

REPORT OF:	HEAD OF FINANCE & ASSETS
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TO:	EXECUTIVE
DATE:	20 JUNE 2019
EXECUTIVE MEMBER:	COUNCILLOR T. SCHOFIELD

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	ALL

SUBJECT:	SERVICE & FINANCIAL PLANNING: PROVISIONAL OUTTURN 2018/19
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RECOMMENDATIONS:

- (i) That the provisional revenue and capital outturn position for 2018/19 is noted.
- (ii) That the use of reserves proposed in paragraph 10 is endorsed and the Head of Finance & Assets is authorised to make the necessary arrangements.
- (iii) That the 2018/19 prudential and treasury indicators in the Annual Treasury Management Report at Annex 3 are approved.

REASONS FOR RECOMMENDATIONS:

To advise Members of the revenue and capital expenditure for 2018/19, to seek authorisation for the proposed changes to reserves and to comply with the Council's reporting requirements in relation to Treasury Management activity.

EXECUTIVE SUMMARY:

This report sets out the 2018/19 provisional outturn for revenue (£1.6m favourable variance) and capital (£3.29m favourable variance). It identifies and explains key variances, and proposes changes to the levels of the Council's reserves. The report also presents the Treasury Management outturn position for 2018/19.

Executive has authority to approve recommendations (i) & (ii).

Full Council is asked to approve (iii).

STATUTORY POWERS

1. Decisions on the use of reserves affect the Statement of Accounts. The Council is required to produce the Statement by the *Local Government and Housing Act 1989* and the *Accounts and Audit Regulations 2015*.

ISSUES

2. The accounting records for the year ended 31 March 2019 have been closed and work to prepare the formal Statement of Accounts is complete. The Statement will form part of the Annual Financial Report which will be presented to Members on 25 July following audit by Deloitte LLP.
3. The information in this report is therefore still subject to both minor variation and verification.
4. Table 1 below summarises the provisional outturn position.

Table 1: Provisional Outturn Summary

	Budget	Outturn	Variance	Variance
<u>Description</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>%</u>
Capital Programme	42,528	39,235	(3,293)	(8%)
Revenue Budget	17,770	16,152	(1,618)	(9%)

Capital Programme Outturn 2018/19

5. The outturn for the capital programme is £39,234,696 against a budget of £42,528,088 which gives a net underspend of £3,293,392. Due to its very nature the capital programme is not easy to profile accurately and has historically underspent by between 10% to 30% per year. The main components of the 2018/19 underspend have been previously reported and are included in the summary below. A full list of capital outturn variances can be found in Annex 1.
 - *Marketfield Way Re-development: £0.48m under spend.* During the year, work streams that were planned to be run in parallel had to be run sequentially. In addition, the project has now reached a planned pause. Outturn underspends are planned to be carried forward to 2019/20.
 - *Vehicles Replacement Programme: £0.53m under spend.* A new purchase plan for vehicles has been approved during the year, with a phased replacement now planned over the next three years.
 - *Lee Street Bungalows: £0.43m under spend.* A change in supplier was required in order to speed up this project's delivery. Now that has taken place, a revised delivery date has been agreed and the allocated funds will be carried forward to 2019/20.
 - *Disabled Facilities Grant under spend: £0.59m.* Grant expenditure is dependent on how many successful grant applications are processed and the capacity of the contractor to complete the work. The value of grants is increasing year on year.

6. Where necessary, ongoing projects and programmes have been re-profiled to reflect the outturn position and revised plans. Unspent funds have been carried forward to 2019/20.

Revenue Budget Outturn 2018/19

7. In February 2018 the Council set a net revenue budget for 2018/19 of £15,494,500. Transfers from the Corporate Plan Delivery Fund and other grants during the year resulted in a net increase to £17,770,300. Actual expenditure for the year was £16,152,100 giving a favourable outturn position of £1,618,200 (9% of the overall budget).
8. The most significant revenue budget variances for 2018/19 have been highlighted throughout the year and are summarised below:

Income Receipts Greater than Budget:

- *Refuse & Recycling:* As reported during the year, the volumes of Paper, Food and Domestic Recycling were all above budget leading to over-recovery of income. In addition, the numbers of Garden Waste subscribers continued to increase. This has resulted in a higher than expected income and a variance of £588,000 under budget.
- *Development Services:* A £257,000 over-recovery of income was due to greater volumes of planning fees than was anticipated in the budget.
- *Property and Facilities:* The £182,000 over-recovery of income was generated through new rental streams from commercial property purchases during the year.

Government Funding Lower than Budget:

- *Benefits:* £120,000 lower benefit subsidy than was budgeted.

Expenditure Lower than Budget:

- *Finance:* A delay in investing in our property portfolio, resulted in the predicted borrowing of funds being deferred, resulting in lower annual borrowing costs compared to budget. Investing in our property portfolio later in the year (rather than earlier), resulted in additional investment income as well as reduced borrowing costs. As a result £292,200 has been saved.
- *Senior Management Team:* The £260,000 budget saving was caused by vacant posts and lower than originally expected interim management costs.
- *Place Delivery:* Some authorised posts remained vacant during the year leading to a net £164,000 budget saving.

Expenditure Greater than Budget:

- *Legal:* As previously-reported during the year, the £160,000 overspend compared to budget was caused by a reliance on locum staff and external advice to deliver the service.

9. A full list of revenue budget outturn variances is attached at Annex 2.

Headroom Contingency Budget Outturn

10. The Headroom Contingency Budget was originally established during budget setting in 2012/13 to '*mitigate the reduction in Central Government revenue funding*'. The following costs were charged against the budget during 2018/19.

Table 3: Headroom Contingency Budget

	£
Headroom Contingency Budget 2018/19	1,335,800
Charges Made: : Net Bank Reconciliation adjustments	(475,798)
Headroom Contingency Budget underspend at 31 March 2019	860,002

The bank reconciliation adjustments relate to the outcome of work completed during the year to resolve long-standing unreconciled items. Further details of this work will be reported, following final review by external audit, as part of the annual Statement of Accounts report to Executive on 18 July 2019.

A reduction in the Headroom Contingency Budget was approved during the 2019/20 budget setting process.

Table 4: Changes in the Headroom Contingency Budget 2018/19 to 2019/20

	£
Headroom Contingency Budget 2018/19	1,335,800
Reduction: Released during the Budget Setting process	-500,000
Headroom Contingency Budget 2019/20	835,800

Use of Reserves 2018/19

11. It is recommended that the following transactions take place in order to utilise the net revenue budget variance in 2018/19 to support delivery of 2019/20 spending plans:
- a) That £0.5m is used to create a new reserve for funding the new posts that are being established during 2019/20 to support delivery of corporate priorities.
 - b) That £0.25m is used to create a new reserve for Feasibility Studies for new commercial initiatives.
12. Table 2 below summarises the impacts of these recommendations on Earmarked Reserves along with the final position on the Corporate Plan Delivery Fund Reserve (CPDF).

Table 2: New Earmarked Reserves and CPDF Outturn 2018/19

	Balance at 31/03/18 £000	Movements During 2018/19 £000	Balance at 31/03/19 £000
Earmarked Reserves:			
Feasibility Studies: new reserve established at the end of 2018/19 to fund feasibility studies for new commercial initiatives	0	250	250
New Posts: new reserve established at the end of 2018/19 to fund new posts that are being established during 2019/20 to support delivery of corporate priorities	0	500	500
Corporate Plan Delivery Fund: funds projects within the Council that are linked to our corporate plan that are not funded through our base budget.	2,736	(1,530)	1,206
Total Impact on Earmarked Reserves	2,736	(780)	1,956

13. The final balances for all Earmarked Reserves for 2018/19 will be reported to Executive in July 2019 as part of the Statement of Accounts 2018/19 report.

Treasury Management

14. It is a requirement of the Treasury Management Strategy that treasury performance - and performance against the Prudential Indicators - is reported annually.
15. During 2018/19 none of the prudential limits were breached and all decisions were taken in accordance with the Treasury Management Strategy. A separate Treasury Management Outturn report is submitted in Annex 3.

16. OPTIONS

- The Executive can accept the proposals to update reserves as set out in paragraph 10. This is the recommended action.
- The Executive can choose to amend the proposals in paragraph 10.
- The Executive can choose to reject the proposals in paragraph 10 by withholding their approval and the reserves will not be updated.

LEGAL IMPLICATIONS

17. There are no specific legal implications beyond the general considerations.

FINANCIAL IMPLICATIONS

Now

18. The impact of the 2018/19 outturn on the Council's revenue reserves is set out above in paragraph 10. The advantage of the proposed approach is that it provides funds to help deliver priorities and mitigate risks without increasing the burden on taxpayers, all in a climate of reduced funding.

Future

19. Over recent years much work has been undertaken to put this council in the best place possible to respond to external pressures. Whilst we have been planning for financial self-sufficiency for a number of years, the council's financial strategy will drive us towards bridging the impending gap in funding.

EQUALITIES IMPLICATIONS

20. There are no equalities implications.

COMMUNICATIONS IMPLICATIONS

21. There are no communications implications.

CONSULTATION

22. The Overview and Scrutiny Committee considered a draft version of this report at its meeting on 6 June 2019. An update will be provided on the views of the Committee.

POLICY FRAMEWORK

23. The Five Year Plan 2015-2020 includes the priority "we will be financially self-sufficient by 2020, without impacting on residents' priorities."

Background Papers:

Executive	18 March 2019	<i>Quarter 3 Performance Report</i>
Executive	24 January 2019	<i>Quarter 2 Performance Report</i>
Executive	13 September 2018	<i>Quarter 1 Performance Report</i>
Council	8 February 2018	<i>Budget & Council Tax 2018/19</i>