

**Meeting of the Cabinet – 27<sup>th</sup> June 2019**

**Joint Report of the Chief Executive and Chief Officer, Finance and Legal Services**

**Revenue Outturn 2018/19 and Medium Term Financial Strategy**

**Purpose**

1. To report the provisional revenue outturn position for 2018/19.

**Recommendations**

2. That Cabinet:
  - Notes the draft General Fund and Housing Revenue Account (HRA) outturns for 2018/19.
  - Notes the effect of the General Fund outturn on General Balances at 31<sup>st</sup> March 2019.
  - Notes the position on General Fund earmarked reserves at 31<sup>st</sup> March 2019.

**Background**

3. The Council's final accounts for the year ended 31<sup>st</sup> March 2019 have been completed, subject to audit.
4. The final audited accounts will be presented to Audit and Standards Committee in July. If there are any changes to the draft outturn set out in this report, these will be reported to Cabinet in September.

## General Fund Revenue Outturn 2018/19

5. The provisional General Fund position after transfers from / to earmarked reserves is as follows.

<b>Directorate</b>	<b>Budget £m</b>	<b>Outturn £m</b>	<b>Variance £m</b>
People Directorate	168.1	166.2	-1.9
Place Directorate	53.7	54.6	0.9
Chief Executive's Directorate	21.1	20.0	-1.1
Treasury / Corporate	-4.3	-4.5	-0.2
<b>Total Service Costs</b>	<b>238.6</b>	<b>236.3</b>	<b>-2.3</b>
<b>Total Resources</b>	<b>(231.2)</b>	<b>(232.3)</b>	<b>-1.1</b>
<b>Use of General Fund</b>	<b>7.4</b>	<b>4.0</b>	<b>-3.4</b>

6. Further detail is provided in Appendix A. The impact of the above leaves the General Fund Balance at 31<sup>st</sup> March 2019 as follows.

	<b>Budget £m</b>	<b>Outturn £m</b>
GF Balance at 31 <sup>st</sup> March 2018	26.6	26.6
Budgeted use of balances	(7.4)	(7.4)
Variance against budget	-	+3.4
<b>GF Balance at 31<sup>st</sup> March 2019</b>	<b>19.2</b>	<b>22.6</b>

7. This represents an improvement of £1.3m compared to the forecast outturn reported to Council on 25<sup>th</sup> February 2019. This has arisen from an improved performance in the People Directorate (£1.9m) offset by worsening pressures within the Place Directorate of £0.5m and technical accounting adjustments on resources of £0.1m.
8. Unringfenced earmarked reserves at the year end are £23.4m and further detail is provided at Appendix B. The requirement for these reserves will continue to be reviewed and any changes will be reported back to the Cabinet as part of the 2020/21 budget setting process. Appendix B also includes details of ringfenced (Public Health and Schools) reserves.
9. As at 31<sup>st</sup> March 2018 unringfenced revenue reserves as a proportion of the net revenue budget were 25% (compared to the national average of 40%). As at 31<sup>st</sup> March 2019, even with the favourable variances set out above, Dudley's unringfenced reserves were 20% of net budget (comparisons for other councils are not yet available).

## Collection Fund Outturn 2018/19

10. The Collection Fund includes income from council tax and business rates. The Council's share of Collection Fund balances at 31<sup>st</sup> March 2019 is as follows.

	<b>Forecast £m</b>	<b>Outturn £m</b>	<b>Variance £m</b>
Council Tax surplus	1.114	1.480	0.366
Business Rates deficit	(2.705)	(3.015)	(0.310)
<b>Total surplus / (deficit)</b>	<b>(1.591)</b>	<b>(1.535)</b>	<b>0.056</b>

11. The outturn position on Council Tax has marginally improved on the forecasts reported to Council in February. There have been adverse changes in Business Rates since reporting to Council in February. This area is a significant risk and further work is required to identify the extent to which this is ongoing. The Collection Fund will continue to be monitored through to December and the cumulative position at that point will be taken into account in setting the budget for 2020/21.

## 2019/20 General Fund Revenue Budget

12. The budget for 2019/20 was set by Council on 25<sup>th</sup> February. At this early stage in the year it is forecast that any pressures will be managed within directorate budgets. Detailed monitoring will continue and any issues will be reported to Cabinet in due course.

## Housing Revenue Account (HRA)

13. The latest approved budget for the HRA allowed for a deficit in 2018/19 of £0.1m. The actual outturn shows a surplus of £0.2m, a positive variance of £0.3m, as detailed in Appendix C.
14. The balance remaining on the HRA at 31<sup>st</sup> March 2019 was £2.1m. This balance will be rolled forward to address a range of improvement works and continuing impact of welfare reforms.

## **Finance**

15. This report is financial in nature and information about the individual proposals is contained within the body of the report.

## **Law**

16. The Council's budget setting process is governed by the Local Government Finance Acts, 1988, 1992, and 2012, and the Local Government Act 2003.

### **Equality Impact**

17. The recommendations in this report comply with the Council's policy on Equality and Diversity.

### **Human Resources / Transformation**

18. There are no Human Resource or Transformation issues arising directly from this report.

### **Commercial Implications**

19. There are no direct Commercial implications arising from this report



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### **List of Background Papers**

Council Tax Setting report to Council on 25<sup>th</sup> February 2019  
Draft Statement of Accounts for the year ended 31<sup>st</sup> March 2019

## General Fund Revenue Service Spend Summary 2018/19

	Latest budget £m	Draft outturn £m	Variance £m	Comment
CO - Adult Social Care	91.8	88.8	-3.0	Savings on Care provision (£3.0m), vacancies and other non-pay savings of (£0.3m), offset by £0.3m net pressure on placements within Whole Life Disability Services.
CO - Children's Services	62.9	64.1	1.2	Pressures on agency spend £1.7m, Placements £0.3m, Transport £0.5m, School related reserves £0.3m, offset by savings on Troubled Families grant and reserve (£0.8m), vacancies & discretionary spend with Family Solutions (£0.8m).
CO - Health and Wellbeing	7.5	7.3	-0.2	Pressure of £0.1m from the library contract offset by; vacancies, additional income, reduced non pay expenditure (£0.3m)
Head of Integrated Commissioning, Performance and Partnerships	5.9	6.0	0.1	Contribution towards Successor project reserve of £0.5m offset by slippage on Carers contract (£0.4m)
<b>Total People</b>	<b>168.1</b>	<b>166.2</b>	<b>-1.9</b>	
CO - Environmental Services	40.5	41.4	0.9	Additional expenditure on Waste £0.7m of which £0.4m recycling, £0.1m Oak lane, £0.1m from comingled waste, clinical waste, leafleting. Transport £0.4m of which £0.3m external contractors. Offset by savings on street cleansing (£0.2m)
CO - Regeneration and Enterprise	10.6	10.9	0.3	Pressures arising from: delayed Community Asset Transfer £0.2m, reduced income within Construction and Design £0.2m, adverse variances of £1.0 on catering of which £0.4m are one off. Favourable variances arising from Enterprise Zone (£0.5m) and Planning and Development income and vacancies (£0.6m)
CO - Housing	2.6	2.3	-0.3	Vacancies (£0.1m) and reduced revenue contribution to capital due to additional grant income (£0.2m)
<b>Total Place</b>	<b>53.7</b>	<b>54.6</b>	<b>0.9</b>	

	<b>Latest budget £m</b>	<b>Draft outturn £m</b>	<b>Variance £m</b>	<b>Comment</b>
CO - Commercial and Procurement	0.5	0.5	0.0	
CO - Transformation and Performance	0.2	1.5	1.3	Pressures arising from £1.2m advance contribution to ICT strategy and £0.1m temporary staff
CO - Finance and Legal Services	6.1	3.7	-2.4	Favourable variances arising from; Insurance (£1.5m), Benefits Subsidy surplus (£0.4m) and vacancies & additional income across Finance and Legal (£0.5m).
Other	14.3	14.3	0.0	
<b>Total Chief Executive</b>	<b>21.1</b>	<b>20.0</b>	<b>-1.1</b>	
<b>Treasury</b>	<b>-4.3</b>	<b>-4.5</b>	<b>-0.2</b>	Under recovery of pension Past Service Deficit £0.2m, provision for variable allowances backpay £0.2m Favourable variances: slippage in capital programme so reduced MRP £0.2m; better than anticipated airport dividend and interest from investments £0.4m.
<b>Total Service Costs</b>	<b>238.6</b>	<b>236.3</b>	<b>-2.3</b>	
<b>Total funding</b>	<b>-231.2</b>	<b>-232.3</b>	<b>-1.1</b>	Business rates related income
<b>Use of Balances</b>	<b>7.4</b>	<b>4.0</b>	<b>-3.4</b>	

## Appendix B

### General Fund Earmarked Reserves

	31.3.18 £m	31.3.19 £m
<b>Insurance</b> - maintained at a level consistent with the insurable risks borne by the Council, including those residual risks relating to the Council's interest in Municipal Mutual Insurance and will fluctuate accordingly.	5.3	5.6
<b>Transformation</b> - to support the implementation of the transformation for the future programme	2.1	0.9
<b>Social Care ICT</b> - contributes to the replacement of the Social Care ICT system to address performance issues including those identified as part of the OFSTED inspection of Children's Services	2.1	1.9
<b>Other Social Care</b> – balance at 31.3.19 includes £4.1m earmarked for activity relating to the Supplementary improved Better Care Fund (SiBCF). The remaining balance relates to a number of one off service demands and initiatives for 2019/20 to include invest to save initiatives in respect of adult social care and the voluntary sector and support in respect of anticipated one off budget pressures across the Directorate arising from the implementation of the Medium Term Financial Strategy savings	5.7	4.5
<b>Business Rates</b> - carries forward grant funding towards various reliefs, to offset the impact of those reliefs when charged to the General Fund in future years as a result of statutory Business Rate accounting arrangements	1.3	1.8
<b>Community Forums</b> – unspent allocations carried forward	0.3	0.2
<b>Troubled Families</b> – unspent grant carried forward to enable targets to be met	1.0	0.4
<b>Redundancies</b> – carry forward of unspent 2018/19 resources towards the cost of redundancies that may be necessary in future years	-	0.5
<b>Schools</b> – to cover issues relating to schools that need to be met from unringfenced resources	0.7	0.7
<b>Other Corporate Reserves</b> – balance at 31.3.19 comprises Local Public Service Agreement, Black Country Core Planning Strategy and Rogue Landlords Enforcement, together with other one-off costs and resources carried forward in respect of unspent grants.	1.2	2.8

<b>Dudley Grid for Learning and Paragon Equalisation</b> - represent Government revenue support for these PFI schemes received early in the projects, which will be expended over their remaining life.	4.6	4.1
<b>Total Unringfenced</b>	<b>24.3</b>	<b>23.4</b>
<b>Public Health</b> - to carry forward ringfenced funding pursuant to the Council's Public Health functions.	5.1	4.3
<b>Local Management of Schools</b> - relate to preserved funds of schools for use in future years, under the terms of Dudley's budget delegation scheme.	9.2	9.7
<b>Other Schools</b> - include reserves relating to community and extended use activities, etc.	1.7	2.0
<b>Central Dedicated Schools Grant</b> - reflects the roll forward of unspent grant	3.5	0.1
<b>Total Ringfenced General Fund</b>	<b>19.5</b>	<b>16.1</b>
<b>Grand Total General Fund Earmarked Reserves</b>	<b>43.8</b>	<b>39.5</b>



## Housing Revenue Account 2018/19 Outturn

	Revised Budget £m	Outturn £m	Variance £m
<b>Income</b>			
Dwelling rents	-85.1	-85.3	-0.2
Non-dwelling rents	-0.9	-0.8	0.1
Charges for services and facilities	-0.3	-0.3	0.0
Contributions towards expenditure	-1.2	-1.4	-0.2
Interest on balances etc.	-0.1	-0.1	0.0
<b>Total income</b>	<b>-87.6</b>	<b>-87.9</b>	<b>-0.3</b>
<b>Expenditure</b>			
Management	18.0	17.8	-0.2
Responsive and cyclical repairs	22.6	23.0	0.4
Transfer to Major Repairs Reserve	23.2	24.1	0.9
Interest payable	17.5	17.6	0.1
Revenue contribution to capital expenditure	4.0	4.0	0.0
Other expenditure	2.4	1.2	-1.2
<b>Total expenditure</b>	<b>87.7</b>	<b>87.7</b>	<b>0.0</b>
<b>(Surplus) / Deficit for the year</b>	<b>0.1</b>	<b>-0.2</b>	<b>-0.3</b>
<b>Surplus brought forward</b>	<b>-1.9</b>	<b>-1.9</b>	<b>-</b>
<b>Surplus carried forward</b>	<b>-1.8</b>	<b>-2.1</b>	<b>-0.3</b>

Main reasons for the variances shown above include:

- Rent income is higher than forecast: the required bad debt provision was lower than forecast as arrears have reduced, representing excellent performance in rent collection, maximising use of direct debits and system improvements.
- Additional contributions to expenditure have been received from works undertaken on leasehold properties, where the leaseholder contributes towards the cost, and from other income received such as income from aerials on high rise blocks, tenants' rechargeable repairs and grants.
- Savings on management costs relate largely to home loss and disturbance payments to tenants moving out of the Netherton high-rise blocks, where the budget was set at a prudent level and some payments remain to be made.
- While there have been savings on responsive repair costs, overall, repair and maintenance costs are higher than budgeted as more planned repairs and inspections have been done. Feasibility studies for flatted estate development are also included under this heading.

- The transfer to the Major Repairs Reserve is higher than projected, reflecting the annual revaluation of the housing stock.
- Other expenditure is lower than budgeted owing to a review of insurance charges and lower demand for Discretionary Housing Payments for council tenants.

£0.8m of the surplus carried forward represents reserves earmarked for specific improvement projects. The balance will be invested in future stock improvement work and continuing support for tenants, in the context of welfare reforms, particularly the anticipated managed migration to Universal Credit.

In addition to HRA revenue reserves, Public Sector Housing capital reserves carried forward at 31.3.19 amounted to £20.4m (£16.9m at 31.3.18).