

**Corporate Overview and Scrutiny
Management Board**

13 September 2019

**Resources – Revenue and Capital
Outturn 2018/19**

Ordinary Decision



Report of John Hewitt, Corporate Director of Resources

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide details of the final outturn position for the Resources service grouping in 2018/19, highlighting major variances in comparison with the budget based on the outturn position at the end of March 2019.

Executive summary

- 2 In 2018/19 the service achieved a cash limit variance (underspend) of £1.536 million against a revised budget of £16.318 million. This compares to the previously forecast position (at quarter 3) of a £0.420 million underspend for the year.
- 3 The Resources Cash Limit balance carried forward at 31 March 2019 is £1.572 million. Other earmarked reserves aligned to Resources Management Team totalled £7.586 million at 31 March 2019.
- 4 Capital expenditure incurred in 2018/19 was £4.370 million, representing 87% of the revised Resources capital budget of £5.036 million. A request was made to the Member Officer Working Group to carry forward the £0.666 million underspend to the current year to augment the 2019/20 Capital Programme.

Recommendation

- 5 Corporate Overview and Scrutiny Management Board is recommended to note the final outturn position against the 2018/19 revenue and capital budgets and the year end position in terms of the Resources Cash Limit Reserve.

Background

6 County Council approved the Revenue and Capital budgets for 2018/19 at its meeting on 21 February 2018. These budgets have subsequently been revised to account for grant additions/reductions, corporate savings/adjustments, budget transfers between service groupings and budget profiling between years. This report covers the financial position for the following major accounts maintained by the Resources service grouping:

- *Revenue Budget - £16.318 million (original £15.635 million)*
- *Capital Programme - £5.036 million (original £6.989 million)*

7 The original Resources General Fund budget was revised in year to incorporate a number of budget adjustments actioned in quarters one to three as follows:

	<u>£000s</u>
• Transfer from Interest Payable & Similar Charges– Funding for Commercialisation & Workforce Development	109
• Transfer from CYPS–Funding for an additional post in the CYPS Finance Team	31
• Transfer from RES-CAC–Budget Realignment	6
• Transfer to Corporate Contingencies–MFD Saving	-4
• Transfer to Corporate Contingencies–Microsoft Licences	-224
• Contribution from MTFP ER/VR Reserve	59
• Contribution from Resources Cash Limit Reserve–Digital Durham	9
• Contribution from Microsoft Office 365 Reserve	203
• Contribution from ICT Reserve	164
• Contribution from CRM Reserve	12
• Contribution from Benefit Take-up Reserve	167
• Contribution from Welfare Assistance Funding Reserve	30
• Transfer from REAL-Leisure Works	59
• Contribution to Welfare Reforms New Burdens Grant Reserve	-212
• Contribution from Human Resources Reserve	138
• Transfer from Corporate Contingencies-HPO Review	31
• Contribution from Resources Cash Limit Reserve-Robotic Process Automation Project	89
• Contribution from Equal Pay Reserve	16
TOTAL	<u>683</u>

- 8 The summary financial statements contained in this report cover the financial year 2018/19 and show:
- The approved annual budget;
 - The actual income and expenditure as recorded in the council's financial management system;
 - The variance between the annual budget and the actual outturn;
 - For the Resources revenue budget, adjustments for items outside of the cash limit to take into account such items as redundancies met from the strategic reserve, capital charges not controlled by services and use of or contributions to earmarked reserves.
- 9 The service is reporting a cash limit variance (underspend) of £1.536 million against a revised budget of £16.318 million.
- 10 The tables below compare the actual expenditure with the budget. The first table is analysed by Subjective Analysis (i.e. type of expense), and the second by Head of Service.

Type of Expenditure (Subjective Analysis) (£000s)

	2018/19 Budget	Actual	Variance (under) / over spend	Total Items Outside Cash Limit	Cash Limit Outturn 2018-19 Variance	Memo: Cash Limit Variance QTR 3
Employees	45,419	44,587	(832)	(10)	(842)	(747)
Premises	4,954	368	(4,586)	4,566	(20)	(6)
Transport	624	548	(76)	0	(76)	(34)
Supplies and Services	15,746	15,903	157	355	512	244
Third Party Payments	40	46	6	(7)	(1)	1
Central Support and Capital	5,985	7,868	1,883	(1,189)	694	655
Gross Expenditure	72,768	69,320	(3,448)	3,715	267	113
Income	(56,450)	(52,978)	3,472	(5,275)	(1,803)	(533)
Net Expenditure	16,318	16,342	24	(1,560)	(1,536)	(420)
HB Transfer payments	174,733	151,970	(22,763)	(52)	(22,815)	(8,156)
HB Central Support and Capital	400	256	(144)	641	497	0
HB Income	(175,133)	(152,815)	22,318	0	22,318	8,156
HB Net Expenditure	0	(589)	(589)	589	0	0
Total Net Expenditure	16,318	15,753	(565)	(971)	(1,536)	(420)

By Head of Service (£000's)

	2018/19 Budget	Actual	Variance (under) / over spend	Total Items Outside Cash Limit	Cash Limit Outturn 2018-19 Variance	Memo: Cash Limit Variance QTR 3
Central Establishment Recharges	(24,215)	(21,976)	2,239	(2,239)	0	0
Corporate Finance & Commercial Services	3,532	2,838	(694)	339	(355)	(82)
Financial & Transactional Services	10,221	9,452	(769)	130	(639)	(233)
Digital & Customer Services	17,330	17,064	(266)	175	(91)	31
Internal Audit and Insurance	1,068	1,036	(32)	(4)	(36)	(41)
Legal & Democratic Services	7,445	6,958	(487)	75	(412)	(122)
Service Management / Central Charges	(652)	(712)	(60)	64	4	11
People & Talent Management	1,589	1,682	93	(100)	(7)	16
Net Expenditure Excl. HB	16,318	16,342	24	(1,560)	(1,536)	(420)
Housing Benefit	0	(589)	(589)	589	0	0
Net Expenditure	16,318	15,753	(565)	(971)	(1,536)	(420)

- 11 The table below provides a brief commentary on the variances against the revised budget analysed by Head of Service. The table identifies variances in the core budget only and excludes items outside of the cash limit (e.g. redundancy costs) and technical accounting adjustments (e.g. capital charges):

Head of Service	Service Area	Description	Year End (under) / overbudget £000s	Year End (under) / overbudget £000s
Central Establishment Recharges	Central Establishment Recharges	No material variance	0	0
Corporate Finance & Commercial Services	Management	£3,000 underbudget on employees £1,000 underbudget on transport £8,000 underbudget on supplies and services £2,000 overachieved income	(14)	

Head of Service	Service Area	Description	Year End (under) / overbudget £000s	Year End (under) / overbudget £000s
	Management Priority	No material variance	0	
	Financial Systems	£74,000 underbudget on employees £18,000 underbudget on supplies and services	(92)	
	Procurement	£15,000 underbudget on employees £45,000 overachieved in income	(60)	
	Pensions	£47,000 overbudget on employees. £43,000 overbudget on supplies and services £85,000 overachieved on income	5	
	Strategic Finance	£10,000 underbudget on employees £9,000 overbudget on supplies and services £144,000 overachieved on income	(145)	
	Occupational Health	£15,000 overbudget on employees £2,000 overbudget on transport £18,000 underbudget on supplies and services £12,000 overachieved income	(13)	
	Health and Safety	£9,000 overbudget on employees £7,000 underbudget on Transport £2,000 underbudget on supplies and services £36,000 overachieved on income	(36)	(355)
People & Talent Management	People & Talent Management	£13,000 overbudget on employees. £7,000 underbudget on transport. £12,000 overbudget on supplies and services £25,000 overachieved on income	(7)	(7)
Finance & Transactional Services	Management / Banked MTFP Savings	£27,000 underbudget on employees	(27)	
	HR Operations & Data	£37,000 overbudget on employees £24,000 overbudget on transport £22,000 underbudget on supplies and services	67	

Head of Service	Service Area	Description	Year End (under) / overbudget £000s	Year End (under) / overbudget £000s
		£50,000 overbudget on Direct Revenue Funding of capital £22,000 overachieved income		
	Financial Management	£9,000 overbudget on employees, £48,000 overbudget on supplies and services £123,000 overachieved on income	(66)	
	Revenues and Benefits	£428,000 underbudget on employees £23,000 underbudget on transport £269,000 overbudget on supplies and services (outsourced packages of work) £30,000 over on central costs £461,000 overachieved on income	(613)	(639)
Digital and Customer Services	Customer Services	£155,000 underbudget on employees £1,000 underbudget on premises £1,000 underbudget on transport £195,000 underbudget on supplies and services £10,000 overbudget on central expenses £168,000 underachieved on income	(174)	
	ICT Services	£299,000 underbudget on employees £23,000 underbudget on transport £342,000 overbudget on supplies and services £586,000 overbudget on central expenses, of which £560,000 relates Direct Revenue Funding of capital £523,000 overachieved income	83	(91)
Internal Audit and Risk	Insurance and Risk	£4,000 overbudget on employees £1,000 overbudget on supplies and services	5	

Head of Service	Service Area	Description	Year End (under) / overbudget £000s	Year End (under) / overbudget £000s
	Internal Audit	£7,000 overbudget on employees £5,000 overachieved income	2	
	Corporate Fraud	£6,000 overbudget on employees £28,000 overbudget on supplies & services £77,000 overachieved on income	(43)	(36)
Legal and Democratic Services	Corporate and Democratic Core	£56,000 underbudget on employees £27,000 underbudget on transport £186,000 underbudget on supplies and services £21,000 overachieved income	(290)	
	Legal and Other Services	£72,000 overbudget on employees £20,000 underbudget on premises £13,000 underbudget on transport £213,000 overbudget on supplies and services £2,000 over on central expenses £376,000 overachieved income	(122)	(412)
Service Management	Service Management	£5,000 underbudget on employees £9,000 over on central expenses	4	4
Finance & Transactional Services	Housing Benefit Payments and Subsidy	HB Payments were £22.763 million lower than budgeted due to the impact of Universal Credit Full Service natural migration, with a corresponding £22.318 million reduction in HB subsidy entitlement in year. This budget is outside the cash limit and a year-end transfer to the HB subsidy reserve has been actioned to bring the outturn back in line with the budgeted position.	0	0
TOTAL				1,536

- 12 The final outturn position was £1.116 million more underbudget than the forecast prepared at quarter 3 and reported to Cabinet in March. This means that there is an increase in the Cash Limit Reserve carried forward at the year end.

- 13 In addition to the budgets controlled by Heads of Service there is a budget of £4.051 million for Centrally Administered Costs (CAC) covering corporate items such as the Town and Parish Local Council Tax Support Scheme Grant contributions, corporate subscriptions, bank charges etc.
- 14 There was an underspend of £0.301 million on this budget in 2018/19. The outturn position reflected increased expenditure in respect of expenses associated with raising loans to achieve the MTFP savings from agreeing up front interest rates prior to borrowing, which had been more than offset by increased income from de-minimis capital receipts. MTFP savings totalling £0.150 million were applied to these budgets in 2018/19.

Capital Programme

- 15 The original Resources capital programme was £6.989 million. This was revised in year for additions/reductions, budget transfers and to reflect budget profiling. The final capital budget was £5.036 million.
- 16 Summary financial performance to the end of March 2019 is shown below:

	Final Budget 2018/19	Actual Spend 2018/19	Under / Over Spend in Year	Actual Spend as a % of Budget
	£000	£000	£000	
Digital & Customer Services	4,860	4,288	(572)	88
Corporate Finance & Commercial Services and Finance & Transactional Services	176	82	(94)	47
Total	5,036	4,370	(666)	87

- 17 Total expenditure to 31 March 2019 was £4.370 million (87% of the annual budget). A full breakdown of schemes and actual expenditure to 31 March 2019 is given in Appendix 2.

Background papers

- Cabinet Report (13 March 2019) – Forecast of Revenue and Capital Outturn 2018/19 – Period to 31 December 2018

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Appendix 1: Implications

Legal Implications

The consideration of regular budgetary control reports is a key component of the council's Corporate and Financial Governance arrangements. This report shows the actual spend against budgets agreed by the council in February 2018 in relation to the 2018/19 financial year.

Finance

Financial implications are detailed throughout the report which provides an analysis of the revenue and capital outturn.

Consultation

Not applicable.

Equality and Diversity / Public Sector Equality Duty

Not applicable.

Human Rights

Not applicable.

Crime and Disorder

Not applicable.

Staffing

Not applicable.

Accommodation

Not applicable.

Risk

The consideration of regular budgetary control reports is a key component of the council's Corporate and Financial Governance arrangements.

Procurement

The outcome of procurement activity is factored into the financial position included in the report.

Appendix 2: Resources Capital Programme 2018/19 – Detailed Monitoring Statement to 31 March 2019

Resources	Revised Annual Budget	Outturn Spend	In Year Variance – Over / (Under)	Actual Spend
	£000	£000	£000	%
Broadband / Digital Durham	2,031	1,576	(455)	78
Big Data	0	7	7	0
Code of Connection Compliance	6	0	(6)	0
Dark Fibre installations and Circuit/Microwave Upgrades	29	6	(23)	21
Homeworking	87	60	(27)	69
ICT Business Continuity	490	473	(17)	97
Mobile Device Management	190	166	(24)	87
Ongoing Server replacement	269	264	(5)	98
Replacement of Desktop ICT Equipment	1,185	1,110	(75)	94
Tanfield Datacentre LAN Switching Replacement	35	36	1	103
Conversion of Capita One software to Tribal	0	20	20	0
Archiving Of Obsolete Systems Based On Non Supported Hardware	326	325	(1)	100
Customer Relation Management System	57	99	42	174
Remote Access – Central Solution	155	146	(9)	94
Digital & Customer Services Total	4,860	4,288	(572)	88
Migration of HR/Payroll functionality	105	37	(68)	35
Civica Pension Fund Administration System	71	45	(26)	63
Corporate Finance & Commercial Services and Financial & Transactional Services Total	176	82	(94)	47
RESOURCES TOTAL	5,036	4,370	(666)	87