

CABINET

11 JUNE 2019

REVENUE AND CAPITAL OUTTURN 2018/19

Portfolio Holder: Councillor Alan Jarrett, Leader
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Summary

This report details the final revenue and capital outturn position for the financial year ended 31 March 2019. These figures will form part of the Council's statement of accounts which will be seen by the Audit Committee on 29 July 2019.

1. Introduction

- 1.1 This report is for information only and provides details of the revenue and capital outturn position for 2018/19. The final audited Statement of Accounts will be presented to the Audit Committee on 29 July 2019.

Outturn Position 2018/19

2. Background

- 2.1 Budget managers had been asked to produce forecasts throughout 2018/19 taking account of the previous year's outturn, actual income and expenditure for 2018/19 and most importantly, their knowledge of commitments and income trends.
- 2.2 In spite of the quarter 3 revenue forecasts indicating a pressure of £2.920 million, the final overspend for the year was reduced to £1.991 million. However, as set out in section 5 of this report, this has been offset by increased income from local taxation, not least the retention of additional business rates growth through the Kent and Medway 100% business rates pilot. The final position for each directorate is summarised in Table 1 overleaf.

Table 1 – Revenue Outturn

Directorate	Q3 Variance	Budget 2018/19	Outturn	Variance
	£000s	£000s	£000s	£000s
Children and Adult Services	2,781	207,682	210,963	3,282
Public Health	0	13,690	13,690	0
Regeneration, Culture, Environment and Transformation	1,112	72,834	73,518	684
Business Support	(1,053)	8,608	6,820	(1,788)
Interest & Financing	(110)	(13,532)	(13,890)	(358)
Levies	178	1,260	1,419	159
Medway Norse Joint Venture	12	(263)	(251)	12
Budget Requirement	2,920	290,278	292,270	1,991
<i>Funded by:</i>				
Dedicated Schools Grant	0	(83,666)	(83,666)	0
Other School Specific Grants	0	(4,108)	(4,108)	0
Education Services Grant	0	0	0	0
Revenue Support Grant	0	0	0	0
Business Rate Share	0	(60,094)	(65,168)	(5,074)
New Homes Bonus	0	(2,512)	(2,222)	290
Council Tax	0	(114,663)	(115,907)	(1,243)
Public Health Grant	0	(17,217)	(17,217)	(0)
Specific Grants	0	(6,773)	(6,773)	0
Transfer to/from Reserves	(2,920)	(1,245)	2,791	4,036
Total Available Funding	(2,920)	(290,278)	(292,270)	(1,991)
Variance	0	0	0	0

3. Children and Adults Services

3.1 Adult Social Care

- 3.1.1 The division overspent by £516,000; an improvement of £17,000 compared to the round 3 forecast.
- 3.1.2 Though lower than budgeted, the level of savings delivered through the Adult Social Care Improvement Programme has improved since the previous forecasts.
- 3.1.3 Uncommitted Improved Better Care Fund was used to offset additional and continued placement expenditure agreed as a management action in round 1. This together with additional funding for winter pressures of £998,000 resulted in an improved outturn position.
- 3.1.4 Disability Services overspent by £913,000 and the £95,000 adverse movement primarily relates to an increase in the number of residential and nursing placements.
- 3.1.5 The Mental Health Service posted a modest underspend, representing an £81,000 improvement on the round 3 forecast.
- 3.1.6 The Older Persons Service overspent by £475,000. This circa £500,000 deterioration primarily relates to the need to increase the bad debt provision by £334,000. This issue will be looked at through the Corporate Debt Project.

3.1.7 The final outturn position was improved by two favourable variances that were not included in the forecasts during the year. The Better Care Fund posted a favourable variance, with Medway Council's 50% share equating to £246,200. As for the Transforming Care Programme Section 75 agreement, the Council retains £231,800 in respect of the Tier 3 pool for 2018/19 to offset costs relating to ongoing placements.

3.2 Children's Services

3.2.1 The division posted an overspend of £2.779million; a worsening of £830,000 compared to the round 3 forecast.

3.2.2 The outturn on the Dedicated Schools Grant High Needs Block represented an overspend of £3.533million, a worsening of £674,000 compared to the round 3 forecast and as agreed, the total overspend was transferred into a deficit reserve. As at year end the overall DSG reserve was in deficit by £4.139million. A three year deficit recovery plan is being formulated and will need to be agreed by the Council's Chief Finance Officer and the Schools Forum before being submitted to the DfE at the end of June 2019.

3.2.3 The outturn on placements (including IFA, special guardianship, residential, internal and external placements) represented an adverse variance of £1.790million; a worsening of £250,000 compared to round 3 due to five additional 52 week placements being agreed.

3.2.4 The outturn position reflects a total overspend on staffing costs of £1.250million, a worsening of £800,000 compared to round 3. While agency staff costs were higher than expected due to significant delays in the receipt of invoices, £300,000 of this movement relates to an error in the earlier forecasts agreed between the service and Finance colleagues.

3.2.5 The outturn in respect of No Recourse to Public Funds and Section 17 payments was an adverse variance of £508,000 as was forecast at R3.

3.3 The Director's Office posted an overspend of £386,000, a worsening of £98,000 compared to the round 3 forecast due to the continued use of agency staff to cover vacant posts in the Safeguarding and Quality Assurance Service.

3.4 Partnership Commissioning reported an underspend of £287,000, an improvement of £422,000 compared to the round 3 forecast. This was primarily due to staff vacancies being held and the receipt of one-off income relating to schools traded services.

3.5 Schools Retained Funding and Grants posted an underspend of £149,000, as reported at round 3 due to centralised funding of redundancy costs and an underspend in respect of the annual cost of historic teachers early retirement costs.

4. Regeneration, Culture, Environment and Transformation

4.1 Front Line Services

- 4.1.1 The division posted an unfavourable variance of £319,531, an improvement of £80,301 compared to the round 3 forecast.
- 4.1.2 Parking Services represented an adverse variance of £1.759million, a worsening of £253,000 from the round 3 forecast with a more significant shortfall than anticipated on PCN income, when compared to budget. Shortfalls in income due to the deferral of the introduction of Controlled Parking Zones and in relation to pay and display at outturn were broadly in line with round 3 forecasts.
- 4.1.3 Integrated Transport reported an adverse variance of £35,375 but this represents an improvement of £113,000 compared to the round 3 forecast due to capitalisation of some costs to grant income where appropriate, use of commuted sums and by reducing agency staff usage.
- 4.1.4 Environmental Services shows a favourable variance of £582,538, an improvement of £234,000 compared to the round 3 forecast, primarily due to increased income from KCC towards the cost of the housing waste recycling centres, following the temporary closure of the Pepperhill site, which offset increased transport and waste disposal costs.
- 4.1.5 Regulatory Services and Greenspaces outturns were in line with round 3 forecasts.

4.2 Physical and Cultural Regeneration

- 4.2.1 The Divisional outturn represents a favourable variance of £136,840, an improvement of £786,183 compared to the round 3 forecast.
- 4.2.2 Strategic Housing reported an underspend of £713,000, an improvement of £517,000 compared to the round 3 forecast. This is primarily due to a reduced number of households being placed into temporary accommodation despite an increasing number of approaches for assistance, as the service successfully prevents homelessness. In addition, £200,000 of income relating to prior years was identified during the accounts closure process.
- 4.2.3 Planning posted a favourable variance of £501,000, an improvement of 314,000 compared to the round 3 forecast. The movement was primarily due to exceptionally high planning fee income, reduced consultants costs and through delayed recruitment to the high level of vacant posts in the team.
- 4.2.4 Festivals, Arts, Theatres and Events reported an unfavourable variance of £402,800, a worsening of £19,000 compared to the round 3 forecast, due to a range of small pressures across theatres and festivals.
- 4.2.5 The Regeneration Service reported an overspend of £34,000 compared to round 3, due to unbudgeted costs relating to Medway Place Branding and additional consultancy work on the IPM Masterplan.

- 4.2.6 Sport, Leisure, Tourism and Heritage returned an unfavourable variance of £618,000, an increase of £28,000 compared to the round 3 forecast, reflecting a continuation of the significant shortfalls against income budgets resulting from the prevalence of the budget gym offering in the area, despite the delivery of savings across the service.
- 4.2.7 Leisure and Cultural Management outturns were in line with round 3 forecasts.
- 4.2.8 South Thames Gateway Partnership reported a pressure of £2,000, an improvement of £28,000 compared to the round 3 forecasts, due to a range of management actions implemented. In line with the Memorandum of Association of the Partnership, Medway Council is responsible for 41% of this deficit.

4.3 Transformation

- 4.3.1 The divisional reported an unfavourable variance of £149,702 compared to the breakeven reported at round 3.
- 4.3.2 ICT Development ended the year with a favourable variance of £59,666, although this was £144,000 worse than the round 3 forecast due to supplier invoices which are currently being disputed.
- 4.3.3 Communications outturn represented an unfavourable variance of £33,082, but an improvement of £66,000 compared to round 3 due to a contribution from Transformation capital and the receipt of one-off unbudgeted income from Academy schools.
- 4.3.4 RCET Performance and Intelligence Hub posted a favourable variance of £65,970, an improvement of £26,000 since the round 3 forecast primarily driven by vacancy savings and increased income from other services, including charges to the Transformation capital scheme.
- 4.3.5 The Head of Transformation posted a favourable variance of £16,007, a worsening of £58,000 compared to the round 3 forecast where management action taken did not deliver the savings forecast.
- 4.3.6 All other headings ended the year broadly in line with round 3 forecasts.

4.4 The Director's Office

- 4.4.1 The outturn was a favourable variance of £74,438, a slight improvement of £2,757 compared to the round 3 forecast.

4.5 MCG

- 4.5.1 The outturn represented an unfavourable variance of £76,800, a worsening of £60,924 compared to the round 3 forecast. Medway's contribution to the CCTV partnership was £26,215 higher than forecast as it was agreed to fund essential maintenance works and some additional temporary staffing costs identified late in the year.

4.6 Corn Exchange

4.6.1 The outturn represented an unfavourable variance of £122,182, a worsening of £7,169 compared to round 3, driven by challenging income budgets, which have been higher than actual income received for the past seven years.

4.7 The Housing Revenue Account

4.7.1 The Housing Revenue Account final outturn position is a surplus of £361,000, which is £170,000 above the budgeted surplus of £191,000.

5. Business Support

5.1 Central Finance

5.1.1 The division posted a favourable variance of £1,653,864, an improvement of £848,458 compared to round 3 forecasts. This primarily results from a review of the provision for bad debt in Revenues and Benefits, where one strand of the Corporate Debt Project – direct earnings attachments – resulted in higher collection of Housing Benefit overpayment debt. In addition, a number of staff vacancies within Finance Strategy and Finance Operations contributed to this favourable variance.

5.2 Democracy and Governance

5.2.1 The Members, Electoral and Democratic Services posted a favourable variance of £68,275, an improvement of £45,156 from round 3, primarily driven by vacancy savings.

5.3 Legal, Contracts & Property

5.3.1 The Legal, Contracts and Property reported a favourable variance of £78,983 however this was a worsening of £172,714 compared to the round 3 forecast.

5.3.2 Category Management posted an unfavourable variance of £78,000 as income was lower than forecast due to a number of schemes either not progressing or slipping into 2019/20.

5.3.3 Land Charges posted an unfavourable variance of £40,000 as fee income was lower than forecast due to fewer Land Charge searches than in previous years.

5.3.4 Legal Services reported a favourable variance of £68,000 due primarily to additional income from charges to capital schemes and the HRA, because fee rates were increased from May 2018.

5.3.5 An unbudgeted uplift agreed at the Medway Norse Strategy Board resulted in the adverse variance on Medway Norse of £112,000, as reported since round 2.

5.3.6 The Property and Capital Projects outturn represented a favourable variance of £160,000, an increase of £26,000 compared to round 3 and staff vacancy savings were required to cover an underachievement of income from reduced HRA fees.

5.4 Corporate Management

- 5.4.1 Corporate Management posted a pressure of £13,501, an improvement of £14,104 compared to the round 3 forecast as the cost of a range of corporate subscriptions for the year was lower than anticipated.

5.5 Centralised budgets

- 5.5.1 The Interest and Financing outturn position represents a favourable variance of £358,064, an improvement of £247,687 compared to the round 3 forecast.
- 5.5.2 The outturn on Levies represents an adverse variance of £159,091, an improvement of £18,804 compared to the round 3 forecast as the cost of the Medical Examiners Service will now be met by the NHS, reducing the overspend on the Coroners Levy.

5.6 Medway Norse Profit Share

- 5.6.1 As forecast at round 3, Medway Norse delivered the budgeted profit share in the 2018/19 financial year, however the accrued contribution from 2017/18 was underachieved by £12,000.

6. Planned Use of Reserves

- 6.1 The 2018/19 budget agreed by Council included £1.245million contribution from reserves, essentially to fund the Housing Infrastructure Fund bid.
- 6.2 The Council's participation in the 100% Business Rates Pilot during 2018/19 was anticipated to deliver increased income to the Collection Fund, but was only *guaranteed* to result in no detriment. The decision was taken not to reflect any additional business rates growth in setting the 2018/19 budget. The quarter 3 monitoring reported through the pilot estimated Medway's share at around £3.9million, however the year end actual figure was nearer £4.6million. In addition, the Amazon warehouse sited on the peninsula represented an addition £600,000 of Business Rates in 2018/19, with the full year effect for 2019/20 being £1.3million.
- 6.3 Increases in the Council Tax base over and above our assumptions resulted in a surplus on Council Tax income, and a review of the bad debt provision suggested we had been overly prudent in our assumptions; these combined to result in additional income of in excess of £1.2million.
- 6.4 These surpluses mean that the £1.991million overspend on services can be met from income received, and that it is now no longer necessary to draw down from reserves to fund the HIF bid. Instead a contribution of £2.791million will be made to the Council's general reserves.

7. Capital

- 7.1 The capital programme year end position is shown in Appendix 1. A carry forward budget of £129.7million is committed on existing schemes and will be added to the new schemes agreed by Council.

8. Conclusions

- 8.1 This report is reported to Cabinet for information only. The final audited Statement of Accounts will be presented to the Audit Committee on 29 July 2019.
- 8.2 This is of course a positive outcome for the Council, however, reliance on windfalls in the Collection Fund are not sustainable. The fact is that the Council overspent its 2018/19 revenue budget by almost £2.0million and only achieved this through a significant number of one-off measures. These included capitalising staff costs to capital schemes, use of commuted sums and other ear-marked reserves and very tight management over vacant posts. The underlying, inherent pressures from challenging income targets, continued demographic growth in social care and SEND and some difficulties in delivering savings targets will need to be addressed in the current year.

9. Financial, legal and risk management implications

- 9.1 The financial and risk management implications are set out in the body of the report. There are no legal implications within this report.

10. Recommendation

- 10.1 Cabinet is requested to note the 2018/19 outturn position.

11. Suggested reasons for decision

- 11.1 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

Appendix 1 – Capital Outturn

Background Papers

Revenue Budget Monitoring 2018/19 – Round 1

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=4063&Ver=4>

Revenue Budget Monitoring 2018/19 – Quarter 2

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=4100&Ver=4>

Revenue Budget Monitoring 2018/19 – Quarter 3

<https://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=4131&Ver=4>