

Bath & North East Somerset Council		
MEETING:	Cabinet	
MEETING DATE:	27 June 2018	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3069
TITLE:	Revenue & Capital Outturn 2017/18	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1: Detailed Revenue Budget Outturn Appendices 2(i) & 2(ii): Proposed Revenue Virements & Revised Revenue Cash Limits 2017/18 Appendix 3: Detailed Capital Variance & Rephasing Requests 2017/18 Appendices 4(i) & 4(ii): Capital Virements & Capital Programme by Portfolio 2017/18		

1. THE ISSUE

- 1.1 The report presents the revenue and capital outturn for 2017/18, highlighting a net revenue over budget position of £1.255m after allowing for proposed carry forwards. The position has vastly improved through the management actions that were agreed and implemented earlier in the financial year. The improvement has continued since the last report, which forecast an over budget position of £3.396m based on monitoring for the year to December 2017, mainly due to lower cost of Children's placements and improved income in Adult Social Care.
- 1.2 The report refers to requests to carry forward specific revenue budget items to 2018/19 and to write-off revenue over budgets where recovery in future years would have an adverse impact on continuing service delivery. Budgets were also rebased for 2018/19 to realign them. It is proposed that the over budget position is funded by appropriate drawdowns from the mitigations set aside earlier in the financial year that were held as contingency against in year spending pressures. This includes the use of the specific transitional grant funding provided by the government and set aside by the Council at the start of the financial year.
- 1.3 The report also refers to requests to re-phase specific capital budget items to 2018/19 and to remove net capital underspends.

2. RECOMMENDATION

The Cabinet:

- 2.1 Notes the revenue budget outturn over budget of £1.255m (including carry forwards) for 2017/18 and the funding mitigations used;

- 2.2 Approves the carry forward requests outlined in paragraphs 5.5;
- 2.3 Approves that all over budgets are written-off as an exception to the Budget Management Rules for 2017/18.
- 2.4 Notes the revenue virements for 2017/18 reported for information in Appendix 2(i)
- 2.5 Notes the reserve positions and the use of flexible capital receipts shown in paragraphs 5.15-5.17;
- 2.6 Notes the outturn position of the 2017/18 capital programme in paragraph 5.23, and the funding outlined in paragraph 5.25;
- 2.7 Notes the further use of CIL funding in 2017/18 outlined in paragraph 5.26;
- 2.8 Approves the capital rephasing and write-off of net underspends as listed in Appendix 3. This reflects the outturn spend position on projects against final budgets as detailed in Appendix 4(ii).

3. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 3.1 These are contained throughout the report and appendices.

4. STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

- 4.1 The annual Medium Term Financial Strategy and planning process allocates resources across services with alignment of these resources towards the Council's corporate priorities. This report monitors how the Council has performed against the budget and Capital Programme set in February 2017.

5. THE REPORT

- 5.1 This report provides information about the Council's financial performance against its revenue and capital budgets in 2017/18.

Revenue Budgets

- 5.2 The report identifies that after allowing for carry forwards, the Council was over budget by £1.255m, which to give some context, represents 0.4% of gross budgeted spend excluding schools. The table below shows the overall position by portfolio:-

Portfolio	Original Budget £'m	Revised Budget £'m	Outturn £'m	Variance £'m
Leader	5.161	2.583	2.469	(0.114)
Finance & Efficiency	(2.385)	0.725	0.049	(0.676)
Transformation & Customer Services	4.433	7.159	6.944	(0.215)
Adult Care, Health & Wellbeing	59.548	60.507	61.654	1.148

Portfolio	Original Budget £'m	Revised Budget £'m	Outturn £'m	Variance £'m
Children & Young People	25.285	28.029	29.563	1.534
Economic & Community Regeneration	(3.597)	(4.134)	(4.771)	(0.636)
Development & Neighbourhoods	20.488	20.894	20.756	(0.138)
Transport & Environment	3.957	(0.087)	0.111	0.197
Total	112.890	115.675	116.775	1.100
Carry Forward Requests			0.155	0.155
Total (incl Carry Forwards)	112.890	115.675	116.930	1.255

Note: The revised budget above excludes the mitigations as detailed in paragraph 5.6

5.3 The main areas of over/under budget (greater than £1m) are as follows:-

Adult Care, Health & Wellbeing – £1.148m over budget - The overspend relates to continued pressure on Adult Social care spend arising from demographic change, with increasing levels of complexity and acuity of need impacting on the cost of individual packages of care / placements, despite enhanced control measures. The service has also experienced inflationary pressures arising from factors including the implementation of the National Living Wage / Sleep-in Cover, and a lack of resilience in the care home market leading to a shortfall in supply and a "sellers-market", a position which has been exacerbated by recent care home closures and the full-year effect of closures in 2016/17 (the lateness of these closures meant that they could not be reflected in the 2017/18 budget). The net overspend of £1.148m is after the planned use of £1.3m from earmarked Social Care reserves.

Children & Young People - £1.534m over budget - The overspend relates to demand driven pressures mainly relating to children's social care placement costs due to a significant increase in expenditure for supporting individual children, in particular, the support for residential placements, support for fostered (including independent fostering) and court directed parent and baby placements, along with direct payments for clients at risk of care and inter-agency adoption placements.

5.4 Further detail of outturn budget variances is attached at Appendix 1.

Carry Forward Requests

5.5 The following carry forward requests have been made for approval:-

Request and Reason for Request	£'m
Economy & Culture – Arts Commissioning	0.106
The original phasing of budget reductions 2017-2020, for Arts Development, was a stepped reduction over 3 years, ending in a	

Request and Reason for Request	£'m
very reduced budget in Y3 2019/20. For the relevant commissions, this was untenable and therefore the service discussed smoothing the effect of the reductions with senior managers which means a carry forward is needed as commissions have only been awarded in January 2018	
Economy & Culture - WW1 Memorial Cleaning The piece of work has been commissioned but it spans over 2 financial years and a carry forward has been requested as this is a standalone piece of work and can be afforded from the 2017/18 budgets	0.014
Customer Services The service is making a request to carry forward £35k out of its favourable variance to fund extension of the targeted debt recovery work on housing benefit that has been on-going in current year and has been very productive. Due to late notification of DWP additional funding (early March '18) this request was not included in the February report	0.035
Total	0.155

Mitigations

5.6 The over budget position of £1.255m has been mitigated and financed as follows:-

Mitigation	£'m
Release of 2017/18 Transition Fund Grant	0.930
Release of the Strategic Risk Provision (provision for reduced savings delivery)	0.325
Total	1.255

5.7 As a result of the improvement in the final overall revenue outturn position, the remaining funding mitigations identified earlier in the financial year of £1.2m have been transferred to the Transformation Investment Reserve (£0.9m) and the Severance & Restructuring Reserve (£0.3m) to provide a contingency for one-off costs of delivering service changes required over the medium term.

5.8 It is recommended that all over budgets are written off as an exception to the Budget Management Scheme Rules to retain budget stability in 2018/19. The budgets were also rebased to realign to funding requirements.

5.9 The ongoing implications arising from the year end have been analysed and it can be confirmed that these have been factored into the 2018/19 budget. However, Children's Services remains a key risk in terms of whether the provision made is

sufficient to meet demand in 2018/19 and will be examined as part of the budget monitoring process, including appropriate mitigating actions.

Delivery of Savings

5.10 The 2017/18 approved budget included the requirement for the delivery of £14.5m of savings. The final outturn position included achievement of £11.9m or 82% of the savings target. Savings items that are no longer deliverable in 2017/18 have been reviewed alongside other recurring budget pressures and have been incorporated into the financial planning assumptions for the 2018/19 budget.

Schools

5.11 The Overall Dedicated Schools Grant for 2017-18 was £128.71m, £31.040m of this is retained by the LA to support Special Educational Needs and Early Years. The remainder (£97.670m) is allocated to schools through a funding formula.

5.12 The centrally held elements of the Dedicated Schools Grant (DSG) have overspent by £1.994m reducing earmarked reserves to £0.020m. The main reason for the decrease in the DSG balance is an over budget position in Special Educational Needs expenditure. This balance is automatically carried forward under the DSG accounting arrangements, and budget adjustments have been made to reflect this. The 2018/19 budget rebasing included £2.3m for the increased cost of Special Education Needs.

5.13 Schools balances reduced by £0.929m to £1.118m at the year-end, this is mainly due to schools transferring their balances (a total of £0.717m) when they converted to academies. The remaining schools have reduced their balances overall by £0.212m. These are closely monitored by Schools Forum which has adopted an excessive balances policy in line with continued DFE best practise guidance. All schools with balances deemed to be excessive are challenged to explain their position. Most large balances are retained as part of plans for capital projects in schools.

Public Health

5.14 The Public Health budget is currently ringfenced. The year-end outturn was a £0.348m under budget position mainly due to staffing vacancies and initiatives budgeted but not completed in-year, this has been transferred to the Public Health Reserve which held £0.630m as at the 31st March 2018. Budgets have been adjusted to reflect the transfer to reserves.

Reserves and Flexible Capital Receipts

5.15 The year-end position of Corporate earmarked reserves excluding service earmarked reserves is as follows:-

Corporate Earmarked Reserves	£'m
Insurance Fund	1.831
Capital Financing Reserve	5.930
Revenue Budget Contingency*	2.399
Transformation Investment Reserve	2.381

Corporate Earmarked Reserves	£'m
Business Rates Reserve	2.521
City Deal Smoothing Reserve	0.915
Restructuring & Severance Reserve	2.228
Financial Planning and Smoothing Reserve	7.122
Invest to Save Reserve	1.649
Public Health Grant Reserve	0.630
Community Empowerment Fund	0.324
Revenue Grants Unapplied	0.837
Revenue Funding of Capital Reserve	0.285
Other	0.510
Sub Total	29.561
* Balance excludes any allocations agreed from the Revenue Budget Contingency	

5.16 The year-end position of non-earmarked reserves, after allowing for carry forwards was £12.3m in line with the risk assessed requirements of a range of £11.9m to £13.1m.

Flexible Use of Capital Receipts

5.17 Council approved a revised Efficiency Strategy in February 2018 as part of the 2018/19 budget. This enables the authority to utilise capital receipts for once-off spend such as severance costs that result in the delivery of ongoing savings. Flexible capital receipts of £3.124m were utilised in 2017/18 and it is estimated that this will release ongoing revenue savings of £1.678m in 2018/19 rising to £2.443m in 2019/20.

Council Tax, Business Rates and Collection Fund

5.18 The Council Tax Support Scheme commenced in April 2013. For 2017/18, the taxbase included an adjustment of £8.1m for the estimated costs of the scheme based on Government projections for Universal Credit transfers. The outturn position has shown that the cost of the scheme at the year-end was £8.6m. The impact of this is reflected in the Collection Fund table shown below. The main reason for the additional cost was the delay by DWP in moving residents to Universal Credit.

5.19 The collection rate for Council Tax was 99.15%, compared to the target of 98.75%

5.20 2017/18 was the first year of the 100% business rates pilot. The table below shows the outturn position of the Council's share of the surplus/ deficit. Although this shows a deficit the Council receives S31 grant separately to offset Government initiatives such as the impacts of amendments to Small Business Rate Relief entitlement. B&NES received £5.1m in S31 grants for 2017/18 which was £1.4m above budget. The Council holds a Business Rates Reserve to ensure that the General Fund is not adversely impacted in any one year. Following outturn transfers, the balance of the Business Rate Reserve was £2.5m as at the 31st March 2018. There are a number of factors impacting on Business Rates in that growth is lower than anticipated and there has been an increase in reliefs, mainly relating to small business and empty property reliefs. The loss of income

from conversion of commercial property to student accommodation continues to be a risk. The collection rate for Non Domestic Rates was 99.33% at the end of the year compared to the target of 98.75%.

5.21 The following table shows the overall estimated position, for which provision was made in the 2018/19 Budget Report, and the actual outturn position for the Council share of the Collection Fund for 2017/18. These figures exclude preceptor and central government shares:-

	Estimated Surplus/ (Deficit) £'m	Actual Surplus/ (Deficit) £'m	Difference £'m
Council Tax	(0.042)	(0.154)	(0.112)
Business Rates	(1.731)	(1.473)	0.258
Total	(1.773)	(1.627)	0.146

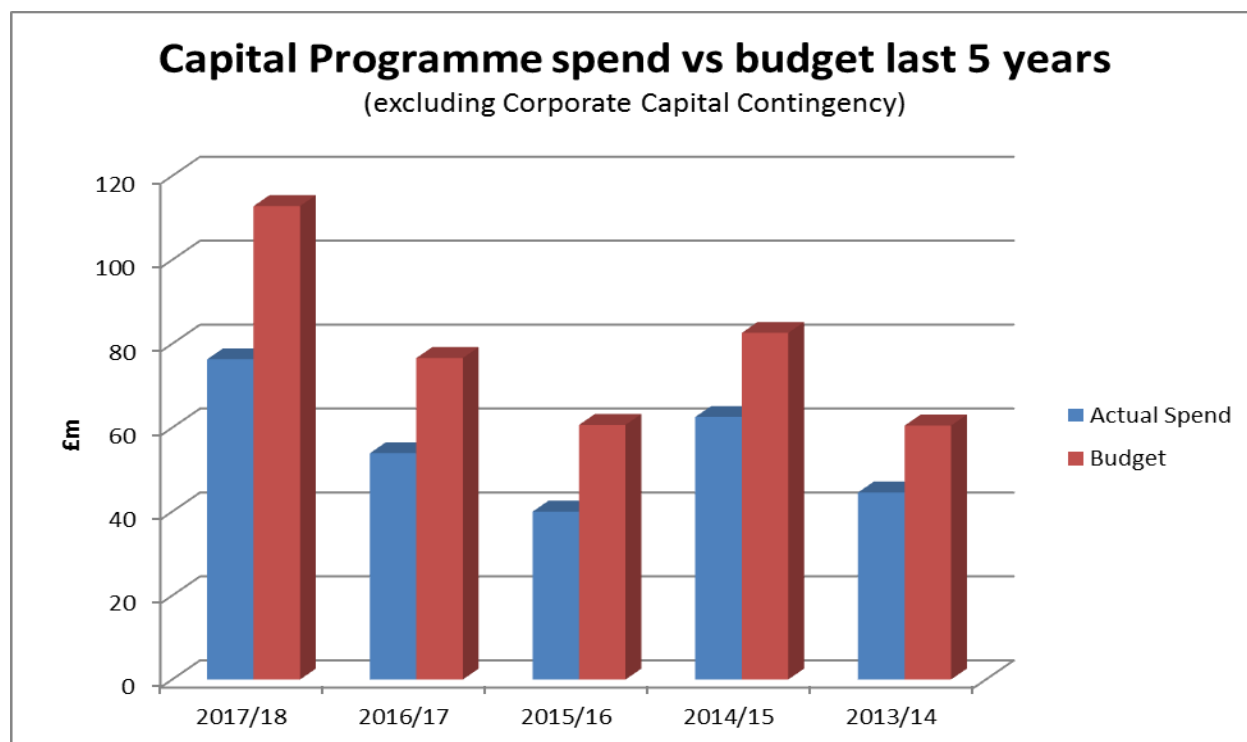
5.22 At an overall level the outturn position on the Collection Fund improved by £146k over the estimated position and this difference will be taken into consideration when estimated the closing 2018/19 Collection Fund position as part of the 2019/20 Budget process.

Capital Programme

5.23 The capital spend in 2017/18 was £76.297m (67%) against a budget of £114.700m giving a variance of £38.403m, primarily reflecting the delivery time to complete projects moving into future financial periods.

Portfolio Summary	2017/2018 Outturn Position			
	Capital Budget £'m	Outturn £'m	Variance £'m	Rephasing to 2018/19 Requested £'m
Development & Neighbourhoods	19.953	13.232	(6.721)	6.696
Economic & Community Regeneration	22.046	9.665	(12.381)	12.381
Transport & Environment	11.484	8.199	(3.285)	3.251
Children & Young People	9.528	5.080	(4.448)	4.642
Adult Care, Health & Wellbeing	0.848	0.837	(0.011)	0.011
Finance & Efficiency	49.677	38.915	(10.760)	10.759
Transformation & Customer Services	1.164	0.368	(0.796)	0.796
TOTAL	114.700	76.297	(38.403)	38.535

5.24 Of this variance, £38.535m is requested for carry forward to 2018/19 to cover re-phased costs of capital projects. The detailed outturn position and re-phasing of each individual project is attached at Appendix 3. The delivery of the capital spend compared to budget over the last five years is shown in the following graph:



5.25 The funding of the capital programme for 2017/18 is as follows:-

	£'m
Total Capital Spending:	76.297
Funded by:	
Capital Receipts	4.510
Capital Grants	17.059
3 rd Party Receipts (inc S106 & CIL)	2.641
Revenue	0.198
Prudential Borrowing (Implied Need)	51.889
Total	76.297

5.26 The 2017/18 Budget Report included an allocation from CIL of £200,000 towards the repayment of Revolving Infrastructure Funding (RIF) related to the flood mitigation works which are enabling the development of Bath Quays North. Following a review of CIL income received to fund 2017/18 schemes, a further amount of £160,000 was allocated to meet the 2017/18 flood mitigation RIF repayment instalment of £360,000.

5.27 The Council's provisional Capital Financing Requirement (CFR) as at 31st March 2018 is £247.1 million. This represents the Council's requirement to borrow to finance capital expenditure, and demonstrates that total borrowing of £192.5 million remains well below this requirement as at 31st March 2018. This illustrates the extent to which the Council is currently cash-flowing capital projects in line with the Treasury Management Strategy.

6. RATIONALE

- 6.1 The recommendations made are based upon the Budget Management Scheme and a consideration of the Council's latest financial position and reserves strategy.

7. OTHER OPTIONS CONSIDERED

- 7.1 The option to carry forward over budgeted spend could be considered which would mean that services would have to make up any deficits in 2018/19 with a considerable impact on service delivery especially in Adult and Children's Services.
- 7.2 A further option would be to not approve the service carry forward requests which would reduce the overall over budget position by £155k. However, this may lead to further budget pressures in 2018/19.

8. CONSULTATION

- 8.1 Consultation has been carried out with the Cabinet Member for Finance & Efficiency, Corporate Directors/Directors, Section 151 Finance Officer, Chief Executive and Monitoring Officer.
- 8.2 The provisional outturn position has been discussed at Senior Management Team and Directors' Group in May.

9. RISK MANAGEMENT

- 9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.
- 9.2 The substance of this report is part of the Council's risk management process. The key risks in the Council's budget were assessed by each Strategic Director, with these risks re-assessed on a monthly basis as part of the budget monitoring process.

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Background papers	<i>2017/18 Budget Monitoring reports to the Cabinet; Revenue and Capital Budget Setting reports, Budget Management Scheme</i>
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