

Meeting of the Cabinet – 27th June 2018

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

Revenue Outturn 2017/18 and Medium Term Financial Strategy

Purpose

1. To report the provisional revenue outturn position for 2017/18.

Recommendations

2. That Cabinet:
 - Notes the draft General Fund and HRA outturns for 2017/18.
 - Notes the effect of the General Fund outturn on General Balances at 31st March 2018.
 - Notes the position on General Fund earmarked reserves at 31st March 2018.

Background

3. The Council's final accounts for the year ended 31st March 2018 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 2017/18

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

Directorate	Latest Budget £m	Outturn £m	Variance £m
People Directorate	161.6	160.2	(1.4)
Place Directorate	52.2	50.8	(1.4)
Chief Executive's Directorate	21.4	21.0	(0.4)
Treasury / Corporate	(9.6)	(12.5)	(2.9)
Total Service Costs	225.6	219.5	(6.1)
Total Resources	(224.1)	(226.2)	(2.1)
Use of General Fund	1.5	(6.7)	(8.2)

6. Further detail is provided in Appendix A. The impact of the above leaves the General Fund Balance at 31st March 2018 as follows.

	Budget £m	Outturn £m
GF Balance at 31 st March 2017	19.9	19.9
Budgeted use of balances	(1.5)	(1.5)
Variance against budget	-	+8.2
GF Balance at 31st March 2018	18.4	26.6

7. This represents an improvement of £1.6m compared to the forecast outturn reported to Council on 26th February 2018. This has arisen from:
- An improved performance across the People Directorate (£1.2m);
 - An increase in the value of the successful Leisure VAT claim (£1.3m);
 - Worsening winter and trading pressures Place £0.8m;
 - An improvement against the Chief Executive Directorate forecast (£0.4m);
 - An improvement in Treasury Management and Corporate (£0.1m);
 - Technical accounting adjustments on resources £0.6m.
8. Unringfenced earmarked reserves at the year end are £24.3m 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 2019/20 budget setting process. Appendix B also includes details of ringfenced (Public Health and Schools) reserves.
9. As at 31st March 2017 unringfenced revenue reserves as a proportion of the net revenue budget were 17% (compared to the national average of 39%). As at 31st March 2018 Dudley's unringfenced reserves had risen to 25% of net budget (comparisons for other councils are not yet available).

Collection Fund Outturn 2017/18

10. The Collection Fund includes income from council tax and business rates. The Council's share of Collection Fund balances at 31st March 2018 is as follows.

	Budgeted	Outturn	Variance
Council Tax surplus	1.136	1.157	0.021
Business Rates surplus/(deficit)	0.005	(1.641)	(1.646)
Total surplus/(deficit)	1.141	(0.484)	(1.625)

11. The outturn position on Council Tax has marginally improved on the forecasts reported to Council in February. There have been significant 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 2019/20.

2018/19 General Fund Revenue Budget

12. The budget for 2018/19 was set by Council on 26th 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 2017/18 of £0.8m. The actual outturn shows a deficit of £0.7m, a positive variance of £0.1m, as detailed in Appendix 3.
14. The balance remaining on the HRA at 31st March 2018 was £2.0m. 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.



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List of Background Papers

Council Tax Setting report to Council on 26th February 2018
Draft Statement of Accounts for the year ended 31st March 2018

General Fund Revenue Service Spend Summary 2017/18

	Latest budget £m	Draft outturn £m	Variance £m	Comment
Lead for Education Outcomes	5.4	6.7	1.3	Additional cost of Home to School Transport £0.5m, and financial support to schools in financial difficulty £0.8m.
CO - Adult Social Care	92.0	89.1	-2.9	Whole Life Disabilities (£0.2m) resulting from vacancies offsetting pressures on bed based and community care. Assessment and Independence (£1.4m) mainly resulting from additional income (largely from Client contributions). Access and Prevention (£0.6m) mainly arising from vacancies. Mental Health (£0.5m) due to savings on bed based care and supported living placements. Other net favourable variances (£0.2m).
Head of Integrated Commissioning, Performance and Partnerships	5.5	4.6	-0.9	Staff vacancies (£0.4m) and use of Public Health Grant to fund Innovation initiative (£0.5m)
CO - Children's Services	51.8	53.1	1.3	Net additional costs of placements £0.7m, staffing (including agency staff) £1.2m, offset by training and other savings (£0.6m)
CO - Health and Wellbeing	6.9	6.7	-0.2	Reduced legal fees and staff vacancies
Total People	161.6	160.2	-1.4	
CO - Environmental Services	40.1	41.3	1.2	Additional resources into Car Parking and Green care £0.5m, Cost pressures due to Winter activity £0.4m, £0.1m cost of traveller incursions, £0.2m North Priory Community Centre and Quarry Bank park match funding
CO - Planning and Economic Development	9.0	6.8	-2.2	VAT claim windfall (£2.7m), vacancies and running costs underspends of (£0.6m) offset by deficits in mainly Catering, Construction and Design and Leisure £1.1m.
CO - Housing	3.1	2.7	-0.4	Reduction in contribution to Housing Assistance grants (£0.1m), reduction in staff costs, accommodation and homelessness (£0.3m).
Total Place	52.2	50.8	-1.4	

	Latest budget £m	Draft outturn £m	Variance £m	Comment
CO - Transformation and Performance	2.1	2.2	0.1	ICT resources
CO - Finance and Legal Services	4.3	3.5	-0.8	Benefits subsidy surplus (£0.4m), Law and Governance (£0.2m), Revenues & Benefits (£0.2m)
Other	15.0	15.3	0.3	Contribution to West Midlands Combined Authority from Business Rates
Total Chief Executive	21.4	21.0	-0.4	
Treasury	-9.5	-12.4	-2.9	Redundancy costs lower than expected (£1.3m), cash flow and interest (0.6m), airport dividend (£0.3m), essential services budget not fully required (£0.1m), support service recharge incidence (£0.6m)
Total Service costs	225.6	219.5	-6.1	
Total funding	-224.1	-226.2	-2.1	Business rates related income (100% business rates pilot and Section 31 grant)
Use of Balances	1.5	-6.7	-8.2	

Appendix B

General Fund Earmarked Reserves

	31.3.17 £m	31.3.18 £m
Insurance - 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.	3.9	5.3
Transformation - to support the implementation of the transformation for the future programme	3.4	2.1
Children's Modernisation and Improvement - funded one-off investment required in Children's Services in 2017/18 to accelerate the improvement agenda following the inadequate OFSTED judgement	0.6	-
Social Care ICT - supplements the resources provided in the 2017/18 budget for replacement of the Social Care ICT system to address performance issues including those identified as part of the OFSTED inspection of Children's Services	1.5	2.1
Other Social Care – balance at 31.3.18 includes £4.4m 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 2018/19 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	2.7	5.7
Business Rates - carries forward grant funding received in 2017/18 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
Community Forums – unspent allocations carried forward	0.2	0.3
Troubled Families – unspent grant carried forward to enable targets to be met	0.3	1.0
Other Corporate Reserves – balance at 31.3.18 comprises Local Public Service Agreement, Brownfield Site register, Black Country Core Planning Strategy, Dudley Area Development Framework, ICT, Rogue Landlords Enforcement, Child Care in Children's Centres, and School issues, together with resources carried forward in respect of unspent grants and one-off MTFS costs.	1.4	1.9

Dudley Grid for Learning and Paragon Equalisation - represent Government revenue support for these PFI schemes received early in the projects, which will be expended over their remaining life.	5.0	4.6
Total Unringfenced	18.7	24.3
Public Health - to carry forward ringfenced funding pursuant to the Council's Public Health functions.	4.6	5.1
Local Management of Schools - relate to preserved funds of schools for use in future years, under the terms of Dudley's budget delegation scheme.	11.9	9.2
Other Schools - include reserves relating to community and extended use activities, etc.	2.0	1.7
Central Dedicated Schools Grant - reflects the roll forward of unspent grant	4.6	3.5
Total Ringfenced General Fund	23.1	19.5
Grand Total General Fund	41.8	43.8

Housing Revenue Account 2017/18 Outturn

	Revised Budget £m	Outturn £m	Variance £m
Income			
Dwelling rents	-86.4	-86.8	-0.4
Non-dwelling rents	-0.8	-0.9	-0.1
Charges for services and facilities	-0.2	-0.2	0.0
Contributions towards expenditure	-0.9	-1.3	-0.4
Interest on balances etc.	-0.1	-0.1	0.0
Total income	-88.4	-89.3	-0.9
Expenditure			
Management	17.3	16.2	-1.1
Responsive and cyclical repairs	22.3	21.2	-1.1
Transfer to Major Repairs Reserve	23.0	23.0	0.0
Acquisition / Disposal of Land / Properties	0.3	0.3	0.0
Interest payable	17.6	17.6	0.0
Revenue contribution to capital expenditure	7.0	10.0	3.0
Other expenditure	1.7	1.7	0.0
Total expenditure	89.2	90.0	0.8
Deficit for the year	0.8	0.7	-0.1
Surplus brought forward	-2.6	-2.6	-
Surplus carried forward	-1.8	-1.9	-0.1

Main reasons for the variances shown above include:

- Rent income is higher than forecast owing to a number of factors: rent continued to be collected from some of the Netherton high rise flats as the decant process continued; average rent was higher than anticipated in part as a result of the move to formula rent on new lets; and the required bad debt provision was also lower than forecast as arrears have not increased as much as expected. However, the rent loss from empty properties was higher than forecast, which reduced the variance.
- 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 arials on high rise blocks, tenants' rechargeable repairs and grants.
- Savings on management costs have arisen from vacancies pending restructures and running cost efficiencies,
- Expenditure on responsive repairs has reduced owing to cost control measures and a move to planned rather than reactive repairs where possible.

- £0.7m of the surplus carried forward represents reserves earmarked for specific improvement projects. The balance will be invested in future stock improvement work and support for tenants, particularly in the context of ongoing welfare reforms.

In addition to HRA revenue reserves, Public Sector Housing capital reserves carried forward at 31.3.18 amounted to £16.9m (£14.5m at 31.3.17).