

REVENUE AND CAPITAL OUTTURN 2018/19

Cabinet Member Cllr Alex White
Responsible Officer Deputy Chief Executive (S151): Andrew Jarrett

Reason for Report: To present the revenue and capital outturn figures for the financial year 2018/19.

RECOMMENDATION: That the PDG note the contents of the report and the proposed recommendations to Cabinet below.

(RECOMMENDATION(S): That Cabinet) -

1 - Note the General Fund outturn achieved in 2018/19 which shows an overall underspend of £19k. This surplus is proposed to be transferred to the General Fund reserve to bring the balance above our minimum recommended level.

2 - Approve the net transfers to earmarked reserves of £2.406m detailed in the General Fund service budget variance reports shown in Appendix 1 and summarised in Appendix 3.

3 – Approve the transfer of £1.250m to a new earmarked reserve Waste Service Infrastructure from the Vehicle sinking fund reserve (para 3.8).

4 - Note the positive position achieved on the Housing Revenue Account which shows a saving of £613k and approve the “earmarking” of the extra £613k shown in paragraph 4.2, as well as the utilisation of reserves totalling £483k identified in Appendices 2 and 3.

5 - Approve the carry forward of £12.077m from the 2018/19 capital programme (see paragraph 6.3) as all of the schemes will be delivered in 2019/20 or later years. Also approve the transfer to Earmarked reserves of the un-spent £459k identified in Appendix 4.

Relationship to the Corporate Plan: The financial resources of the Council impact directly on its ability to deliver the corporate plan prioritising the use of available resources carried forward from 2018/19. All future spending will be closely linked to key council pledges from the updated corporate plan.

Financial Implications: Good financial management and administration underpin the entire document.

Legal Implications: None.

Risk Assessment: Regular financial monitoring information mitigates the risk of over or underspends at year end and allows the Council to direct its resources to key corporate priorities.

Equality Impact Assessment: No equality issues identified for this report.

1 Executive Summary

- 1.1 This report contains information relating to the Council's performance for the 2018/19 financial year. The outturn figures included are provisional subject to external review; the findings of which are to be reported to Audit Committee in June this year.
- 1.2 Monitoring the budget is an important part of the Council's performance management framework.
- 1.3 The revenue outturn position for the financial year 2018/19 is as follows:
- The General Fund (GF) Revenue Outturn position for 2018/19 is a net underspend of £19k. The table below assumes this transfer.
 - The HRA is a "Self-Financing" account for the Council's Housing Landlord function, which is budgeted to "break even" (net of approved transfers to/from HRA Reserves). The HRA Outturn for 2018/19 is a net underspend of £613k.

	31 March 2018	In year movement £k	31 March 2019
	£k		£k
General Fund Reserve	2,690	(189)	2,501
Housing Revenue Account Reserve	2,000	0	2,000

- 1.4 The Capital outturn position for 2018/19 is shown in Section 6.

2 Introduction

- 2.1 Members of the Cabinet should note that the outturn report is fundamentally a set of management reports that show the year end position on all service areas. The Finance Team then have to turn these management reports into the statutory financial statements which are subject to a wide number of complex accounting rules that often significantly change the final picture of a service's financial position for the year. However, it is important to note that the bottom-line profit or loss for the year remains constant.
- 2.2 Members will be aware from previous experience that the position can change between "in-year" projections and the final outturn position, mainly due to demand-led service costs and income levels. The budget monitoring process involves a regular review of budgets. Budgetholders, with support and advice from their accountants, review the position and update their forecasts based on currently available information and knowledge of service requirements for the remainder of the year. As with any forecast there is always a risk that assumptions and estimates will differ from the eventual outcome.

- 2.3 During the budget setting process we continue to ensure that revenue budgets are set on a robust basis and take a prudent view of the likely levels of income and expenditure.

3 The General Fund Reserve

- 3.1 This is the major revenue reserve of the Council. It is increased or decreased by the surplus or deficit generated on the General Fund in the year. This reserve held a balance of £2.690m at the end of 2017/18 following the end of year transfers. In 2018/19 there were a number of transfers and contributions to general reserves which, if the final transfer of £19k is approved, the General Fund Reserve will slightly exceed the recommended minimum level of £2.5m (25% of the Net Budget).
- 3.2 Detailed budget monitoring reports were provided to both senior managers and Members throughout 2018/19. This monitoring focused on significant budget variances (+/- £10k), included remedial action where necessary and estimated an overall outturn position. The final written monitoring report considered by the Cabinet gave a detailed position as at 31 December 2018 and predicted an end of year deficit of £65k for the General Fund. Therefore the final position improved by £84k.
- 3.3 The table below shows the overall budget, actual and variance, summarised for 2018/19.

	2018/19 Budget £	2018/19 Actual £	Variance £
Total Cost of Services	9,100,130	8,448,135	(651,995)
Other Income and Expenditure	905,820	2,333,275	1,427,455
TOTAL BUDGETED EXPENDITURE	10,005,950	10,781,410	775,460
TOTAL FUNDING	(10,005,950)	(10,800,565)	(794,615)
Net Income and Expenditure	0	(19,155)	(19,155)

- 3.4 A detailed explanation of all the key variances is shown in Appendix 1, service by service. Inevitably, within a service, there are often variances which compensate. Some areas may create savings which in turn can be partly or fully offset by overspends elsewhere. In this report we have tried to highlight the major movements to enable Members to appreciate the more significant trends within each service area.

NB – where any of the above variances were deemed to be recurring, the 2019/20 budget was adjusted accordingly.

- 3.5 The overall effect of the 2018/19 financial year would result in a General Fund Balance of £2.501m which is in line with the Council's own minimum requirement of £10.005m (Net Budgeted Expenditure) x 25% = **£2.501m** (agreed by Full Council).
- 3.6 In addition to the GF Balance, the Council holds a number of Earmarked Reserves (EMRs) which are used to help fund anticipated future expenditure

commitments. The net movement of £2.405m into these reserves and the end of year balances held on them are shown in Appendix 4.

3.7 Market Walk and Fore Street Shops, Tiverton

Members will no doubt be keen to see the fourth year's results following the acquisition of the shops in March 2015. The return on investment has dropped compared to 2017/18 (1.5%) due to an increase in vacant units and rent reductions during 18/19. These are challenging times "on the high street" and we are mindful that we must balance the return on our investment with the perception and vision for the town, hence we may accept a lower return in exchange for occupancy of the units.

The various elements are shown in different areas of the Income and Expenditure account, but the overall position is as follows:

	£k
Net rental income after expenses	
(Shown within property Services committee)	(235)
Interest payable on Public Works Loan Board loan	99
Statutory Capital Financing (over 50 years)	83

Net income for the year	(53)
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This income equates to an approximate return of 1.27% ($53k \div 4.173m$), net of borrowing costs. (£4.173m = Principal)

3.8 New Earmarked Reserve – Waste Service requirements

The conclusion of the corporate vehicle tender that has freed up £1.25m held in the vehicle sinking fund earmarked reserves which could be used to purchase land for a unified waste/grounds maintenance depot and other waste service related future costs. This is a rare opportunity to re-allocate funds which have already been accumulated to mitigate future costs.

4.0 Housing Revenue Account (HRA)

4.1 This is a ring-fenced reserve in respect of the Council's housing landlord function. It is increased or decreased by the surplus or deficit generated on the HRA in the year. For 2018/19 the outturn is a net surplus of £613k and Members are requested to approve a transfer to HRA reserves to bring this to zero.

4.2 This surplus is explained in paragraph 4.4 and the effect of it on the HRA Balance is shown below.

HRA Balance

	£m
HRA balance @ 31/03/18	(2.000)
Budget saving achieved in 2018/19	(0.613)
Additional transfer to 30yr modernisation programme	0.613
HRA balance @ 31/03/19	(2.000)

- 4.3 After the strong closing financial position delivered in 2018/19, it is recommended to transfer a sum of £613k into the Housing Maintenance Fund earmarked reserve. This is in addition to the £1.605m budgeted in-year contribution. The above position leaves an HRA balance of £2.0m as at 31 March 2019.
- 4.4 The main budget variances during 2018/19 that give rise to the figure of £613k were the £72k salary savings, which include savings relating to Standby payments to Depot staff; £124k of tenancy salary underspend due to posts remaining vacant during the year; and £160k saving where anticipated financing of capital spend was not utilised. For further details, please see the HRA Outturn Summary for 2018/19, which is attached as Appendix 2 to this report.
- 4.5 In addition to the above, the HRA hold a number of earmarked reserves. The movements on these during 2018/19 and their closing balances are shown on Appendix 3. This money is effectively “ring fenced” and will be held to meet expenditure on projects during 2019/20 and beyond.

5.0 The Collection Fund

- 5.1 Mid Devon is a collection authority for council tax and national non-domestic rates, and as such, is required to produce a collection fund account for the Mid Devon area. The Council collects council tax on behalf of Devon County Council, Devon Fire and Rescue Service, Devon & Cornwall Police and the Town/Parish Councils.
- 5.2 The council tax collection rate for 2018/19 was 97.8% (98.0% in 2017/18). This demonstrates how effective our Revenues section has been in collecting the annual charge in extremely challenging economic times. The Non Domestic Rates collection rate improved to 99.3% for 2018/19 (99.2% in 2017/18).

6.0 Capital Outturn

- 6.1 A capital outturn summary is attached as Appendix 4 to this report. The revised capital budget for 2018/19 amounted to £21.372m. At the year-end we had spent £9.617m leaving the capital programme underspent in total by £11.755m.

- 6.2 Capital receipts of £1.343m (this includes general useable capital receipts and ring-fenced replacement homes capital receipts) were applied to finance the programme with the balance of the expenditure met by a combination of borrowing, external grants and contributions from reserves.
- 6.3 As shown in Appendix 4 there are capital projects totalling £12.077m which have not been completed as at the 31 March 2019. This expenditure, therefore, needs to be rolled forward to be included in the 2019/20 capital programme. These schemes are still fully funded by either unspent capital grants or by provisions held within capital earmarked reserves. In addition there is £309k mainly relating to Affordable Housing and Private Sector Housing Grants that will remain in a reserve for future prioritisation.
- 6.4 The Capital Receipts Reserve (note this includes general useable capital receipts and ring-fenced replacement homes capital receipts) is used to part fund the capital programme - the movement on this account for the year is given below:

	£m
Balance at 1 April 2018	(3.501)
<ul style="list-style-type: none"> • Sale of Council Houses - 14 • General Fund Sales • Pooling of Housing Capital Receipts to Government. • Capital Receipts applied in year 	(1.387) (294) 218 1.343
Balance at 31 March 2019	(3.621)

Note – the remaining balance of £3.621m is committed in order to fund any slippage, specific projects in ICT and Private Sector Housing and to balance the Capital Medium Term Financial Plan.

- 6.5 The Capital Earmarked Reserve has been set aside from Revenue to fund capital projects; the balance on this reserve now stands at £415k made up by the following transactions:

	£k
Balance at 1 April 2018	(482)
Funding required to deliver the 2018/19 Programme	67
Balance at 31 March 2019	(415)

Note – the remaining balance of £415k is committed in order to fund any slippage and to balance the Capital Medium Term Financial Plan.

- 6.6 The Council also holds New Homes Bonus which can be used for either Revenue or to support future Capital Programmes, the balance held at 31 March 2019 is £2.754m; again much of this remaining balance is committed to fund any slippage and to balance the Capital Medium Term Financial Plan.

7.0 Treasury Management

- 7.1 A review of the 2018/19 investment performance, including the details of interest payable, are included within the separate 2018/19 Treasury Outturn Report.

8.0 Conclusion

- 8.1 Members are asked to note the revenue and capital outturn figures for the financial year 2018/19 and agree the proposed earmarking of surplus funds generated by in year savings from both the GF and the HRA. In addition, Members need to approve the incomplete projects on the 2018/19 capital programme be rolled forward into the 2019/20 capital programme.

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Background Papers:

Circulation of the Report:

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