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|----------------------------|---|--------------|---------------------|
| Report To: | CABINET | Date: | 24 JUNE 2019 |
| Heading: | DRAFT OUTTURN 2018/19 ACCOUNTS | | |
| Portfolio Holder: | PORTFOLIO HOLDER FOR FINANCE – COUNCILLOR DAVID MARTIN | | |
| Ward/s: | ALL | | |
| Key Decision: | YES | | |
| Subject to Call-In: | YES | | |

Purpose of Report

This report sets out details of income and expenditure incurred in 2018/19 in respect of the General Fund, the Housing Revenue Account (HRA) and the Capital Programme, how this compares to budget and provides an explanation of significant variances. This is the unaudited position and is therefore potentially subject to change. The audited Statement of Accounts will be presented to the Audit Committee on 22nd July 2019.

In summary the 2018/19 unaudited Outturn position compared to the approved Revised Budget was:

- General Fund – a £1.148m underspend
- HRA – a £2.104m underspend
- Capital Programme – a £4.715m underspend

Section 4 of the report also sets out the proposed carry-forward of 2018/19 unspent previously approved earmarked funding where this is in respect of projects where delays have been experienced during 2018/19 and for which there is no capacity to fund the cost balance of these projects from within 2019/20 budgets.

The report also includes details of further 2019/20 budget adjustments to reflect Officer Decisions taken in April 2019 in respect of Investment Technology reserve earmarked funding.

The report includes a recommendation to Council to utilise £55k of the 2018/19 General Fund underspend to fund the additional costs of the Council's revised post-election political structure and for the recurrent cost beyond 2019/20 to be included in the next update to the Medium Term Financial Strategy.

Recommendation(s)

Cabinet is requested to note:

- (i) The 2018/19 Revenue Outturn for the General Fund, the HRA Outturn and the Capital Programme Outturn.
- (ii) That 2019/20 revenue budgets will be adjusted to reflect carry-forward of 2018/19 approved but unutilised project funding from earmarked reserves and for Officer Decisions taken during April 2019 as set out in section 4 of this report.

Cabinet is asked to recommend to Council:

- (iii) Approval to carry-forward the £4.715m underspend on the Capital Programme to 2019/20 due to slippage (delays to schemes) included in the Programme.
- (iv) Approval to utilise £55k of the 2018/19 underspend to meet the additional costs of the Council's new political structure.

Reasons for Recommendation(s)

To report to those charged with governance, the Council's financial Outturn for 2018/19 and to comply with the Council's Financial Regulations.

Alternative Options Considered

(with reasons why not adopted)

The financial Outturn position is as reported within the 2018/19 draft Statement of Accounts therefore there are no other options. The proposed carry-forward of unutilised 2018/19 earmarked reserves will facilitate the delivery of specific projects from the reserves designated for this purpose. Not to approve the funding carry-forwards would prevent some projects from progressing or would require them to be funded from the General Fund balance which is not recommended.

Detailed Information

1. General Fund Revenue Outturn

The General Fund supports the day to day running of the Council's services, excluding Housing.

The table below shows the General Fund Revenue Outturn by subjective analysis and by Directorate.

| | Revised Budget £'000 | Actual Outturn £'000 | Variance £'000 | Note |
|--|-------------------------|-------------------------|-------------------|------|
| <u>Subjective Analysis:</u> | | | | |
| Employee Expenses | 16,885 | 16,594 | (291) | 1 |
| Premises Expenses | 1,414 | 1,372 | (42) | 2 |
| Transport Related Expenses | 2,335 | 2,123 | (212) | 3 |
| Supplies & Services | 5,327 | 5,971 | 644 | 4 |
| Transfer Payments | 30,725 | 30,705 | (20) | 5 |
| Income | (39,381) | (40,785) | (1,404) | 6 |
| Recharges (Net) | (4,825) | (4,543) | 282 | 7 |
| Total | 12,480 | 11,437 | (1,043) | |
| <u>By Directorate:</u> | | | | |
| Chief Executive Officer | 713 | 743 | 30 | A |
| Resources & Business Transformation | (356) | (792) | (436) | B |
| Legal & Governance | 998 | 761 | (237) | C |
| Place & Communities | 9,452 | 9,294 | (158) | D |
| Housing & Assets | 1,673 | 1,431 | (242) | E |
| Sub Total | 12,480 | 11,437 | (1,043) | |
| <u>Financing and Investment Inc. & Expenditure</u> | | | | |
| Net Interest | (181) | 3 | 184 | |
| Minimum Revenue Payment | 1,809 | 284 | (1,525) | |
| Capital Expenditure Financed from Revenue | 113 | 54 | (59) | |
| Sub Total | 1,741 | 341 | (1,400) | 8 |
| TOTAL EXPENDITURE | 14,221 | 11,778 | (2,443) | |
| <u>Funding</u> | | | | |
| Government Grants | (2,783) | (2,783) | 0 | |
| Business Rates | (5,167) | (6,452) | (1,285) | 9 |
| Council Tax | (6,180) | (6,180) | 0 | |
| TOTAL FUNDING | (14,130) | (15,415) | (1,285) | |
| Net General Fund Deficit/(surplus) for the year before transfers to/from Earmarked Reserves | 91 | (3,637) | (3,728) | |
| Net contribution to/(from) Earmarked Reserves | (482) | 2,098 | 2,580 | 10 |
| Net General Fund Deficit/(surplus) for the year after transfers to/from Earmarked Reserves | (391) | (1,539) | (1,148) | |

Explanation of variances to budget by subjective analysis:

(1) Employee Expenses (£291k underspend)

The staffing budget was £716k underspent due to vacancies throughout the Authority during the year; partially offset by agency staff costs of £470k. The budget for severance costs was underspent by £158k. The training budget was overspent by £90k but this is predominantly funded through additional income (see below). Recruitment costs of £29k and out of hours payments of

£15k were incurred. Members' Allowances budgets were underspent by £9k. Other employee costs were £12k underspent.

(2) Premises Expenses (£42k underspend)

The premises repairs budget was underspent by £42k.

(3) Transport Related Expenses (£212k underspend)

Fuel costs were £51k less than budget, car mileage and associated lump sum costs were £43k less than budget, contract and plant hire was £201k less than budget and transport insurance was £28k less than budget. These underspends were partially offset by additional spend on parts to maintain vehicles (£111k over budget).

(4) Supplies & Services (£644k overspend)

The main overspends were due to: additional payments to contractors (£329k) including insurance contract payments (£119k) and specialist contractors – largely funded from reserves, £237k payment of Domestic Violence grant to other local authorities (for which grant income was received – see (6) below), additional security staff at the Council's offices (£34k), postages (£48k), professional, consultancy and legal expenses (£82k) and equipment purchase costs (£55k). These overspends were partially mitigated by a £139k underspend on the cost of shared services.

(5) Transfer Payments (£20k underspend)

This is a slight underspend compared to budget for Housing Benefit and Discretionary Housing Payments. It represents a 0.06% variance on a budget of £30.7m.

(6) Income (£1.404m over-recovery)

The net income over-recovery compared to budget is mainly due to the following:

- Government grants received are in excess of the level budgeted (£1.052m) – Domestic Violence Grant (see (4) above, additional New Burdens funding, Housing benefit related grants, additional Homelessness funding, DEFRA Air Quality grant.
- Additional Planning services income (£272k)
- Apprenticeship Levy income (£80k)
- Additional licences and permits income (£49k)
- Additional Pest Control income (£39k)

The above additional income is partially offset by a £77k under-recovery of rent income (predominantly market rent income - £69k) compared to budget.

(7) Recharges (£282k under-recovery)

The net recharges budget under-recovery is due to being unable to recover budgeted levels of recharges due to the reduced cost of services to the Capital Programme and external customers.

(8) Financing and Investment Income and Expenditure

The main reason for the net underspend of £1.4m is due to a reduced in-year Minimum Revenue Payment (MRP) contribution requirement due to an over-provision in previous years (£1.221m) and reduced borrowing requirements due to delays in implementing some capital programme schemes.

(9) Business Rates

We received £1.285m business rates higher than budget in 2018/19. This is due to:

- £879k unbudgeted funding returned from the Nottinghamshire Pool in respect of both 2017/18 and 2018/19 contributions.
- £218k additional business rates
- £128k additional small business rates relief grant income (Section 31 grants)
- £59k non-recurrent Returned funding from the Government's Levy account.

(10) Transfers to/from Earmarked Reserves

Note 25 of the 2018/19 Statement of Accounts provides a detailed analysis of the movements in earmarked reserves. Key transfers to note are:

- £842k contribution from the additional business rates received (9 above) to the NNDR Equalisation reserve, £400k of this contribution is to recognise the financial impact of timing differences, which, all things being equal will result in a pressure of this value arising in 2020/21 and the balance relating to funding committed for the 2019/20 budget.
- £400k contribution from the MRP over-provision (8 above) to fund the costs of the Local Plan in 2019/20.
- £400k contribution to the Commercial Property Investment reserve to recognise the increase in investment, and therefore risk, in Investment Properties.
- £200k contribution to the Corporate Change reserve to help fund future costs associated with the Digital Services Transformation Programme and service review outcomes.

Summary explanation of variances to budget by Directorate:

A. Chief Executive

The £30k overspend on the Chief Executive's Directorate is due to recharges, largely in respect of revenue repairs to Urban Road offices.

B. Resources & Business Transformation

The key variances to budget for the Resources and Business Transformation Directorate which comprised the £436k underspend were:

- Severance budget savings (£210k)
- Performance Team staff vacancies (£45k)
- Commercial Team staff vacancies (£29k)
- Additional Crematorium income (£42k)
- Revenues & Benefits Service net additional Section 31 New Burdens Funding (£112k)

C. Legal & Governance

The main reason for the £237k underspend compared with budget is due to the settlement of the legal case with Alliance Health Care (£252k overall saving from the release of a provision and the award of costs); partially offset by minor overspends across the wider Directorate.

D. Place & Communities

The key reasons for the net £158k Directorate underspend are:

- Planning income greater than budget (£272k).
- Directorate wide staff savings through vacancies (£34k).
- Additional Pest Control income (£39k).
- Complex Case Team (£40k) one-off grant income from Nottinghamshire Fire & Rescue Authority.
- Place & Wellbeing S106 funding not utilised in 2018/19 for Sutton Realm (£34k). It should be noted that this budget is to be carried forward for use in 2019/20. (See section 4 below).
- Licensing services (£37k) largely due to additional income generation.
- Environmental Services and maintenance (£39k) including the cost of delivering the two Ashfield Big Spring Cleans.

These underspends were partially mitigated by the following overspends:

- Markets (£90k) largely due to income under-recovery.
- Additional cost of cemeteries provision (£59k).
- Garage workshop (£114k) largely due to additional expenditure on vehicle parts due to delayed purchase of replacement vehicles pending the outcome of the Transport Review.
- Leisure Centre provision – reduced income (£27k).
- Allotments service (£7k).
- Waste net pressure (£2k) – comprising; overspends on Domestic waste (£14k), bulky waste collection (£10k) and garden waste (£74k) largely mitigated by underspends on; trade waste (-£22k) and glass and recycling credits (-£74k).
- Outdoor recreation and provision of cafes (£22k).
- Other Directorate wide net overspends (£16k).

E. Housing & Assets

The main reasons contributing to the £242k underspend compared to budget are:

- Directorate wide staff vacancies (£51k)
- Homelessness service additional grant income (£103k) transferred to reserves to fund future service delivery
- Asset Maintenance savings (£82k)
- Other net savings to budget across the wider Directorate (£6k)

General Fund Usable Reserves Summary

From 2017/18 to 2018/19 the Council's earmarked reserves increased by £2.063m to £7.885m and the Council's General Reserve increased by £1.539m to £6.116m.

2. Housing Revenue Account (HRA)

The HRA is a ring-fenced landlord's account for the management and maintenance of the Council's housing stock. This account funds both day to day revenue costs as well as funding borrowing costs for capital work to maintain and improve council properties.

The table below shows the Outturn compared to revised budget for the HRA.

| | Revised Budget £'000 | Actual Outturn £'000 | Variance £'000 | Note |
|--|-------------------------|-------------------------|-------------------|----------|
| Income | | | | |
| Rents, Charges & Contributions | (23,980) | (24,030) | (50) | 1 |
| Other Grants | 0 | (50) | (50) | 2 |
| Interest & Investment Income | (68) | (185) | (117) | 3 |
| Total Income | (24,048) | (24,265) | (217) | |
| | | | | |
| Expenditure | | | | |
| Borrowing & Capital Financing Charges | 3,505 | 3,508 | 3 | |
| Repairs & Maintenance | 7,383 | 7,108 | (275) | 4 |
| Supervision & Management | 4,591 | 4,442 | (149) | 5 |
| Interest Payable & Appropriations | 3,546 | 3,618 | 72 | 6 |
| Other Expenditure | 235 | 118 | (117) | 7 |
| Direct Revenue Financing | 1,311 | 816 | (495) | 8 |
| Transfer to / from Major Repairs Reserve | 1,260 | 300 | (960) | 8 |
| Total Expenditure | 21,831 | 19,910 | (1,921) | |
| | | | | |
| Surplus for the year | (2,217) | (4,355) | (2,138) | |
| | | | | |
| Net contribution to / (from) Earmarked Reserves | 10 | 44 | 34 | 9 |
| | | | | |
| Net HRA Deficit/(Surplus) for the year AFTER transfers to/from Earmarked Reserves | (2,207) | (4,311) | (2,104) | |

The Outturn for the HRA shows an in-year surplus of £4.355m before movement in reserves, bringing the total HRA balance at 31st March 2019 to £32.597m.

Income

- (1) Additional income of £50k compared to budget was received from tenants for rental income and chargeable damage and repair works.
- (2) A grant of £50k was also received which has been earmarked to fund the 2019/20 Affordable Housing Delivery Strategy (see point 9 below).
- (3) The interest and investment income received is £117k greater than budget due to the increase in interest rates from July 2018.

Expenditure

- (4) Repairs and maintenance budgets are underspent by £275k mainly due to:
- Reduced use of subcontractors in delivering the planned maintenance schemes during the year (£130k)
 - £115k vacancy savings on the housing repairs operative team, Estate Officer and Energy Performance departments
 - Reduced housing vehicle charges (£14k)
 - Reduced cost of void property clearance (£13k)
- (5) Supervision and Management costs are £149k less than budget mainly due to:
- Reduced training provision (£25k)
 - Reduced costs of operating and managing Community Centres (£18k)
 - Reduced repairs and maintenance of Housing Court Schemes (£26k)
 - Reduced running costs of the Brook Street office (£32k)
 - Tenancy Services vacancies (£40k)
- (6) The £72k spend above budget represents the transfer of a property from the General Fund to the HRA.
- (7) Other Expenditure is £117k less than budget due to:
- Refunds on empty properties being charged Council Tax (£58k)
 - Reduction in bad debt provision (£59k)
- (8) Direct Revenue Financing was £495k less than budget and the use of the Major Repairs Reserve was £960k less than budget, both due to delays in the implementation of some capital programme schemes.
- (9) The transfer to earmarked reserves represents the £50k Affordable Housing Grant (see note 2 above) less a transfer of £6k from the HRA Insurance reserve.

3. Capital Programme Outturn 2018/19

Details of the main 2018/19 Capital Scheme works and how they were funded are shown in the table below. The notes below the table provide explanations for key variances compared with the 2018/19 budgets.

| Capital Scheme | Revised Budget £'000 | Actual Outturn £'000 | Variance £'000 | Note |
|---|---------------------------------|---------------------------------|---------------------------|-------------|
| <u>Housing Revenue Account (HRA) Schemes</u> | | | | |
| Management Fee | 545 | 546 | 1 | |
| Catch Up & Major Repairs | 3,290 | 2,410 | (880) | 1 |
| Service Improvements | 129 | 100 | (29) | |
| Contingent Major Repairs | 95 | 93 | (2) | |
| Exceptional Extensive Works | 1,031 | 1,165 | 134 | 2 |
| Disabled Adaptations - Major | 157 | 154 | (3) | |
| Disabled Adaptations - Minor | 350 | 323 | (27) | |
| Investment in Additional Council Dwellings | 488 | 484 | (4) | |
| Investment in New Dwellings | 1,000 | 606 | (394) | 3 |
| Major Repairs – Temporary Accommodation | 153 | 5 | (148) | 4 |
| Other HRA Schemes (less than £100k) | 115 | 46 | (69) | |
| TOTAL HRA Schemes | 7,353 | 5,932 | (1,421) | |
| <u>General Fund (GF) Schemes</u> | | | | |
| Annesley Art Project | 124 | 105 | (19) | 5 |
| Brierley Forest Park Management Plan | 102 | 97 | (5) | |
| Friezeland Scooter Park/Jacksdale MUGA | 118 | 0 | (118) | 6 |
| Hucknall Leisure Centre | 140 | 0 | (140) | 7 |
| Improvement Grants – Disabled Facilities | 1,233 | 917 | (316) | 8 |
| Investment Properties | 10,019 | 8,767 | (1,252) | 9 |
| Kings Mill Reservoir Desilting | 321 | 18 | (303) | 10 |
| Leisure Transformation Programme | 200 | 43 | (157) | 11 |
| Vehicle Replacements | 680 | 55 | (625) | 12 |
| Papplewick Green Public Art Work | 150 | 149 | (1) | |
| Other GF Schemes (less than £100k) | 917 | 559 | (358) | 13 |
| TOTAL GF Schemes | 14,004 | 10,710 | (3,294) | |
| TOTAL EXPENDITURE | 21,357 | 16,642 | (4,715) | |
| <u>FUNDING</u> | | | | |
| Major Repairs Reserve/HRA contributions | 6,027 | 4,583 | (1,444) | 14 |
| Prudential Borrowing | 11,287 | 8,859 | (2,428) | 15 |
| Government Grants & Contributions | 2,552 | 1,797 | (755) | 16 |
| Reserve Contributions | 165 | 54 | (111) | 17 |
| Capital Receipts | 1,326 | 1,349 | 23 | |
| TOTAL FUNDING | 21,357 | 16,642 | (4,715) | |

- (1) Delays to works on Council dwellings due to planned works being refused by tenants or structural issues being identified which have slowed progress. These works (and funding) are re-programmed into the 2019/20 works schedule.
- (2) Ecological findings and additional works have resulted in additional expenditure being incurred.
- (3) Suitable properties are only purchased as they are identified at an appropriate price.
- (4) This is a contingency budget which is only utilised when required.
- (5) Scheme delayed in respect of adoption of land and licences.
- (6) Scheme delays due to contractor availability.
- (7) Improvement works rescheduled to May 2019.
- (8) Occupational Health referrals less than anticipated and fewer complex cases received in 2018/19.
- (9) Suitable properties are only purchased as they are identified at an appropriate price.
- (10) Scheme delayed – awaiting formal approval to commence project from Heritage Lottery Fund.
- (11) Delay in appointment of professional team in 2018/19. This has now been progressed.
- (12) Majority of vehicle purchases were placed 'on-hold' pending the outcome of the Transport Review.
- (13) A large number of projects were added to the capital programme towards the end of 2018/19. Works (and spend) will overlap into 2019/20.
- (14) Lower than expected Decent Homes spend thereby reducing the HRA reserve contribution requirement.
- (15) Lower than anticipated spend on Investment properties and vehicles thereby reducing the 2018/19 planned borrowing requirement.
- (16) Reduced use of grant funding due to less spend on disabled facilities works in 2018/19.
- (17) Reduced use of reserves due to delays to capital works at Kings Mill Reservoir and some minor schemes.

4. Earmarked Reserves – Budget Adjustments 2019/20

The table below provides details of project funding which was approved for spend in 2018/19 which was not utilised in 2018/19 and is required to fund project costs in 2019/20:

| Funding Commitment | Reserve / Funding Source | Approval Route | £ |
|---|--------------------------------------|-----------------------|----------------|
| Enforced sale of empty properties | Economic Development & Place Reserve | Cabinet – March 2018 | 20,000 |
| Discover Ashfield brand development | Economic Development & Place Reserve | ODR – June 2018 | 12,187 |
| Coxmoor Observatory – feasibility work | Economic Development & Place Reserve | ODR – June 2018 | 3,000 |
| Ambulance Heritage Society – feasibility work | Economic Development & Place Reserve | ODR – June 2018 | 3,000 |
| Leisure Centre – Contract Tendering | Economic Development & Place Reserve | Cabinet – 21/01/19 | 50,000 |
| Car Parking Orders & Bay Marking | Economic Development & Place Reserve | Cabinet – 18/02/19 | 24,200 |
| Wharf/Brand Lane | Asset Repair & Renewal Reserve | Cabinet – 14/06/18 | 39,892 |
| Sutton in Ashfield Town Centre Improvements to street furniture | Section 106 | Cabinet – 14/06/18 | 34,220 |
| TOTAL | | | 186,499 |

Cabinet is asked to note that 2019/20 budgets will be adjusted to reflect the above planned spend which is to be funded from earmarked reserves.

Cabinet is also asked to note that 2019/20 budgets will also be adjusted to reflect the planned spend detailed in the table below:

| Funding Commitment | Reserve / Funding Source | Approval Route | £ |
|--|---------------------------------|-----------------------|---------------|
| DST Programme - Consultancy | Investment Technology Reserve | ODR – 03/04/19 | 19,000 |
| DST Programme – additional capacity & specialist support | Investment Technology Reserve | ODR – 16/04/19 | 40,500 |
| TOTAL | | | 59,500 |

Implications

Corporate Plan:

The Revenue and Capital Budget and Outturn reflect the priorities in the Corporate Plan.

Legal:

This report ensures compliance with the Council's approved Financial Regulations.

Finance:

| Budget Area | Implication |
|---|---|
| General Fund – Revenue Budget | The financial implications are set out in the body of the report. The Outturn position will be used to update the Medium Term Financial Strategy and the Capital Programme. |
| General Fund – Capital Programme | |
| Housing Revenue Account – Revenue Budget | |
| Housing Revenue Account – Capital Programme | |

Risk:

| Risk | Mitigation |
|--|--|
| Failure to spend within approved budgets could impact the financial sustainability of the Council. | Regular financial monitoring reports to CLT and Cabinet. |

Human Resources:

No adverse human resources implications were identified.

Equalities:

No adverse Equalities and Diversity implications were identified.

Other Implications:

No other implications

Reason(s) for Urgency

Not applicable.

Reason(s) for Exemption

Not applicable.

Background Papers

Statement of Accounts 2018/19 (Unaudited) as published on the Council's website.

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