

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Chief Executive
to
Cabinet

on
20 June 2017

Report prepared by: Ian Ambrose
Group Manager, Financial Management

Revenue Outturn 2016/17

Policy and Resources Scrutiny Committee
Executive Councillor: Councillor Lamb
A Part 1 Public Agenda Item

1 Purpose of Report

To advise the Cabinet of the revenue outturn for 2016/17, and therefore the level of revenue balances going into 2017/18.

2 Recommendation

- 2.1 That the revenue outturn for the General Fund and HRA for 2016/17 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 2016/17. The 2016/17 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 2016/17. 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 | 3,703 | 3,217 | 2,855 | (2,407) |
| Corporate & Community Support Services | 2,666 | 2,810 | 4,516 | 1,892 |
| Culture, Tourism & the Economy | 14,261 | 15,217 | 16,772 | 16,133 |
| Transport, Waste & Cleansing | 23,127 | 22,158 | 25,649 | 26,184 |
| Housing, Planning & Public Protection Services | 10,747 | 10,766 | 10,819 | 7,831 |
| Children & Learning | 30,770 | 32,519 | 32,855 | 33,087 |
| Health & Adult Social Care | 40,912 | 43,216 | 43,362 | 44,610 |
| Technology | 110 | 147 | 65 | 0 |
| Portfolio Net Expenditure | 126,296 | 130,050 | 136,893 | 127,330 |
| Reversal of Depreciation, Revaluations etc | (18,642) | (18,642) | (24,600) | (15,861) |
| Levies | 585 | 579 | 579 | 554 |
| Financing Costs | 15,787 | 15,588 | 13,180 | 13,078 |
| Contingency | 5,816 | 3,259 | 2,984 | 0 |
| Miscellaneous Income | 0 | 0 | 0 | (141) |
| Pensions Upfront Funding etc | (4,782) | (4,782) | (4,782) | (3,812) |
| Net Operating Expenditure | 125,060 | 126,052 | 124,254 | 121,148 |
| Non Service Specific Grants | (4,252) | (4,252) | (4,252) | (4,058) |
| Corporate Savings | (200) | 0 | 0 | 0 |
| Revenue Contribution to Capital | 6,472 | 2,164 | 2,164 | 1,712 |
| Contribution to / (from) Earmarked Reserves | (3,874) | (758) | 1,040 | 5,487 |
| Net Expenditure / (Income) | 123,206 | 123,206 | 123,206 | 124,289 |
| Government Grants and Local Taxation | (123,206) | (123,206) | (123,206) | (124,289) |
| Contribution (to) / from General Reserves | 0 | 0 | 0 | 0 |

| Use of Reserves | | | | |
|------------------------------------|---------------|---------------|---------------|---------------|
| Balance as at 1 April 2016 | 11,000 | 11,000 | 11,000 | 11,000 |
| Use in Year | 0 | 0 | 0 | 0 |
| Balance as at 31 March 2017 | 11,000 | 11,000 | 11,000 | 11,000 |

4.2 The table above shows that net expenditure for 2016/17 totalled £124.289 million. This was £1.083 million (0.87%) above the month 11 forecast. This was compensated by additional retained business rate grant income of £1.083 million, and as a result 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 £390 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. This report therefore concentrates on variances between the month 11 forecast and the outturn.

- 4.4 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 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.
- 4.5 Additionally year end accounting differs from that employed during the year, as management accounts are transformed into statutory reporting formats. This involves many self-balancing adjustments between accounting lines to display income and expenditure in its “appropriate” place together with final allocations from the contingency fund. In particular a number of asset revaluations pass through the revenue budget as service income, only to be reversed out again. There are however a number of principal variances:

| | £000 |
|--|-------------|
| Revenue Contribution to Capital | (452) |
| Treasury Management etc | (102) |
| Reduction in General Grants | 194 |
| Various net overspends | 518 |
| Various self-balancing appropriations, particularly relating to the carry forward of the spending power of service specific grants | |
| Additional appropriations relating to capital, business transformation and other earmarked contingency sums | 1,326 |
| Unused contingency budget | (1,484) |
| 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.

| Reserve | Planned to period 11 £000 | Self-Balancing* £000 | Additional £000 | Total £000 |
|--|------------------------------|-------------------------|--------------------|---------------|
| Capital Reserves Additional reserves have been set aside for future capital programme items | (1,593) | 757 | 1,000 | 164 |
| Insurance Reserves Following a review, there has been a realignment of the balance between the insurance provision and reserve | 0 | 1,300 | 0 | 1,300 |
| Corporate Reserves Additional reserves have been set aside for future business transformation as the Council continues to adjust to lower government funding, and to build reserves for potential pension pressures arising from the forthcoming pensions revaluation. | 7,479 | (964) | 226 | 6,741 |
| Service Reserves Additional reserves have been set aside in particular to facilitate the on-going social care and welfare reform agenda. | (3,637) | 2,261 | 100 | (1,276) |
| Grant Reserves Preservation of the spending power of service grants between years | (1,209) | (233) | 0 | (1,442) |
| | 1,040 | 3,121 | 1,326 | 5,487 |

* 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 2016/17.

| | Original Budget £000 | Revised Budget & Period 11 £000 | Actual £000 |
|---|---------------------------------|--|------------------------|
| Employees | 276 | 276 | 283 |
| Premises (including repairs) | 5,438 | 5,438 | 5,064 |
| Supplies and Services | 67 | 167 | 132 |
| Management Fee | 5,618 | 5,877 | 5,877 |
| MATS | 1,048 | 1,048 | 1,048 |
| Provision for Bad Debts | 372 | 372 | 118 |
| Depreciation, Impairment etc | 7,310 | 7,310 | 5,609 |
| Interest Charges | 3,511 | 3,445 | 3,467 |
| Debt Management | 48 | 48 | 48 |
| Total Expenditure | 23,688 | 23,981 | 21,646 |
| Fees and Charges | (74) | (392) | (452) |
| Dwelling Rents | (25,705) | (26,005) | (26,229) |
| Other Rents | (1,369) | (1,369) | (1,419) |
| Other | (263) | (263) | (245) |
| Contribution from Leaseholders | 0 | 0 | (386) |
| Interest | (210) | (160) | (195) |
| Recharged to Capital | (530) | (390) | (318) |
| Total Income | (28,151) | (28,579) | (29,244) |
| Net Operating Expenditure | (4,463) | (4,598) | (7,598) |
| Statutory Mitigation on Capital Financing | 0 | 0 | 252 |
| Revenue Contribution to Capital | 2,176 | 1,900 | 1,835 |
| Appropriation to Earmarked Reserves | 2,287 | 2,698 | 5,511 |
| (Surplus) or Deficit in Year | 0 | 0 | 0 |
| Use of Reserves | | | |
| Balance as at 1 April 2016 | 3,502 | 3,502 | 3,502 |
| Used in year | 0 | 0 | 0 |
| Balance as at 31 March 2017 | 3,502 | 3,502 | 3,502 |

5.2 The table above shows a balanced outturn for 2016/17 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 following a revision in the calculation methodology, that creates a revenue saving. In addition expenditure on repairs has underspent and there has been less need to top up the provision for bad and doubtful debts. 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 | 2,638 | 2,813 | 5,451 |
| | 2,698 | 2,813 | 5,511 |

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