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**REPORT TO THE MEETING OF THE EXECUTIVE 6 JUNE 2018**

**PORTFOLIO: FINANCE**

**REPORT FROM: SECTION 151 OFFICER**

**SUBJECT: PROVISIONAL FINANCIAL OUTTURN 2017/18**

**1 DECISION BEING RECOMMENDED**

**Revenue and Capital Budget**

- 1.1 To note the provisional outturn position against the 2017/18 revenue budget, as set out in paragraphs 2.1 and 2.2
- 1.2 To note that the Council's 2017/18 Statement of Accounts will be subject to audit by the Council's external auditors Ernst and Young (to be reported to Audit Committee on 24th July 2018); it is therefore possible that changes may be made to the accounts during this period which could alter the position presented within this report.
- 1.3 To approve the transfer of £718,347 to Earmarked Reserves due to the underlying underspend against 2017/18 budgeted expenditure, as per paragraph 2.2.
- 1.4 To approve the transfer of £356,647 to revenue carry forward reserves as set out in Appendix 4.
- 1.5 To approve the transfer of £218,587 to revenue grant funded reserves as set out in Appendix 4.
- 1.6 To approve the creation of a new Business Rates Smoothing Reserve to help smooth the impact of any future reductions in business rates income
- 1.7 To approve the transfer of £1,214,000 additional business rates income received in 2017/18 from General Fund balances to the Business Rates Smoothing Reserve.
- 1.8 To note the projected closing balances for Earmarked Reserves at 31 March 2018 (including those amounts proposed to be rolled forward to 2018/19 for grant funded and ring-fenced projects) as per Appendix 1.
- 1.9 To note the final 2017/18 capital outturn position as set out in paragraphs 2.6 to 2.7 and detailed in Appendix 2.
- 1.10 To approve £631,656 of capital project carry forwards for schemes outstanding at the end of 2017/18 as contained in paragraph 2.7 and shown in Appendix 3.

## 2 REASON/S FOR RECOMMENDATION

### General Fund Revenue Budget

- 2.1 The final General Fund Revenue Budget for 2017/18 was £9.5m. The actual position compared to this budget as at 31 March 2018 is £8.2m, a favourable variance of £1.3m.
- 2.2 This includes £575,234 of budget for projects, grant funded items and one off items that were due to be spent in 2017/18, but due to timing will need to be carried forward into 2018/19. These requests to carry forward are detailed in Appendix 4. Once the carry forwards have been adjusted for in the outturn position the underlying underspend against portfolio budgets is £718,347. It is proposed this underspend is moved to earmarked reserves to support projects in future years.
- 2.3 Table 1 shows the breakdown of the final revenue budget position by Portfolio.

**Table 1: Revenue Outturn Position by Portfolio**

Portfolio	Final budget 2017/18	Actual 2017/18	Variance Underspend/ (Overspend)	Carry Forward into 2018/19	Underlying Variance
Leader	1,488,435	1,323,264	165,171	37,235	127,937
Finance	1,849,780	1,466,946	382,834	65,858	316,976
Enterprise	243,467	334,594	(91,127)	21,111	(112,238)
Planning	322,872	25,008	297,864	213,373	84,491
Environment	2,628,510	2,617,252	11,258	-	11,258
Governance	1,258,038	959,614	298,423	103,796	194,628
Community	1,690,160	1,461,002	229,158	133,862	95,296
<b>Total</b>	<b>9,481,262</b>	<b>8,187,681</b>	<b>1,293,581</b>	<b>575,234</b>	<b>718,347</b>

- 2.4 The main items that make up the favourable variance of £718,347 are:-
- Salary savings on vacant posts of £336,668
  - C£251,000 additional share-back income from the council tax sharing agreement due to additional council tax collected in-year.
  - The authority originally budgeted for a revenue contribution to support the capital programme of £300,000. However the authority receives a percentage from the sale of any ex Housing stock as a capital receipt and in 2017/18 this income equated to £402,249. This enabled the 2017/18 capital programme to be fully funded without the need for a revenue contribution which created a favourable variance against the revenue budget.

- Income from planning application fees was higher than forecast by c£214,000 mainly due to a statutory uplift in the fee structure of 20% in December 2017.
- Income received from the Electoral Commission meant that the elections budget for 2017/18 was not fully required, resulting in an underspend of c£58,000.
- C£60,000 due to an underspend on the Material Recycling Facility gate fees. The fees charged are variable depending on market conditions which mean accurate forecasting against this budget is difficult.

2.5 These were offset by the following main adverse variances:-

- Income received from pay & display charges was below budget by c£54,000. This was driven by adverse weather conditions during February and March.
- The valuation of car parks increased in 2017/18 resulting in an increase in business rates payable, resulting in an adverse variance of c£36,000.
- The original budget for recycling collection included a saving for ceasing weekly collection of recycling bins at flats. This saving concept was not implemented in 2017/18 resulting in an adverse variance of c£73,000.
- Additional income planned from external payroll provision did not materialise leaving an adverse variance of c£46,000.
- Housing Benefit Payments were lower than budgeted by £272,000 due to timing differences between 2017/18 budget setting and the submission of Housing Benefit Subsidy Claim figures, which were completed in August 2016.
- Income generated from cemeteries has under achieved by c£31,000.
- Income from local land charges is adverse compared to budget by c£50,000.

2.6 In addition to the variances reported against the individual portfolio budgets there was also an additional £1.214m of Business Rates income received in 2017/18 compared to budget. It is proposed to create a new Business Rates Smoothing Reserve and move the additional income into this reserve, to mitigate against the risk of reductions in future Business Rates income as a result of appeals or other reductions to the business rates base.

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**Capital Programme**

- 2.7 The table in Appendix 2 shows the breakdown of capital expenditure for 2017/18. A capital programme totalling £1,023,500 was approved at Full Council in February 2017 and during the year an additional amount of £876,428 was approved to be added to this budget for specific projects, giving a final budget of £1,899,928.
- 2.8 Of this total £1,242,579 has been spent in 2017/18, which equate to 65% of the final budget. Of the difference £44,368 is true underspend, £18,676 is overspend and £631,656 is requested as slippage into 2018/19 for delivery next year. If approved, these projects will be added to the 2018/19 capital programme.

**3 RISK IMPLICATIONS**

- 3.1 The Council and the wider public sector continue to face significant financial challenges. The 2018/19 budget has been set against a backdrop of the eighth year of reductions in Central Government funding and the current Medium Term Financial Strategy reflects a projected budget gap of £1.8m by 2022/23. There are also a number of risks to the Council's financial position as a result of changes in demographics, changes to legislation and other factors.
- 3.2 The Council holds reserves and contingency balances to help mitigate future risks and issues. The Council regularly reviews the reserves as part of the budget setting and closure of accounts processes to make sure that they are appropriate.
- 3.3 Various projects within the Council's revenue budget and capital programme are supported by time-limited grants. Where there are delays to the implementation of these projects, there is the risk that the associated grants will be lost. If this occurs either the projects will be aborted or a decision to divert resources from other Council priorities will be required.
- 3.4 Regular monitoring of those budgets with the higher risk considerations will assist in providing early warnings to enable mitigation plans to be developed.

**4 RESOURCE IMPLICATIONS**

- 4.1 The financial implications are dealt with in the body of the report.

**5 LEGAL IMPLICATIONS**

- 5.1 It is a legal requirement under s25 of the Local Government Act 2003 to set a balanced budget and monitor the financial position throughout the year.

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**6 EQUALITY AND DIVERSITY IMPLICATIONS**

6.1 There are no specific equality implications of the recommendations within this report.

I confirm that the above recommendation does not depart from Council policy and that appropriate consideration has been given to any budgetary and legal implications.

LT Lead Officer Signature: \_\_\_\_\_



**Section 151 Officer**

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**Background Papers:-**

None.

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If you would like this report in large print, Braille or another language please contact 01702 318111.

## PROJECTED EARMARKED REVENUE RESERVES FOR 2018/19

Earmarked Reserves	Opening balance 2017/18	Transferred Out	Transferred In	Closing balance 2017/18	Forecast Mov't In Year	Estimated Closing Balance 2018/19
Devolution/Essex 2050	(31,309)	-	(89,981)	(121,290)	30,000	(91,290)
Thames Gateway Growth Contribution	(17,500)	12,500	-	(5,000)		(5,000)
Insurance Reserve	(33,364)	-	-	(33,364)		(33,364)
Internal Audit	(13,550)	5,015	(50,000)	(58,535)	25,000	(33,535)
Contractor Provision	(73,431)	-	-	(73,431)		(73,431)
IT Reserve	(323,907)	80,488	(21,111)	(264,530)	200,000	(64,530)
Transformation	(467,359)	110,852	(200,000)	(556,507)	235,000	(321,507)
Pension	(1,626,300)	-	(65,858)	(1,692,158)		(1,692,158)
Legal	(201,088)	84,385	(218,148)	(334,851)	30,000	(304,851)
Contamination	(10,000)	-	-	(10,000)		(10,000)
Elections	(20,000)	800	(100,000)	(119,200)		(119,200)
Housing Reserve	(7,868)		(255,161)	(263,029)		(263,029)
Hard / Soft Infrastructure	(1,262,095)	326,185	(1,181,000)	(2,116,909)	(898,000)	(3,014,909)
Business Rates Smoothing Reserve			(1,214,000)	(1,214,000)		(1,214,000)
<b>Total Earmarked Reserves</b>	<b>(4,087,770)</b>	<b>620,225</b>	<b>(3,395,259)</b>	<b>(6,862,804)</b>	<b>(378,000)</b>	<b>(7,240,804)</b>
						0
<b>Carry Forwards from 2017/18</b>						0
Corporate	(268,533)	45,764	(230,368)	(453,137)	100,000	(353,137)
Project	(21,521)	21,645	(16,000)	(15,877)		(15,877)
IT	-					-
Housing	(1,500)			(1,500)		(1,500)
<b>Total Carry forward</b>	<b>(291,554)</b>	<b>67,409</b>	<b>(246,368)</b>	<b>(470,514)</b>	<b>100,000</b>	<b>(370,514)</b>
						0
<b>Grant Funded / Ring Fenced Reserve</b>						-
Corporate	(51,465)	8,230	(13,675)	(56,909)		(56,909)
Project	(470,373)	61,565	(46,600)	(455,409)		(455,409)
Housing	(60,221)	28,685	(158,312)	(189,848)	100,000	(89,848)
<b>Total Grant Funded Reserve</b>	<b>(582,059)</b>	<b>98,480</b>	<b>(218,587)</b>	<b>(702,166)</b>	<b>100,000</b>	<b>(602,166)</b>

## 2017/18 PROVISIONAL CAPITAL OUTTURN POSITION

Scheme	2017/18 Original Budget £	2017/18 In Year Additions £	2017/18 Latest Budget £	2017/18 Outturn £	Variance	Variance of which is		
						Overspend	Underspend	Carry Forward
Healthy & Safety Management Software	6,500		6,500	6,945	445	445		
IT Migration Project	264,000	378,848	642,848	429,455	(213,393)			(213,393)
Wheelie Bins	45,000	5,400	50,400	39,148	(11,252)			(11,252)
Vehicle Replacement		3,950	3,950		(3,950)		(3,950)	
Refurbishment of Public Conveniences		330,000	330,000	94,923	(235,077)			(235,077)
Cemeteries		19,300	19,300	13,536	(5,764)			(5,764)
Car Park Resurface Rolling Programme		41,400	41,400		(41,400)			(41,400)
Cherry orchard Car Park Works		18,350	18,350	8,895	(9,455)			(9,455)
Cherry Orchard Country Park Exp		17,480	17,480	17,480	0			
Play Spaces	25,000	4,000	29,000	16,878	(12,122)			(12,122)
Parks and Open Spaces Programme	10,000	9,600	19,600	12,096	(7,504)			(7,504)
Pavilion Refurbishments	7,500	30,000	37,500		(37,500)			(37,500)
Condition Survey	10,000		10,000		(10,000)			(10,000)
Rochford Offices	22,000	18,100	40,100	17,718	(22,382)			(22,382)
Rayleigh Offices	21,000		21,000	14,537	(6,463)			(6,463)
Windmill	8,500		8,500	12,155	3,655	3,655		
Health & Safety Adoptions	24,000		24,000	4,656	(19,344)			(19,344)
Disabled Facilities Grants	525,000		525,000	539,513	14,513	14,513		
Homeless Solution - temporary accomodation	15,000		15,000	15,063	63	63		
Housing Renewal Grant	40,000		40,000	(418)	(40,418)		(40,418)	
<b>Capital Programme Total</b>	<b>1,023,500</b>	<b>876,428</b>	<b>1,899,928</b>	<b>1,242,579</b>	<b>(657,349)</b>	<b>18,676</b>	<b>(44,368)</b>	<b>(631,656)</b>

## CAPITAL BUDGETS REQUESTED TO BE CARRIED FORWARD TO 2018/19 FOR COMPLETION

Portfolio	Project Area	£	Description
<b>Enterprise</b>	<i>IT Migration Project</i>	213,393	Budget required in order to complete IT migration project in 2018/19
<b>Environment</b>	<i>Wheelie Bins</i>	11,252	Budget required to purchase bins in 2018/19
<b>Environment</b>	<i>Refurbishment of Public Conveniences</i>	235,077	Budget required in order to complete project in 2018/19
<b>Environment</b>	<i>Cemeteries</i>	5,764	Ongoing management of district cemeteries
<b>Environment</b>	<i>Car Park Resurface Rolling Programme</i>	41,400	To be carried forward for major works in 2018/19
<b>Environment</b>	<i>Cherry orchard Car Park Works</i>	9,455	Works delayed, to be completed in 2018/19
<b>Environment</b>	<i>Play Spaces</i>	12,122	Required to supplement budget for 2018/19, rolling programme
<b>Environment</b>	<i>Parks and Open Spaces Programme</i>	7,504	Required to supplement budget for 2018/19, rolling programme
<b>Environment</b>	<i>Pavilion Refurbishments</i>	37,500	Required to supplement budget for 2018/19, rolling programme
<b>Environment</b>	<i>Condition Survey</i>	10,000	Works delayed, to be completed in 2018/19
<b>Enterprise</b>	<i>Rochford Offices</i>	22,382	Required to supplement budget for 2018/19, rolling programme
<b>Enterprise</b>	<i>Rayleigh Offices</i>	6,463	Required to supplement budget for 2018/19, rolling programme
<b>Leader</b>	<i>Health &amp; Safety Adaptions</i>	19,344	Required to supplement budget for 2018/19, rolling programme
<b>Total Capital Carry Forward</b>		<b>631,656</b>	



**TRANSFERS TO REVENUE CARRY FORWARD RESERVES FOR 2018/19**

Portfolio	Carry Forward	Description
Leader	23,560	Carry forward of unused corporate training budget
Finance	65,858	Underspend on pension budget
Enterprise	21,111	Upgrades of IT software packages
Planning	181,815	Carry forward of unused Local Development Framework budget and grant income
Planning	15,558	Carry forward of unused Economic Dev budgets for projects in 2018/19
Planning	16,000	Development management holding account
Governance	8,103	Contribution to CTAX transparency code
Governance	1,333	Regalia expenses
Governance	18,148	Contribution to Legal reserve
Community	5,161	Contribution to Housing reserve
<b>TOTAL</b>	<b>356,647</b>	

**TRANSFERS TO REVENUE GRANT FUNDED RESERVES FOR 2018/19**

Portfolio	Grant Funded	Description
Leader	13,675	Contribution to IER reserve due to ring fenced funding
Governance	12,000	Contribution to NNDR Tax new burdens reserve due to ring fenced funding
Governance	6,870	Contribution to CTAX Tax new burdens reserve due to ring fenced funding
Governance	57,342	Contribution to Housing Benefit reserve due to ring fenced funding
Community	100,971	Contribution to Housing reserve due to ring fenced funding
Community	22,675	Various small Leisure projects
Community	5,055	Ongoing Public Health Improvement shared project with Castle Point Borough Council
<b>TOTAL</b>	<b>218,587</b>	