

**Name of meeting:** Corporate Scrutiny Panel  
**Date:** 12 April 2019  
**Title of report:** Financial Management Update 2018-19

**Purpose of report**

High level overview of Quarter 3 financial monitoring reported to Cabinet on 19 March, and other key financial management updates

<b>Key decision – is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	<b>Yes</b>
<b>Key decision - is it in the <a href="#">Council's Forward Plan (key decisions and private reports)</a>?</b>	<b>Key decision - Yes</b>
<b>The Decision - Is it eligible for “call in” by <a href="#">Scrutiny</a>?</b>	<b>No</b>
<b>Date signed off by Strategic Director &amp; name</b>	Rachel Spencer Henshall, 22 March 2019
<b>Is it also signed off by the Service Director for Finance</b>	Eamonn Croston, 22 March 2019
<b>Is it also signed off by the Service Director – Legal, Governance &amp; Commissioning ?</b>	N/A
<b>Cabinet member <a href="#">portfolio - Corporate</a></b>	<b>Cllr Graham Turner</b>

**Electoral [wards](#) affected:** All

**Ward Councillors consulted:** All

**Public or private:** Public

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## 1. Summary

### Quarter 3 Financial Monitoring

1.1 Key highlights from quarter 3 financial monitoring report (detailed report attached to this covering report for reference) are summarised below :

- i) General Fund year end revenue forecast ; £1.1m overspend v revised budget of £291.1m, equivalent to just 0.4% variance;
- ii) Positive shift compared to Quarter 2 by £3.7m;
- iii) Anticipated that year end position will there or thereabouts on line with budget;
- iv) Good progress against planned savings; anticipated delivery of £12.4m against £16.2m planned saving requirement in-year (77%) ; balance of £3.8m planned savings not achieved mainly relates to deferred timing of out of district external placements savings at £1.2m, and pressures on schools transport at £1.9m;
- v) Planned overspend on high needs at £7.9m, offset in part by release of £5m unallocated MRP budget in-year; plus further offset of £1m through extra high needs funding allocated by Government in-year as part of the 2018 Autumn Statement announcement.
- vi) Central budget forecast includes in-year re-payment of surplus Government business rates levy of £1.2m announced as part of the 2018 Autumn Statement announcement;
- vii) General fund reserves year end forecast broadly in line with annual budget report, includes projected £41.5m financial resilience reserves by year end;
- viii) Collection Fund ; in-year projection on line for Council tax and business rates position reflects a 'one-off' bad debt provision adjustment relating to historic valuation appeals;
- ix) HRA forecast surplus £1.3m against an annual budget of £91.7m; 1.4% variance; mainly reflects downward adjustment to bad debt provision requirement and anticipated scale of Universal Credit rollout not materialising;
- x) Capital Plan; £19m forecast underspend against £98.7m revised capital budget; equivalent to 19%, before assumed funding slippage (borrowing/grants). Net of budgeted slippage, budget on line with forecast. Anticipated further slippage to year end;

1.2 Overall Quarter 3 forecasts represent no surprises compared to Quarter 2 with regard to recurrent issues that have largely been picked up and fed into the annual budget plans 2019-22, approved at Budget Council on 13<sup>th</sup> February 2019.

## Financial Outturn 2018-19 – key considerations

### ROLLOVER

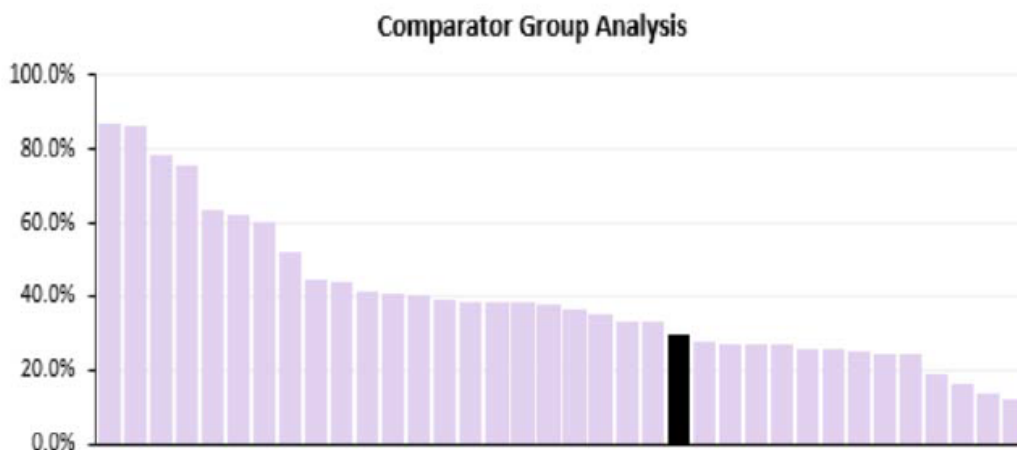
- 1.3 General Fund Revenue Rollover – Council Financial Procedure Rules state that if the Council is overspent overall, there will be no revenue rollover. Anticipated that any revenue rollover opportunities likely to be minimum.
- 1.4 HRA – this is a wholly ring-fenced account so any in-year surplus reverts to HRA reserves by default. If in surplus at year end, potential for HRA rollover bids.
- 1.5 Capital rollover – no automatic guarantee that underspend will rollover into 2019/20. Will be subject to more rigorous corporate review this year.

### YEAR END RESERVES REVIEW

- 1.6 The Council's s151 Officer will continue to review reserves requirements, and report back in due course to Cabinet/Council as part of the financial outturn report on any significant further changes.
- 1.7 CIPFA's financial resilience index (Kirklees reserves comparison across the 36 metropolitan authorities), is also shown below for information. This was presented for information as part of the annual budget report.

#### CIPFA Resilience Index – Beta (17-18 data) – Metropolitan Authorities

##### Individual Analysis: *Level of Reserves*

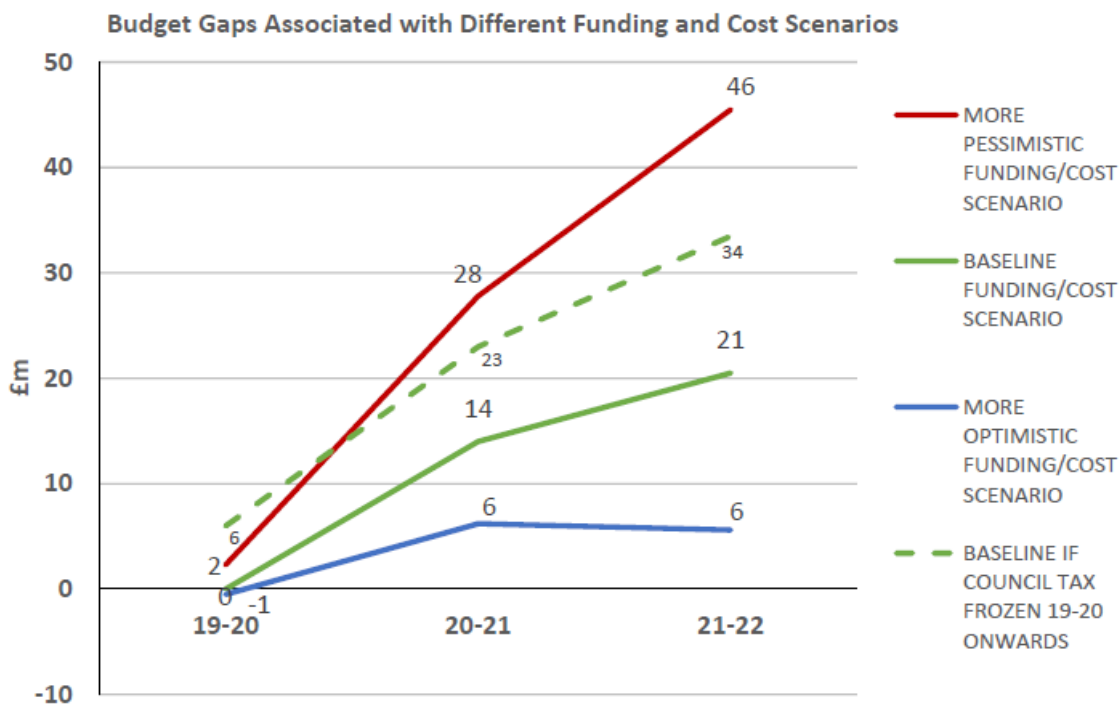


- Kirklees highlighted in black. As at 31 March 2018, Kirklees general fund revenue reserves as a % of its net annual revenue budget, was 27.8% (Schools and Public Health reserves are excluded from this analysis).

1.8 The current intention is for CIPFA to publish their Financial Resilience Index online at the back end of 2019, alongside a new Financial Management Code of Practice.

## LOOKING FURTHER AHEAD

- 1.9 Approved budget plans 2019-22 include £10.9m planned revenue savings in 2019-20 and a further £6.2m over the following 2 years.
- 1.10 Significant capital investment intent over the next 5 years. Includes ambitious bids e.g. Housing Infrastructure Fund; £22.5m bid to support the Dewsbury Riverside Development.
- 1.11 Post-2020 national funding landscape for local government remains uncertain. Significant budget risk reflected in the sensitivity analysis included in the annual budget papers as below:



- 1.12 Fair Funding Review – feedback from the recent Government consultation suggests that 86% of the 312 respondents to the latest consultation did not agree with the Government proposal to calculate the foundation formula element of any funding re-distribution entirely on population statistics alone i.e. ignoring any element of deprivation. The impact of this proposal would suggest a skewed re-distribution of existing resources from the most deprived (especially urban) areas, to relatively more affluent authorities. This is a real area of contention with the consultation feedback across the sector.
- 1.13 Spring 2019 Chancellor's statement suggested a 3 year Spending Review, if an EU exit deal can be agreed.

## **2. Information required to take a decision**

- 2.1 Attached to this covering report is the Quarter 3 financial monitoring report 2018-19 presented to Cabinet on 19<sup>th</sup> March 2019. This report sets out current in-year financial monitoring forecasts across General Fund Revenue, Council revenue reserves, Housing Revenue Account, Collection Fund and Capital Plan.

## **3. Implications for the Council**

- 3.1 Effective financial management supports the overall delivery of the following Council objectives and Priorities within available resources:
- i) Early Intervention and Prevention (EIP)
  - ii) Economic Resilience (ER)
  - iii) Improving Outcomes for Children
  - iv) Reducing demand of services

## **4. Consultees and their opinions**

- 4.1 Quarter 3 financial monitoring report was reported to Cabinet on 19 March 2019, and the key highlights from the 29 October Autumn Budget announcement presented to Leadership Management Team (Cabinet Members and Council Strategic Directors group).

## **5. Next Steps**

- 5.1 The Council's Chief Finance Officer (& Service Director, Finance) will present the 2018-19 financial outturn report to Cabinet /Council in June/July 2019 for consideration.

## **6. Officer recommendations and reasons**

Scrutiny Panel are asked to note Quarter 3 financial monitoring as reported, financial outturn considerations, and consider any issues, challenges, risks or opportunities arising from these and impacts on the overall financial management of the Council; both short and longer term.

To consider areas for further exploration through the 2019-20 Scrutiny cycle.

## **7. Cabinet portfolio holder's recommendations**

N/A

## **8. Contact Officer**

Eamonn Croston, Service Director, Finance

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**9. Background papers and History of Decisions**

Annual budget report 2019-22

Government Finance Settlement 2019-20

Financial monitoring report 2018-19; Quarter 3

Autumn Budget announcement 29 October 2018

Spring Statement March 2019

**10. Service Director responsible**

Eamonn Croston, Service Director, Finance

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