

Southend-on-Sea Borough Council

Agenda
Item No.

**Report of Chief Executive
to
Cabinet
on
19 June 2018**

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Revenue Outturn 2017/18

**Policy and Resources Scrutiny Committee
Cabinet Member: Councillor John Lamb
*A Part 1 Public Agenda Item***

1 Purpose of Report

To advise the Cabinet of the revenue outturn for 2017/18, and therefore the level of revenue balances going into 2018/19.

2 Recommendation

- 2.1 That the revenue outturn for the General Fund and HRA for 2017/18 be noted; and
- 2.2 That following due consideration, Cabinet approve the appropriation of revenue funds to and from earmarked reserves, as set out in paragraph 4.6 (General Fund) and paragraph 5.4 (HRA).

3 Background

- 3.1 This report provides an overall summary of the revenue outturn for the financial year 2017/18. The 2017/18 accounts are subject to audit, but are not now expected to change.

4 General Fund

- 4.1 The table below summarises the revenue outturn for the General Fund and the consequential use of balances for 2017/18. The outturn has been prepared on the assumption that all appropriations to and from earmarked reserves are approved. Members are invited to consider the appropriate level of appropriations later in this report.

Portfolio	Original Budget £000	Probable Outturn £000	Forecast Period 11 £000	Actual £000
Leader	2,387	2,453	1,739	1,183
Corporate & Community Support Services	12,056	11,001	10,801	10,399
Culture, Tourism & the Economy	12,593	13,012	13,269	13,418
Transport, Waste & Regulatory Services	22,394	21,794	22,038	22,580
Housing, Planning & Sustainability	5,122	4,942	5,066	5,098
Children & Learning	26,237	28,578	24,675	25,274
Health & Adult Social Care	38,948	37,911	37,202	36,942
Technology	4,383	4,875	4,900	4,756
Portfolio Net Expenditure	124,120	124,566	119,690	119,650
Reversal of Depreciation	(18,831)	(17,014)	(11,963)	(11,796)
Levies	590	590	590	590
Financing Costs	16,594	7,023	6,584	6,159
Contingency	5,228	4,636	380	0
Pensions Upfront Funding	7,467	7,467	7,467	7,467
Net Operating Expenditure	135,168	127,268	122,748	122,070
Government Grants	(3,537)	(3,537)	(3,537)	(3,582)
Revenue Contribution to Capital	3,804	4,842	4,842	4,623
Contribution to / (from) Earmarked Reserves	(12,282)	(5,420)	(900)	1,345
Net Expenditure / (Income)	123,153	123,153	123,153	124,456
Government Grants and Local Taxation	(123,153)	(123,153)	(123,153)	(124,456)
Contribution (to) / from General Reserves	0	0	0	0

- 4.2 The table above shows that net expenditure for 2017/18 totalled £124.456 million. This was £1.303 million (1.3%) above the month 11 forecast, which represents an additional appropriation to Earmarked Reserves, following a better than anticipated level of S31 grants in relation to Business Rates. This increase in Government Grants and Local Taxation income means that there has been no draw down from the General Fund Reserve to support expenditure. Given that the overall gross spend of the Council is in the region of £380 million, this variance is within acceptable parameters.
- 4.3 Members have been in receipt of monthly budget monitoring information, so most variances have been well documented. In particular month 11 recognised a number of in year underspends in relation to various contingency and portfolio budgets and the impact on capital financing of the revised MRP policy. This allowed additional appropriations to earmarked reserves of £11.382 million as a result.
- 4.4 This report therefore concentrates on variances between the month 11 forecast and the outturn. Although the outturn is in line with the period 11 forecast, there

are of course numerous under and overspends on individual services. In particular the year-end review of provisions for insurance, redundancies and bad and doubtful debts have been undertaken, resulting in the release of monies previously set aside back into the general fund. In turn these monies have been appropriated to earmarked reserves. Additionally year end reviews are undertaken of revenue projects associated with particular grant streams. Where the project has not completed in year, the value of the unspent grant is carried forward through the use of earmarked reserves.

- 4.5 There are however a number of principal underlying variances between period 11 and the actual outturn:

	£000
Treasury Management (Capitalisation of interest relating to invest to save project)	(425)
Increase in General Grants	(45)
Various net overspends	15
Bad Weather impact on expected car parking receipts late February, early March	180
Additional libraries running costs and loss of income	195
Provision for losses on Academisation	170
Additional waste collection costs, principally around revised recycling targets	290
Various self-balancing appropriations valued at £2.245M, relating to business rate grants, review of insurance provisions and the carry forward of the spending power of service specific grants	
Unused contingency budget	(380)
Total Variance	0

Appropriations to and from Earmarked Reserves

- 4.6 Set out below are the recommended appropriations to and (from) earmarked reserves, subject to the approval of Cabinet, annotated as appropriate where the appropriation is materially different from that planned. Apart from previously planned and self-balancing appropriations, additional appropriations are limited to transfers between reserves.

Reserve	Planned to period 11 £000	Self-Balancing* £000	Additional £000	Total £000
Capital Reserves The drawdown of capital reserves has been adjusted to match the level of revenue contributions towards capital expenditure. Additionally it is proposed that monies be transferred from other reserves to supplement the ability to respond to changes in the capital programme	(1,670)	248	2,500	1,078
Insurance Reserves Following a review, there has been a realignment of the balance between the insurance provision and reserve	-	567	-	567
Corporate Reserves The additional retained business rate grant received has been transferred to the rates retention reserve to mitigate against possible future declines in rate income. Additionally it is proposed that monies be transferred to other reserves, namely capital and children's social care, to support their function	2,768	1,195	(3,000)	963
Service Reserves It is proposed that additional monies be transferred from other reserves, in particular to facilitate the on-going children's social care transformation work.	(2,100)	(33)	1,557	(576)
Grant Reserves It is proposed that an unused grant reserve now be transferred to other service reserves to support their function	(491)	268	(464)	(687)
Unallocated at period 11 It is proposed that this unallocated planned transfer now be used to support the function of other service reserves	593	-	(593)	-
Total cost of service related appropriations	(900)	2,245	-	1,345
Reserves used to balance the budget	(3,781)	-	-	(3,781)
Total appropriations to / (from) reserves	(4,681)	2,245	-	(2,436)

* Self Balancing appropriations are particularly those where an underspend in grant received is matched by a balancing underspend in expenditure, with the unspent grant being carried forward through earmarked reserves. Another example would be where there has been a need to top up the Insurance provision (via the revenue account) from the Insurance Reserve.

5 Housing Revenue Account

5.1 The table below summarises the provisional revenue outturn for the Housing Revenue Account and the consequential use of balances for 2017/18.

	Original Budget £000	Revised Budget £000	Forecast Period 11 £000	Actual £000
Employees	215	221	221	222
Premises (excluding repairs)	732	760	761	766
Repairs	4,831	4,831	5,061	5,024
Supplies and Services	68	68	68	66
Management Fee	5,827	5,827	5,827	5,827
MATS	1,124	1,124	1,124	1,078
Provision for Bad Debts	383	383	383	104
Depreciation, Impairment etc	7,553	6,053	6,312	5,624
Interest Charges	3,413	3,473	3,426	3,427
Debt Management	48	48	44	35
Total Expenditure	24,194	22,788	23,227	22,173
Fees and Charges	(392)	(435)	(435)	(322)
Dwelling Rents	(25,400)	(25,750)	(25,649)	(25,962)
Other Rents	(1,273)	(1,273)	(1,373)	(1,419)
Other Charges	(277)	(377)	(377)	(419)
Contribution from Leaseholders	0	0	0	(280)
Interest	(135)	(157)	(158)	(159)
Recharged to Capital	(459)	(401)	(401)	(360)
Total Income	(27,936)	(28,393)	(28,393)	(28,921)
Net Operating Expenditure	(3,742)	(5,605)	(5,166)	(6,748)
Statutory Mitigations on Capital Financing	0	0	0	688
Revenue Contribution to Capital	350	189	218	632
Appropriation to Earmarked Reserves	3,392	5,416	4,948	5,428
(Surplus) or Deficit in Year	0	0	0	0

5.2 The table above shows a balanced outturn for 2017/18 as anticipated.

5.3 There are however a number of under and overspends on individual budget lines. These include additional rental income coupled with additional fees and charges. There is also an underlying fall in the depreciation charge to the HRA offset by statutory mitigations. In addition there has been less need to top up the provision for bad and doubtful debts. The Revenue Contribution to Capital spend has increased, following the late purchase of some ex-council flats. Finally, rather than build a higher general reserve for the HRA, additional net appropriations to HRA earmarked reserves are proposed.

5.4 Therefore the recommended HRA appropriations are;

HRA Reserve	Planned £000	Additional £000	Total £000
Repairs Contract Pensions Reserve	60	0	60
Capital Investment Reserve	(356)	480	124
Major Repairs Reserve (Revenue)	5,244	0	5,244
	4,948	480	5,428

6 Other Options

6.1 This is a factual report setting out the provisional outturn. As such there are no other options. Members are of course able to suggest changes to the amounts appropriated to and from earmarked reserves, which would result in a compensating adjustment to the amount taken to or from general reserves.

7 Reasons for Recommendations

7.1 As part of the year end processes, Members need to approve any appropriations to or from earmarked reserves. This report fulfils that purpose.

8 Corporate Implications

8.1 Contribution to Council's Vision & Critical Priorities

This report outlines the delivery of the Council's objectives and priorities in financial terms

8.2 Financial Implications

As set out in the report

8.3 Legal Implications

None

8.4 People Implications

None

8.5 Property Implications

None

8.6 Consultation

None

8.7 Equalities Impact Assessment

None

8.8 Risk Assessment

None

8.9 Value for Money

As set out in the report

8.10 Community Safety Implications

None

8.11 Environmental Impact

None

9 Background Papers

None

10 Appendices

None