

South Lakeland District Council
Overview and Scrutiny Committee 12 July 2019
Cabinet 17 July 2019
Council 23 July 2019
Revenue and Capital Outturn 2018/19

Portfolio: Finance Portfolio Holder
Report from: Section 151 Officer
Report Author: Helen Smith – Finance Lead Specialist (Section 151 Officer)
Wards: (All Wards);
Forward Plan: Budget and Policy Framework Decision included in the Forward Plan as published on 18 June 2019.

1.0 Expected Outcome

1.1 The expected outcome is that the Council's financial performance for 2018/19 and the impact on reserves be noted.

2.0 Recommendation

2.1 It is recommended that Overview and Scrutiny note the outturn figures and make any comments to feed into Cabinet on 17 July 2019;

2.2 It is recommended that Cabinet:-

- (1) note the outturn figures and variance explanations set out in the report and appendices;
- (2) request Council approve the contributions to and from reserves detailed in Appendix 1a; and
- (3) request Council approve the revised Capital Programme in Appendix 3 and the funding of the Capital Programme in Appendix 4.

2.3 It is recommended that Council:-

- (1) approve the contributions to and from reserves detailed in Appendix 1a; and
- (2) approve the Capital Programme and funding set out in Appendix 3 and 4 as part of the Budget and Policy Framework.

3.0 Background and Proposals

General Fund Revenue Expenditure and Outturn

3.1 **Appendix 1a** shows the final overall General Fund outturn against budget for 2018/19 and **Appendix 1b** shows service expenditure and income variances against budget. Explanations are included in **Appendix 1b** generally where variances are over £10k.

While the overall net General Fund had an underspend of £9k for 2018/19 once the £361k of target savings were met. This represents a variance of 0.02% based on a gross expenditure budget of £51.5m.

3.2 Major variances after carry-forwards included:

- a. Cost of Collection on Council Tax and NNDR net overspend of £86k, mainly due to an increase in bad debt provision and reduction in income from charging costs. This is partially due to reductions in NNDR reliefs increasing bills payable and partially due to delayed recovery action following conversion to new software (which has been addressed with the situation improving for 2019/20). Overall the Council was due to collect £43m of NNDR and £81m of Council tax during 2018/19.
- b. Unapportionable Pension Adjustment £107k net underspend due to corporate review of pension and national insurance rates during 2018/19.
- c. Rent Allowances £143k net overspend due to write off of older debts and those relating to DWP errors which were judged irrecoverable during the migration of outstanding debts as part of the implementation of new software.
- d. Policy & Performance £485k net overspend, mainly due to Customer Connect costs which were funded from the Customer Connect Reserve and neither the expenditure or use of the reserve were included in the working budget. Commitments and expenditure are monitored as part of the Customer Connect project and reported to the Customer Connect Steering Group and Audit Committee. Both expenditure and the use of the reserve are included in the 2019/20 working budgets.
- e. Development Control £131k net overspend, mainly due to demand led income shortfall on planning applications of £114k. These variances are lower than originally projected at the end of Q2: future years budgets have been reduced in line with expected volumes.
- f. Car Parking £103k overall net underspend, mainly due to £59k demand led income surplus – this represents an increase of 1.3% on the income budget for car parking of £4.4m.
- g. Kerbside recycling £136k overall net overspend due to a combination of reduced income from sale of recycling materials due to low demand and price and the staff vacancy factor not being met.
- h. Salary Savings overall £109k net underspend not included in a. – g. above, due to effective management of vacancies.

3.3 **Table 1** shows the majority of the variance relates to running costs, mainly supplies and services and contracted services. The variance on supplies and services relates to a number of budgets across a variety of services, as shown in **Appendix 1b**.

Table 1: Summary of service variances by type of expenditure

| | 2018/19 Working Budget | 2018/19 Actual | 2018/19 Variance |
|--|------------------------------|-------------------|---------------------|
| | £000 | £000 | £000 |
| Employees | 15,870 | 15,926 | 56 |
| Running Costs | 11,639 | 11,122 | -517 |
| Capital | 5,262 | 5,263 | 1 |
| 2018/19 Savings Target | -361 | 0 | 361 |
| Gross Expenditure | 32,410 | 32,311 | -99 |
| Income | -15,202 | -14,896 | 306 |
| Net Service Variances | 17,208 | 17,415 | 207 |
| Non-service Net Expenditure (see Table 2 for detail) | -17,208 | -17,424 | -216 |
| Net Underspend transferred to General Reserve | 0 | -9 | -9 |

3.4 The General Fund working balance includes a number of transactions made to reflect statutory accounting practices. Contributions to and from reserves and corporate interest payments and receipts are shown in **Appendix 1a**. The net impact of these will be a net increase in the contribution to General Fund working balance of £9k. Major variances included:

- a. The Council retains a share of income from business rates (properly known as National Non-Domestic Rates or NNDR). The amount retained has increased, mainly due to Small Business Rate Relief and how this is funded by Government. The Council joined a Cumbria Business Rates pool from 1 April 2014 which aimed to reduce NNDR levy paid to the Government under the new process. The actual saving due to the Council as a result of the pool for 2018/19 was £884k, £456k more than budgeted. At 31 March 2019 the Pool income reserve had a balance of £1.6m. This has to be earmarked for economic development as part of the pooling agreement.
- b. Lower than budgeted contributions to capital programme, reflecting profiling changing in the capital programme detailed in section 3.9 below. The majority of the slippage in the programme is due to the Council awaiting actions by other parties – for example where a grant has been agreed but is not payable until the other party has met conditions.
- c. There have been a number of changes to the budgeted transfers to and from reserves. These are detailed in **Appendix 1a** and mainly relate to differences in timing between the recognition of income and expenditure between years.

3.5 The movement on the General Fund working balance is shown in the following table:

Table 2: Summary General Fund Variances

| Description | Variance | |
|--|----------|------------|
| | £000 | £000 |
| Net Service Expenditure excluding Customer Connect | (292) | |
| Customer Connect from Reserves | 499 | |
| Net Service Expenditure | | 207 |
| Increased net interest receivable | | (44) |
| Lower Minimum Revenue Provision | | (169) |
| Collection Fund accounting adjustments | | (45) |
| Support to Capital Programme | | (171) |
| Additional income from Non-Domestic Rates | (340) | |
| Additional income from Non-Domestic Rates Pool | (456) | |
| Additional income from Non-Domestic Rates Pool to Pool Reserve | 456 | |
| | | (340) |
| Other net increases in contributions from reserves | | 553 |
| Net underspend transferred to General Reserve | | (9) |

3.6 The Council, on 28 February 2014 approved the General Fund working balance should be set at £1.5m and that any surplus above this level should be transferred to the General Reserve. Accordingly the net underspend after all other transfers to reserves, totalling £9k, has been transferred from GF working balance to the General Reserve.

3.7 Revenue carry forwards were approved at Cabinet on 24 April 2019 subject to the actual expenditure being in accordance with the projected underspend. No amendments are proposed to the approved carry-forwards which are noted in **Appendix 1**.

Capital Expenditure

3.8 **Appendix 2** shows the approved Capital Programme and expenditure for 2018/19. There was an underspend of £3,636k with re-profiling of expenditure of £3,144k approved by Cabinet on 24 April 2019. A further re-profiling of £495k from 2018/19 to 2019/20 onwards is requested relating to Ulverston Town Hall. This is due to a late change in the profiling of grant payments in the legal agreements associated with the sale of the property.

The majority of re-profiling relates to schemes where the Council is working with other partners in the delivery of projects and where the Council was waiting for actions by the other parties before the project could progress. Details are included in **Appendix 2**.

| Table 3: Capital Expenditure 2018/19 | £000 |
|---|--------|
| Actual Expenditure | 4,025 |
| Revised Capital Programme | 7,661 |
| Net underspend before carry forwards | -3,636 |
| Approved re-profiling | 3,144 |
| Requested re-profiling | 495 |
| Variance after re-profiling | 3 |

- 3.9 **Appendix 3** shows a revised Capital Programme for 2019/20 – 2023/24 including the re-profiling approved in May 2019, the further request for re-profiling relating to Ulverston Town Hall and the requests set out below.

Other Capital Programme Requests

- 3.10 The revised Capital Programme incorporates one other request for amendments to the capital expenditure. This is the inclusion of the Morecambe Bay Coastal Communities Fund grant from Government of £2.51m and expenditure as set out in the funding agreement. Cabinet on 23 January 2019 approved SLDC acting as accountable body for the scheme with £1.35m of the expenditure relating to works to be undertaken by the Morecambe Bay Partnership. The grant of £1m to SLDC is to be spent in accordance with the bid and covers Grange-over-Sands Promenade and Lido connectivity, signage and enhancements including promenade lighting, a new Prom playground, electrical and digital upgrades, resurfacing works and public realm and artwork improvements.
- 3.11 Cabinet on 17 July 2019 will be asked to consider the boundary of the Council's ownership of land at Dowker Lane, Kendal. Discussions are still on-going with the owner of the adjacent land. If Cabinet approve the proposals then the capital programme will be increased by the purchase price, to be funded by borrowing.
- 3.12 Cabinet on 26 June 2019 considered the Parks and Open Spaces Strategy. The play audit identified the need to spend £65k per year to maintain existing play provision. The capital programme includes £20k recurring budget for maintenance so the additional £45k annual cost has been included in the proposed Capital Programme at **Appendix 3**.
- 3.13 As part of the annual review of reserves, it is proposed that the balance of £92k at 31 March 2019 on the second homes reserve be transferred to the Capital Programme to increase the budget for Affordable Homes, Town Centre Properties and Empty Homes and the second homes reserve is then closed. This will ensure sufficient funding to anticipated affordable housing schemes under consideration.
- 3.14 **Appendix 4** shows the suggested funding of the revised Capital Programme for 2019/20 – 2023/24 adjusted for actual income and funding applied in 2018/19. The capital programme will be fully reviewed as part of the annual budget process to ensure it meets the Council plan priorities, is affordable and is deliverable.

| 2019/20 Approved Feb 2019 | Carry- forwards approved May 2019 | Re-profiling and adjustments requested | 2019/20 Revised | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Total 2019/20 to 2023/24 |
|---------------------------------|---|---|----------------------------|-----------------|----------------|----------------|----------------|---|
| £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| 12,338.7 | 3,144.2 | 1,533.8 | 17,016.7 | 22,139.5 | 3,371.7 | 1,973.0 | 2,873.0 | 47,373.9 |

Reserves

- 3.15 **Appendix 1a** shows the detailed movements on reserves and the comparisons with budgeted movements for 2018/19. The main changes in the movements relate to timing adjustments and the charging of customer connect costs to the Customer Connect reserve.
- 3.16 The Council's Reserve Policy, which sets out the desired level of reserves, both overall and for each reserve, is reviewed annually as part of the Medium Term Financial Plan which is included elsewhere on this agenda.

4.0 Consultation

4.1 The report presents historic data in relation to out-turn for 2018/19. Budget holders and Members have been presented with monitoring information throughout the year. Budget and Portfolio Holders have been consulted with respect to variances and carry forward requests.

5.0 Alternative Options

5.1 No alternative options are proposed. Not approving the proposed capital programme may challenge service delivery during 2019/20 and beyond.

6.0 Links to Council Priorities

6.1 This report forms a key part of the financial governance arrangements that support all Council priorities.

7.0 Implications

Financial, Resources and Procurement

7.1 As detailed in the report

Human Resources

7.2 This report has no direct human resource implications.

Legal

7.3 This report has no direct legal implications.

Health, Social, Economic and Environmental

7.4 Have you completed a Health, Social, Economic and Environmental Impact Assessment? No

7.5 If you have not completed an Impact Assessment, please explain your reasons: this is a report of past actions and has no health, social, economic and environmental implications,

Equality and Diversity

7.6 Have you completed an Equality Impact Analysis? No

7.7 If you have not completed an Impact Assessment, please explain your reasons: this is a report of past actions and has no equality and diversity implications,

Risk

| Risk | Consequence | Controls required |
|---|--|---|
| Out-turn position not disseminated to Members and Officers. | Financial position and performance not embedded into wider organisational strategies | Reporting of out-turn to clarify performance during 2018/19 and usable reserves position to support ongoing activity. |

Contact Officers

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Appendices Attached to this Report

| Appendix No. | Name of Appendix |
|--------------|--|
| 1a | General Fund Expenditure and Income Variances 2018/19 summary |
| 1b | General Fund Expenditure and Income Variances 2018/19 by service |
| 2 | Capital Expenditure 2017/18 |
| 3 | Revised Capital Programme 2019/20 to 2023/24 |
| 4 | Capital Income and Financing 2019/20 to 2023/24 |
| 5 | Reserves 2019/20 to 2023/24 |

Background Documents Available

| Name of Background document | Where it is available |
|--|---|
| 2018/19 budget book | http://tinyurl.com/yy5n5v7h |
| Quarter 3 budget monitoring | http://tinyurl.com/yy5n5v7h |
| 2018/19 Revenue and Capital Carry forward report | http://tinyurl.com/y62aca2f |

Tracking Information

| Signed off by | Date sent |
|---------------------|-----------|
| Legal Services | 27/6/19 |
| Section 151 Officer | N/A |
| Monitoring Officer | 24/6/19 |
| SMT | 24/6/19 |

| Circulated to | Date sent |
|-------------------------|-----------|
| Human Resources Manager | N/A |
| Communications Team | N/A |
| Leader | N/A |
| Committee Chairman | N/A |
| Portfolio Holder | 25/6/19 |
| Ward Councillor(s) | N/A |
| Committee | 12/7/19 |
| Executive (Cabinet) | 17/7/19 |
| Council | 23/7/19 |