
Report To:	Policy & Resources Committee	Date:	6 August 2019
Report By:	Chief Financial Officer	Report No:	FIN/69/19/AE/AP
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Subject:	Revenue Budget Outturn 2018/19 - Unaudited		

1.0 PURPOSE

1.1 The purpose of the report is to advise the Committee of the unaudited outturn of Service Committee Budgets for the year ending 31 March 2019 and to highlight any significant variances between revised budgets, period 11 reports and outturn per the 2018/19 Unaudited Accounts.

2.0 SUMMARY

2.1 Appendix 1 details the outturn (excluding earmarked reserves) per the unaudited accounts for 2018/19 and the variance between the outturn and the period 11 reports presented to the Policy & Resources Committee for all Service Committees at 21 May 2019.

2.2 The outturn per the unaudited accounts shows an underspend for 2018/19 of £3,181,000 (Appendix 1) for all Service Committees (Inclusive of HSCP). This represents an underspend of 1.87% against 2018/19 revised budget of £170,278,000. The main areas of underspend relate to:

- Additional turnover savings achieved across the Council of £1,070,000.
- Release of contingencies not required throughout 2018/19 of £1,174,000.
- Additional Internal Resources Interest earned of £343,000.
- Over-recovery of income across the Education and Communities Directorate of £176,000.
- Over-recovery of income across Environment, Regeneration & Resources Directorate of £232,000.
- Over-recovery of income across Health and Social Care Partnership of £195,000.
- HSCP Carers Act Funding (waiving of charges) not used in 2018/19 of £110,000.
- Auto Enrolment budget within HSCP not required in 2018/19 of £165,000.

2.3 Appendix 1 shows an increase in the underspend reported to the last Policy & Resources Committee (Period 11) of £1,171,000 (0.69%). Appendix 2 provides the material variances for individual Committees and further explanations for the significant variances during the year.

2.4 Many of the areas of underspend were one off in 2018/19 or will be reviewed as part of the 2020/23 budget process. As part of the 2019/20 budget, various efficiencies and adjustments were removed from the budget as approved throughout the year by the Policy and Resources Committee. Appendix 2 highlights those areas that were adjusted during 2019/20 where applicable.

2.5 The Council currently utilises smoothing earmarked reserves to deal with pressures arising from demand led services. This approach helps smooth out budget pressures over a number of years. Current smoothing earmarked reserves include Winter Maintenance, Residential Childcare, Older People Residential Care, Microsoft Licensing and Loans Charges.

2.6 Overall, there is £5.2m within free reserves as at 31 March 2019 which is an increase of £1.75m since the budget was set in March 2019 and £1.6m greater than the position reported

to the Policy & Resources Committee May 2019. This excludes the Health & Social Care underspend as this will be retained by the IJB.

- 2.7 The increase is mainly due to a prior year Capital Fund adjustment of £1.5m, a planned write back of an earmarked reserve of £0.452m and further underspends across Committees detailed in this report offset by the correction of and under provision for Council Tax bad debt. It is recommended that any decision on the use of remaining free reserves be deferred until the consideration of the 2020/23 Budget.

3.0 RECOMMENDATIONS

- 3.1 It is recommended the Committee notes the Service Committee underspend per the unaudited accounts for 2018/19 of £3,181,000, the reasons for the material variances from budget and the 0.69% movement from Period 11 to Final Outturn.
- 3.2 It is recommended that the Committee notes that officers will identify any opportunities to adjust budgets from 2019/20 and include proposals in future Budget Reports.
- 3.3 It is recommended that the Committee confirms that decisions regarding available Free Reserves will form part of the 2020/23 Budget development.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The purpose of this report is to advise the Committee of the outturn position per the unaudited accounts for 2018/19 and to highlight the main issues contributing to the underspend of £3,181,000. The report also informs the Committee of the movement since the last report to the Committee and the main issues contributing to the movement.

5.0 2018/19 UNAUDITED OUTTURN

- 5.1 It can be seen from Appendix 1 that the outturn per the unaudited accounts for 2018/19 is an underspend of £3,181,000 for all Service Committees. The outturn comprises an underspend of £1,925,000 within Policy & Resources Committee, £194,000 within Environment & Regeneration Committee, £74,000 within Education & Communities and £988,000 within Health & Social Care. It should be noted that the underspend within Health & Social Care will be retained by the IJB and not form part of the Council's reserves.
- 5.2 Main areas of underspend relate to additional turnover savings achieved, the release of inflation contingencies not required, an over recovery of income across all services and additional Internal Resources Interest earned. Appendix 2 provides more detailed material variances and reasons behind the underspend on a Committee by Committee basis.
- 5.3 Further underspends below £50,000 were incurred across all Services. The underspend in year has been partly offset by increased costs for client care package cost within Social Care Services, a net overspend within Roads Operation Services and Building Services Unit and additional costs as a result of the company that provided the main recycling contract entering administration.
- 5.4 It can be seen in Appendix 1, that the outturn (per the unaudited accounts) of £3,181,000 is a movement of £1,171,000 since the last report to the Policy & Resources Committee in May 2019. Appendix 1 details the movement in underspend per Service Committee. Appendix 2 provides more details regarding the material variances since the Period 11 Policy & Resources Committee report and the reasons for these movements.
- 5.5 Further details on the 2018/19 outturn will be submitted to individual Committees with the first Revenue Monitoring Report for 2019/20 in the next Committee cycle.
- 5.6 Overall, there is £5.2m within free reserves as at 31 March 2019 which is an increase of £1.75m since the budget was set in March 2019 and £1.6m greater than the position reported to the Policy & Resources Committee in May 2019. This excludes the Health & Social Care underspend as this will be retained by the IJB. The increase is mainly due to a prior year Capital Fund adjustment of £1.5m, a planned write back of an earmarked reserve of £0.452m, and further underspends in Committee budgets as detailed in this report offset by the correction of an under provision of Council Tax bad debt. It is recommended that any decision on the use of remaining free reserves be deferred until the consideration of the 2020/23 Budget.

6.0 OTHER INFORMATION

- 6.1 The accuracy of budgeting and projections is an important measure of the Council's Financial Management performance. The percentage variance for 2018/19 increased slightly from 2017/18 but remains at a significantly lower percentage than 2015/16 and 2014/15. The increase in percentage underspend in 2018/19 is mainly due to release of contingencies not required in year and additional turnover savings achieved. Efficiencies and historic underspends were identified in 2018/19 to be removed as part of the 2019/20 budget and have been reported as underspends within the 2018/19 final outturn. The following shows the variance for the last 5 years and the percentage against revised revenue budget for the relevant year.

Year	Variance	Percentage Variance
2014/15	Underspend £4.395m	2.61%
2015/16	Underspend £5.814m	3.41%
2016/17	Underspend £2.243m	1.38%
2017/18	Underspend £2.797m	1.67%
2018/19	Underspend £3.181m	1.87%

6.2 As part of the 2019/20 budget process, decisions were taken to address underspends. Directorates identified a number of historic underspends and efficiencies within the budgets that have been removed as part of the 2019/20 budget process.

6.3 Officers will however use this latest information to identify further potential budget adjustments in order to reduce the funding gap over 2020/23.

7.0 IMPLICATIONS

7.1 FINANCE

All financial implications are discussed in detail within the report and presented in attached appendices.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs / (Savings)

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

7.2 LEGAL

There are no specific legal implications arising from this report.

7.3 HUMAN RESOURCES

There are no specific human resources implications arising from this report.

7.4 EQUALITIES

Has an Equality Impact Assessment been carried out?

Yes See attached appendix

No This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

7.5 REPOPULATION

There are no repopulation issues arising from this report.

8.0 CONSULTATIONS

8.1 The Corporate Management Team has been consulted in the preparation of this report.

9.0 BACKGROUND PAPERS

9.1 There are no background papers for this report.

POLICY & RESOURCES

REVENUE BUDGET PROJECTED POSITION AT PERIOD 11 TO FINAL OUTTURN

2017/18 Actual £000	OBJECTIVE ANALYSIS	Approved Budget 2018/19 £000	Period 11 Revised Budget 2018/19 £000	Period 11 Projection 2018/19 £000	Period 11 Projected Over/(Under) Spend 2018/19 £000	Final Over/(Under) Spend 2018/19 £000	Movement from Probable Outturn £000	Variance as % of Revised Budget
13,486	Policy & Resources	19,474	18,566	17,788	(778)	(1,925)	(1,147)	-10.37%
81,054	Education & Communities	86,962	81,248	81,192	(56)	(74)	(18)	-0.09%
20,917	Environment & Regeneration	23,795	22,667	22,284	(383)	(194)	189	-0.86%
45,698	Health & Social Care	47,794	47,797	47,004	(793)	(988)	(195)	-2.07%
161,155	COMMITTEE NET EXPENDITURE EXCLUDING EARMARKED RESERVES	178,025	170,278	168,268	(2,010)	(3,181)	(1,171)	-1.87%

Reasons: Final Outturn**POLICY & RESOURCES**

Additional Turnover Savings Achieved	(79)
Over Recovery of ICT/Revenues Income	(127)
Inflation Contingencies not used	(1,174)
Over Recovery of Housing Benefit Sundry Debtors	(53)
Internal Resources Interest Over Recovery	(343)
Various (Underspends)/Overspends all under £50k	(149)

(1,925)**EDUCATION & COMMUNITIES**

Additional Turnover Savings Achieved	(154)
ASN Resources overspend	109
Income over-recovery across Directorate	(176)
Over spend on Utility Costs	74
Overspend on Education Transport	97
Bad Debt provision	63
Various (Underspends)/Overspends all under £50k	(87)

(74)**HEALTH & SOCIAL CARE**

Additional Turnover Savings achieved	(539)
One off underspend on Carers Act Funding	(110)
Overspend in client package costs across all Services	118
Net over-recovery of income across Directorate	(195)
One off underspend of Auto enrolment budget	(165)
Release of Ethical Care budget 2018/19	(72)
Overspend on agency costs	85
Underspend in Housing Support costs	(52)
Overspend on clothing and equipment costs across Directorate	59
Various (Underspends)/Overspends all under £50k	(117)

(988)**ENVIRONMENT & REGENERATION**

Additional Turnover Savings achieved	(298)
Roads Client underspend on Electrical Power & Lighting Maint Contract	(107)
Over recovery of Planning Income	(154)
Overspend due to Greenlight Contract	108
Reduction in Residual Waste Contract	(105)
Over Recovery of Income across Directorate	(78)
Overspend within Building Services Unit	106
Net overspend within Roads Operations Services	189
Various (Underspends)/Overspends all under £50k	145

(194)**Reasons: Movement Period 11 to Final Outturn****POLICY & RESOURCES**

Further underspends in inflation contingencies	(709)
Internal Resources Interest Over Recovery	(243)
Housing Benefit Sundry Debtors	(73)
Various (Underspends)/Overspends all under £50k	(122)

(1,147)**EDUCATION & COMMUNITIES**

ASN Resources Overspend	109
Over Recovery of Income	(131)
ASN Non teachers additional overspend	64
Other minor underspend	(60)

(18)**HEALTH & SOCIAL CARE**

Carers Act underspend	(87)
Additional Charging Order income	(179)
Various (Underspends)/Overspends all under £50k	71

(195)**ENVIRONMENT & REGENERATION**

Under Recovery in BSU income	84
Under Recovery of Income across Directorate	62
Various (Underspends)/Overspends all under £50k	43

189

MATERIAL VARIANCES FROM BUDGET (OVER £50,000)

POLICY & RESOURCES COMMITTEE

1. Contingencies – Outturn Underspend £1,174,000 (41.82%)

Due to a lower than anticipated requirement for non-pay and pay inflationary pressures, the Council underspent by £1,174,000. As part of the 2019/20 budget process, a saving of £497,000 in non-pay inflation and £805,000 in pay inflation was approved.

2. Internal Resources Income – Outturn Over Recovery £343,000 (228.6%)

Due to an increase in interest rates, Internal Resources Interest received was £343,000 more than budgeted in 2018/19. A review of this budget has been undertaken as part of the budget process and the recovery target has been increased by £100,000 with a further increase being proposed for 2020/21.

3. Turnover Savings – Outturn Underspend £79,000 (0.92%)

Turnover savings of £79,000 was achieved by the Committee for 2018/19 which is an increase in savings achieved of £11,000 since last reported to Committee.

4. ICT Income – Outturn Over Recovery £90,000 (19.22%)

ICT income over-recovery mainly due to line rental charges and a one-off £52,000 received from Education PEF and other ICT service charge. This is a decrease in income projected of £20,000 since last reported.

ENVIRONMENT & REGENERATION COMMITTEE

1. Turnover Savings – Outturn Over Recovery £298,000 (1.97%)

The Services within the Environment & Regeneration Committee achieved additional Turnover Savings of £298,000 in 2018/19. This is an increase in spend of £32,000 since period 11 report to Committee.

2. Roads Client Electrical power & Lighting maintenance – Outturn Underspend £107,000 (14.43%)

The Roads Client underspend on Electrical power and Lighting maintenance which was reported to Committee in period 11. As part of the 2019/20 budget process, a £30,000 savings has been applied to Street Lighting maintenance.

3. Planning Income – Outturn Over Recovery £154,000 (57.89%)

An over recovery of income within Planning Development control which was reported to Committee in period 11.

4. Environmental & Commercial Services Main Recycling Contract – Outturn Overspend £108,000 (51%)

An overspend within the main recycling contract of £108,000 due to the company entering administration, a reduction of £10,000 since the last report to Committee. £180,000 was built into the 2019/20 Budget to meet this pressure.

5. Environmental & Commercial Services Residual Waste Contract – Outturn Underspend £105,000 (3.60%)

Residual waste out-turned £105,000 underspend which is an increase in underspend of £17,000 since last reported to Committee. It is anticipated that virement will be approved of £100,000 to offset a shortfall in Residual Waste income.

6. Environmental & Commercial Services Trade Waste Income – Outturn Under Recovery £99,000 (12.32%)

An under recovery of Trade Waste Income of £99,000 linked with underspend in Residual Waste Contract above. It is anticipated that virement of £100,000 will be approved to offset under recovery of Income and underspend within Residual Waste Contract.

EDUCATION & COMMUNITIES

1. Turnover Savings – Outturn Over Recovery £154,000 (0.2%)

The Committee achieved additional Turnover Savings of £155,000 which is a decrease in savings achieved of £22,000 since period 11 report to Committee, the movement was mainly within Facilities Management.

2. Education Active Schools, Wraparound, CLD and Schools meals Income – Over Recovery £176,000 (10.18%)

Over recovery of income within Education services Active schools, Wraparound Income and School Meals income of £176,000.

3. ASN resources – Outturn Overspend £109,000 (10.58%)

ASN resources overspend by £109,000 mainly due to costs previously projected to be funded from earmarked reserves now being funded from core budgets.

HEALTH & SOCIAL CARE COMMITTEE**1. Turnover Savings – Outturn Over Recovery £539,000 (1.98%)**

The Committee produced additional turnover savings for 2018/19 of £539,000 mainly due to delay in filling vacant posts within Learning Disabilities, Addictions and Homecare services and is inclusive of early achievement of 2019/20 savings.

2. Client Commitments – Outturn Overspend £123,000 (1.17%)

Client Commitments were overspent by £118,000 during 2018/19. Increased costs were incurred within Homecare, Residential Nursing and Physical Disability services which were reported to Committee in period 11.

3. Auto Enrolment – Outturn Underspend £165,000 (100%)

During 2018/19 the auto enrolment costs were contained within employee costs and budget was not required, this is a one off saving during 2018/19.

4. Carers Act funding – Outturn Underspend £110,000 (30.81%)

The funding received for Carers Act of £357,000 was not spend in full as planned in 2018/19 due to implementation of waiving of charges delayed until 1st April 2019, this resulted in a one off underspend of £110,000 in 2018/19.

5. Income – Net Over Recovery across directorate £195,000 (0.92%)

2018/19 out-turned a net over-recovery of income of £195,000 excluding income that was offsetting costs. The main reason for the over-achievement was due to a one-off £110,000 income from SAMH which was reported to Committee in period 11 and charging order income over-recovered by £185,000.