2
- the variations to revenue expenditure, as listed in Section 6, thereby giving rise to a revised balance of £5.902 million on the unallocated General Fund revenue reserve at 31st March 2019.

## 3. BACKGROUND

All portfolios are required to examine their revenue budget position on a monthly basis. Regular reports are submitted to Executive Board for review along with a final report, detailing the financial outturn position.

## 4. KEY ISSUES & RISKS

The actual net revenue expenditure at 31<sup>st</sup> March 2019 was £134.263 million, compared to an original budget of £131.478 million, i.e. an increase in expenditure of £2.785 million.

Portfolio controllable expenditure, including Schools & Education (DSG), was £113.894 million for the

year, which was £0.621 million less than the revised budget of £114.515 million, approved by Executive Board in February 2019.

General Fund unallocated reserves are £5.902 million at 31st March 2019, compared to £6.055 million at 31st March 2018. The decrease relates to a number of transfers both to and from unallocated reserves that were approved during the year, together with final outturn adjustments detailed in Section 6.

The Council holds earmarked reserves of £14.464 million for discretionary purposes. These include;

- £1.113 million to fund improvements to assets and infrastructure
- £2.880 million to meet the cost of downsizing and transformation in future years, including potential redundancy costs
- £4.466 million for People services, including amounts set aside to meet future demand pressures
- £0.950 million for Place and Resources services
- £0.178 million set aside in respect of welfare and local taxation reform.
- £2.540 million in respect of grants, contributions and other budgets carried forward from 2018/19 to 2019/20 to meet specific costs.
- £2.337 million set aside for specified purposes.

The Council also holds reserves of £12.143 million in relation to expenditure for Schools and Education, and £0.417 million is held in respect of joint arrangements, charitable purposes and other ring-fenced commitments.

## **5. POLICY IMPLICATIONS**

The information contained within the report accords with the three year budget forecast within the Medium Term Financial Strategy 2018-21, as approved at Finance Council on 26th February 2018.

## **6. FINANCIAL IMPLICATIONS**

### **6.1 REVENUE BUDGETS AND EXPENDITURE**

#### **6.1.1 Revenue Budget Overview**

Portfolio controllable budgets were overspent by £2.805 million at 31<sup>st</sup> March 2019; this has been offset by an underspend on net interest and debt repayments, with the balance being funded through the Council's reserves. The summary of the outturn revenue position is as follows:

	Original Budget (after portfolio changes)	Revised Budget (incl outturn adjustments at Appendix 1)	Actual Outturn	Variation from Revised Budget Over/ (Under) spend
<b>Net Expenditure</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Health and adult social care	49,123	48,210	48,272	62
Children, young people and education	29,485	29,866	31,301	1,435
Environment	7,854	7,808	8,728	920
Leisure and culture	2,119	1,855	2,332	477
Neighbourhood and prevention services	864	798	786	(12)
Regeneration	8,133	6,803	6,633	(170)
Resources	15,338	16,552	16,606	54
Schools and education (DSG)	(641)	(641)	(602)	39
<b>Net portfolio controllable expenditure</b>	<b>112,275</b>	<b>111,251</b>	<b>114,056</b>	<b>2,805</b>
Contribution from schools for prudential borrowing	(650)	(650)	(650)	0
Contribution to capital expenditure	100	690	690	0
Interest and debt repayment	18,284	18,375	17,249	(1,126)
Amounts to be allocated / contingencies	1,286	2,897	2,897	0
Parish councils	183	183	183	0
<b>Total net expenditure</b>	<b>131,478</b>	<b>132,746</b>	<b>134,425</b>	<b>1,679</b>
Contribution (from)/to reserves	0	483	(1,030)	(1,513)
<b>Total net budget</b>	<b>131,478</b>	<b>133,229</b>	<b>133,395</b>	<b>166</b>
<b>Financed by:</b>				
Non-ringfenced Government grants	(61,589)	(63,340)	(63,506)	(166)
Non-domestic rates	(19,679)	(19,679)	(19,679)	0
Council tax	(50,501)	(50,501)	(50,501)	0
Net deficit on Collection Fund	291	291	291	0

<b>Total financing</b>	<b>(131,478)</b>	<b>(133,229)</b>	<b>(133,395)</b>	<b>(166)</b>
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### 6.1.2 Performance against budgets

Appendix 1 details the portfolio budgets at 31<sup>st</sup> December 2018, as approved by the Executive Board in February 2019 (totalling £114.515 million), together with the details of all adjustments recommended to Executive Board for approval in this Quarter 4 Outturn report; these result in a revised total budget allocation across the portfolios of £111.251 million, and reflect:

- transfers from earmarked reserves to support spending on specific schemes for which these reserves were established
- transfers from unallocated reserves to support budget pressures
- transfers to unallocated reserves in respect of savings
- transfers from contingencies
- transfers to earmarked or unallocated reserves in respect of grants / contributions and other budget carryover requests

The outturn position and key financial issues for each portfolio are as follows:

#### ***Health & Adult Social Care***

The key points to note are;

##### ***Adult Social Care***

The portfolio ended the year with an overspend of £62,000, after providing for the transfer of £500,000 into the Social Care Demand Reserve. In the main the variation reflects an overspend of £778,000 on external commissioning budgets, offset by a contribution in respect of the Disabled Facilities Grant administration fee of £186,000 together with other managed savings across the portfolio, predominantly on staffing.

Throughout the course of 2018/19 the portfolio has faced demand pressures on the commissioned services budget, however the implementation of demand management strategies have assisted in mitigating these pressures as far as possible. It is anticipated that these pressures will continue into 2019/20 and so the department has plans in place to review specific areas of the commissioning budget to try to contain costs going forward.

##### ***Public Health***

The department has achieved a breakeven position at outturn, following the transfer of ring-fenced grant funding of £229,000 to the Public Health Reserve. The transfer relates to agreed and contracted expenditure, in respect of programmes that will continue into 2019/20.

##### ***Children, Young People and Education***

Children's Services have reported significant cost pressures throughout the course of the year due to increased demand; this has continued to impact on the increasing social work caseloads for vulnerable children, and increasing expenditure on commissioned placements and special guardianship orders. The final position for the portfolio for the year is an overspend of £1,435,000.

The main variations arise across the Placement budgets, comprising of an overspend on externally commissioned placement costs of £965,000, on Special Guardianship Orders of £265,000 and on

Emergency payments to support families of £66,000. Placement costs have increased during the course of the year due to the increased number of looked after children and changes in the complexity of need for individual children and young people. During the year every effort has been made to contain these costs and mitigate the overspend, which has generated underspends across other areas of the portfolio, and predominantly in savings on staff costs on non-statutory services. Although the portfolio has been unable to contain all of the costs within budget, it is working to develop its budget strategy to address these shortfalls/pressures in the 2019/20 financial year.

### ***Environment***

The portfolio ended the year with an overspend of £920,000 against the allocated controllable budget, having previously forecast an overspend of £1.0 million. In the main this comprised of a shortfall against income budgets of £1.094 million, a pressure of £246,000 on waste related budgets arising from increases in waste tonnages, and also an increase in costs following the re-tender of the Household Waste Recycling contract. This is offset by savings across other budget areas within the portfolio.

### ***Leisure and Culture***

In the report to the February Executive Board, the portfolio highlighted the significant budget pressures faced of £563,000. Efforts have been made throughout the year to contain these, and at outturn the portfolio overspent by £477,200. Cost pressures prevail in respect of the Leisure Centres and pools and as such, the portfolio continues to review all budgets and to develop and implement plans to address costs going forward in the new financial year.

### ***Neighbourhoods & Prevention***

The final outturn position was an underspend of £12,000. There are a number of minor variations across the portfolio which produce this net underspend figure.

### ***Regeneration***

The portfolio had previously reported pressures in respect of highways maintenance and the markets but following action taken to mitigate these pressures, the year ended with an underspend of £170,000, which includes the write back of a provision for bad debts that is no longer required.

### ***Resources***

The portfolio has sought to contain cost pressures on the Legal Services budget, due to the increase in the number of childcare legal cases and other prosecutions, slippage in delivery of the final portfolio contributions to the workforce review savings programme and also in respect of the Mall and the corporate property portfolio. This has been achieved through underspends, most significantly due to vacancy savings, on cost centres across the portfolio. The final outturn position was an overspend of £54,000.

### ***Dedicated Schools Grant / Schools Block***

Schools & Education is funded through the Dedicated Schools Grant (DSG) and Pupil Premium. This is monitored by the Schools Forum, at which financial reports are considered on a regular basis.

The net deficit of £39,000 comprises of a deficit of £502,000 across all of the individual school budgets and a surplus of £463,000 in respect of centrally retained budgets, including High Needs spending for Special Educational Needs. These variations reduce the level of the School Balances Reserve to £5.150 million and increase the Dedicated Schools Grant Reserve to £6.993 million.

## 6.2 General Fund Unallocated Reserves

The table below shows the movements in unallocated reserves since the last Executive Board report in February 2019.

	£'000	£'000
<b>Forecast unallocated reserves as per Executive Board Report February 2019</b>		<b>6,038</b>
<i>Transfers to / from unallocated reserves</i>		
Net savings in respect of interest and debt repayment costs	+ 1,126	
Unused provisions written back into revenue	+ 473	
Savings as a result of the Meridien VAT Review	+ 209	
Carbon Reduction Commitment saving	+ 242	
Additional government grant income	+ 171	
Contingencies no longer required	+ 129	
Net savings on "ringfenced" budgets	+ 170	
Other net variations	+ 110	+ 2,630
Net cost of portfolio overspends (excluding Schools & Education DSG)		- 2,766
<b>Balance on unallocated general fund reserves at 31 March 2019</b>		<b>5,902</b>

## 6.3 Earmarked reserves

Total earmarked reserves stand at £27.024 million at 31st March 2019 comprising reserves for discretionary use by the Council of £14.464 million and other earmarked reserves of £12.560 million, which largely comprise reserves held in respect of schools.

Details of the requested application of reserves are included in Appendix 1.

Details of all earmarked reserve balances at 31st March 2019 are shown in Appendix 2. This Appendix shows all movements in the specific reserves since the February 2019 Executive Board report including:

- utilisation of the individual reserves
- increases made to these reserves from unallocated reserves or creation of new reserves
- revenue contributions made to capital that are no longer required in 2018/19
- transfers to reserves in respect of grants / contributions and other budgets for carry forward

into 2019/20

## 7. LEGAL IMPLICATIONS

The Council has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on an authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

## 8. RESOURCE IMPLICATIONS

None.

## 9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 ☒ Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 ☐ In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. *(insert EIA link here)*

Option 3 ☐ In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. *(insert EIA attachment)*

## 10. CONSULTATIONS

Not applicable

## 11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

## 12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published on the day following the meeting.

<b>VERSION:</b>	<b>0.01</b>
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<b>CONTACT OFFICER:</b>	<b>Julie Jewson (Extn 5893) Gaynor Simons (Ext 5635)</b>
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<b>DATE:</b>	<b>28th May 2019</b>
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<b>BACKGROUND PAPER:</b>	<b>N/A</b>
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