

REVENUE OUT-TURN 2017/18

REPORT SUMMARY

This Appendix informs Cabinet of the Revenue Out-turn for 2017/18 including details of the level of General Fund Balances and reserves at 31 March 2018.

RECOMMENDATIONS

That:-

- a) The revenue out-turn indicates a variance of £2.9 million of expenditure less than budget in 2017/18. This planned variance is as a result of good financial management practices and is required to supplement the budget gap in 2018/19.
- b) The General Fund Balances at 31 March 2018 of £24.8 million, with £14.6 million agreed to be used in the Budget 2018/19, be noted.
- c) The Earmarked Reserves totalling £54.9 million be confirmed.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 Local authorities have to produce an Annual Statement of Accounts which demonstrates the financial performance of the Council for the year and the financial position at the end of the period. The full Statement is approved by Audit & Risk Management Committee on behalf of the Council. This Appendix highlights the key elements.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options were considered. There is a legal requirement to publish the Statement of Accounts by 31 July 2018.

3.0 BACKGROUND INFORMATION

MONITORING 2017/18

- 3.1 The 2017/18 Budget was agreed by Council on 3 March 2017. Changes since the approval of the budget have been detailed in the tables below and comprise variations approved by Cabinet / Council including approved virements; budget realignments reflecting changes to the Councils organisational structure and responsibilities; the allocation of savings and the contingency; any technical adjustments. In Table 1 the budget is aligned to themes.

Table 1: 2017/18 Original & Revised Net Budget by Wirral Plan Themes

	Original Net Budget	Budget Change During Year	Revised Net Budget
	£000	£000	£000
People - Children & Families	80,616	- 2,323	78,293
People - Adult Social Care and Health	75,509	2,469	77,978
Environment	60,719	8,811	69,530
Business	37,438	768	38,206
Contingency	12,000	- 8,500	3,500
Net Cost of Services	266,282	1,225	267,507

- 3.2 Throughout the financial year Cabinet received Revenue Monitoring reports for each quarter. In setting the Budget for 2017/18 it was recognised that on-going financial pressures mainly within social care, both Children’s and Adults should be recognised and were mitigated with the Revenue Budget Contingency. Its allocation was monitored during the year through regular reports to Cabinet. Following a review of the financial position and having regard to the 2016/17 out-turn it was agreed when reporting quarter 1 in July 2017 that £8.5 million of the Revenue Budget Contingency be allocated. This related to £5 million within People – Children & Families, £2 million in People – Adult Social Care and Health and £1.5 million in Business.
- 3.3 The last monitoring report, for Quarter 3 (Cabinet 19 February 2018) projected a General Fund underspend of £1.3 million being a combination of both overspending and underspending in specific services. Whilst overspending was principally due to demand pressures within Adult and Children Care Services this was mitigated by underspending within Environment and Business Services. This was largely attributable to the adoption of the annuity method for calculating Minimum Revenue Provision (MRP) in respect of capital financing and has resulted in a significant one off saving in 2017/18. This was compensating for overspends elsewhere in the 2017/18 budget at the end of the quarter.
- 3.4 The 2017/18 out-turn was an underspend of £2.9 million. The following provides further details including reasons for variations. The Financial Monitoring reports identified the progress made by theme and function throughout the year. A number of the advantageous variances in 2017/18 are either one off or have been reflected in the 2018/19 budget. This means that while the final position for the year was favourable it is largely attributable to actions that have been taken and cannot be viewed additional and on-going. The pressures within Social Care, both in Children’s and Adults services remain and will require close scrutiny in current financial year. To this end additional funding is included in the 2018/19 Budget for both services. This is to manage the financial pressures, mitigate a number of financial risks and to

bridge the implementation of transformational savings in Children's Social Care, in future years.

Table 2: 2017/18 Projected / Actual Variations by Wirral 2020 Plan Theme Basis

Themes and reasons for variances from budget	Budget £million	Outturn £million	Variance £million
People: The main reasons behind the overspend are pressures within the Looked After Children placements, increased demand for services and agency expenditure on social workers. There are also a number of savings that were unachieved in 2017/18.	156.3	160.8	4.5
Environment: This is largely due to slippage in implementing savings options. This is across income targets in Sports and Recreation and also contract negotiations within Waste & Environment	69.5	71.7	2.2
Business: Underspend in this area is mainly due to a one off MRP adjustment in treasury management and the on-going use of internal funds to minimise the requirement for external borrowing which defers the need to borrow and delivers one off savings.	38.2	32.1	(6.1)
Revenue Budget Contingency	3.5	0	(3.5)
OVERALL UNDERSPEND	267.5	264.6	(2.9)

3.5 The net underspend of £2.9 million at the year-end has been transferred to General Fund Balances.

LEVEL OF GENERAL FUND BALANCES

3.6 The level of balances is locally determined using a risk-based assessment which takes into account the strategic, operational and financial risks facing the Council. The approach was adopted during 2017/18 and Cabinet 20 February 2017 agreed to the level of balances being set at, or above, the locally determined figure.

3.7 When setting the Budget 2017/18 the projected balances were £10.0 million. This level was similar to 2016/17 and excluded an amount to cover the potential non delivery of savings. This was mitigated through the inclusion in the budget of the Contingency.

3.8 The General fund balance as at the end of 2017/18 is £24.8 million. The Budget 2018/19 includes the commitment of £14.6 million of these balances to fund the Revenue Budget including the contingency maintained to cover identified financial risks. In addition the balances will be supplemented in 2018/19 by an agreed Collection Fund surplus receipt of £1.4m. These commitments will take the level of balances that are available to £10.2 million.

Table 4: Summary of the General Fund balances

Details	£m
Balance at 31 March 2017	25.7
Less: Contribution to 2017/18 Budget	-15.7
Add : Collection Fund Surplus	+4.6
Add : Outturn 2017/18 Underspend	+2.9
Less: Contributions to Reserves and in-year support to specific items	-3.2
Add : Transfer from Earmarked Reserves	+10.5
Actual Balance 31 March 2018	24.8
Add: Collection Fund Surplus	1.4
Less: 2018/19 Commitment to Support Budget Delivery	-16.0
Available Balance 31 March 2018	10.2

The former Audit Commission guidance for good financial management and resilience was that general fund balances should be between 3% and 5% of the net budget. The general fund balance of £10.2 million represents 3.4% of general fund balances.

COLLECTION FUND

- 3.9 During 2017/18 the Council was part of the Liverpool City Region 100% Business Rates Retention Pilot. Under the arrangement the Council retains 100% of the business rates collected, with certain grant payments such as Revenue Support Grant ceasing but being compensated for via the higher percentage of business rates retention.
- 3.10 The Collection Fund comprises Council Tax and Business Rates balances which are apportioned separately in accordance with relevant legislation. Both elements of the fund were in surplus at the end of the year. The shares that related to Wirral are set out below.

Table 5: Collection Fund Balance As At 31 March 2018

	£000
Council Tax	1,471
Business Rates (NNDR)	-3,070
Net Surplus	-1,599

- 3.11 For 2017/18 the Fund showed a deficit of £1.6 million. This related to NNDR appeals and subsequent payments to businesses that reduced the income due for the year. The deficit will be recovered in future years through the fund.

PROVISIONS FOR BAD DEBTS

- 3.12 Performance on the recovery of debts are contained in the Collection Summary 2017/18 which details the level of debts at the year-end and debts written-off in the year.

Table 6: Provision for Bad Debts

	At 31 Mar 2018	At 31 Mar 2017
	£000	£000
General Fund		
Sundry Debtors	8,137	9,330
Summons Costs	836	669
Housing Benefit	9,927	9,571
Collection Fund		
Business Rates	3,082	1,584
Council Tax	10,252	12,171

RESERVES

- 3.13 Earmarked Reserves decreased by £0.2 million from £55.1 million at 31 March 2017 to £54.9 million at 31 March 2018. While the net movement in reserves in the last financial year is small, there has been use over the last two years not only to support specific projects but also to the annual budget with assistance provided to mitigate a number of financial risks. This support has been through a reallocation of unused reserves to General Fund Balances. The categories of reserves are as follows:-

Category and Purpose
INSURANCE AND TAXATION Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates appeals, etc.
TRANSFORMATION Support the Transformation programme, which includes support to projects to deliver future savings and the reconfiguration of services.
SCHOOLS RELATED Balances and sums for school-related services which can only be used by schools and not available to pay for Council services.
SUPPORT SERVICE ACTIVITIES AND PROJECTS Includes Government Grant funded schemes when the grant is received and spend incurred in the following year and sums held that are earmarked for the completion of programmes such as Community Asset Transfer, planned maintenance and parks improvements.

- 3.14 As in previous years all Reserves, which are sums set-aside for specific purposes, were reviewed and those no longer required returned to General Fund balances. This released £11.2 million. Other significant movements included: £1.3 million use of the Waste Fund; the deployment of £2.9 million of the Transformation Fund to support the implementation of the Transformation Programme.
- 3.15 Under the Education Reform Act 1988 all primary, secondary, special and nursery schools manage delegated budgets. At 31 March 2018 the balances held by schools totalled £10.2 million (£10.5 million at 31 March 2017) and these can only be used for schools' purposes. A number of other reserves also relate to Schools.
- 3.16 The Insurance Fund reserve was £7.5 million at 31 March 2018 (£9.9 million at 31 March 2017). The Fund decrease is linked to a favourable assessment of future claims and liabilities that has led to a reduction in the amount held in the reserves. This formed part of the £2.5 million release by the Fund to General Fund Balances.
- 3.17 A full list of earmarked reserves can be found at note 10. - Statement of Accounts 2017/18.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The Revenue out-turn for 2017/18 showed an underspend of £2.9 million. The General Fund Balances at 31 March 2018 were £24.8 million (of which £14.6 million was allocated in the Budget 2018/19). The Earmarked Reserves at 31 March 2018 totalled £54.9 million.

5.0 LEGAL IMPLICATIONS

- 5.1 Local authorities have to produce an Annual Statement of Accounts which demonstrates the financial performance of the Council for the year and the financial position at the end of the period. The Accounts must comply with the Code of Practice on Local Authority Accounting. There is a legal requirement to publish the Statement of Accounts each year.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 There are no staffing, IT or asset implications arising directly from this report.

7.0 RELEVANT RISKS

- 7.1 There are none associated with this report which provides a summary of the Council's financial affairs for 2017/18 and the balances at 31 March 2018.

8.0 ENGAGEMENT/CONSULTATION

8.1 This is an end of year report. Consultation takes place as part of the planning and implementation of specific schemes within the Council Budget.

9.0 EQUALITIES IMPLICATIONS

9.1 There are no implications arising directly from this report being a report on the overall financial affairs for the financial year just completed.

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REFERENCE MATERIAL

CIPFA Code of Practice on Local Authority Accounting In the UK 2017/18.
Local Government Act 2003 and subsequent amendments.
Local Government (Capital Finance and Accounting) Regulations 2008.
Accounts and Audit Regulations 2015.

SUBJECT HISTORY

Council Meeting	Date
Cabinet - Out-turn 2016/17	16 July 2017
Cabinet - Out-turn 2015/16	18 July 2016
Cabinet – Budget 2017/18	22 February 2016
Council – Budget 2017/18	3 March 2016
Cabinet – Budget 2017/18	20 February 2017
Council – Budget 2017/18	6 March 2017
Cabinet – Revenue Monitoring 2017/18	Quarterly reports