

Report to: Cabinet
Date of Meeting: 5 June 2019
Public Document: Yes
Exemption: None



Agenda item: 16

Subject: Revenue and Capital Outturn Report 2018/19

Purpose of report:

During 2018/19 budget monitoring reports have informed members of budget variations and the anticipated year end financial position. This report contains the final position for the year and compares this outturn position against the budgets set.

The report outlines the implications of these results on the Council's reserves and makes recommendations on any reserve transfers.

The Council's Unaudited Accounts were issued on 31st May 2019 and published on the Council's website, it is anticipated the Audited Accounts will be issued on 25th July 2019.

Recommendation:

Cabinet consider and agree the outturn position for 2018/19 including the implications and proposals relating to the Balances and Reserves held by the Council.

Reason for recommendation:

To report the outturn position for the Council's approved budgets for the General Fund, Housing Revenue Account and Capital Expenditure. This financial position aligns to the Council's Statement of Accounts but the position in this report is presented in a style that accords to the budget setting and monitoring reports that members receive.

Members are asked to note the variations from the budgets identified within the report and consider the final position.

It is appropriate at this stage to reflect on the reserves and balances held by the Council and determine if these are the right reserves at the right levels going forward.

Officer:

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Financial implications:

The financial details are outlined in the report

Legal implications:

There are no legal implications requiring comment.

Equalities impact: Low Impact
No decisions are required which effect service/customer provision

Risk: Low Risk
Financial monitoring reports have kept members informed during the year of budget variations and the projected outturn position of the Council's finances. No areas of concern were raised with the Council maintaining its net spending within overall approved budget levels. All predetermined Balance and Reserve levels were maintained comfortably above the adopted minimum levels. This position has now proven correct in the final outturn position presented in this report.

The report also looks at the monies the Council holds in balances and reserves and considers these in the light of the Council's future financial position and future Government funding cuts. Consideration is given to the Council's financial track record, internal and external audit reports on financial controls and is reflective of occurrences from external factors which affect the Council's finances.

Links to background information:

Link to Council Plan: A sound financial position allows the Council to deliver its priorities and outcomes set out in the Council Plan.

1. Introduction

- 1.1 This report compares the outturn position (actual amount spent or income received for the year) against budgets set for the financial year 2018/19 for the General Fund, Housing Revenue Account (HRA) and the Capital Programme.
- 1.2 The report looks at the effect the outturn position has on the Council's balances and reserves and considers future policy for holding these sums.
- 1.3 The Council's Unaudited Accounts were issued on 31st May 2019 and are published on the Council's website [Final Accounts 2018/19](#) , it is anticipated the Audited Accounts will be issued on 25th July 2019.

2. General Fund position

- 2.1 The 2018/19 budget was set by Council with a balance of £0.144m to be met from the General Fund Balance to meet the cost of one off items of expenditure included in the budget. The final year end outturn position has resulted in a surplus of £0.272m, which is a saving of £0.416m against the net budget of £14.571m.
- 2.2 There has been positive and negative variations against the budget set, the main areas being.

General Fund 2018/19 – main outturn variations against budget	Variation £000	Comment on Future budget implications
Employee savings mainly from vacant posts, the overall budget for employee costs is £14.050m.	(139)	No implication
Savings returned by Strata higher than budgeted.	(122)	No implication
Car Park income higher than projected - good weather generated high use.	(161)	No implication
Housing Benefit net costs after subsidy above budget. £230k variance against £29.9m expenditure budget is a minor variation in percentage terms but results in a significant sum.	230	No implication
Saving obtained in administration costs in Revenues & Benefits service - Council Tax, Housing Benefit, Council Tax Support, Business Rates, Fraud and Sundry Debtors. Plus additional incentive payments from Government. Savings have been reflected in the 2019/20 budget where continuous.	(226)	No implication
Homesafeguard income down on budget, loss of some corporate customers – marketing strategy being revisited. Income budget was reduced by £34k for 2019/20 budget	77	This will be monitored closely Concern
Additional rental income in a numbers areas including beach huts, cafes, kiosks and other leased commercial properties. Additional income has been reflected in 2019/20 budget.	(99)	No implication
Street Trading income below budget, scheme modified to reflect feedback. Budget reduced by £16k in 2019/20	16	No implication
Public Conveniences overspend on utility and maintenance costs, in particular water charges. Total budget £440k.	32	This will be monitored closely Concern
Recycling & Refuse additional costs associated with extra stock purchases as a mitigation against Brexit (£121k), also income from Green Waste not as high as targeted in the Transformation Strategy (£45k reduction), but these have been more than offset by additional recycling income due to increased volume and better than expected market rates.	(241)	No implication
Savings through procurement on retender of insurance. This has been reflected in 2019/20 budget.	(150)	No implication
Transformation Strategy saving on Legal fee recovery down on budget. Budget reduced in 2019/20 to a more realistic figure	28	No implication

<p>Additional Homelessness Costs.</p> <p>The budget level was not increased in 2019/20, actions have been taken to mitigate costs in relation to more cost effective provision of temporary accommodation.</p>	58	<p>This will be monitored closely</p> <p style="background-color: yellow;">Concern</p>
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- 2.3 The main positive variations relate to volatile areas such as car park income, staff vacancies and recycling income which can vary significantly based on external factors. Budgets in these areas are set prudentially due to the implications on Council finance should adverse variations occur.
- 2.4 A new reserve has been created in 2018/19 with £8,020 for a new online box office system at Manor Pavilion enabling the carry forward of funding for 2019/20. This transfer has been assumed in the outturn position.
- 2.5 The Council was granted 100% business rates pilot status for 2018/19, this has generated additional rating income of £1.1m to be retained by the Council. The bid to Government to obtain this status was on the basis that this additional income would be used to promote and protect economic development in the district. The Council to date have agreed to support two areas from this additional income; £0.6m additional share purchase in Exeter Science Park Company Limited (ESPL) and the purchase of £0.05m founder shares in South West Mutual Ltd (the setting up of South West Mutual Bank). The remaining surplus of £0.450m has been transferred to a reserve making it available for future members' consideration.
- 2.6 The overall General Fund Balance position at year end is given below, this shows the effect of the outturn variation of £0.416m.

General Fund Balance Position	£000
Opening Balance 1/4/2018	(3,666)
Agreed use of General Fund Balance in 2018/19	144
Outturn variation 2018/19	(416)
Closing Balance 31/3/2019	(3,938)

- 2.7 The General Fund Balance at £3.938m is £0.138m above the proposed adopted range which is between £3m and £3.8m. The agreed adopted range calculation is still considered appropriate as there has been no key change to the factors used in its determination. This represents 10% of our net budget equivalent to a two year operational period which gives £3m; to this is added £0.8m headroom to give £3.8m as a top of the range figure. This is the range we stipulate the General Fund Balance to be within before members need to take action; whether above or below the range.

In setting the 2019/20 budget Council agreed for £0.261m to be used from the General Fund Balance; £0.080m for the District Election and £0.181m to meet general expenditure. It is therefore proposed to leave the General Fund Balance at £3.938m to enable a small offset of this call on the Fund in 2019/20.

2.8 The year end position on the other main Balances/Reserves held for the General Fund are:

- **£1.689m Transformation Reserve.** This sum is set aside to assist the Council's transformation programme by meeting upfront costs necessarily incurred in order to produce savings/efficiencies in future years. Of this sum a further £0.326m has been committed by Council leaving £1.363m available.
- **£0.954m Asset Maintenance Reserve.** Used to support the Council's General Fund Assets and planned maintenance backlog/essential work/asset failure (created from one off VAT refunds). This Reserve is currently used at a rate of around £0.100m to £0.200m annually. Details of spend are agreed by SMT (Strategic Management Team) presented to the Asset Management Forum to ensure they do not conflict with asset strategy.
- **£0.639m Business Rates Volatility Fund.** Available to mitigate the volatility of business rate income should income fall below the expected budget and allows the Council to set a level in the budget with certainty in relation to an income source that can fluctuate.
- **£0.103m Local Authority Business Growth Incentive Scheme Reserve.** The purpose of this reserve is to promote and deliver economic development. A programme of spend and authority for spend has been approved by Council and is spent in consultation with Economy Portfolio Holder.

Other Earmarked Reserves

There are other earmarked reserves for specific projects where funding or contributions have been made in advance of spend and monies are held at year end to fund this work in future years. Complete details are contained in the Council's Statement of Accounts 2018/19.

3 Housing Revenue Account (HRA)

3.1 The 2018/19 budget was set to achieve a surplus of £1.413m, the outturn position gives a surplus for the year of £1.187m; a variation of £0.226m, the main variations are given below.

HRA 2018/19 – Outturn variations against budget	Variation £000	Comment on Future budget implications
HRA income was extremely close to budget. A variance of only £16k on Council Dwelling income against a budget of £18.2m.	22	No implication
An increase of £8k has been made to the bad provision, not budgeted for as this is a year end assessment.	8	No implication
Supervision & Management saving of £165k of which £97k was through employee savings mainly from vacant posts (employee budget £3.3m).	(165)	No implication

Responsive repairs over budget by £0.476m (budget was reduced by £0.170m from previous year as it thought reductions could be made). This is an area where particular attention has been given in preparing and awarding of a new maintenance contract to be implemented in 2019/20, this will be based on a fixed price per property to control such costs.	561	This area will be monitored closely No implication
Major Repairs spending was £0.253m below budget, of which £0.160m is to be transferred to reserves to be used in 2019/20.	(93)	No implication
Savings in interest paid as internal resources utilised for house purchases	(69)	No implication

3.2 The updated position of the HRA Balance is given below.

HRA Balance	£000
Opening Balance 1/4/2018	(3,901)
Agreed surplus in 2018/19	(1,413)
Outturn variation 2018/19	226
Closing Balance 31/3/2019	(5,088)

3.3 £0.165m has been transferred to a Property Maintenance Reserve to undertake works which were budgeted in 2018/19 but will now be carried out in 2019/20, the work mainly relates to a programme of eave replacements. This transfer to reserves has been included in the outturn position.

3.4 The adopted minimum level for the HRA Balance is between £2.1m to £3.1m, based on £490 per property with headroom added of £1m. This leaves the HRA Balance at £1.988m above the adopted range.

3.5 The Council set an HRA surplus budget for 2018/19 with the option to repay a £1.581m loan due for repayment at year end or to refinance the loan and use the surplus to meet other key housing spending plans. Refinancing was undertaken given the ability to obtain a fixed loan for a further 20 years at 2.5% taking advantage of still low fixed rates and taking into consideration the request from the Housing Review Board to urgently fund Fire Risk Assessment works and essential lift maintenance totalling £3.550m. The £3.550m cost will be met from the 2018/19 HRA Balance position above the adopted range now confirmed at £1.988m with the remaining sum of £1.562 being available from housing capital receipts.

3.6 The year end position on other Balances/Reserves held for the HRA are:

- **£1.6m in the HRA Business Volatility Fund.** The HRA self-financing business plan relies on a number of assumptions outside the control of the Council, with significant debt repayment schedules this reserve was established to mitigate this risk giving time if necessary to reshape the HRA budget to accommodate any negative changes.
- **£0.980m New Housing Development Fund.** Used for house purchases to meet 70% of the cost where 30% comes from Right to Buy receipts.

- **£1.901m capital receipts** available for general HRA capital expenditure, after allowing £1.562m committed in 3.5 above leaves £339m available.
- **£3.945m capital receipts** to be spent on Right to Buy replacements. If receipts are not spent within 3 years then they are required to be returned to Government together with an interest payment of 4% above base rate.

4 Capital Budget

4.1 The revised net capital budget (after grants and contributions) for 2018/19 was £21.511m, the outturn position is lower by £4.579m at £16.932m. The majority of this underspend is from scheme slippage which needs to be re-profiled into 2019/20 or later years. From the list below there are a number of property related schemes that have been delayed as a consequence of staff vacancies in the property and estates team, a new team and structure is now in place.

Capital 2018/19 – Outturn variations against budget	Variation £000
Agreed loan to Beer Community Land Trust was not requested by year end	(170)
Strata Convergence IT Projects – slippage in programme	(305)
Savings on Camperdown & Phear Park Depot improvements	(59)
Relocation Project - Re-profiling of expenditure into 2019/20	(515)
Seaton Workshops – on hold subject to re-evaluation of project	(573)
Disabled Facility Grants under budget and additional funding received – budget carried forward to 2019/20. This is an area that government has continued to fund well and demand at times does not meet the budget.	(498)
Resurfacing of workshop yards and other improvements – work slipped to 2019/20	(259)
Queens Drive Leisure Area Infrastructure expenditure slipped	(1,050)
The Strand Exmouth – Remaining project still to be defined	(125)
Growth Point Projects slipped to 2019/20	(136)
Axe Wetlands Developments and Seaton Jurassic access from Wetlands - complex land ownerships issues	(212)
Delay in sports centre and swimming pool improvement schemes – revised dates agreed with LED.	(812)
Feniton Flood Alleviation Work – project delay through complex negotiations	(706)
Recycling & Refuse slippage in vehicle and equipment purchases	(405)
Gypsy and Traveller sites – location/s still to be identified	(500)
Energy saving/renewable initiatives (EDBC & Industrial Sites)	(132)
Beach Property improvements – scheme slippage	(109)
Magnolia Public Conveniences Improvements – scheme slippage	(100)

Loan made to Norman Lockyer Observatory not in programme, agreed in year by Council	25
Expenditure funded through s106 agreements not in programme	199
Purchase of shares in South West Mutual (proposal for new bank in the South West) not in programme, agreed in year by Council	50
HRA house purchase replacement scheme not included in original programme, separately agreed – funding through HRA resources	3,024
HRA Major Repairs - underspend	(450)

4.2 The capital funding position given below takes the gross capital position (before grants and contributions) and was funded as follows:

Capital Programme **£18.821m**

Funded by

HRA Capital Receipts -£1.945m

Government Grants and other contributions
Applicable to be applied in the year -£0.918m

HRA – Major Repairs Reserve -£4.152m

New Homes Bonus Grant from revenue -£2.592m

Monies from 100% business rate pilot -£0.650m

Other direct revenue contributions -£2.120m

Increase in underlying need to borrow –
cash position met from internal borrowing -£6,444m

4.3 To remind members a capital budget is agreed to complete a particular scheme/project (normally in the annual budgeting setting process). Profiling between years is undertaken to help understand yearly financial commitments and for members to understand the annual funding position. Capital scheme slippage will be re-profiled with advice from the project/budget manager but this will be within the total budget approved for the scheme by members.