

Eden District Council

Executive

2 July 2019

Council

11 July 2019

Scrutiny Co-ordinating Board

18 July 2019

Revenue and Capital Out-turn 2018/19

Portfolio:	Resources
Report from:	Director of Corporate Services
Wards:	All Wards
OPEN PUBLIC ITEM	

1 Purpose

- 1.1 This report presents the out-turn for 2018/19 on capital and revenue, including the prudential indicators. It also seeks to identify any variances that might have an ongoing impact on the Council's budgets.

2 Recommendations:

It is recommended that **Executive:**

1. Note the revenue and capital out-turn.
2. Recommend to Council the revised capital programme and prudential indicators.

It is recommended that **Council:**

1. Note the revenue and capital out-turn.
2. Approve the revised capital programme and prudential indicators.

It is recommended that **Scrutiny Coordinating Board:**

1. Note the revenue and capital out-turn, including the revised capital programme and prudential indicators.

3 Report Details

Revenue Out-turn

- 3.1. The draft accounts for 2018/19 were published on the Council's website on 31 May 2019. These showed a net total underspend of £14k. £764k was drawn from the General Fund against the overall revised budget to draw down £778k. A detailed analysis of the variances by Service is presented at Appendix 1.

3.2. A summary is presented below:

	Budget £000	Actual £000	Variance (-/+) £000	Commentary
Cost of Services	9,491	9,356	-135	Broadly equates to actual carry forwards of £136k.
Treasury income	-377	-396	-18	Consistent with rate rise in year and slightly higher cash balances than projected due to profile of spend on capital programme.
Investment Property	-957	-964	-7	Reasonable, less than 1% of budget.
Contingency for underspend	-220	0	220	This is a corporate item to allow for general underspend, including an allowance for vacant posts.
Other Corporate items	628	632	4	Reasonable, less than 1% of budget.
Second Homes Agreement	-227	-227	0	
Government Grant and Council Tax	-7,560	-7,637	-77	Slightly increased level of retained rates, based on actual performance in 2018/19
Total	778	764	-14	

3.3. These budgets are shown excluding the impact of accounting presentation adjustments (capital charges, recharges, International Accounting Standard 19 pension charges) and after contributions to/from earmarked reserves have been actioned. Contributions to/from earmarked reserves are used to draw down funds received in a prior year for specific projects, such as the Community Housing Fund, or Penrith Vision schemes, or to contribute specific funds into reserves to be spent in a future year, for example, for the Energy Efficiency scheme, or the Signature fund. Full details are presented in Appendix 2.

3.4. Overall, this shows that the underspend in year was £14k, with a draw down on the General Reserve of £764k vs the approved revised budget of £778k. Carry forwards were approved by Council in April of £175k. As part of out-turn, budgets are checked to ensure that there is enough remaining in the relevant cost centres to cover the carry forward request. This resulted in actual carry forwards being reduced down to £136k. In addition, there were two one-off reductions to income actioned as part of the accounting process at the year end. These related to:

- a back dated correction to the 2014/15 NNDR cost of collection allowance which reduced income by £127k; and
- the introduction of International Financial Reporting Standard 15 (IFRS 15) income from contracts with customers. IFRS 15 resulted in a change to how building control and planning income is recognised, resulting in a one-off reduction to income of £218k.

Taken together, an adjusted underlying position for 2018/19 is as follows:

	£000
Overall variance in year	-14
Actual carry forwards to fund	136
Less backdated NNDR cost of collection	-127
Less one-off impact of IFRS 15	-218
Underlying variance	-223

Capital Out-turn

- 3.5. Total spend on capital items for the year was £1.74m, against the revised budget of £3.2m. A detailed analysis of the capital expenditure against budget is presented in Appendix 3.
- 3.6. The main variances to note are as follows:
- £450k in relation to Disabled Facilities Grant income. These are demand-led, but their use is restricted to capital schemes within the scope of the Disabled Facilities Grant scheme, or other eligible social care capital schemes.
 - £240k of loan finance will be deferred to finance the Heart of Cumbria Limited; this was approved to support the acquisition of assets by the Company; completion and acquisition of a further 6 units and draw down of this element of the loan is due in the first quarter of 2019/20, but is dependent on delivery of completed units by the developer.
 - The other significant item relates to uptake of the final tranche of Housing Innovation Fund loans; £358k was set aside for this purpose, but is subject to demand from partners.
- 3.7. Capital schemes by their nature are less easy to predict in terms of timing of spend. They normally relate to one-off projects where the funds are dedicated to acquiring a particular asset or enhancement. Unlike revenue underspends where a specific carry forward process exists, capital funds are presumed to roll forward where the project is ongoing. As such, a revised capital programme is presented at Appendix 4.
- 3.8. A summary of the revised programme funding is presented below:

	Opening balance	Income	Expenditure	Closing balance
	£000	£000	£000	£000
Reserves	2,663	1,140	1,868	1,935
Revenue Contributions	0	167	167	0
Grants	662	1,912	2,011	563
Capital Receipts	1,296	24	1,018	302
Borrowing	0	4,376	4,376	0
Total	4,621	7,619	9,440	2,800

- 3.9. As part of the Council's ability to borrow, it complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code. This includes setting indicators and limits to help monitor and control the level of borrowing. An analysis of the out-turn on the prudential indicators and revisions to the approved 2019/20 indicators is presented at Appendix 5. No new external loans were taken on in the year and all activity was within approved limits.
- 3.10. The out-turn position on the Treasury Management and Investment balances was presented to the Scrutiny Co-ordinating Board on 30 May 2019. This confirmed that all investment activity had been within the approved investment limits for 2018/19. Full details of where the investments were placed as at 31 March 2019 are included on the public agenda for that report.

4 Policy Framework

4.1 The Council has four corporate priorities which are:

- Decent Homes for All;
- Strong Economy, Rich Environment;
- Thriving Communities; and
- Quality Council.

4.2 This report meets the 'Quality Council' corporate priority.

4.3 The budget forms a key part of the policy and budgetary framework.

5 Consultation

5.1 The report was presented as part of the draft agenda at the Executive Draft Agenda Conference on 17 June 2019.

6 Implications

6.1 Financial and Resources

6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2015-19, as agreed at Council on 17 September 2015.

6.1.2 Review of the out-turn has indicated a number of areas where budgets should be reviewed to assess their impact on the ongoing base budget. These will be looked at in detail as part of the 2020/21 estimate cycle.

6.2 Legal

6.2.1 There are no implications.

6.3 Human Resources

There are no Human Resources implications arising out of this report.

6.4 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	There are no implications
Health, Social Environmental and Economic Impact	There are no implications
Crime and Disorder	There are no implications
Children and Safeguarding	There are no implications

6.5 Risk Management

Risk	Consequence	Controls Required
Budgets not accurately compiled and poor financial control and management.	If the budget is overstated, any future budget reductions made may be higher than needed.	The 2018/19 out-turn will be taken account of in the 2020/21 budget cycle. Regular budget monitoring reports presented to Management and Members.

7 Other Options Considered

7.1 No other options are recommended.

8 Reasons for the Decision/Recommendation

8.1 To allow Members to review the Council's financial results for the preceding financial year.

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	21 June 2019
Monitoring Officer (or Deputy)	18 June 2019
Relevant Director	18 June 2019

Background Papers: 2019/20 Budget Book

Appendices:

- Appendix 1 – Revenue out turn detail 2018/19**
- Appendix 2 – Contributions to/from earmarked reserves**
- Appendix 3 – Capital out turn detail 2018/19**
- Appendix 4 – Revised capital programme 2019/20-2023/24**
- Appendix 5 – Updated Prudential Indicators**

Contact Officer: Peter Notley, Assistant Director Finance, 01768 212209

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Appendix 1

The purpose of this appendix is to set out the detail of the main service variances.

Service	Budget (less notional items)	Actual (less notional items)	Variance (-/+)	Commentary on major variances +/- £10k	Carry forward requested	Carry forward applied
Communities						
Community Development	189,540	176,286	-13,254	Mainly relates to £10k roll forwards plus other small underspends	9,592	9,592
Leisure centres	173,260	153,250	-20,010	£15k roll forward relating to Leisure centre maintenance and equipment plus other small underspends	23,012	13,107
Other services with variances <£10k	114,400	104,939	-9,461		0	0
	477,200	434,475	-42,725		0	32,604
Commercial Services						
Economic Promotion	246,850	183,925	-62,925	Mainly relates to roll forward on employment sites	94,000	74,151
Other services with variances <£10k	443,940	429,790	-14,150		0	0
	690,790	613,715	-77,075		0	94,000
Eden Development						
Development Control & Enforcement	-441,430	-365,823	75,607	IFRS 15 impact reduced income by £83k due to accounting change.	0	
Planning Policy	153,640	189,362	35,722	Grant income received and moved to reserve - no budget provision for the amount going to Reserve.	0	
Planning Services	659,330	640,099	-19,231	Staff Vacancies	0	
	0	371,540	463,638	92,098	0	0
Services						
Building Control Services	27,190	168,205	141,015	Impact of introduction of IFRS 15 as a one off reduction to income due to accounting changes.	0	
Footway lighting	142,860	130,638	-12,222	Less than budgeted expenditure on electricity and maintenance	0	
Vehicle parking	-152,360	-180,658	-28,298	£10k relating to lower direct costs than budgeted eg winter gritting and software maintenance, £18k due to income higher than budgeted levels.	0	
Commissioning & Technical Services	692,580	653,841	-38,739	Staff time recharged to other projects including community development and Commuity Safety Partnership.	0	
Public Conveniences	175,160	159,443	-15,717	Made up of a number of smaller underspends on running costs, maintenance and contributions.	0	
Other services with variances <£10k	1,637,005	1,612,133	-24,872		0	0
	2,522,435	2,543,602	21,167		0	0
Housing and Health						
Community Services	969,540	946,016	-23,524	Mainly relates to vacant posts	0	
Other Housing	54,110	81,217	27,107	Independent Living/Handy man moved from Capital following review of treatment of DFG grant and confirmation from MHCLG.	0	
Other services with variances <£10k	227,770	209,882	-17,888			
	1,251,420	1,237,116	-14,304		0	0

Service	Budget (less notional items)	Actual (less notional items)	Variance (-/+)	Commentary on major variances +/- £10k	Carry forward requested	Carry forward applied
Leader						
Chief Executive	204,580	193,522	-11,058	Approved roll forward on professional fees	20,000	10,525
Director of Finance / Secretary	174,450	228,353	53,903	Mainly relates to exit package, see full details in statement of accounts 2018/19	0	
Emergency Planning	34,630	11,337	-23,293	Mainly relates to £18k of additional grant funding received to support BREXIT planning.	0	
Heart Of Cumbria	0	19,404	19,404	Recharge income based on actual officer time spent was £14k vs £33k budget, should even out over subsequent years as grant will not be payable but recharges for staff time should continue.	0	
Other services with variances <£10k	359,250	341,762	-17,488		4,456	4,440
	772,910	794,377	21,467		24,456	14,965
Resources						
Admin Buildings (Offices)	281,620	260,340	-21,280	Numerous small underspends on building costs including gas £7k and elec testing £8k	0	
Benefits	-124,670	-142,383	-17,713	Mainly relates to additional recoverable charges on HB overpayments.	0	
Central Services	140,210	101,393	-38,817	Underspends on corporate budgets for Telephones £ 10k, Postages £6k, Occupational Health £6k, Health & Safety £8k Printing £3k.	0	
Corporate Costs (DDI)	300,982	281,642	-19,340	Mainly relates to the DDI project, £21k underspend in year.	0	
Transformation and Customer Services	415,270	430,050	14,780	Staffing overspend less £15k for roll forward of software maintenance budget	15,000	15,000
IT services	535,240	509,714	-25,526	Underspends on maintenance, consumables and equipment	0	
Land charges	-99,770	-76,635	23,135	income lower than budget £43k, grant received of £13k, underspend on professional fees of £8k	0	
Land Management	49,265	22,897	-26,368	Mainly relates to maintenance spend at Old london Road depot re-classified as capital as part of year end review.	0	
Legal Services	585,580	563,862	-21,718	Salaries underspend £14k due to vacant posts, additional income for legal costs recovered £6k	0	
Local Taxation	-116,052	-32,058	83,994	Mainly relates to one off correction to NNDR cost of collection allowance which was overclaimed in 2014/15 (£127k), less a greater level of court costs recovered than budgeted £25k	0	
Electoral Registration	80,980	60,157	-20,823	Underspend on software £ 10k, various smaller underspends totalling £10k, roll forward of £2.5	2,579	2,538
Revenues and Benefits Service	833,750	814,378	-19,372	small underspends across a range of expenditure types	0	
Other services with variances <£10k	522,040	475,428	-46,612		6,730	6,699
	3,404,445	3,268,785	-135,660		24,309	24,237
Total Services	9,490,740	9,355,709	-135,031		0	175,369
						136,052

Corporate items

Service	Budget (less notional items)	Actual (less notional items)	Variance (-/+)	Commentary on major variances +/- £10k	Carry forward requested	Carry forward applied
Investment Properties	-957,300	-964,332	-7,032	Reasonable, less than 1% of budget		
Treasury Management Income	-377,210	-395,689	-18,479	Consistent with rate rise in year and slightly higher cash balances than projected due to profile of spend on capital programme.		
Minimum Revenue Provision	9,500	11,810	2,310	Slight variance based on actual Capital Financing Requirement		
Contributions to Reserves	619,500	620,361	861	Reasonable		
General Provision for underspend	-220,205	0	220,205	Corporate item included in budget to cover expected level of underspend and vacancy factor on salaries.		
Parish Precepts	1,027,962	1,027,962	0	Reasonable		
Rural Services Delivery Grant	-615,546	-615,547	-1	Reasonable		
New Homes Bonus	-677,638	-677,638	0	Reasonable		
RSG	-87,296	-87,296	0	Reasonable		
Second Homes income share	-226,750	-226,755	-5	Reasonable		
Council Tax	-4,944,708	-4,937,045	7,663	Slight variation between estimate and actual share of prior year surplus/deficit		
Retained Business Rates	-2,262,899	-2,347,720	-84,821	Higher than anticipated retained rates and pool income.		
Total General Fund	778,150	763,820	-14,330		175,369	136,052

Agreed to Revised Budget

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Contributions to/from earmarked reserves

The following shows the contributions to and from earmarked reserves made during 2018/19:

	31-Mar-18	Transfer	Transfer	31-Mar-19
	£'000	Out	In	£'000
		£'000	£'000	
Renewals Fund	879	-64	194	1,009
IT Renewals Fund	70	-114	125	81
Capital Funding Reserve	403	0	0	403
Homelessness	58	0	53	111
Repossession Prevention Fund	30	0	0	30
Building Regulations Surplus/Deficit	85	0	36	121
Community Fund	108	-4	10	114
Affordable Housing Fund	1,981	-1,003	192	1,170
BRRS Reserve	843	-750	0	93
Community Housing Fund	935	-96	0	839
Penrith Vision	100	-27	0	73
Appleby HAZ	84	-70	0	14
Custom, Brown Field, Neighbourhood Plans	61	-7	25	79
Transformation Reserve	0	0	500	500
Place Shaping Reserve	0	0	250	250
Energy Efficiency Reserve	0	0	100	100
Heat Networks Reserve	0	0	136	136
Signature Fund	0	0	290	290
Other earmarked reserves less than £20,000	29	0	0	29
	5,666	-2,135	1,911	5,442

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Capital Out-turn

Description	Budget £000	Exp. £000	Var. £000	Carry forward £000	Comments
Discretionary renovation grant	50	0	50	0	No discretionary grants awarded; budget no longer judged necessary.
Disabled Facility Grants	751	298	453	0	Anticipated that the 2019/20 in-year allocation will be sufficient to cover demand. Options to be assessed about the best use of unallocated amounts.
Old London Road Depot site	134	118	16	16	New depot and site clearance nearly fully complete, budget to cover final elements of site works.
Footway Lighting	25	23	2	2	
Housing Innovation Fund	358	0	358	358	Set aside for an Eden Housing Association scheme; may be reviewed subject to draw down by EHA.
Digital Innovation Project	143	64	79	79	Required for ongoing costs relating to the design and implementation of the new CRM system.
IT Renewals	163	114	49	49	IT hardware life extended beyond budget expectation, draw down not required in 2018/19. Budget still required although programme may be elongated at next review.
Heart of Cumbria Equity	1,000	1,000	0	0	
Heart of Cumbria Loan	290	50	240	240	The 6 flats which this is to finance, is due for completion in June 2019.
Cash Receipting	36	0	36	36	The cash receipting project is due for completion during quarter 2, 2019/20. Performance milestones in the contract meant no payments were due in 2018/19.
Bolton Play area	65	72	-7	0	Additional third party funding was obtained to cover the additional cost.
Penrith Leisure Centre	22		22	22	Programme of works exists for Leisure assets. Spend is subject to agreement of priorities with Leisure provider.
Leisure Renewals	150	0	150	150	
Single Site	15		15	15	To form part of the larger single site budget in the 2019/20 capital programme. Progress with the scheme is subject to One Eden and wider considerations around one public estate.
	3,202	1,739	1,463	967	

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Revised Capital Programme

		2019-20	Change	2019-20 Revised	2020-21	2021-22	2022-23	Total 2019-2023
Portfolio	Scheme	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Services	Footway Lighting	746	2	748	0	0	0	748
Commercial Services	Eden Business Park - Phase 1	59	0	59	0	0	0	59
Housing and Health	Mandatory Renovation Grants	440	38	478	478	478	478	1,912
Housing and Health	Discretionary Renovation Grants	160	0	160	0	0	0	160
Housing and Health	Newton Road Affordable Housing	288	0	288	0	0	0	288
Housing and Health	Affordable Housing Innovation Fund	0	358	358	0	0	0	358
Communities	Penrith Leisure Centre	0	22	22	0	0	0	22
Communities	Castle Park Improvement	20	0	20	0	0	0	20
Communities	Castle Park Vision Plan	167	0	167	0	0	0	167
Resources	Depot Refurbishment	0	16	16	0	0	0	16
Resources	Kitchen and Toilets at Mansion House	35	0	35	0	0	0	35
Resources	Single Site Accommodation	2,285	15	2,300	0	0	0	2,300
Leader	Heart of Cumbria – Loan	295	240	535	870	550	220	2,175
Total		4,495	691	5,186	1,348	1,028	698	8,260
Resources	IT Renewals	52	49	101	70	70	57	298
Resources	Renewals DDI	0	79	79	0	0	0	79
Resources	Cash Receipting	0	36	36	0	0	0	36
Resources	Renewals Leisure	177	150	327	438	2	0	767
Total Capital		4,724	1,005*	5,729	1,856	1,100	755	9,440

*£967k, as per capital carry forwards in Appendix 3, plus £38k to uplift DFG budget from £440k assumed in the approved budget to £478k per actual 2019/20 award.

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Revised and Actual Prudential Indicators

Capital Financing Requirement (CFR - need to borrow) compared to actual external borrowing

	2018-2019 Estimate £'000	2018-2019 Actual £'000	2019-2020 Estimate £'000	2020-2021 Estimate £'000	2021-2022 Estimate £'000
CFR Closing	671	375	3,089	3,882	4,326
Gross Borrowing	83	28	1,368	1,803	2,078
Under/over borrowed (-/+)	-588	-347	-1,721	-2,079	-2,248

Gross borrowing remained within the CFR for the year demonstrating no borrowing was undertaken to fund revenue.

Capital Expenditure

	2018-2019 Estimate £'000	2018-2019 Actual £'000	2019-2020 Estimate £'000	2020-2021 Estimate £'000	2021-2022 Estimate £'000
Capital Expenditure	3,202	1,739	5,729	1,856	1,100

Spend on the capital programme was lower than budgeted; the unspent budget has largely been re-profiled into future years.

Ratio of net financing costs to net revenue stream

	2018-2019 Estimate %	2018-2019 Actual £'000	2019-2020 Estimate %	2020-2021 Estimate %	2021-2022 Estimate %
Ratio of Financing Costs to Net Revenue Stream	-2.9%	-3.8%	-4.8%	-4.8%	-4.6%

The actual net financing cost was lower than budgeted due to lower levels of borrowing for the capital programme than anticipated. Net interest payable is negative, indicating that the Council received more interest on investments than was paid out on borrowing.

Authorised limit and operational boundary for External Debt

Limits for External Debt	2018-2019 Actual £'000	2019-2020 Estimate £'000	2020-2021 Estimate £'000	2021-2022 Estimate £'000
Operational Boundary	83	1,368	1,803	2,078
Authorised limit	5,671	8,089	8,882	9,326
Actual at 31 March 2019	28			

Actual borrowing was within the limits set by Council for 2018/19 throughout the year.

Maturity Structure for Fixed Rate Borrowing

Maturity Structure of Fixed Rate Borrowing	Lower Limit for 2018/19 %	Upper Limit for 2018/10 %	Actual for 2018-2019 %
Under 12 months	0	100	100
12 months and within 24 months	0	100	0
24 months and within 5 years	0	100	0
5 years and within 10 years	0	100	0
10 years and above	0	100	0

As at 31 March 2019 the Council had a single PWLB loan of £28k due to mature during 2019/20. This does not present a liquidity risk to the Council.

Investments >365 days (excluding capital items)

	2018-2019 Limit £'000	2018-2019 Actual £'000	2019-2020 Limit £'000	2020-2021 Limit £'000	2021-2022 Limit £'000
Upper Limit for total principal sums invested over 365 days	10,000	4,356	7,000	4,000	4,000

Actual long term investments (excluding those funded through capital) were within the limit set by Council. The Council also has a number of long term loans and equity in the Heart of Cumbria limited funded through capital resources. The details of these can found in the Treasury Management Annual report for 2018/19 presented to Scrutiny Coordinating Board on 30 May 2019.