

ITEM 7

Revenue Outturn 2017/18

Report of the Finance Portfolio Holder

Recommended:

1. That the Council's Revenue outturn for 2017/18, as shown in Annexes 1 and 2 to the report, be noted.
2. That the reasons for the budget variances, as shown in paragraph 3 of the report, be noted.
3. That the transfer to the Homelessness Grant Reserve of £166,000 and the transfer to the Local Development Reserve of £47,000, as detailed in paragraph 3.8 of the report, be approved.
4. That the transfer to the Collection Fund Equalisation Reserve of £544,000, as detailed in paragraph 3.16 of the report, be approved.
5. That the items, as shown in paragraph 3.17 of the report, totalling £183,400, be approved for carry forward into the 2018/19 revenue budget.
6. That the transfer to the Special Projects Reserve of £429,300, as identified in paragraph 4 of the report, be approved.

SUMMARY:

- The Council's Revenue outturn for the year ended 31 March 2018 shows net General Fund expenditure of £12.027M (Annex 2).
- Following the completion of the revenue outturn work there is a positive variance to be allocated. Details of how this arose are discussed in more detail in paragraph 3. The utilisation of the variance is considered in paragraph 4.

1 Introduction

- 1.1 The General Fund covers all areas of the Council's revenue activities. This report summarises the total revenue expenditure for Services in 2017/18 which is summarised in Annex 1.
- 1.2 The summary in Annex 1 includes notional charges applied to the revenue account in respect of capital financing transactions and transfers to the pension reserve. Annex 2 shows the same information as Annex 1 with these charges stripped out. Throughout this report any comparisons between budget and actual expenditure will refer to the figures contained in Annex 2.
- 1.3 Where there have been significant variances from the original estimate to the final outturn figures, these are explained in paragraph 3.
- 1.4 The information in this report forms the basis of the Comprehensive Income and Expenditure Statement in the Council's Annual Statement of Accounts which is due to be audited in the coming months by Ernst & Young.

2 Background

- 2.1 The original revenue estimates for 2017/18 were approved by Council in February 2017. This report shows how the final figures compare to those approved in the original estimates and explains the reasons for significant variances.
- 2.2 It is pleasing to report that the Council's Revenue outturn for 2017/18 shows a positive variance of £429,300 compared with the original estimate. This represents a 3.5% favourable variance on the Council's General Fund Requirements of £12.379M and details of the variance are explained in paragraph 3.
- 2.3 Annex 1 shows the full cost of Services which includes depreciation charges, charges to revenue for capital expenditure that does not generate new assets and notional adjustments in respect of the pension fund. Whilst it is important that these costs are known and included, they are also highly changeable and make comparisons with budgets very difficult.
- 2.4 Annex 2 strips out these charges to provide Councillors with a more understandable comparison of budget figures.

3 2017/18 Revenue Outturn

- 3.1 Annexes 1 and 2 show the revenue account outturn for 2017/18. They show a positive variance of £429,300 when compared with the original estimate.
- 3.2 The table below provides a summary of the main reasons for the variance with more detailed explanations in paragraphs 3.3 to 3.16:

	£'000
a) Vacancy management (see paragraph 3.3)	187
b) Transport costs – (see paragraph 3.4)	60
c) Net additional property income (see paragraph 3.5)	338
d) Planning appeals and income (see paragraph 3.6)	(223)
e) Property costs (see paragraph 3.7)	188
f) Government grants (see paragraph 3.8)	369
g) Contingency provision (see paragraph 3.9)	131
h) Investment income (see paragraph 3.10)	191
i) Provision for bad debts (see paragraph 3.11)	(181)
j) Other income (see paragraph 3.12)	(141)
k) Net savings on various supplies and services (see paragraph 3.13)	92
l) Asset Management Reserve adjustment (see paragraph 3.7)	(124)
m) Government grants adjustment (see paragraph 3.8)	(213)
n) Business rates (see paragraphs 3.14 – 3.16)	(245)
Total surplus	429

- 3.3 The vacancy management provision for 2017/18 was set at 4% of the gross salary budget equating to £529,700. The actual outturn has exceeded the provision by 1.4%, or £187,000. In addition to the usual recruitment challenges across the authority, there have been some posts that have become vacant during the year and have been given up as savings as part of the 2018/19 budget process.
- 3.4 Transport costs, specifically diesel and repair costs, have remained depressed throughout the year. A saving on mayoral transport and savings due to vacancies has resulted in a total saving of £60,000.
- 3.5 The net additional rental property income of £338,000 can be analysed as follows:
- The Council purchased an investment property in December 2017. The net additional income from this property after a contribution to the capital reserve was £98,000 which was not included in the budget.
 - Other additional rental income of £186,000 was received. This came from other corporate properties, and Walworth and Portway Business Parks.
 - Approximately £54,000 of one off income was received mainly relating to lease extensions.
- 3.6 Unbudgeted planning appeal costs came to £52,000. In addition, income from planning application fees and building control also fell short of the target by £171,000.
- 3.7 Savings on property costs (slippage and savings on completed projects within the Asset Management Plan, unused reactive maintenance budgets and savings on utilities) has contributed £188,000 to the surplus. £124,000 of this will be retained in the Asset Management Reserve and will be available for projects in 2018/19.
- 3.8 Unbudgeted government grants of £369,000 have been received in the year (in relation to homelessness, the council tax family annex discount grant and various new burdens grants). This includes the ringfenced Flexible Homelessness Support Grant and New Burdens Funding referred to in the Homelessness Reduction Act 2017 report to Cabinet On 14 March 2018. The residual amount of £166,000 is recommended to be transferred to earmarked reserves to be utilised in future years as per the report. A further £47,000 is recommended to be transferred to the Local Development Framework reserve to fund the development of the new local plan. The net position is a contribution of £156,000 to the surplus.
- 3.9 The majority of additional expenditure during the year was managed within existing resources with only £157,000 used from contingencies and a further £115,400 to be carried forward in respect of the Leisure Management Contract, leaving an unspent balance of £131,000.
- 3.10 Investment income received in the year was £191,000 higher than anticipated. £109,000 of this was due to unbudgeted interest on loans provided by the Council.

- 3.11 Following the write off of uncollectable debts during the year of £100,000 against the bad debt provision, an increase of £181,000 is required to ensure that the bad debt provision is at the required level at the end of the year.
- 3.12 Other net income across the services was down against budget by £141,000, mainly due to pest control income, land charges, car parking charges and a reduction in benefits overpayments, offset by an increase in income from recycling, the garden waste scheme and the sale of bins.
- 3.13 Net savings of £92,000 on various supplies and services has been achieved. This includes savings from changes to recruitment provision, IT software maintenance, corporate management and other sundry savings, partly offset by an increase in insurance premiums and the cost of an unexpected borough by election.
- 3.14 Transactions through the General Fund in relation to business rates income are difficult to predict and extremely volatile. In 2014/15, the Council had to cope with a deficit of £1.5M. Since then, the Council has made a surplus and is therefore required to pay an immediate NDR Surplus Levy to Government, whilst not receiving its share of the benefit of the surplus for another two years. In addition, the Council receives grants for small business rate and other reliefs, and is entitled to retain 100% of business rates relating to renewable energy schemes within the Borough. These transactions are managed through both the General Fund and the Collection Fund Equalisation Reserve.
- 3.15 Business rates income is extremely vulnerable to the level of appeals that may occur as a result of the 2017 revaluation exercise. In addition, the Government maintains the power to take away all of the accumulated growth in income generated since 2013 in the reset of the Business Rates Retention Scheme in 2020. The Council maintains the Collection Fund Equalisation Reserve to try to smooth the impact of these unknowns.
- 3.16 The variances against budget are detailed in the table below along with a recommended transfer to the Collection Fund Equalisation reserve.

	£'000
Reduction in tariff payable to Central Government following the 2017 business rates revaluations	77
Additional Government grants received	709
Additional provision for surplus levy	(1,031)
Additional renewable energy business rates retained	544
Transfer additional renewable energy business rates retained to Collection Fund Equalisation Reserve	544
Net impact of business rates on General fund in 2017/18	(245)

- 3.17 Two items have been identified where a budget was included in the 2017/18 estimate but was not spent by the end of the year as per the table below. The total of £183,400 is recommended to be carried forward into 2018/19.

	£'000
Maintenance budget for planned electrical and fire safety works	50
Leisure contract (as detailed in the Leisure Contract Update report elsewhere on this agenda)	133
Total to be carried forward to 2018/19	183

4 Transfer to / from Reserves

General Reserves

- 4.1 The recommended prudential minimum level for unallocated general reserves is £2M. This represents the Council's working balance to help cushion the impact of uneven cash flows and minimise unnecessary temporary borrowing.
- 4.2 The balance at the start of the year was £2M and this remains unchanged at 31 March 2018.

Earmarked Reserves

- 4.3 The amount available to allocate to earmarked reserves as a result of the surplus in 2017/18 is £429,300.
- 4.4 It is considered that the most appropriate use is to transfer the full amount to the Special Projects Reserve.
- 4.5 The Special Projects Reserve was established by Cabinet in June 2010 to provide funding for any new, one-off projects. Originally the reserve had £100,000 allocated to it and it currently stands at £163,000. A transfer of £429,300 will reflate the balance to £592,300. This will be available to finance future corporate projects, such as the Andover Cultural Quarter project and Romsey Future South of Town Centre project.

5 Resource Implications

- 5.1 This report shows that the Council had a budget surplus in 2017/18 of £429,300. This amount is recommended to be transferred to the Special Projects Reserve to be used in future years.
- 5.2 As discussed above the General Fund balance is to remain at £2M; a level which is prudent in the current economic climate.

- 5.3 Some of the variances that have been identified throughout this report have already been taken into account in setting the 2018/19 budget, others will be considered as part of the Corporate Challenge process for 2019/20 to determine whether there are any on-going savings, or additional income that could help reduce the Council's budget gap.

6 Risk Management

- 6.1 An evaluation of the risks associated with the matters in this report indicate that further risk assessment is not needed because the issues covered do not represent significant risks.

7 Equality Issues

- 7.1 An EQIA screening has been completed in accordance with the Council's EQIA methodology and no potential for unlawful discrimination and/or low level or minor negative impact have been identified, therefore a full EQIA has not been carried out.

8 Conclusion and reasons for recommendation

- 8.1 This report shows that actual net General Fund expenditure in 2017/18 was £429,300 less than the Original Estimate and explains the significant causes of this variance. The report recommends a transfer to the Special Projects Reserve to fund future one-off projects.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	2	File Ref:	N/A
(Portfolio: Finance) Councillor Giddings			
Officer:	Jenni Carter	Ext:	8236
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