

EAST HERTS COUNCIL

EXECUTIVE – 11 SEPTEMBER 2018

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE & SUPPORT
SERVICES

GENERAL FUND REVENUE & CAPITAL OUTTURN 2017/18 AND MEDIUM
TERM FINANCIAL PLAN 2019/20 UPDATE

WARD(S) AFFECTED: All

Purpose/Summary of Report

- To advise Members on the General Fund Revenue Outturn for 2017/18 and provide explanations for significant variances against the approved Budget.
- To advise Members of the financing arrangements for the 2017/18 Capital Outturn and the updated 2018/19 capital budget allowing for the approved slippage from 2017/18.

RECOMMENDATIONS FOR EXECUTIVE: that

(A)	the transfer of the General Fund revenue outturn of £8k under-spend to the General Reserve, be approved; and
(B)	Capital budgets of £1.496m be re-profiled from the 2017/18 capital programme to 2018/19 programme to fund ongoing capital schemes.

1 Background

1.1 The 2017/18 Budget was approved by Council on 1st March 2017.

- 1.2 In year budget monitoring and management actions have sought to deliver the spending plans approved by Council. Members have been kept updated throughout the year through the Healthcheck reports where significant variances have been reported.
- 1.3 This report contains the following sections and Essential Reference Papers:

REPORT SECTIONS	
2	General Fund Revenue Outturn
3	Reserves
4	Funding
5	Capital Outturn
6	MTFP update
7	Implications

ESSENTIAL REFERENCE PAPERS	
A	Implications
B	Capital Outturn
C	MTFP update

2 General Fund Revenue Outturn

- 2.1 The final outturn for the year, detailed in this report, is still subject to external audit. The final audited accounts will be presented to the Performance, Audit and Governance Committee in at the same Committee meeting as this report.
- 2.2 An under spend of £8k is reported against the 2017/18 revenue budget. This is summarised in table 1. It is recommended that this under spend is transferred to the council's General Reserve

Table 1: Summarised 2017/18 Outturn Position

	Original Budget 2017/18	2017/18 outturn	Variance
	£'000	£'000	£'000
Total Net Cost of Services	13,945	13,950	5
Corporate Budgets Total:	2,230	2,893	663
Net Use of Reserves:	(647)	(998)	(351)
Funding	(6,193)	(6,518)	(325)
Council Tax	(9,335)	(9,335)	-
Overspend	-	(8)	(8)

NET COST OF SERVICES

2.3 An overspend against the 2017/18 net cost of services budget of £5k is reported, as shown by service in Table 2 overleaf with explanations for significant variances in the following paragraphs.

Table 2: Net Cost of Services Outturn

	2017/18 Budget	2017/18 Outturn	Variance
	£'000	£'000	£'000
Chief Executive & Directors	490	492	2
Communications, Strategy & Policy	1,000	984	(16)

HR & Organisational Development	505	480	(25)
Strategic Finance & Property	1,402	1,615	213
Housing & Health	2,444	2,221	(223)
Democratic and Legal	1,206	1,286	80
Planning & Building Control	855	946	91
Operations	4,312	4,014	(298)
Shared Revenues & Benefits Service	1,694	1,683	(11)
Revenues and Benefits retained costs	(371)	(491)	(120)
Housing Benefit Subsidy	(866)	(851)	15
Shared Business & Technology Services	1,274	1,571	297
Total Net Cost of Services	13,945	13,950	5

2.4 The budget and outturn figures in table 2 include funding from reserves. Further information about the use of reserves during 2017/18 can be found in section 3 of this report.

Strategic Finance and Property

2.5.1 The majority of this over-spend relates to the depressed rental income of Charringtons House and the fixed costs from units that were vacant.

2.5.2 Whilst the 2017/18 Outturn resulted in a £213k overspend against

the budget, units in the building have subsequently been let and will reduce any future income shortfalls.

Democratic and Legal Services

- 2.5.3 The over spend in Democratic and Legal Services relates to one off additional staffing costs to cover maternity absence and recruitment issues. Plans have been put in place to mitigate this additional cost so that it will not continue into 2018/19.

Planning and Building Control

- 2.5.4 The Planning department has undertaken additional responsibilities in 2017/18 that have led to an increased resource requirement. This has resulted in an over spend of £33k. The other contributing area of concern for Planning and Building Control is a £25k under-achievement of income targets for discharge of conditions.

Operations

- 2.5.5 PCN income (street enforcement) is 15% above the 2017/18 budget, resulting in an additional £110k of income. This is due to greater collection achievements than were assumed when the budget was set. This increase in income has been fully considered in the setting of the 2018/19 Medium Term Financial Plan.
- 2.5.6 Higher than budgeted income levels of £45k have been generated by Hertford Theatre, from ticket sales and sales through the café.
- 2.5.7 The balance of the surplus achieved in the Operations department was made up of various over achievement of Income streams from external partners including Stevenage, Welwyn Hatfield and Legal & General.

Revenues and Benefits Service

- 2.5.8 The retained costs for revenues and benefits resulted in a surplus of £120k at the end of 2017/18. This was due to additional grant funding and additional fee income from Council Tax Penalties recovered.

Shared Business and Technology Services

2.5.9 There was an overspend of £297k against the Business and Technology Service budget in 2017/18. This variance has arisen due to increased cyber security costs and increased licence costs.

Housing and Health

2.5.10 Housing and Health have delivered a £223k under-spend in 2017/18, this is a result of proactive vacancy management.

Corporate Budgets

2.6 Corporate budgets were overspent by £663k in 2017/18; table 3 below shows the items that are included in this area of the net expenditure budget.

Table 3: Corporate budgets outturn

	Budget 2017/18	2017/18 Outturn	Variance
	£'000	£'000	£'000
NHB Grants to Town & Parish Councils	890	904	14
New Homes Bonus Priority Spend	890	891	1
Contingency Budget	150	-	(150)
Interest Payments	662	669	7
Interest & Investment income	(1,084)	(1,033)	51
RCCO	26	766	740

Pension Fund Deficit contribution	696	696	-
Corporate Budgets Total:	2,230	2,893	663

- 2.7 The 2017/18 investment outturn was £51k below budget; this was due to reduced interest lending rates on investment income. This deficit was managed through the overall outturn.
- 2.8 There was a greater Revenue Contribution to Capital Outlay (RCCO) than budgeted; the outturn figure includes £90k of capital salary costs and £676k of reserves used to fund capital expenditure, such as £633k towards demolition of the Causeway Building in Bishop's Stortford.

3 Reserves

- 3.1 The council is generally well placed with regard to establishing appropriate Earmarked Reserves and Balances.
- 3.2 The Council meeting on 1st April 2018 7 February 2017 reviewed the council's earmarked reserves in support of the MTFP.
- 3.3 The following table show the appropriations during the year:

Table 4: Reserve movements

	2017/18 Budget	2017/18 Outturn	Variance
	£'000	£'000	£'000
Contributions to Earmarked reserves	177	162	(15)
Contributions from Earmarked reserves	(824)	(1,160)	(336)

Net Use of Reserves:	(647)	(998)	(351)
-----------------------------	--------------	--------------	--------------

3.4 Given that the final outturn position is an under-spend of £8k it is recommended that a contribution will be made to the council's General Fund reserves.

4 Funding

4.1 In 2017/18 the council received £325k funding above the budgeted amount, details are shown in the following table.

Table 5: 2017/18 funding

	2017/18 Budget	2017/18 Outturn	Variance
	£'000	£'000	£'000
RSG	(351)	(351)	0
NDR	(2,049)	(1,318)	731
Section 31	(522)	(1,554)	(1,032)
(Surplus)/Deficit on Collection fund	408	398	(10)
Other General Grants	(120)	(129)	(9)
New Homes Bonus	(3,559)	(3,564)	(5)
Funding:	(6,193)	(6,518)	(325)

4.2 There is increasing pressure on Local Government to find alternative sources of funding for the services delivered. With the loss of Revenue Support Grant (RSG), proposed move to 75% business rate retention and consultations around New Homes Bonus, officers are working in consultation with members to look at alternative funding streams.

- 4.3 The major contributor to funding above budget in 2017/18 is Non Domestic Rating (NDR) S31 income this is due to timing differences between when the council sets its budget and statutory returns submitted to Central Government which determine the funding for the year. Section 31 grant is grant received from central government to compensate local government for mandatory business rate reliefs granted.

5 Capital Outturn

- 5.1 The progress of the capital programme for 2017/18 has been reported to the Executive throughout the year as part of the budget monitoring process.
- 5.2 Capital expenditure in 2017/18 is £2.4m as detailed in the table below:

Table 6: Capital Outturn Summary

	2017/18 Revised budget	2017/18 Outturn	(Under)/ Over Spend	Carry forward to future years
	£'000	£'000	£'000	£'000
Business & Technology Shared Service	1,185	674	(511)	436
Communications, Strategy & Policy	22	11	(11)	-
Housing & Health	1,151	528	(623)	-
Operations	743	369	(374)	392
Planning	528	94	(434)	433
Strategic Finance & Property	426	713	287	235
Total:	4,055	2,389	(1,666)	1,496

- 5.3 It is recommended that £1.496m of budgets re-profiled from 2017/18 to the 2018/19 capital programme be approved. This relates to schemes that have either been re-timetabled to take place during 2018/19 or schemes which were started during 2017/18 but not complete as at 31st March 2018. Further details can be found in **Essential Reference Paper B**
- 5.4 The 2017/18 capital programme expenditure has been financed from the following sources:

Table 7: Capital Financing

	£'000
Capital Receipts	1,120
Government Grants	343
Third Party Contributions	160
Revenue Contribution	766
TOTAL:	2,389

- 5.5 The future capital programme as agreed at Council on 1st March 2018 is detailed in the table below:

Table 8: Capital Programme 2018/19 to 2021/22

	2018/19 Revised budget	2019/20 Budget	2020/21 Budget	2021/22 Budget
	£'000	£'000	£'000	£'000
Business & Technology Shared Service	885	450	450	450
Housing & Health	841	390	358	358
Operations	462	465	15,070	16,330

Planning	488	55	55	55
Strategic Finance & Property	755	250	250	250
Total:	3,431	1,610	16,183	17,443

6 2019/20 Medium Term Financial Plan update

- 6.1 Following the approval of the Medium Term Financial Plan for 2018/19 by Council at its meeting of 1st March 2018, a number of projects were approved for review and inclusion in the 2019/20 budget setting process. The progress of these projects has been captured in **ERP C**
- 6.2 Further work on the Medium Term Financial Plan for 2019/20 has commenced and officers and members will be invited to participate in budget workshops throughout August and September.

7 Implications/Conclusion

- 7.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper A.**

Background Papers

None

Contact Member: Cllr Geoffrey Williamson – Executive Member for Finance & Support Services
Geoffrey.Williamson@eastherts.gov.uk

Contact Officers: Isabel Brittain – Head of Strategic Finance & Property
 Ext 2050
Isabel.Brittain@eastherts.gov.uk

Report Author: Alison Street – Finance Business Partner
 Ext 2056
Alison.Street@eastherts.gov.uk