

EAST HERTS COUNCIL

EXECUTIVE – 4 JUNE 2019

REPORT BY THE EXECUTIVE MEMBER FOR FINANCIAL SUSTAINABILITY

GENERAL FUND REVENUE & CAPITAL OUTTURN 2018/19

WARD(S) AFFECTED: All

Purpose/Summary of Report

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

<u>RECOMMENDATIONS FOR EXECUTIVE:</u> to approve	
(A)	the transfer of the General Fund revenue outturn of £15k under-spend to the General Reserve ;
(B)	that Capital budgets of £5.611m be re-profiled from the 2018/19 capital programme to 2019/20 programme to fund ongoing capital schemes;

1 Background

1.1 The 2018/19 Budget was approved by Council on 1st March 2018.

- 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	Implications

ESSENTIAL REFERENCE PAPERS	
A	Implications
B	Capital Outturn

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 Oversight Committee on 31st July 2019.
- 2.2 An under spend of £15k is reported against the 2018/19 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 2018/19 Outturn Position

	Original Budget 2018/19	2018/19 Outturn	Variance
	£'000	£'000	£'000
Total Net Cost of Services	13,830	13,808	(22)
Corporate Budgets Total:	1,616	1,432	(184)
Net Use of Reserves:	(342)	601	943
Funding	(5,325)	(6,077)	(752)
Council Tax	(9,779)	(9,779)	-
Underspend	-	(15)	(15)

NET COST OF SERVICES

2.3 An underspend against the 2018/19 net cost of services budget of £22k is reported, as shown by service in Table 2 with explanations for significant variances in the following paragraphs.

Table 2: Net Cost of Services Outturn

	2018/19 Budget	2018/19 Outturn	Variance
	£'000	£'000	£'000
Chief Executive & Directors	377	377	0
Communications, Strategy & Policy	1,023	1,067	44
HR & Organisational Development	494	484	(10)
Strategic Finance & Property	1,723	1,858	135
Housing & Health	2,205	2,196	(9)
Democratic and Legal	1,236	1,243	7
Planning & Building Control	594	587	(7)
Operations	3,750	3,757	7
Shared Revenues & Benefits Service	1,718	1,657	(61)
Revenues and Benefits retained costs	(367)	(459)	(92)
Housing Benefit Subsidy	(550)	(550)	0
Shared Business & Technology Services	1,627	1,590	(37)
Total Net Cost of Services	13,830	13,808	(22)

2.4 The budget and outturn figures in Table 2 include funding from

reserves. Further information about the use of reserves during 2018/19 can be found in section 3 of this report.

Net Cost of Services Commentary

- 2.5.1 The Net Cost of Services breakdown includes a combination of careful budget management and improved income generation across the organisation. For the most part, there are only small variances between services' budgets and out-turns. A significant overspend has occurred in Strategic Finance because of rental income reductions combined with continued fixed costs from units that were vacant within both Charringtons House and Buntingford Depot. Officers will ensure that the 2019/20 budgets correctly reflect any income projection changes for the future budget planning.

2 Corporate Budgets

- 2.5 Corporate budgets achieved additional income to that budgeted for through improved investment and interest income streams. Table 3 below shows the items that are included in this area of the net expenditure budget.

Table 3: Corporate budgets outturn for 2018/19

	Budget 2018/19	2018/19 Outturn	Variance
	£'000	£'000	£'000
NHB Grants to Town & Parish Councils	661	661	0
New Homes Bonus Priority Spend	661	661	0
Interest Payments	662	674	12
Interest & Investment income	(1,090)	(1,265)	(175)
RCCO	26	5	(21)
Pension Fund Deficit contribution	696	696	-
Corporate Budgets Total:	1,616	1,432	(184)

2.5 The 2018/19 investment outturn was £175k above budget; this was due to improved interest lending rates on investment income. This surplus will be used to manage any future investment budget deficits.

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 March 2018 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

	2018/19 Budget	2018/19 Outturn	Variance
	£'000	£'000	£'000
Contributions to Earmarked reserves	42	703	661
Contributions from Earmarked reserves	(384)	(101)	283
Net Use of Reserves:	(342)	(602)	(944)

3.4 Given that the final outturn position is an under-spend of £15k it is recommended that a contribution will be made to the council's General Fund reserves.

4 Funding

4.1 In 2018/19 the council received £752k funding above the budgeted amount, details are shown in the following table.

Table 5: 2018/19 funding

	2018/19 Budget	2018/19 Outturn	Variance
	£'000	£'000	£'000
NDR & S31	(2,617)	(2,905)	(288)
(Surplus)/Deficit on Collection fund	(63)	(478)	(415)
Other General Grants	0	(49)	(49)
New Homes Bonus	(2,645)	(2,645)	0
Funding:	(5,325)	(6,077)	(752)

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 2018/19 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 2018/19 has been reported to the Executive throughout the year as part of the budget monitoring process.

5.2 Capital expenditure in 2018/19 was £6.2m as detailed in the table below:

Table 6: Capital Outturn Summary for 2018/19

	2018/19 Revised budget	2018/19 Outturn	(Under)/ Over Spend	Carry forward to future years
	£'000	£'000	£'000	£'000
Business & Technology Shared Service	861	485	(376)	394
Communications, Strategy & Policy	4,409	1,043	(3,366)	3,425
Housing & Health	1,227	358	(869)	470
Operations	2,796	1,779	(1,017)	1,038
Planning	1,030	893	(137)	82
Strategic Finance & Property	1,136	890	(246)	202
Millstream Loans	779	779	0	0
Total:	12,238	6,227	(6,011)	5,611

5.3 It is recommended that £5.611m of budgets re-profiled from 2018/19 to the 2019/20 capital programme be approved. This relates to schemes that have either been re-timetabled to take place during 2019/20 or schemes which were started during 2018/19 but not complete as at 31st March 2019. Further details can be found in **Essential Reference Paper B**

5.4 The 2018/19 capital programme expenditure has been financed from the following sources:

Table 7: Capital Financing

	£'000
Capital Receipts & Reserves	2,471
Government Grants	89
External Organisations	2,163
Section 106	1,504
TOTAL:	6,227

6 Implications/Conclusion

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

Background Papers

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