

## **CABINET**

**12 JUNE 2018**

### **REVENUE AND CAPITAL OUTTURN 2017/18**

Portfolio Holder: Councillor Alan Jarrett, Leader

Report from/Author: Phil Watts, Chief Finance Officer

#### **Summary**

This report details the final revenue and capital outturn position for the financial year ended 31 March 2018. These figures will form part of the Council's statement of accounts which will be seen by the Audit Committee on 30 July 2018.

#### **1. Introduction**

- 1.1 This report is for information only and provides details of the revenue and capital outturn position for 2017/18. The final audited Statement of Accounts will be presented to the Audit Committee on 30 July 2018.

#### **2. Background**

- 2.1 As part of the Council's quarterly budget monitoring process, managers are required to produce forecasts of income and expenditure throughout the year, taking account of the previous year's outturn, actual income and expenditure for 2017/18 and most importantly, their knowledge of commitments and income trends.
- 2.2 In spite of the quarter 3 revenue forecasts indicating a £653,000 pressure, the final outturn for the year was close to breakeven, representing a modest underspend of £58,000. The final position for each directorate is summarised in Table 1 overleaf:

**Table 1 – Revenue Outturn**

Directorate	Q3 Variance	Budget 2017/18	Outturn	Variance
	£000s	£000s	£000s	£000s
Children and Adult Services	(395)	218,815	218,357	(453)
Regeneration, Culture, Environment and Transformation	404	73,834	74,273	439
Business Support Department	474	7,345	6,839	(505)
Public Health	0	14,390	14,390	0
Interest & Financing	65	(20,751)	(20,650)	101
Levies	104	1,113	1,252	139
Medway Norse Joint Venture	1	(263)	(262)	1
<b>Budget Requirement</b>	<b>653</b>	<b>294,484</b>	<b>294,204</b>	<b>(279)</b>
<i>Funded by:</i>				
Dedicated Schools Grant	0	(90,264)	(90,264)	0
Other School Specific Grants	0	(4,491)	(4,491)	0
Education Services Grant	0	(378)	(378)	0
Revenue Support Grant	0	(18,848)	(18,848)	0
Business Rate Share	0	(46,302)	(46,302)	0
New Homes Bonus	0	(5,367)	(5,146)	221
Council Tax	0	(106,148)	(106,148)	0
Public Health Grant	0	(17,671)	(17,671)	0
Specific Grants	0	(4,965)	(4,965)	0
Use of Reserves	0	(50)	(50)	0
<b>Total Available Funding</b>	<b>0</b>	<b>(294,484)</b>	<b>(294,262)</b>	<b>221</b>
<b>Variance</b>	<b>653</b>	<b>0</b>	<b>(58)</b>	<b>(58)</b>

### 3. Directorate major variances

#### 3.1 Children and Adults (£453,000 underspend)

##### 3.1.1 Children's Services underspent by £1,937,000:

- 3.1.1.1 There was a £1,265,000 underspend on placements due to the use of foster placements, special guardianships and in-house residential placements, rather than external residential placements. This was offset by a £402,000 overspend on Section 17 and families with No Recourse to Public Funds (NRPF) expenditure, due to having to house intentionally homeless families and pay housing allowances.
- 3.1.1.2 The decision to in-source Youth Services and restructure Early Help, Inclusion and Early Years, including Children's Centres, has resulted in further savings of around £600,000. The retirement costs arising from this restructure have been funded from reserves.
- 3.1.1.3 Posts held vacant during the restructuring of Children's Services also contributed towards the divisional underspend.

### 3.1.2 Adults Social Care overspent by £625,000:

- 3.1.2.1 Disability Services overspent by £975,000, primarily due to an increase in the number of supported living placements, but also reflecting a £241,000 overspend in relation to children with disabilities.
- 3.1.2.2 Mental Health Services overspent by £313,000, primarily due to additional and particularly costly transfers from Children's Services.
- 3.1.2.3 Older People services underspent by £114,000. Increases in the numbers of residential and nursing care placements and the average cost of those placements, together with an increase in double-handed homecare packages were largely offset by the use of iBCF funding and by higher than budgeted levels of client contributions.
- 3.1.2.4 There was an overall underspend of £217,000 across all ASC staffing teams.
- 3.1.3 The Director's Office overspent by £503,000 primarily due to the continued use of seven agency members of staff covering vacancies and long-term absence within the safeguarding and quality assurance function.
- 3.1.4 Partnership Commissioning has overspent by £190,000 primarily due to SEN transport (£825,000) and the increase in the statutory eligibility age. This was partially offset by an underspend on mainstream transport (£214,000) and ten vacant commissioning posts (£422,000) across the division vacant for most of the year.
- 3.1.5 Schools Retained Funding & Grants overspent by £167,000 primarily due to the write off of academy deficits on conversion (£76,000) and the redundancy and retirement costs related to the school restructuring (£85,000).

### 3.2 **Regeneration, Culture, Environment & Transformation (£439,000 overspend)**

#### 3.2.1 Front Line Services underspent by £360,000:

- 3.2.1.1 In response to the impact of ongoing crematorium capital works, a range of actions including savings on staffing and operational costs (£156,000), overachievement of other income streams and the decision not to transfer £134,000 to the crematorium reserve reduced the Registration and Bereavement overspend to £145,000.
- 3.2.1.2 A range of non-recurring actions in Highways contributed to the delivery of an £838,000 underspend including the use of commuted sums and capital grants to fund major maintenance works.
- 3.2.1.3 Following consultation with stakeholders, plans for three new CPZs have not been taken forward, resulting in a £500,000 shortfall in income. Further shortfalls in projected income from both off-street and on-street pay and display resulted in an overall pressure against the Parking Services budget. These pressures were partially off-set by £222,000 of additional income from enforcement activity. A change in accounting policy to reflect PCN debt in the revenue accounts generated a one-off benefit of £518,000.

- 3.2.1.4 Waste Services reported an underspend of £184,000 due mainly to a decrease of 0.47% in waste disposal compared to 2016/17. Safer Communities underspent by £243,000 due to savings as a result of vacancies and a moratorium on non-essential spend.
- 3.2.1.5 Despite a shortfall of income from permit schemes (£187,000) and a pressure on supplies and services and contractor payments (£110,000), the Integrated Transport service underspent by £159,000 due to savings as a result of staff vacancies of £271,000 and the non-recurring actions to capitalise £193,000 of expenditure and use £158,000 of S106 funding.
- 3.2.2 Physical & Cultural Regeneration overspent by £565,000:
- 3.2.2.1 Sport, Leisure, Tourism and Heritage reported a £516,000 pressure. This primarily represents the under-achievement of stretch income targets in Leisure Services, as a result of a changing leisure market, characterised by the rise of budget gyms.
- 3.2.2.2 Pressures elsewhere within the division were offset by the overachievement of planning fee income compared to budget (£298,000) and savings resulting from staff vacancies.
- 3.2.3 Transformation Division overspent by £330,000:
- 3.2.3.1 The increase in the number of Multi-Academy Trusts has meant that academies no longer look to the local authority to provide HR services. This has severely affected trading with schools, resulting in a £341,000 reduction in income. The transfer of the internal temp agency into MCG resulted in a significant number of long term temps being offered permanent decision. Whilst this has reduced budget overspending elsewhere within the Council, the consequence has been a £211,000 shortfall against the internal income target.
- 3.2.3.2 Despite unbudgeted pressures on ICT contracts of £447,000, use of the earmarked ICT reserve (£270,000) reduced the overspend across ICT and the MGFL to £192,000.
- 3.2.3.3 Communications and Marketing overspent by £115,000 due to historic pressures on salaries, an underachievement of income and a marketing overspend.
- 3.2.3.4 These overspends are mitigated by underspends on Business Administration (£89,000) due to staff vacancies and on Customer Contact, Community Hubs, Libraries and Adult Education (£333,000) due to staff vacancies, savings on computer expenses and additional income from student loans.
- 3.2.4 The Director's Office underspent by £95,000.
- 3.2.5 The Housing Revenue Account outturn position was a surplus of £801,000 which is above the approved budgeted surplus of £220,000. Savings have been made reduction in voids, savings from interest payments and a modest increase in rental income.

### 3.3 Business Support (£505,000 underspend)

- 3.3.1 Central Finance underspent by £232,000 primarily due to the Benefit Subsidy claim delivering a net additional £175,000 over the budget level with further savings as a result of vacancies across the service.
- 3.3.2 Democracy and Governance underspent by £135,000 primarily due to savings on printing and as a result of vacancies. Despite pressures including the underachievement of income targets in Category Management (£401,000) and corporate buildings (£140,000), the Legal, Contracts and Property Service outturn was a modest £37,000 overspend due to mitigating underspends in Legal Services, Licensing and Land Charges (£198,000).
- 3.3.3 Corporate Management underspent by £175,000 due to the application of adjustments relating to prior years' business rates.
- 3.3.4 Interest and Finance overspent by £101,000 primarily due to a reduction in external investment income resulting from a reduced average return as higher rate loans to other Local Authorities are repaid, and lower than budgeted returns from Property Funds due to delays in placing these investments. In addition, an increased level of short term borrowing has been required to support the Council's cash flow, with associated costs increasing as the interest rates available on short term borrowing have risen.
- 3.3.5 Levies overspent by £139,000 primarily due to increases in the number of deaths requiring coroner investigations and the cessation of police funding for the coroners service.

## 4. Capital

- 4.1 The capital programme year end position is shown below. A carry forward budget of £58,010m is available for use within 2018/19 and beyond.

Service Area	Budget 2017/18	Actual Spend	Planned Spend Future Years	Net Variance
	£000's	£000's	£000's	£000's
Business Support	787	303	484	(2)
Members Priorities	253	59	194	0
Regeneration, Culture, Environment & Transformation	56,431	14,420	42,011	22
Children and Adult Services	23,458	12,778	10,680	0
Housing Revenue Account	6,080	4,445	1,635	0
Digital Transformation	5,187	2,181	3,006	0
<b>Total</b>	<b>92,196</b>	<b>34,186</b>	<b>58,010</b>	<b>20</b>

- 4.2 The modest underspend against the Business Support programme relates to an underspend on the Legal Case Management System.
- 4.3 The overspend against the RCET programme relates to the Medway Archives Project.

## **5. Conclusions**

- 5.1 This report is for information only. The final audited Statement of Accounts will be presented to the Audit Committee on 30 July.

## **6. Risk management implications**

- 6.1 The Council's revenue monitoring process is designed to help mitigate the risk of overspending against the agreed budget at year-end; this report sets out the areas of potential overspend forecast and the actions identified by management and Members to mitigate these.

## **7. Financial and legal implications**

- 7.1 The financial implications are set out in the body of the report. There are no legal implications within this report.

## **8. Recommendation**

- 8.1 Cabinet is requested to note the 2017/18 outturn position.

## **9. Suggested reasons for decision**

- 9.1 The Cabinet is the body charged with the executive management of the council's budget. Therefore, it is important that the final outturn is reported to Cabinet.

### **Lead officer contact**

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### **Appendices**

None

### **Background Papers**

Revenue budget approved by Council – 23 February 2017

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&MId=3359>

Revenue Budget Monitoring 2017/18 – Round 1 – 8 August 2017

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=3695&Ver=4>

Revenue Budget Monitoring 2017/18– Round 2 – 21 November 2017

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=3699&Ver=4>

Revenue Budget Monitoring 2017/18– Round 3 – 6 February 2018

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=3702&Ver=4>