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**Report to: Audit Committee**

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**Date of Meeting: 7 February 2019**

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**Subject: Council Financial Performance 2018/19 – October Outturn**

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**Report by: Chief Finance Officer**

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## **1.0 Purpose**

- 1.1 This paper provides an update on the financial performance for the Council in respect of the:
- General Fund (GF) revenue, capital and the achievement of savings to date, for the current financial year, 2018/19.
  - Housing Revenue Account (HRA) revenue and capital spend, for the current financial year, 2018/19.

## **2.0 Recommendations**

The Committee is asked to note the report, commenting and challenging as appropriate:

- 2.1 General Fund revenue spend is forecasting an improved position with an overspend of £0.135m for the year to March 2019.
- 2.2 The Health and Social Care Partnership (H&SCP) is forecasting an improved position with an overspend for the year of £1.152m.
- 2.3 The forecast Housing Revenue Account (HRA) revenue surplus for the year of £(0.604m) to March 2019 (*August figure*).
- 2.4 The capital programme in both HRA and GF are currently showing slippage and are expected to be underspent by the year end.
- 2.5 The improved likely achievement in delivering the £7.3m savings programme, currently 83.5%, to the end of October (*78.7% August*).

## **3.0 Background**

- 3.1 This report summarises the draft financial position of the Council for the financial year ended 31<sup>st</sup> March 2019. This report consolidates all of the detailed services financial data to provide a summary position. The report also provides details of individual Service positions. The forecast Outturn position reflected in this report will be reviewed and updated throughout the

year by service managers with the support of Accountancy, to ensure the budget are accurately reflected within the new service areas.

#### 4.0 General Fund Revenue

- 4.1 Overall the Council is forecasting an overspend of £0.135m for the year ended 31<sup>st</sup> March 2019. The table below shows the breakdown by each division, by theme and the movement to the last reporting period.

Table 1 GF revenue forecast outturn to March 2019

|  | October<br>Over/<br>(underspend)<br>£000s | August<br>Over/<br>(underspend)<br>£000s | Movement<br>(improved) /<br>worsened |
|--|---|--|--------------------------------------|
| <b>People Service</b>  |   |  |                                      |
| Care & Protection  | (122)                                     | (216)                                    |                                      |
| Education & Learning   | (368)                                     | (225)                                    |                                      |
| Support & Wellbeing  | (18)                                      | (66)                                     |                                      |
|  |   |  |                                      |
| <b>People Total Underspend</b>                                 | <b>(508)</b>                              | <b>(507)</b>                             | <b>(1)</b>                           |
|  |   |  |                                      |
| <b>Place Service</b>   |   |  |                                      |
| Environment  | 114                                       | 151                                      |                                      |
| Property & Facilities  | 387                                       | 755                                      |                                      |
| Development  | (289)                                     | (81)                                     |                                      |
|  |   |  |                                      |
| <b>Place Total Overspend</b>                                   | <b>212</b>                                | <b>825</b>                               | <b>(613)</b>                         |
|  |   |  |                                      |
| <b>Performance</b>   |   |  |                                      |
| Resources  | (244)                                     | (289)                                    |                                      |
| Strategic Support  | (5)                                       | (9)                                      |                                      |
| Risk & Governance  | (50)                                      | (37)                                     |                                      |
|  |   |  |                                      |
| <b>Performance Total Overspend</b>                             | <b>(299)</b>                              | <b>(335)</b>                             | <b>36</b>                            |
|  |   |  |                                      |
| <b>Council (before Corporate &amp; Partnerships) Overspend</b> | <b>(595)</b>                              | <b>(17)</b>                              | <b>(578)</b>                         |
|  |   |  |                                      |
| Corporate savings held centrally                               | 730                                       | 671                                      | 59                                   |
| <b>Council Total Overspend</b>                                 | <b>135</b>                                | <b>654</b>                               | <b>(519)</b>                         |
|  |   |  |                                      |
| <b>Partnerships</b>  |   |  |                                      |
| Health & Social Care Partnership                               | 1,152                                     | 1,542                                    | (390)                                |
| <b>Partnerships Total Overspend</b>                            | <b>1,152</b>                              | <b>1,542</b>                             | <b>(390)</b>                         |

- 4.2 The Chief Finance Officer will provide a verbal update at Committee on the latest outturns available (if different from above).
- 4.3 Partnerships & Performance has been separated into Performance (*under the Strategic Directors control*), Corporate centrally held and Partnerships (*under*

*the control of the HS&CP Chief Officer*). This indicates that the Council is forecast to be overspent £0.135m for the year ended March 2019, and that the Partnership budgets will overspend by £1.152m by the end of the year.

- 4.4 The biggest movements between August and October occurred within the Place division £0.613m and the Health and Social Care Partnership (HSCP) £0.390m.

- The movement within the Place Division of £(0.613)m is shown below:

|  | £'000's |
|--|---------|
| Insurance realignment from corporate                                 | (46)    |
| Catering reduced food & staffing costs, net of unachieved income     | (79)    |
| Energy & sustainability under on staffing and payments to other Orgs | (39)    |
| Cleaning underspend  | (60)    |
| Increased rental income and reduced professional fees                | (24)    |
| Release of budget for GIS not required                               | (34)    |
| Roads savings on materials and contractors payments                  | (155)   |
| Increase in housing benefit rent income                              | (220)   |
| Various small overspends   | 44      |

- The movement within the HSCP of £(0.390)m relates to the savings programmes being implemented earlier in the year, now showing signs of bedding in and producing some savings, however these are lower than expected to date.

- 4.5 Each division receives its own finance report and the detailed variances are contained within that report and are available on the Council website.

## 5.0 Housing Revenue Accounts

- 5.1 The HRA is now reported within the Place Committee finance report. The report indicated that the HRA revenue position is £0.604m ahead of the budgeted surplus to March 2019. The figure presented is still as of August, due to operational constraints it was not possible to update the revenue position to October, therefore it has been agreed with the Strategic Director to provide a verbal update at the meeting.

Table 2 HRA Revenue forecast outturn to March 2019

| Housing Revenue Account             | August Over/ (underspend) £000s |
|-------------------------------------|---------------------------------|
| Employee costs                      | (463)                           |
| Premises                            | (160)                           |
| Transport                           | (31)                            |
| Supplies & Services                 | (23)                            |
| Third Party Payments                | (50)                            |
| Support Services                    | (249)                           |
| Capital Financing Costs             | 115                             |
|                                     |                                 |
| <b>Total Expenditure Underspend</b> | <b>(861)</b>                    |
|                                     |                                 |
| <b>Total Income Under recovered</b> | <b>257</b>                      |
|                                     |                                 |
| <b>HRA Total Underspend</b>         | <b>(604)</b>                    |

5.2 Committed levels of spend will continue to be maintained and updated forecasts provided during the year.

## 6.0 Capital

6.1 General Fund capital is forecasting a £(0.791)m (£(0.455)m Aug) underspend to March 2019, however this figure is made up project slippage £(1.200)m and overspends £0.408m.

6.2 The main areas of project slippage relate to:

- Alva small village and town initiative £0.450m
- The new social work system £0.400m
- City Deal – project team £0.350m

These will be carried forward to 2019/20.

6.3 There were also a number of projects that overspent in year, totalling £0.408m.

6.4 A summary of the projected outturn position for each of the Asset plans is shown in the table below.

Table 3 GF Capital Budget Variances

| Asset Management Strategy Plan   | Budget        | Projected as at 30th October 2018 | Over / (under) Spend | Comments  |
|----------------------------------|---------------|-----------------------------------|----------------------|---|
|                                  | £m            | £m                                | £m                   |   |
| <b>Corporate</b>                 | 16.611        | 16.220                            | (0.391)              | Alva Village & Small Town Initiative (£0.450m) & City Deal £(0.350m), Tullibody £0.250m Village & Small Town Initiative, Muckhart Primary £0.041m, Banchory Primary 0.021m, Strathdevon Primary 0.033m, Sauchie Nursery £0.029m & small differences £0.035m |
| <b>Property</b>                  | 0.024         | 0.024                             | 0                    | Projected to be on budget   |
| <b>Roads</b>                     | 3.281         | 3.281                             | 0                    | Projected to be on budget   |
| <b>Land</b>                      | 0.048         | 0.048                             | 0                    | Projected to be on budget   |
| <b>Fleet</b>                     | 1.021         | 1.021                             | 0                    | Projected to be on budget   |
| <b>IT</b>                        | 0.854         | 0.454                             | (0.400)              | Re-profiling of the Integrated social services system project expenditure due to the possibility of a joint procurement with Stirling Council to support H&SCP  |
| <b>Gross Capital Expenditure</b> | <b>21.839</b> | <b>21.048</b>                     | <b>(0.791)</b>       |   |

| Asset Management Strategy Plan | Budget   | Projected as at 30th October 2018 | Over / (under) Spend | Comments |
|--------------------------------|----------|-----------------------------------|----------------------|----------|
|                                | £m       | £m                                | £m                   |          |
| Income                         | (10.678) | (10.678)                          | 0                    |          |
| Net Capital Programme          | 11.161   | 11.161                            | (0.791)              |          |

6.5 The main movements between August £(0.455)m and October £(0.791)m relate to IT, with the Social Work System full slippage into 2019/20 £(0.150)m and Corporate slippage increasing by £(0.186)m. The movements in Corporate were:

- City deal £(0.350)m slippage resulting from not being able to capitalise the project team at this stage,
- Alva Village and Small town initiative (£0.450m) which has slipped into 2019/20
- Tullibody Village and Small town initiative (Tron Court) £0.250m, due to an overspend worse than previously forecast,
- Various primary school small overspends £0.130m
- various small overspends £0.029m.

6.6 The current net HRA Capital Budget is £7.519m. This is inclusive of the additional carry-forward of £1.135m, from the approved February Budget, as the actual expenditure varied from that initially forecast. The carry forward is spread across various projects.

6.7 The HRA capital budget is currently forecasting a £(1.363)m underspend against budget to March 2019.

Table 4 HRA capital outturn variances to March 2019

| HRA Capital Project                   | October Variance (£000) | August Variance (£000) | Comments  |
|---------------------------------------|-------------------------|------------------------|---|
| Safe Electrical Testing               | (569)                   | (368)                  | Late contract award, forecasted expenditure has been reduced accordingly.   |
| HRA Roads & Footpaths                 | (103)                   | (103)                  | The internal service has been unable to resource this work and the service cannot procure this externally at present. |
| MCB Tenant community Improvement Fund | (100)                   | (100)                  | The Service does not have the capacity to resource or procure these projects at present.                              |
| Sale of Council Property              | (20)                    | (20)                   | The final council house sale and a small piece of land account for the unbudgeted income.                             |
| Weir multi-con upgrade                | (650)                   | 0                      | Work now to commence in January   |

| HRA Capital Project    | October Variance (£000) | August Variance (£000) | Comments                                |
|------------------------|-------------------------|------------------------|---|
| Energy efficiency work | 50                      | 0                      | Work complete, awaiting final valuation |
| Adaptations            | 29                      | 0                      | Maybe offset by year end                |
| <b>Total</b>           | <b>(1,363)</b>          | <b>(591)</b>           |   |

6.8 The main movement above relates to the Weir Multi-con upgrade programme. This was due to commence in December, however it has been delayed until January 2019, resulting in £0.650m of slippage.

6.9 Capital receipts expected to be received up to 31<sup>st</sup> March 2019 are £2.065m. The capital receipts balance at the 31<sup>st</sup> March 2018 was £3.058m. So far the Council has received receipts of £1.333m, and are projecting to receive further receipts of £0.733m in the last quarter of the year. Additional properties are currently being prepared for sale and will be marketed from which may lead to further receipts in late 2018/19 or early 2019/20.

## 7.0 2018/19 Savings Progress

7.1 The 2018/19 budget incorporated approved savings of £7.376m. At the end of August the following had been achieved:  
Table 5 Forecast savings achievement:

|          |           |       |
|----------|-----------|-------|
| Achieved | 2,947,173 | 40.0% |
| Likely   | 3,205,028 | 43.5% |
| Amber    | 438,251   | 5.9%  |
| Red      | 785,217   | 10.6% |

**Total** 7,375,669

7.2 The above indicates that 83.5% of savings have or are likely to be achieved, this is an improvement of 4.8% since August but there is a further 16.5% still at risk. Over the last 5 years the average saving achieved has been 77%. The trend over the last 5 years also shows savings achievement has fallen in the last 2 years, as savings have become more difficult to identify and require policy changes for savings to be achieved. At October we are anticipating an improvement in the achieved savings, but the in-year spending restraint has to be maintained, to ensure the council meets its reserves policy.

7.3 The table below shows the achievement by the new divisions:

Table 6 savings by division:

|                    | Achieved                |     | Likely                  |     | Amber                 |    | Red                   |     | Total                   |
|--------------------|-------------------------|-----|-------------------------|-----|-----------------------|----|-----------------------|-----|-------------------------|
| <b>People</b>      | 1,208,028               | 36% | 1,733,530               | 52% | 315,000               | 9% | 76,590                | 2%  | 3,333,149               |
| <b>Place</b>       | 1,253,123               | 60% | 313,352                 | 15% | 74,250                | 4% | 437,051               | 21% | 2,077,777               |
| <b>Performance</b> | 486,022                 | 25% | 1,158,146               | 59% | 49,000                | 2% | 271,576               | 14% | 1,964,744               |
|                    | <b><u>2,947,173</u></b> |     | <b><u>3,205,028</u></b> |     | <b><u>438,250</u></b> |    | <b><u>785,217</u></b> |     | <b><u>7,375,670</u></b> |
|                    | 40.0%                   |     | 43.5%                   |     | 5.9%                  |    | 10.6%                 |     |                         |

- 7.4 The accountancy team will continue to work with budget holders to identify compensatory savings and these will be added to the schedules and updates, as they are agreed. It is likely that they will present as in year cash savings in 18/19. Any detail of these will be reported within the individual committee reports for People, Place and Partnerships & Performance on the Councils website.

## 8.0 Conclusions

- 8.1 General Fund revenue spend is forecasting an improved position with an overspend of £0.135m for the year to March 2019.
- 8.2 The Health and Social Care Partnership (H&SCP) is forecasting an improved position with an overspend for the year of £1.152m.
- 8.3 The forecast Housing Revenue Account (HRA) revenue surplus for the year of £(0.604m) to March 2019 (*August figure*).
- 8.4 The Capital programme in both HRA and GF are currently showing slippage and are expected to be underspent by the year end.
- 8.5 The improved likely achievement in delivering the £7.3m savings programme, currently 83.5%, to the end of October (*78.7% August*).

## 9.0 Sustainability Implications

- 9.1 None

## 10.0 Resource Implications

### 10.1 Financial Details

- 10.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes ☒

- 10.3 Finance has been consulted and has agreed the financial implications as set out in the report. Yes ☒

### 10.4 Staffing

10.5 None

## 11.0 Exempt Reports

11.1 Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☒

## 12.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box ☒)

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all ☐  
Our families; children and young people will have the best possible start in life ☐  
Women and girls will be confident and aspirational, and achieve their full potential ☐  
Our communities will be resilient and empowered so that they can thrive and flourish ☐

(2) **Council Policies** (Please detail)

## 13.0 Equalities Impact

13.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?  
Yes ☐ No ☒

## 14.0 Legality

14.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☒

## 15.0 Appendices

15.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

None

## 16.0 Background Papers

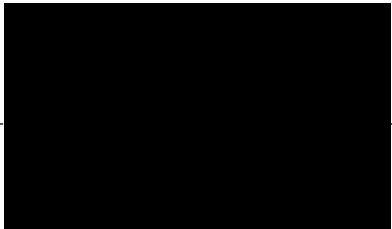
16.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)  
Yes ☐ (please list the documents below) No ☒

**Author(s)**



| NAME               | DESIGNATION                        | TEL NO / EXTENSION |
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**Approved by**

| NAME            | DESIGNATION                           | SIGNATURE   |
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| Paula Tovey     | Chief Finance officer                 |  |
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