

## Bath & North East Somerset Council

MEETING	<b>Cabinet</b>	
MEETING DATE:	<b>10 July 2019</b>	EXECUTIVE FORWARD PLAN REFERENCE:
		<b>E 3073</b>
TITLE:	<b>Revenue &amp; Capital Outturn 2018/19</b>	
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
<b>Appendix 1:</b> Detailed Revenue Budget Outturn		
<b>Appendices 2(i) &amp; 2(ii):</b> Proposed Revenue Virements & Revised Revenue Cash Limits 2018/19		
<b>Appendix 3:</b> Detailed Capital Variance & Rephasing Requests 2018/19		
<b>Appendices 4(i) &amp; 4(ii):</b> Capital Virements & Capital Programme by Portfolio 2018/19		

### 1 THE ISSUE

- 1.1 The report presents the revenue and capital outturn for 2018/19, highlighting a net revenue over budget position of £0.92m. The position has vastly improved through actions including a recruitment freeze that have been implemented during the financial year. The improvement has continued since the last report, which forecast an over budget position of £3.21m based on monitoring for the year to December 2018, mainly due to improvements in income generation within Heritage Services, and a reduction in capital financing costs arising from the review of the capital programme and rephasing of capital projects.
- 1.2 The report refers to the request to write-off revenue over budgets where recovery in future years would have an adverse impact on continuing service delivery. Given the overall position no carry forwards have been put forward for approval. It is proposed that the over budget position is funded through the Revenue Budget Contingency Reserve set up for this purpose. Provision of £1.6m was made as part of the 2019/20 budget to ensure the reserve was sufficient to meet future budget risks.
- 1.3 The report also refers to requests to re-phase specific capital budget items to 2019/20 and to remove net capital underspends.

## 2 RECOMMENDATION

The Cabinet is asked to;

- 2.1 Note the revenue budget outturn over budget position of £0.92m for 2018/19 and the use of Revenue Budget Contingency to fund the overall shortfall;
- 2.2 Note that no carry forward requests are being put forward for approval;
- 2.3 Approve that all over budgets are written-off as an exception to the Budget Management Rules for 2018/19.
- 2.4 Note the revenue virements for 2018/19 reported for information in Appendix 2(i)
- 2.5 Note the reserve positions and the use of flexible capital receipts shown in paragraphs 3.14-3.16;
- 2.6 Note the outturn position of the 2018/19 capital programme in paragraph 3.22, and the funding outlined in paragraph 3.24;
- 2.7 Approve 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 THE REPORT

- 3.1 This report provides information about the Council's financial performance against its revenue and capital budgets in 2018/19.

### Revenue Budgets

- 3.2 The report identifies that after allowing for carry forwards, the Council was over budget by £0.92m, which to give some context, represents 0.34% of gross budgeted spend excluding schools. The table below shows the overall position by portfolio:-

<b>Portfolio</b>	<b>Revised Budget £'m</b>	<b>Outturn £'m</b>	<b>Variance £'m</b>
Leader	2.283	2.295	0.012
Finance & Efficiency	(0.369)	(0.311)	0.058
Transformation & Customer Services	5.825	6.085	0.260
Adult Care, Health & Wellbeing	61.718	60.738	(0.980)
Children & Young People	29.200	30.961	1.761
Development & Neighbourhoods	19.171	19.219	0.048
Economic & Community Regeneration	(4.920)	(5.970)	(1.050)

<b>Portfolio</b>	<b>Revised Budget £'m</b>	<b>Outturn £'m</b>	<b>Variance £'m</b>
Transport & Environment	(1.374)	(0.561)	0.813
<b>Total</b>	<b>111.533</b>	<b>112.456</b>	<b>0.923</b>

### 3.3 The main areas of over/under budget are as follows:-

Adult Care, Health & Wellbeing – £0.983m under budget mainly due to favourable variances in purchasing budgets for Older People, Physically Disabled and Learning Difficulties client groups, additional income from client contributions and delays in projects funded by the Better Care fund offsetting pressures in the purchasing budgets in Mental Health client group and delays in savings delivered.

Children & Young People - £1.761m over budget due to pressures from placement costs due to complexity of needs and increased risk, higher costs for Parent and Baby units, increased use of Special Guardianship and pressures from the Disabled Children's service provision offset by some under budget positions with-in Children centres and other minor variances.

Economy & Community Regeneration - £1.050m under budget from favourable positions within Heritage services from additional income, salary under budget and expenditure below anticipated levels, Housing services due to income over achievement and savings across staffing and other expenditure as well as other minor favourable variances.

Transport & Environment - £0.813m over budget pressures due to unachieved Transport Savings, previously identified concessionary fares budget gap, rent arrears and unachieved income offset by temporary staffing vacancies.

Finance & Efficiency - £0.058m under budget. This position includes £0.886m over budget position within Commercial Estate due to timing of new acquisitions later than anticipated. This is offset by budget underspends within Capital Financing and Corporate budgets as well as other minor variances within the portfolio.

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

#### **Carry Forward Requests**

3.5 No carry forward have been put forward for approval.

#### **Mitigations**

3.6 The over budget position of £0.92m has been mitigated and financed through release of the Revenue Budget Contingency Reserve. Provision was made as part of budget setting in 2019/20 to add £1.6m to the reserve in 2019/20 to ensure that £2.0m was provided to meet new budget risks.

3.7 It is recommended that all over budgets are written off as an exception to the Budget Management Scheme Rules to retain budget stability in 2019/20.

3.8 The ongoing implications arising from the year end have been analysed and it can be confirmed that the majority of these have been factored into the 2019/20 budget. A number of areas will need close monitoring in 2019/20, a review of the 2019/20 April – May forecast indicates :-

- Children's Services remain at risk, the 2019/20 budget has been increased to fund the increased recurring costs experienced in 2018/19, however the current forecast has indicated additional high cost health and social care placements funded by the Council and Clinical Commissioning Group.
- Commercial Estate income continues to be impacted by difficulties within the retail sector.
- The Roman Baths had a positive Easter and strong performance continued through May half-term across all sites.

These will be examined as part of the budget monitoring process, including appropriate mitigating actions.

### **Delivery of Savings**

3.9 The 2018/19 approved budget included the requirement for the delivery of £16.99m of savings. The final outturn position included achievement of £13.58m or 80% of the savings target compared to 82% delivered in 2017/18. Savings items that are no longer deliverable in 2018/19 have been reviewed alongside other recurring budget pressures and have been incorporated into the financial planning assumptions for the 2019/20 budget. It is expected that delayed savings totalling £3.4m will be delivered in 2019/20.

### **Schools**

3.10 The Overall Dedicated Schools Grant for 2018/19 was £135.60m, however of this sum £84.63m was returned to the DFE to be allocated to academies, £20.75m was allocated to schools through funding formula, with the remaining £30.23m retained by the LA to support Special Educational Needs, central expenditure and Early Years.

3.11 The centrally held elements of the Dedicated Schools Grant (DSG) were over budget and required £2.22m of the £2.30m allocated within the revenue budget to support Special Educational Needs expenditure. For 2019-20 the £2.3m is placed in a contingency reserve that may be utilised to fund any overspends at year end once all other options including underspends within other DSG Blocks and the contribution from schools have been utilised.

3.12 Schools balances reduced by £730k to £388k at the year-end, this is mainly due to schools transferring their balances once they converted to academies. The remaining schools have increased their balances overall by £92k. 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

3.13 The Public Health budget is currently ringfenced. The year-end outturn was a £0.022m over budget position mainly due to activity driven expenditure from commissioned services. This has been funded from the Public Health Grant balances held in reserve to leave £0.608m remaining as at the 31<sup>st</sup> March 2019. Budgets have been adjusted to reflect the transfer to reserves.

## Reserves and Flexible Capital Receipts

3.14 The year-end position of earmarked reserves is as follows:-

<b>Council's Earmarked Reserves</b>	<b>£'m</b>
<b><i>Corporate Earmarked Reserves</i></b>	
Insurance Fund	1.864
Capital Financing Reserve	7.611
Revenue Budget Contingency*	1.457
Transformation Investment Reserve	2.149
Business Rates Reserve	2.602
City Deal Smoothing Reserve	1.234
Restructuring & Severance Reserve	2.183
Financial Planning and Smoothing Reserve	6.437
Invest to Save Reserve	1.256
Public Health Grant Reserve	0.608
Community Empowerment Fund	0.324
Revenue Grants Unapplied	1.221
Revenue Funding of Capital Reserve	0.285
Other	0.323
<b><i>Sub Total</i></b>	<b>29.554</b>
Schools Balances	0.388
Service Specific Reserves	2.708
General Service Reserves	3.528
<b><i>Total Earmarked Reserves</i></b>	<b>36.178</b>
* Balance excludes any allocations previously agreed from the Revenue Budget Contingency but not yet spent, and the £1.6m transfer into the reserve approved as part of the 2019/20 Budget Report	

3.15 The year-end position of non-earmarked reserves was £12.3m in line with the risk assessed requirements of a range of £11.9m to £13.1m.

## Flexible Use of Capital Receipts

3.16 Council approved a revised Efficiency Strategy in February 2019 as part of the 2019/20 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 £3.45m were utilised in 2018/19 taking the total used to £6.58m and it is estimated that this spend will contribute to the release of ongoing

revenue savings of £13.37m by 2020/21. Further details of spend and savings are shown in the following table.

Category	Spend			Savings			
	2017/18 £m	2018/19 £m	Total £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Restructuring & Severance Costs	3.124	3.045	<b>6.169</b>	0.102	2.658	5.053	5.241
Procurement, Commissioning and other service redesign	0.000	0.408	<b>0.408</b>	0.000	3.425	6.126	8.126
<b>Total</b>	<b>3.124</b>	<b>3.453</b>	<b>6.577</b>	<b>0.102</b>	<b>6.083</b>	<b>11.179</b>	<b>13.367</b>

### Council Tax, Business Rates and Collection Fund

3.17 The final outturn position on the Council Tax Collection Fund was a surplus of £0.691m for the Council's share, this represents a 0.8% variance against target income. The reason for the surplus is mainly due to the number of chargeable dwellings being slightly higher than forecast. For 2018/19, the tax base included an adjustment of £8.9m for the estimated costs of the Local Council Tax Support Scheme and the outturn position is in line with this amount.

3.18 The collection rate for Council Tax was 98.22% (98.12% 2017/18).

3.19 The year-end position for the Council's share of Business Rate income relating to 2018/19 is £0.502m higher than estimated, which benefits the Collection Fund. The overall Collection Fund position, including the positive element relating to the 2017/18 outturn, is a surplus of £0.760m. The main factors impacting on Business Rates outturn position are the one-off benefits arising from a number of business rates appeals being withdrawn in the final quarter, and a lower bad debt provision requirement partly offset by higher than forecast empty property and small business rate reliefs. 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 £2.6m as at the 31<sup>st</sup> March 2019. The collection rate for Non Domestic Rates was 98.61% (98.84% 2017/18).

3.20 The following table shows the overall estimated position, for which provision was made in the 2019/20 Budget Report, and the actual outturn position for the Council share of the Collection Fund for 2018/19. These figures exclude preceptor and central government shares:-

	Estimated Surplus/ (Deficit) £'m	Actual Surplus/ (Deficit) £'m	Difference £'m
Council Tax	0.713	0.691	(0.022)
Business Rates	(0.274)	0.760	1.034
<b>Total</b>	<b>0.439</b>	<b>1.451</b>	<b>1.012</b>

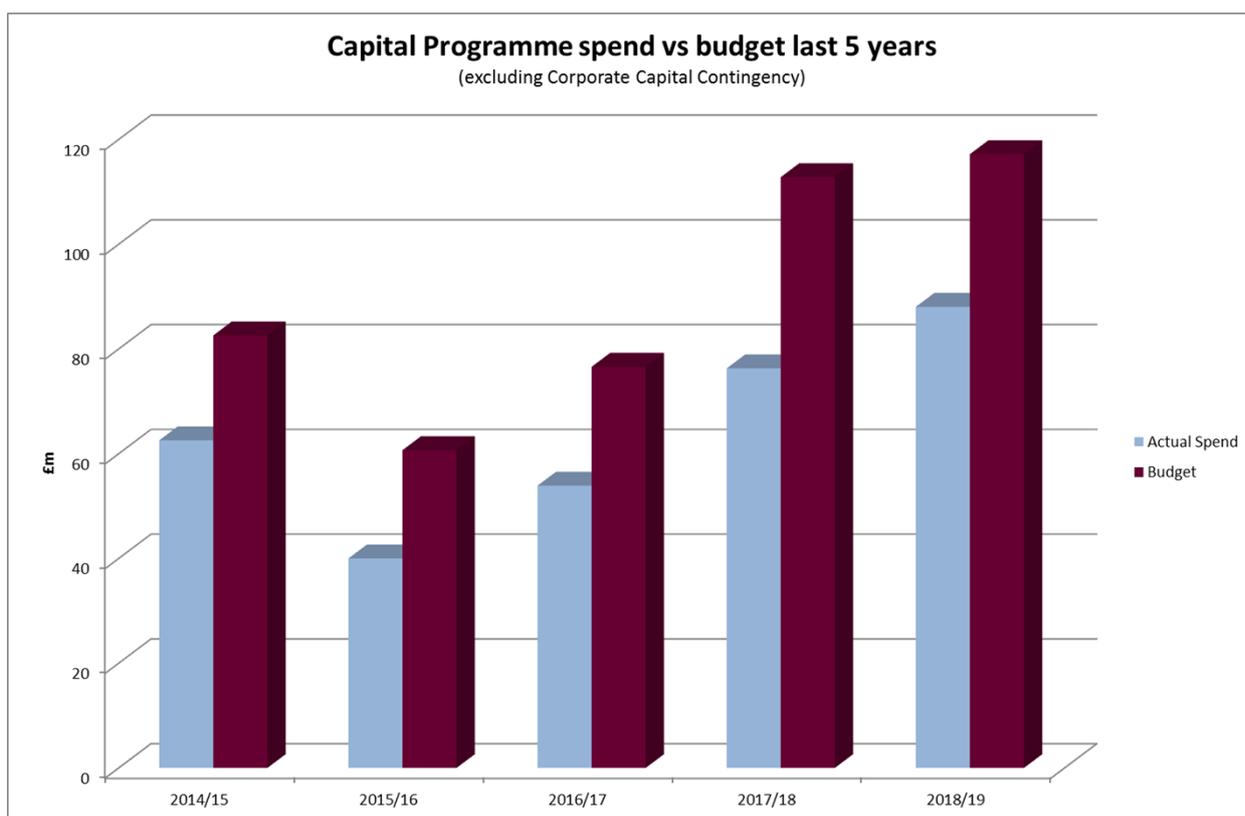
3.21 At an overall level the outturn position on the Collection Fund improved by £1.012m over the estimated position and this difference will be taken into consideration when estimated the closing 2019/20 Collection Fund position as part of the 2020/21 Budget process.

### Capital Programme

3.22 The capital spend in 2018/19 was £88.043m (75%) against a budget of £117.185m giving a variance of £29.142m, primarily reflecting the delivery time to complete projects moving into future financial periods.

Portfolio Summary	2018/2019 Outturn Position			
	Capital Budget £'m	Outturn £'m	Variance £'m	Rephasing to 2019/20 Requested £'m
Development & Neighbourhoods	14.933	12.987	(1.946)	1.891
Economic & Community Regeneration	22.331	10.665	(11.666)	11.624
Transport & Environment	14.953	12.521	(2.432)	2.428
Children & Young People	10.582	6.440	(4.142)	4.142
Adult Care, Health & Wellbeing	0.756	0.323	(0.433)	0.433
Finance & Efficiency	52.790	44.546	(8.245)	8.245
Transformation & Customer Services	0.840	0.560	(0.279)	0.279
<b>TOTAL</b>	<b>117.185</b>	<b>88.043</b>	<b>(29.142)</b>	<b>29.042</b>

3.23 Of this variance, £29.042m is requested for carry forward to 2019/20 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:



3.24 The funding of the capital programme for 2018/19 is as follows:-

	£'m
<b>Total Capital Spending:</b>	<b>88.043</b>
<b>Funded by:</b>	
Capital Receipts	4.159
Capital Grants	21.181
3 <sup>rd</sup> Party Receipts (inc S106 & CIL)	3.697
Revenue	0.134
Prudential Borrowing (Implied Need)	58.872
<b>Total</b>	<b>88.043</b>

3.25 The Council's provisional Capital Financing Requirement (CFR) as at 31<sup>st</sup> March 2019 is £300.7 million. This represents the Council's requirement to borrow to finance capital expenditure, and demonstrates that total borrowing of £226.1 million remains well below this requirement as at 31<sup>st</sup> March 2019. This illustrates the extent to which the Council is currently cash-flowing capital projects in line with the Treasury Management Strategy.

## 4 STATUTORY CONSIDERATIONS

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 2018.

## 5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 These are contained throughout the report and appendices.

## 6 RISK MANAGEMENT

6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6.2 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 Corporate Director, with these risks re-assessed on a monthly basis as part of the budget monitoring process.

## 7 CLIMATE CHANGE

7.1 This is an information only report about the Council's financial performance against budgets set for 2018/19, it therefore does not include any decisions that have a direct impact on Climate Change.

## 8 OTHER OPTIONS CONSIDERED

8.1 The option to carry forward over budgeted spend could be considered which would mean that services would have to make up any deficits in 2019/20 with a considerable impact on service delivery especially in Children's Services.

## 9 CONSULTATION

9.1 Consultation has been carried out with the Cabinet Member for Resources, Corporate Directors/Directors, Section 151 Finance Officer, Chief Executive and Monitoring Officer.

9.2 The provisional outturn position has been discussed at Senior Management Team and Directors' Group in May.

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<b>Background papers</b>	2018/19 Budget Monitoring reports to the Cabinet; Revenue and Capital Budget Setting reports, Budget Management Scheme
<b>Please contact the report author if you need to access this report in an alternative format</b>	