

Appendix 2: Finance Revenue Performance 2018/19

1 Executive Summary

- 1.1 This report provides an overview on the revenue outturn and reserves position for the 2018/19 financial year, which ended 31 March 2019. It is an update to the provisional outturn reported to Cabinet on 1 May 2019, from which there have been no significant changes.
- 1.2 The revenue outturn position for the financial year 2018/19 is a net underspend of £1.234m against a net budget of £550.016m (0.22%).
- 1.3 Directorates have overspent by £4.584m (0.96%):
- Children, Schools and Families overspent by £2.319m mainly due to significant increase in the number of children in care.
 - Neighbourhoods overspent by £1.029m mainly due to high levels of operational activity within the fire service.
 - Economic Growth and Development overspent by £0.915m mainly due to shortfalls in planning income.
 - Customer and Support Services overspent by £0.481m mainly due to costs of implementing Oracle Cloud.
 - Adult Social Care underspent by £0.160m.
- 1.4 These overspends are offset by an increase in corporate grant income which is £5.925m higher than budget. This is mainly due to receipt of additional section 31 grants and a share of the surplus on the 2017/18 national Business Rates Levy account.
- 1.5 This net underspend has been achieved despite a savings shortfall of £2.084m (8.65%) against revised planned saving targets, a 91.35% delivery rate.
- 1.6 The usable reserves closing balance at 31st March 2019 is £348.888m, an increase of £2.874m from that reported in the provisional outturn report.

Table 1: Key financial performance indicators 2018/19

Revenue Key Performance Indicator - Outturn	Approved Budget £m	Outturn £m	Variance £m	Variance %	RAG Status	Q3 Variance £m
Services Net Expenditure against Budget	479.784	484.367	4.584	0.96%	Amber	3.270
Total Net Expenditure against Budget	550.016	548.782	(1.234)	(0.22%)	Green	(0.716)

Revenue Key Performance Indicator - Savings	£m	Outturn £m	Variance £m	Variance %	RAG Status	Q3 Variance £m
Original Budget	34.734					
Quarter 2 Review & Adjustment	(10.648)					
	24.086	22.002	(2.084)	(8.65%)	Red	(1.887)

2 Pressures arising in 2018/19 likely to impact 2019/20 budget

2.1 The 2018/19 outturn position, Key Performance Indicators and risks have been reviewed to identify financial pressures impacting on the 2019/20 Medium Term Financial Plan.

2.2 In 2018/19 the Council has undelivered savings of c£12.7m. The large majority (£11.9m) of this was known early and has been factored into the 2019/20 budget and will not therefore represent a budget pressure in 2019/20.

However a small amount of £0.8m materialised later in the year and was not addressed in the base budget and therefore is likely to cause an underlying budget pressure in 2019/20. This is mainly within:

- Customer Access and Digital Services for c£0.500m relating to the delayed delivery of corporate customer access programme (channel shift) savings. It is anticipated that this saving will now be delivered through the wider working differently programme.
- Resilient Cornwall c£0.137m by the delayed delivery of savings relating to the reduction of secondary contracts impacting on the crewing system for community fire stations. Whilst the service is taking action to bring these savings back in line, this will likely cause a budget pressure in 2019/20 until outstanding issues can be resolved and / or mitigated.
- Planning and Sustainable Development c£0.100m by delayed delivery of savings relating to income generation from Land Charges due to increases in income not being as expected. The service is looking at ways to mitigate this by increasing market share and introducing new services.

2.3 Whilst other significant pressures arose during 2018/19, impacting on the majority of services across the council, the large majority of these were one off only or have been factored into the budget and will not create an underlying budget pressure during 2019/20.

However there are a number of underlying pressures arising in 2018/19, totalling around £6m, that have not yet been addressed and, whilst mitigating action is being considered, there is a risk these could impact in 2019/20 including most significantly:

- Corporate items; pressure of c£1.5m as being shortfall on housing subsidy as a result of increases in the cost and number of temporary accommodation and homelessness that is not fully recoverable from Government where the amount is over the Housing benefit limit. It is anticipated that the Private Rented Accommodation scheme should reduce this pressure in 2019/20.
- Resources; a net pressure of c£3.2m is anticipated as a result of the continued development and implementation of Oracle Cloud (see paragraph 2.4 below).

- Resilient Cornwall; pressure of c£0.2m mainly due to a previous years staffing saving in relation to secondary contracts not being achieved. In addition to this the baseline activity of incidents has shown a recent trend of being higher than the available budget. Whilst the service is investigating ways to mitigate this pressure through alternative crewing models and alternative income opportunities, it is likely that this will remain a pressure in 2019/20.
- Transport and Infrastructure; pressures totalling c£0.4m relating to public notices and essential health and safety works within parking services.
- Environment; pressures of c£0.4m for increased spend on grounds maintenance work. Whilst the recently approved capital programme for Environment service will start to mitigate this pressure in the medium to long term, it is currently uncertain if this is likely to have sufficient impact in 2019/20.
- Housing; pressures of c£0.3m as a result of liabilities arising from the termination of leased temporary accommodation and rising demand for temporary accommodation.
- Planning and Sustainable Development; pressures of c£0.1m relating to public notices.

The demand and cost for services continues to grow, especially within adults and children's services, and it is likely that further additional pressures will materialise during 2019/20. This will be monitored closely and reported as part of the council's performance monitor throughout the year.

In addition, the 2019/20 budget includes new savings totalling £34m of which £6m are considered high risk of not being delivered. This is an improvement on when the budget was set but remains a concern. An update will be given in the quarter 1 monitoring report.

- 2.4 The Council is currently implementing improved functionality to its Enterprise Resource Planning (ERP) system that will enable significant ongoing benefits to be driven forward. The Oracle Cloud project will implement a new finance, procurement, commercials, workforce and payroll system and is currently part completed. At the end of quarter 3 the project flagged the identification of cost over-runs as a result of increased specification from the original business case and the complexity of the implementation which has led to time delays. In the last couple of months the project has been re-planned with a revised completion date and significant work has also been undertaken to strengthen the leadership, governance and risk management on the project. A new contract with a value of c£2.3m now needs to be entered into with the Council's implementation partner to complete the project. In addition internal resourcing of £0.9m is estimated to complete the finalisation of this project which will result in a forecast requirement of £3.2m and it is recommended that

Cabinet approves this. The Customer & Support Services Directorate do not have sufficient budget or earmarked reserves set aside to cover this cost and therefore will be reporting this as a cost pressure during 2019/20, but with a focus to mitigate this during the financial year.

2.5 The base budget generally covers the delivery of Key Performance Indicators and risks however the following have been identified as potential pressures:

- There is a risk relating to Welfare Reform due to the roll-out of Universal Credit on homelessness and increased housing stress. The financial implications has not been quantified.
- The financial implications relating to meeting Climate Change targets has not been quantified.
- The general fund reserve has been set and is currently considered adequate against the financial risk assessed including an allowance of £2m for significant contract failure.

3 Revenue Outturn

Table 2: 2018/19 outturn by Directorate

Directorate	Approved Budget £m	Outturn £m	Variance £m	Q3 Variance £m
Adult Social Care	168.990	168.830	(0.160)	0.420
Children Schools and Families	78.447	80.766	2.319	1.706
Economic Growth & Development	54.425	55.340	0.915	0.426
Neighbourhoods	94.498	95.526	1.029	0.457
Customer and Support Services	57.964	58.445	0.481	0.259
Wellbeing & Public Health	25.461	25.461	-	-
Directorate Total	479.784	484.367	4.584	3.268
Corporate Items	70.232	70.339	0.107	0.794
Funding	(550.016)	(555.941)	(5.925)	(4.778)
Total Variance			(1.234)	(0.716)

3.1 **Adult Social Care Directorate** outturn is an underspend of £0.160m. This is a favourable movement from quarter 3 of £0.580m.

Of the original savings target, £8.025m have been re-profiled through the 2019/20 budget process. However, this continued to create a budget pressure in 2018/19 although in year mitigations have reduced this pressure including:

- Recovery of direct payment over-payments (£3.668m)
- Staff vacancy management (£0.545m)

- Holding homecare rates during the successful transition to the dynamic purchasing system (£1.000m)
- Over-achievement (£0.760m) against revised savings target.

In addition, funding of £2.793m announced by the Secretary of State for Health in October 2018 to support winter pressures has been included within the service income as well as further £0.355m in respect of the War Pensions Scheme Disregard grant.

3.2 **Children, Schools and Families Directorate** outturn is an overspend of £2.319m. This is an adverse movement from quarter 3 of £0.613m.

The principal reason for the overspend is due to a significant increase in children in care of 12% since April 2017 creating pressures in agency care placements of £1.619m and in looked after children exceptional need payments of £1.045m. These have been off-set by underspends within the successful Together for Families programme as a result of reduced activity and additional income through increased Payment by Results outcomes.

3.3 **Economic Growth and Development Directorate** outturn is an overspend of £0.915m, an adverse movement from quarter 3 of £0.489m. This position most significantly includes:

- Transport and Infrastructure overspent by £0.286m mainly due to increases in charges for Public Notices.
- Planning and Sustainable Development are £0.554m over budget mainly due to shortfalls in planning income.

3.4 **Neighbourhoods Directorate** outturn is an overspend of £1.029m, an adverse movement from quarter 3 of £0.572m. This is mainly due to:

- Resilient Cornwall overspent by £1.746m, an increase of £0.529m from quarter 3, mainly due to high levels of operational activity and shortfalls in income generated from Phoenix and CCTV.
- Environment underspent by £1.065m mainly due to a one off receipt of £1.6m relating to a settlement with waste disposal contractors and the government for historic waste being exempt from landfill tax.

3.5 **Customer and Support Services Directorate** outturn is an overspend of £0.481m, which is an increase from the quarter 3 position of £0.222m and is mainly due to increased specification and scope and therefore increased costs associated with the implementation of Oracle Cloud.

3.6 **Wellbeing and Public Health** outturn is on budget.

3.7 The outturn for **Corporate Items** is a £0.107m overspend. This is a favourable movement from quarter 3 of £0.686m.

- Housing Benefit payments and support is over budget by £1.5m. This is after mitigating actions have been taken to reduce the figure down from a headline overspend position of £1.7m. This overspend is driven from a combination of increases in the numbers and costs of temporary accommodation and homelessness, as the Council is unable to recover the full cost of accommodation where the amount paid is higher than the Housing Benefit limit. The impact of Universal Credit is also negatively impacting on the amount of housing benefit costs that can be recovered from Department for Work and Pensions.
- Corporate Superannuation costs were £0.605m less than budgeted.
- The full budgeted amount for corporate provisions was not required resulting in a £0.716m underspend.

3.8 **Funding** is £5.925m higher than budget. This is mainly due to additional Government Section 31 grant for circa £3.9m relating to Business Rate Retention and in particular in compensation for reduced business rate income by the extension of Small Business Rate Relief policy. The Government also unexpectedly announced in the recent settlement that it would be redistributing surplus balances totalling £180m currently retained in the Business Rate Levy Account, of which Cornwall has received £1.7m.

Proposed use of the 2018/19 underspend

3.9 The underspend has been transferred to the general fund reserve as approved by Cabinet on 1st May 2019. It is now proposed that the majority of this will be utilised as follows in 2019/20:

- £0.525m commitment to fund the Council resolved alternative budget;
- £0.300m for the Memorandum of Understanding by Culture Investment Board supporting inward investment, social inclusion and high street revitalisation.
- £0.120m allocated to the Environment Service in 2019/20, in order to implement the Motion to Council referred to Neighbourhoods Overview and Scrutiny Committee for additional funding within the Countryside Access Team in its attempt to fulfil the statutory duties that Cornwall Council have in the discharging of applications for the Definitive Map Modification Orders and Section 130a Notices;
- £0.150m allocated to 'Filling the Holiday Gap' a scheme designed to provide free enrichment activities and healthy food for disadvantaged children and families during the school holidays;
- £0.050m to support better working with schools;

- £0.030m World Heritage Site support bringing forward a Cornish mining World Heritage Site to support the Cornish brand and high value visitor economy.

The remaining balance of £0.059m will remain in the General Fund Reserve.

Savings

- 3.10 The Medium Term Financial Plan 2018-22 included savings of £34.734m in 2018/19. On 7 November 2018, Cabinet agreed to remove or reprofile £10.648m of savings which would not be delivered in 2018/19. This revised the savings target to £24.086m of which £22.002m were delivered leaving a shortfall of £2.084m (9%) as set out in table 3 below.

Table 3: Savings by directorate

Savings	Original Target £m	Quarter 2 Review & Adjustment £m	Revised Target £m	Outturn £m	Shortfall £m	% Delivered	Q3 Shortfall £m
Adult Social Care	12.150	8.025	4.125	4.125	-	100%	-
Children, Schools and Families	2.335	0.755	1.580	1.580	-	100%	-
Economic Growth and Development	3.304	0.308	2.996	2.015	(0.981)	67%	(0.948)
Neighbourhoods	3.557	0.400	3.157	2.782	(0.375)	88%	(0.337)
Customer and Support Services	6.871	0.960	5.911	5.411	(0.500)	92%	(0.374)
Wellbeing and Public Health	1.236	0.200	1.036	0.808	(0.228)	78%	(0.228)
Corporate Items	5.281	-	5.281	5.281	-	100%	-
Total	34.734	10.648	24.086	22.002	(2.084)	91%	(1.887)

- 3.11 Non delivery of savings are mainly made up of the following:

Economic Growth and Development:

- Income generation from transport activities (£0.770m)
- Income generation from planning services (£0.211m)

Neighbourhoods:

- Crewing system in Community Fire Stations (£0.137m)
- Income targets for Phoenix and CCTV (£0.120m)
- Waste income and waste reduction projects (£0.074m)

Customer and Support Services:

- Customer Access Programme (£0.500m)

Wellbeing and Public Health:

- Drug and Alcohol Action Team (£0.123m)
- Commissioned Contracts (£0.105m)

4 Service Performance

Table 4: Adult Social Care Directorate outturn

Revenue Outturn 2018/19	2018/19			RAG Status	Q3 Variance £m
	Approved Budget £m	Outturn £m	Variance £m		
Adult Care and Support					
Spend	213.843	215.825	1.982		3.766
Income	(62.638)	(65.930)	(3.292)		(3.930)
Transfer to/(from) reserve	(3.125)	(1.925)	1.200		(0.143)
	148.080	147.970	(0.110)	Green	(0.307)
Adult Transformation and Commissioning					
Spend	51.939	52.355	0.416		1.403
Income	(31.029)	(30.925)	0.104		0.046
Transfer to/(from) reserve	0.000	(0.570)	(0.570)		(0.722)
	20.910	20.860	(0.050)	Green	0.727
Directorate Total	168.990	168.830	(0.160)	Green	0.420

Savings 2018/19	2018/19			RAG Status	Q3 Variance £m
	Original Target £m	Quarter 2 Review & Adjustment £m	Latest Approved Target £m		
Adult Care and Support	11.740	(7.615)	4.125	Green	0.000
Adult Transformation and Commissioning	0.410	(0.410)	0.000	Green	0.000
Total	12.150	(8.025)	4.125	Green	0.000

4.1 Adult Care and Support underspent by £0.110m, an adverse movement of £0.197m since quarter 3.

During 2018/19 a review process was undertaken of the Supported Living (pooled fund) clients. This has helped inform the future funding arrangements for the Better Care Fund. Whilst negotiations were ongoing with NHS Kernow during 2018/19 it was anticipated that the outcomes of the reviews may have resulted in an in-year budgetary pressure for the Council, and it was forecast that this pressure would be funded from Adult Social Care reserves. However, during quarter 4 it was resolved that NHS Kernow would continue funding in line with existing agreements and this has resulted in the net cost to the Council having reduced by £1.900m relative to quarter 3. This has consequentially reduced the requirement from Adult Social Care reserves.

The gross expenditure variance is mainly due to the re-profiling of the original savings target of £7.615m. These savings were re-profiled through the 2019/20 budget process but continued to create a budget pressure in 2018/19. However, in-year mitigations have reduced this pressure to £1.982m, including:

- Recovery of direct payment over-payments (£3.668m)
- Staff vacancy management (£0.545m)
- Holding homecare rates during the successful transition to the dynamic purchasing system (£1.000m)

- Over-achievement (£0.760m) against revised savings target

Additional funding of £2.793m announced by the Secretary of State for Health in October 2018 to support winter pressures has been included within the service income as well as further £0.355m in respect of the War Pensions Scheme Disregard grant. Both these grants are reflected within the income variance and have been used to mitigate the removed or re-profiled savings.

4.2 **Adult Transformation and Commissioning** underspent by £0.050m, a favourable movement of £0.777m since quarter 3. The £0.800m pressure relating to the commissioning of further reablement capacity which was reported as part of the quarter 3 forecast reduced to £0.331m at outturn. Following a focused piece of work as part of the Cornwall Kemeneth project, the additional capacity was achieved largely within existing resources without the need to fully commission the level of agency staff indicatively identified at quarter 3.

The service has additionally benefited from further under-spends in the Day Centres and Short Breaks services, with a number of vacancies held and discretionary expenditure reduced pending drafting of proposals to deliver the savings targets in these areas in 2019/20 and 2020/21. This has contributed a favourable movement in expenditure of £0.392m from quarter 3. As a result the draw on reserves has reduced to £0.570m (£0.152m less than previously expected).

Table 5: Children, Schools and Families Directorate outturn

Revenue Outturn 2018/19		2018/19			Q3		
Service	Approved Budget £m	Outturn £m	Variance £m	RAG Status	Variance £m		
<u>Children and Family Services</u>							
Spend	70.103	71.893	1.789		2.728		
Income	(9.109)	(9.773)	(0.664)		(0.917)		
Transfer to/(from) reserve	(1.945)	(0.737)	1.208		(0.090)		
	59.049	61.383	2.333	Red	1.721		
<u>Education and Early Years</u>							
Spend	91.457	95.169	3.712		2.291		
Income	(70.598)	(74.738)	(4.140)		(2.629)		
Transfer to/(from) reserve	(1.462)	(1.048)	0.414		0.323		
	19.397	19.383	(0.014)	Green	(0.015)		
Directorate Total	78.447	80.766	2.319	Red	1.706		
<u>Savings 2018/19</u>		2018/19			Q3		
Service	Original Target £m	Quarter 2 Review & Adjustment £m	Latest Approved Target £m	Outturn £m	Variance £m	RAG Status	Variance £m
Children and Family Services	2.118	(0.755)	1.363	1.363	0.000	Green	0.000
Education and Early Years	0.217	0.000	0.217	0.217	0.000	Green	0.000
Total	2.335	(0.755)	1.580	1.580	0.000	Green	0.000

4.3 **Children and Family Services** overspent by £2.334m. This is an adverse movement of £0.613m from the reported quarter 3 position.

The significant underlying demand for children in care continues which is putting pressure on the budgets that support children in the care of the Council. These pressures are seen particularly in the agency residential and fostering budgets which have overspent by £1.619m and in looked after children exceptional need payments which have overspent by £1.045m. The service has seen a 12% increase in the number of children in care since April 2017; management are taking action to reduce the demand for agency care placements through the development of specialist teams for children on the edge of care, enhanced placement support to in-house carers and measures to bring older children in agency residential care back to Cornwall in order for them to re-connect with their families and communities. The placement pressures have been recognised through the 2019/20 budget setting process with additional budget of £2.476m being allocated to mitigate these pressures.

The variance on expenditure is offset by reduced programme activity in year within the Together for Families programme of £0.375m, this is due to slippage in the match funding programme and resourcing into 2019/20.

The favourable income variance is mainly due to increased payment by result (PbR) from our successful Together for Families programme of which £0.208m has been used to off-set pressures in 2018/19. The remainder has been transferred to the ring fenced reserve for children's services to fund future contractual and Medium Term Financial Plan commitments within the programme.

There has also been a reduction of in year spend within the Public Health Nursing transfer; this is largely due to the timing of IT and property costs of which £0.817m has slipped into 2019/20. Both of these programmes are funded through the use of specific reserves, thus reducing the in year draw on reserves.

The service has delivered the full revised savings target of £1.363m. The non-delivery of savings from the original target of £2.118m is in respect of generating additional income from the adoption and fostering service, which cannot be achieved due to changes in statutory guidance. This change has been addressed in the 2019/20 budget.

4.4 **Education and Early Years** underspent by £0.014m. This is a similar position to the reported quarter 3 position.

The underlying pressure on the home to school transport budget is £1.387m; this is partially mitigated by the use of a budgeted transfer of £1.062m from the youth foundation earmarked reserve leaving a net pressure on the home to

school transport budget of £0.325m. This has been addressed through the 2019/20 budget process and has been mitigated in year through vacant posts and wider underspends within business support and early years foundation stage.

Due to significant pressures on the budgets for alternative provision (£0.895m) and special educational needs and disabilities (£2.733m), there is an expenditure and income variance for the service of circa £4m. These areas are funded through the dedicated schools grant (DSG) high needs block, and have been mitigated in-year through additional DSG high needs block funding received from the Department for Education, as well as draw down from the unassigned DSG funding. A review of the high needs block budgets are underway due to the significant pressures faced by this area; the draw down from the unassigned DSG funding is a short term solution to this pressure.

Table 6: Economic Growth and Development Directorate outturn

Revenue Outturn 2018/19		2018/19			Q3		
Service	Approved Budget £m	Outturn £m	Variance £m	RAG Status	Variance £m		
<u>Economic Growth</u>							
Spend	8.910	12.340	3.430		2.334		
Income	(1.116)	(4.893)	(3.777)		(0.914)		
Transfer to/(from) reserve	(1.549)	(1.216)	0.333		(1.420)		
	6.245	6.231	(0.014)	Green	0.000		
<u>Planning and Sustainable Development</u>							
Spend	10.641	12.090	1.449		0.365		
Income	(10.704)	(11.501)	(0.797)		(0.161)		
Transfer to/(from) reserve	0.000	(0.097)	(0.097)		0.032		
	(0.063)	0.491	0.554	Red	0.236		
<u>Transport and Infrastructure</u>							
Spend	41.068	47.212	6.144		3.240		
Income	(23.926)	(25.059)	(1.133)		(0.355)		
Transfer to/(from) reserve	26.160	21.435	(4.725)		(2.775)		
	43.302	43.588	0.286	Amber	0.110		
<u>Housing</u>							
Spend	9.402	11.998	2.595		2.596		
Income	(4.340)	(6.841)	(2.501)		(2.516)		
Transfer to/(from) reserve	(0.121)	(0.126)	(0.005)		0.000		
	4.941	5.030	0.089	Amber	0.080		
Directorate Total	54.425	55.340	0.915	Amber	0.426		
<u>Savings 2018/19</u>		2018/19			Q3		
Service	Original Target £m	Quarter 2 Review & Adjustment £m	Latest Approved Target £m	Outturn £m	Variance £m	RAG Status	Variance £m
Economic Growth	0.326	0.000	0.326	0.326	0.000	Green	0.000
Planning and Sustainable Development	0.742	(0.308)	0.434	0.223	(0.211)	Red	(0.178)
Transport and Infrastructure	2.049	0.000	2.049	1.279	(0.770)	Red	(0.770)
Housing	0.187	0.000	0.187	0.187	0.000	Green	0.000
Total	3.304	(0.308)	2.996	2.015	(0.981)	Red	(0.948)

4.5 **Economic Growth** underspent by £0.014m, a small favourable movement compared to the quarter 3 position.

The adverse expenditure movement of £1.096m from quarter 3 relates to additional expenditure on externally funded revenue projects which is off-set by a corresponding increase in external income.

The remaining favourable variance on income funds additional project costs including a grant of £1.193m received from Ministry for Housing, Communities and Local Government (MHCLG) regarding delays to the European Programme (this income has been transferred to reserves), £0.310m from the European Initiatives Fund and £0.330m from staff recharges to external projects and Local Enterprise Partnership.

The net reserve variance from quarter 3 includes the transfer of the MHCLG grant received, referred to above, and;

- £0.313m to reduce the £1m budgeted transfer to the Wave Hub Reserve due to the 2018/19 contract coming in under budget.

- £0.291m reduction on the draw from the Economic Development Match Fund Reserve for in year spend on the Pydar Street Development.
- £0.089m reduction in the draw from the Local Development Fund Reserve to fund the development phase of Hayle Harbour.

4.6 **Planning and Sustainable Development** overspent by £0.554m, an adverse movement of £0.318m compared to the quarter 3 position. The additional spend from quarter 3 of £1.086m mainly relates to the Threemilestone project (£0.971m) which is off-set by additional project income of £0.850m and £0.121m from reserves.

The service has had a challenging year managing the income targets within the base budget and undertaking strategic project work. At the end of the year there is an adverse spend variance of £1.449m of which £1.163m is related to additional project work and is off-set by £1.021m of income, mainly grants and contributions for the Housing Development Programme, and a £0.142m contribution from reserve. The remaining £0.286m relates mainly to additional costs for public notices and other legal and planning costs.

There is a favourable variance in income of £0.797m but once project income of £1.021m is considered, this gives an underlying adverse variance just over £0.220m. Income generated from planning fees and land charges is approximately £0.440m below budget. Although the volume of work remained the same the structure of fees has changed. In addition, the uncertainty of Brexit may have delayed developers pursuing new investments. This is exacerbated by the introduction of the Community Infrastructure Levy in January 2019 which has increased cost of applications. This income variance is partially off-set by the use of grant funding of approximately £0.220m. The service's income shortfall has been addressed in the 2019/20 budget through reducing income targets by £0.550m.

Reserve movements relate to projects as stated above, a £0.103m contribution to reserves for outstanding planning appeals and a £0.058m contribution from reserves to fund the back-scanning project.

4.7 **Transport and Infrastructure** overspent by £0.286m. This is an increase of £0.176m from the reported position at quarter 3. This is mainly due to additional charges relating to public notices of £0.270m.

Since quarter 3 expenditure variance has increased by £2.904m. In addition to the pressure from costs of public notices, additional spend relating to highways maintenance of £1.500m and transportation studies of £0.575m has been incurred. These have been funded by a draw from reserves and project income respectively. There were also increased costs within Parking Operations of

£0.300m due to repairs and maintenance costs. The increased income since quarter 3 is mainly due to a DfT grant for £0.421m relating to the Flybe PSOA at Newquay Airport and £0.203m of Commuted Sums which have been transferred to a reserve.

The overall variance in expenditure against budget of £6.144m is mainly attributable to additional maintenance expenditure within Highways of £4.275m, funded from the Capital Financing Reserve plus £1.181m of supplemental transportation studies, additional repairs and maintenance costs within Parking Operations and public notice recharges. Additional income and use of reserves mitigates most of this cost with the exception of the £0.270m public notices pressure.

- 4.8 **Housing** overspent by £0.089m after reserve movements, in line with the quarter 3 forecast. The overspend can be attributed to liabilities' arising from terminating leased temporary accommodation of £0.120m and pressures arising from delivery of the housing development programme of £0.280m. These pressures were mitigated by the service with underspends of £0.085m arising from vacancy management, £0.052m from operating expenses and additional income of £0.047m from Homechoice Partnership lettings. In addition, there was a favourable adjustment to the amount set aside for bad debts, resulting in a underspend of £0.127m.

When compared to budget there is an adverse variance of £2.595m for expenditure which is offset by a favourable variance on income of £2.501m. The material income and expenditure variances can be analysed as follows:

- A successful bid for grant resulting in additional expenditure and income of £0.307m for rough sleeper's initiatives.
- Additional £1.439m of expenditure due to an increase in demand for the use of bed and breakfast accommodation, offset by £1.371m of additional income from recharges to clients.
- Expenditure of £0.830m to deliver both the housing development programme and setup of Trevow rag Kernow (TRK), funded by additional income of £0.236m from the investment programme capacity fund and £0.281m of recharged expenditure plus reserve funding of £0.100m from the Local Development Fund Reserve.
- Additional income of £0.168m in home solutions due to an increase from recharging costs.

Table 7: Neighbourhoods Directorate outturn

Revenue Outturn 2018/19		2018/19			Q3		
Service	Approved Budget £m	Outturn £m	Variance £m	RAG Status	Variance £m		
Environment							
Spend	74.698	73.470	(1.228)		0.979		
Income	(8.257)	(13.540)	(5.283)		(2.366)		
Transfer to/(from) reserve	(1.609)	3.837	5.446		0.242		
	64.832	63.767	(1.065)	Green	(1.145)		
Neighbourhood and Public Protection							
Spend	12.851	13.510	0.659		0.561		
Income	(6.691)	(6.919)	(0.228)		(0.176)		
Transfer to/(from) reserve	0.000	0.000	0.000		0.000		
	6.160	6.591	0.431	Red	0.385		
Resilient Cornwall							
Spend	36.615	39.207	2.592		3.885		
Income	(15.554)	(16.280)	(0.726)		(2.463)		
Transfer to/(from) reserve	0.000	(0.121)	(0.121)		(0.205)		
	21.061	22.807	1.746	Red	1.217		
Strategy and Engagement							
Spend	3.855	4.275	0.420		0.522		
Income	(1.411)	(2.008)	(0.597)		(0.522)		
Transfer to/(from) reserve	0.000	0.095	0.095		0.000		
	2.445	2.362	(0.083)	Green	0.000		
Total	94.498	95.526	1.029	Amber	0.457		
Savings 2018/19		2018/19			Q3		
Service	Original Target £m	Quarter 2 Review & Adjustment £m	Latest Approved Target £m	Outturn £m	Variance £m	RAG Status	Variance £m
Environment	1.211	0.000	1.211	1.093	(0.118)	Red	(0.120)
Neighbourhood and Public Protection	1.039	(0.310)	0.729	0.729	0.000	Green	0.000
Resilient Cornwall	1.265	(0.090)	1.175	0.918	(0.257)	Red	(0.217)
Strategy and Engagement	0.042	0.000	0.042	0.042	0.000	Green	0.000
Total	3.557	(0.400)	3.157	2.782	(0.375)	Red	(0.337)

4.9 **Environment** underspent by £1.065m, a favourable movement of £0.080m from the reported position at quarter 3. This underspend is due to a one off income receipt from Government of £1.600m as a result of the waste disposal contractors settlement with government following reclassification of some historic waste being exempt from landfill tax. Without this receipt, the service would have been overspent by £0.535m.

The service has also received a one off excess cash flow profit sharing mechanism of £4.1m from the waste disposals contract; the full amount has been transferred to the Waste PFI reserve. The service has also reduced spend within the Waste service through initiatives such as installation of the shredder and black bag waste diversion. This reduced spend has allowed a further contribution to the Waste PFI reserve of approximately £1.1m.

There have been significant pressures in grounds maintenance expenditure in 2018/19 alongside a continued increase in reactive maintenance costs and this has led to an overspend of £0.443m. The service is looking to mitigate the

ongoing pressure and the recently approved Environment capital programme will help to address this.

There have also been slippages within grant and external funded areas across the service including strategic Environment projects and Areas of Outstanding Natural Beauty which contribute to the variance on spend and income.

The service has achieved £1.093m savings against a target of £1.211m for 2018/19, a shortfall in saving delivery of £0.118m and relates to £0.057m for Green Waste subscriptions and £0.061m for Bereavement fees. Whilst Green Waste subscription numbers have increased by approximately 10% in 2018/19, this has not increased sufficiently to meet the saving target. The shortfall has been mitigated from contractual savings within Waste.

- 4.10 **Neighbourhoods and Public Protection** overspent by £0.431m; this is an adverse movement of £0.046m from the quarter 3 position.

During the 2019/20 budget setting process the Libraries and Information service programme re-profiled savings of £0.235m and Efficiency Programme savings of £0.150m (including £0.075m from 2017/18). The impact of the re-profiled savings are the main contributing factor for the service overspend in 2018/19. The Libraries and Information Service are on target to achieve the full programme savings by the end of 2019/20.

The increase from quarter 3 of £0.046m is due to increased costs within the Registration service from re-basing Registrars pay. The service have recently implemented a revised ceremony offer which is expected to offset this pressure moving forward.

- 4.11 **Resilient Cornwall** overspent by £1.746m, an increase of £0.529m from the quarter 3 position.

Operational activity has overspent by £1.2m, this includes pressures in relation to reducing the number of Secondary Contracts. These are contracts which are in addition to whole-time contracts and cover the 'on call' element of a fire fighter role. In addition, there was a higher than expected pay increase set by the National Joint Council (NJC) for uniformed staff and pre-arranged overtime to maintain minimum crewing levels to cover periods of sickness and holiday.

2018/19 has been a busy year for the service which has continually reported high levels of operational activities including protracted fires, gorse, snow, flooding and complex Road Traffic Collisions. Work is underway to review alternative staffing models to reduce future financial pressures.

The service has suffered an income generation shortfall of £0.400m for CCTV and Phoenix of which £0.090m has been re-profiled through the 2019/20 budget setting process. Delays in project work to enhance camera capacity, limited Town and Parish Council take up of CCTV, reduced number of Phoenix

courses delivered, planned take up from other council services (security, premise monitoring, fire warden training, first aid at work training, Wheel Jewell and out of hours calls) and delays in tender process for external work with North Devon Councils have all contributed to this shortfall. There is work in place to explore other areas of income generation for the future.

- 4.12 **Strategy and Engagement** underspent by £0.083m, moving from a forecast balanced budget at quarter 3. The underspend is predominantly due to staff savings through delayed recruitment to the new structure during the year.

Table 8: Customer and Support Services Directorate outturn

Revenue Outturn 2018/19		2018/19			Q3		
Service	Approved Budget £m	Outturn £m	Variance £m	RAG Status	Variance £m		
Commercial Services							
Spend	33.264	32.800	(0.464)		(1.263)		
Income	(13.991)	(12.910)	1.081		1.418		
Transfer to/(from) reserve	5.610	4.992	(0.619)		(0.155)		
	24.883	24.881	(0.002)	Green	0.000		
Resources							
Spend	17.495	20.835	3.339		2.270		
Income	(4.956)	(7.794)	(2.838)		(2.451)		
Transfer to/(from) reserve	(3.041)	(3.069)	(0.028)		0.027		
	9.498	9.972	0.474	Red	(0.154)		
Assurance							
Spend	18.794	19.839	1.045		0.673		
Income	(10.638)	(11.432)	(0.794)		(0.622)		
Transfer to/(from) reserve	0.225	(0.025)	(0.250)		(0.011)		
	8.381	8.382	0.001	Amber	0.040		
Customer Access and Digital							
Spend	26.060	33.420	7.360		8.277		
Income	(10.725)	(13.865)	(3.140)		(3.494)		
Transfer to/(from) reserve	(0.133)	(4.345)	(4.212)		(4.410)		
	15.202	15.210	0.008	Amber	0.373		
Total	57.964	58.445	0.481	Amber	0.259		
Savings 2018/19		2018/19			Q3		
Service	Original Target £m	Quarter 2 Review & Adjustment £m	Latest Approved Target £m	Outturn £m	Variance £m	RAG Status	Variance £m
Commercial Services	2.125	(0.960)	1.165	1.165	0.000	Green	0.000
Resources	1.196	0.000	1.196	1.196	0.000	Green	0.000
Assurance	0.836	0.000	0.836	0.836	0.000	Green	0.000
Customer Access and Digital	2.714	0.000	2.714	2.214	(0.500)	Red	(0.374)
Total	6.871	(0.960)	5.911	5.411	(0.500)	Red	(0.374)

- 4.13 **Commercial Services** has a small underspend and is in line with the on budget position reported in quarter 3.

The underspend on gross expenditure of £0.464m is largely due to salary underspends of £1.444m. This underspend has been offset in part by additional costs incurred on One Public Estate of £0.290m, utilities costs of £0.065m as well as additional PFI costs of £0.500m and other expenditure overspends of £0.125m across the service, including implementation of the Microsoft Projects system.

The majority of the shortfall in income of £1.081m is directly linked to expenditure as the shortfall of recovery on the Capital Projects team.

Commercial Services had a savings target of £2.125m in 2018/19. Of this sum £1.165m was expected to be delivered and the remaining £0.960 was re-profiled into 2019/20. Full mitigation against the £0.960m has however been delivered in year. There were a number of one-off mitigating factors to manage this overspend this financial year including utilising underspends in the rest of the Commercial Services from increased income, vacancy savings whilst the new structure was being implemented and cost avoidance. The remaining savings were delivered through the non-charging of Capital Financing costs against the Property budget.

- 4.14 **Resources** overspent by £0.474m, an adverse movement of £0.628m from quarter 3. This is mainly due to the increased scope and specification giving rise to increased costs of implementing Oracle Cloud of £0.537m. Without this pressure the service would have underspent by £0.063m.

The variance on gross spend and income results largely from the effect of incurring additional costs recharges in relation to the Oracle and Support Services Transformation work with these costs not being built into the original budget. Additionally, Transactional Services have increased the amount of rechargeable work and finance has recharged the additional support given to the Council for the Isles of Scilly and the Investment Programme. Savings plans have been fully delivered.

- 4.15 **Assurance** has delivered to budget, an improvement of £0.039m from quarter 3. Within the service, the Coroners budget has underspent by £0.181m, an improvement from last quarter due to lower service and funeral costs resulting from reduced activity in the final quarter which is normally a period of higher demand.

Legal Services has an overspend of £0.055m mainly due to increased internal demand from key areas of the Council (notably Social Care and Commercial) although the majority of these costs have been offset.

Audit and Insurance has underspent by £0.269m, through salary underspends and additional income for audit services and the draw down from the insurance

provision to cover actual costs. Democratic services has underspent by £0.183m due to reduced operational spend and transport costs. Savings plans have been fully achieved.

- 4.16 **Customer Access & Digital** has a small overspend. This is a favourable movement from the forecast overspend of £0.373m reported in quarter 3.

Information Services has an underspend of £0.218m. This is mainly due to slippage in the delivery of the Digital Cornwall Programme. Also, the Digital Cornwall programme is main reason for the significant variance on income, expenditure and reserves within this service due to a change in funding agreed after the budget was set.

Customer Experience overspent by £0.715m; £0.500m of this relates to the non-delivery of the Channel Shift saving. Plans to deliver these savings in full have been considered and have been integrated into the Working Differently programme. The remaining overspend mainly relates to staffing pressures as a result of the first phase of the service's restructuring which has taken longer than anticipated to implement.

Revenues & Assessments have underspent by £0.468m mainly due to underspends in the Crisis in Care Fund and New Burden's budgets, as well as salary underspends due to holding of vacant posts.

The Service has had to deliver savings of £2.7m this year. With the exception of the £0.500m savings associated with Channel Shift these have been delivered in full.

Table 9: Wellbeing and Public Health Directorate outturn

Revenue Outturn 2018/19				2018/19		Q3 Variance £m	
Service	Approved Budget £m	Outturn £m	Variance £m	RAG Status			
Public Health							
Spend	26.809	26.476	(0.333)			(0.533)	
Income	(0.848)	(1.117)	(0.269)			(0.007)	
Transfer to/(from) reserve	(0.500)	0.102	0.602			0.540	
	25.461	25.461	0.000	Green		0.000	
Directorate Total	25.461	25.461	0.000	Green		0.000	
Savings 2018/19				2018/19		Q3 Variance £m	
Service	Original Target £m	Quarter 2 Review & Adjustment £m	Latest Approved Target £m	Outturn £m	Variance £m		RAG Status
Public Health	1.236	(0.200)	1.036	0.808	(0.228)	Red	(0.228)
Total	1.236	(0.200)	1.036	0.808	(0.228)	Red	(0.228)

- 4.17 **Public Health** has delivered on budget net of reserve movements. The service budget is based on, and funded by, a ring-fenced Department of Health 'public

health grant'. Given the level of reserves previously accumulated, further spend of £0.500m was originally expected this year to be funded from reserves.

Due to a combination of slippage in recruitment to vacant posts and in specific re-commissioning plans, the service reports a £0.102m underspend and the planned transfer from reserve was not required. The underspend is net of the non-delivery of planned savings of £0.228m in respect of the drug and alcohol savings budget (£0.123m) and commissioning contracts (£0.105m) that were not delivered in 2018/19 but have been mitigated by other one-off efficiency savings.

5 Corporate Items

Table 10: Corporate Items outturn

Revenue Outturn 2018/19		2018/19			Q3 Variance £m
Service	Approved Budget £m	Outturn £m	Variance £m	RAG Status	
Corporate Items					
Spend	241.506	263.130	21.625		(17.489)
Income	(187.976)	(214.059)	(26.083)		19.363
Transfer to/(from) reserve	16.702	21.268	4.566		(1.081)
	70.232	70.339	0.107	Amber	0.793

Savings 2018/19				2018/19			Q3 Variance £m
Service	Original Target £m	Quarter 2 Review & Adjustment £m	Latest Approved Target £m	Outturn £m	Variance £m	RAG Status	
Corporate Items	5.281	0.000	5.281	5.281	0.000	Green	0.000
Total	5.281	0.000	5.281	5.281	0.000	Green	0.000

5.1 The outturn for **Corporate Items** is a £0.107m overspend. This is a favourable movement from quarter 3 of £0.686m.

- Housing Benefit payments and support is over budget by £1.5m. This is after mitigating actions have been taken to reduce the figure down from a headline overspend position of £1.7m. This overspend is driven from a combination of increases in the numbers and costs of temporary accommodation and homelessness, as the Council is unable to recover the full cost of accommodation where the amount paid is higher than the Housing Benefit limit. The impact of Universal Credit is also negatively impacting on the amount of housing benefit costs that can be recovered from Department for Work and Pensions.
- Corporate Superannuation costs were £0.605m less than budgeted.
- The full budgeted amount for corporate provisions was not required and resulted in a £0.716m underspend.

Corporate Funding

- 5.2 The Council is mainly funded from Council Tax, Business Rates and Government Grants:

Table 11: Funding outturn

	Budget £m	Outturn £m	Variance £m
Council Tax	(281.068)	(281.068)	-
Business Rate Retention Scheme	(178.518)	(178.518)	-
Collection fund surplus	(16.366)	(16.366)	-
Other Government Grants	(74.064)	(79.989)	(5.925)
	(550.016)	(555.941)	(5.925)

- 5.3 Funding is £5.925m higher than budget. This is mainly due to additional Government Section 31 grant for circa £3.9m relating to Business Rate Retention and in particular in compensation for reduced business rate income by the extension of Small Business Rate Relief policy. The Government also unexpectedly announced in the recent settlement that it would be redistributing this year surplus balances totalling £180m currently retained in the Business Rate Levy Account, of which Cornwall has received £1.7m.

6 Reserve Movements

- 6.1 The outturn position includes net movements to reserves of £39.684m as shown in table 3 below. Whilst this reflects a number of transfers between reserves, it includes five key movements:

- A budgeted contribution of £26m from Economic Growth and Development directorate for capital highway maintenance works. This is a consequence of the changes to the way the Council is funded as a result of the 100% business rates retention pilot. Previously, a specific capital grant for highways maintenance was received to fund the capital works. However, this income is now treated as revenue as part of our retained business rates, and therefore a transfer from the revenue budget into a capital reserve is required to fund the capital programme. An amount of £4.275m was retained within revenue for rural cyclical maintenance and other highway maintenance works reducing the amount transferred into reserves to fund capital expenditure.
- As per 2018/19 approved budget, a net transfer of £11.809m from Corporate Items being mainly:

- £16.215m to the Economic Development Match Fund Reserve from the 2017/18 Collection Fund balance.
- (£5.844m) transfer from the General Fund Reserve to smooth the impact of Government funding cuts.
- A £6.816m transfer from Capital Financing and Interest Receipts to fund the future growth agenda. The planned contribution was reduced in year by £3.000m to reflect the virement which was approved by Cabinet on 24th July 2018 to part fund the cost of a strategic partner to support the adults transformation programme.
- The transfer of the year end underspend of £1.234m to General Fund Reserve from revenue.

There are no further revenue reserve movements to those approved by Cabinet on 1st May 2019.

Table 12: Total 2018/19 transfers to reserves by budget area

	Budgeted Transfers to / (from) Reserves £m	Unbudgeted Transfer to / (from) Reserves £m	Total Transfer to / (from) Reserves £m
Adult Social Care	(3.125)	0.630	(2.495)
Children Schools and Families	(3.407)	1.622	(1.785)
Economic Growth and Development	24.490	(4.493)	19.997
Neighbourhoods	(1.609)	5.420	3.811
Customer and Support Services	2.661	(5.108)	(2.447)
Wellbeing and Public Health	(0.500)	0.602	0.102
Corporate Items	11.809	2.643	14.452
Capital Financing and Interest Receipts	4.893	1.923	6.816
Underspend to General Fund Reserve	-	1.234	1.234
Total	35.211	4.473	39.684

6.2 Table 13 provides details of revenue reserve movements. Explanations for unbudgeted reserves over £0.500m are provided.

Table 13: Detailed reserve movements

	Reserve	Budgeted transfer to / (from) reserves £m	Total unbudgeted transfer to/(from) reserve £m	Total transfer to / (from) reserves £m	Note
Adult Social Care	Adults Grants Reserve	(3.125)	2.455	(0.670)	1
	Carers Pooled Fund Reserve	-	(0.038)	(0.038)	
	Capital Financing Reserve	-	(1.760)	(1.760)	2
	Integrated Community Equipment Services Reserve	-	(0.027)	(0.027)	
	Total	(3.125)	0.630	(2.495)	
Childrens Schools and Families	Adult Education Reserve	-	0.165	0.165	
	Capital Financing Reserve	-	0.049	0.049	
	Children's Grant Reserve	(2.178)	2.011	(0.167)	3
	Local Safeguarding Childrens Board Reserve	-	0.037	0.037	
	One Vision Reserve	-	-	-	
	Youth Foundation Fund Reserve	(1.109)	(0.646)	(1.755)	4
	Youth Offending Trust General Reserve	(0.120)	0.007	(0.113)	
Total	(3.407)	1.622	(1.785)		
Economic Growth and Development	Capital Financing Reserve	25.969	(4.308)	21.661	5
	Commuted Sums Reserve	-	0.203	0.203	
	Economic Development Match Fund Reserve	-	(0.095)	(0.095)	
	Economic Initiative Fund Reserve	(0.358)	0.160	(0.198)	
	LEP Enterprise Zone Relief Reserve	-	(0.159)	(0.159)	
	General Fund Reserve	-	(0.021)	(0.021)	6
	Investment and Infrastructure Reserve	(0.071)	0.071	-	
	Local Development Framework Reserve	(0.050)	(0.628)	(0.678)	7
	Unapplied Revenue Grants Reserve	-	(0.020)	(0.020)	
	Wave Hub Reserve	(1.000)	0.313	(0.687)	
	WHS Publication Reserve	-	(0.009)	(0.009)	
Total	24.490	(4.493)	19.997		
Neighbourhoods	Area of Outstanding Natural Beauty Reserve	-	(0.022)	(0.022)	
	Capital Financing Reserve	0.088	-	0.088	
	Corporate Programmes Reserve	-	(0.003)	(0.003)	
	Economic Development Match Fund Reserve	-	(0.040)	(0.040)	
	Environmental Legislation Reserve	0.083	-	0.083	
	Household Waste Collection Reserve	(0.038)	(0.688)	(0.726)	8
	Local Nature Partnership Reserve	-	(0.028)	(0.028)	
	Penmount General Fund Reserve	0.037	(0.296)	(0.259)	
	Port of Penryn Reserve	0.013	0.029	0.042	
	Port of Truro Reserve	0.047	0.005	0.052	
	Social Impact Bond Reserve	-	0.017	0.017	
	Tamar Valley AONB Reserve	-	(0.006)	(0.006)	
	Waste PFI Reserve	(1.839)	6.451	4.612	9
Total	(1.609)	5.420	3.811		
Customer and Support Services	Capital Financing Reserve	5.455	(4.270)	1.185	10
	CIOS Technology Refresh Reserve	-	0.058	0.058	
	Council Tax Hardship Reserve	(0.133)	-	(0.133)	
	County Election Fund Reserve	0.225	-	0.225	
	ERP Specific Reserve	(2.064)	-	(2.064)	
	Healthy Lifestyles Reserve	(0.027)	(0.011)	(0.038)	
	Insurance Reserve	-	(0.750)	(0.750)	11
	PFI Fire Reserve	0.008	(0.472)	(0.463)	
	PFI Schools Reserve	0.147	(0.147)	-	
	Support Services Transformation Reserve	(0.950)	0.483	(0.467)	
Total	2.661	(5.108)	(2.447)		
Wellbeing and Public Health	Public Health Reserve	(0.500)	0.602	0.102	12
	Total	(0.500)	0.602	0.102	
Corporate Items	Corporate Programmes Reserve	(0.236)	3.591	3.355	13
	CTO Vehicle Reserve	3.174	0.683	3.857	14
	Economic Development Match Fund Reserve	21.108	1.923	23.031	15
	General Fund Reserve	(5.844)	-	(5.844)	
	Investment and infrastructure Reserve	-	(0.333)	(0.333)	
	LEP Enterprise Zone Relief Reserve	-	0.370	0.370	
	Redundancy Reserve	(1.500)	(1.436)	(2.936)	16
	Workforce Development Reserve	-	(0.232)	(0.232)	
	Total	16.702	4.566	21.268	
	Underspend to General Fund	-	1.234	1.234	17
Total	35.211	4.473	39.684		

Notes:

1. Adults Grant Reserve £2.455m – to reduce the budgeted draw down to fund pressures within commissioned care costs.
2. Capital Financing Reserve (£1.760m) – to finalise the accounting treatment for the value of Adults community equipment stock.
3. Childrens Grant Reserve £2.011m – Net contribution to reserve in respect of grants received in advance.
4. Youth Foundation Fund Reserve (£0.646m) – Draw down from reserve to support one off revenue costs.
5. Capital Financing Reserve (£4.308m) – mainly to reduce the planned contribution of £26m to reserve by £4.275m for the funding of the highways maintenance revenue works. This will reduce the amount available for capital spend and a reduction to the capital programme has been made accordingly.
6. General Fund Reserve (£0.021m) – To fund emergency works at Scratons Lane, Lostwithiel following landslip.
7. Local Development Framework Reserve (£0.628m) – to fund expenditure on various projects including Hayle Harbour and Housing Development Programme.
8. Household Waste Collection Reserve (£0.688m) – draw down to fund costs for the procurement of the new waste collection contract.
9. Waste PFI Reserve £6.451m – adjustment from budgeted movement due to receipt of excess cash flow profit sharing mechanism and contractual costs being lower than budgeted.
10. Capital Financing Reserve (£4.270m) – draw down to fund one off IT costs within the Working Differently programme e.g. revenue costs under the Digital Cornwall programme.
11. Insurance Reserve (£0.750m) – draw down to cover costs of insurance claims.
12. Public Health Reserve £0.602m – adjustment to budgeted draw due to budget underspends.
13. Corporate Programmes Reserve (£3.591m) – underspend on contingency budget to be used in 2019/20 for Corporate Landlord project in 2019/20 as approved by Cabinet and timing of spend related to projects funded from the invest to save budget for use in 2019/20.
14. CTO Vehicle Reserve £0.683m – adjustment to budgeted reserve.
15. Economic Development Match Fund Reserve £1.923m – Underspend on Capital Financing and Interest Receipts budget transferred to reserve in line with previously approved policy.
16. Redundancy Reserve (£0.500m) – adjustment to budgeted reserve to fund corporate redundancy costs.
17. General Fund Reserve £1.234m – transfer of revenue underspend.

The following table sets out the Council's usable reserves brought forward from 2018/19 and the position as at 31 March 2019 split into general fund reserves, those held on behalf of others, earmarked reserves and capital reserves. There have been further movements in reserves from those reported in the provisional outturn following finalisation of capital financing and partnership accounts. The usable reserves closing balance at 31st March 2019 is £348.888m, an increase of £2.874m from that reported in the provisional outturn report.

Table 14: Usable reserves as at 31 March 2019

	Opening Balance 1st April 2018 £m	Transfers between reserves £m	Budgeted transfers (to)/from reserves 2018/19 £m	Unbudgeted revenue transfers (to)/from reserves 2018/19 £m	Transfers (to)/from reserves held on behalf of partners £m	Capital transfers (to)/from reserves 2018/19 £m	Closing Balance 31st March 2019 £m
General Fund	(36.441)	(4.403)	5.844	(1.213)	0.000	0.000	(36.212)
Schools and Partnerships	(30.811)	0.000	0.060	(0.227)	(3.075)	3.325	(30.728)
Earmarked	(117.321)	4.403	14.607	(11.115)	0.000	0.312	(109.112)
Capital	(174.375)	0.000	(55.723)	8.080	0.840	48.342	(172.836)
Total Reserves	(358.947)	0.000	(35.211)	(4.473)	(2.236)	51.979	(348.888)

7 Housing Revenue Account (HRA)

Table 15: HRA 2018/19 outturn position

	Annual Budget 2018/19 £m	Outturn 2018/19 £m	Variance 2018/19 £m
Total Income	(39.772)	(39.793)	(0.021)
Total Expenditure	32.826	31.613	(1.213)
Net Cost of HRA Services	(6.946)	(8.180)	(1.234)
Corporate & Democratic Core	0.370	0.370	-
HRA share of other operating income & expenditure	6.576	6.884	0.308
(Increase)/decrease in HRA balance	-	(0.926)	(0.926)

- 7.1 The Housing Revenue Account (HRA) outturn is a surplus of £0.926m. This surplus has been transferred to the HRA reserve.
- 7.2 Income is £0.021m more than budget. Income from non-dwelling rents is £0.023m more than budget mainly due to garage rentals being higher than anticipated with void performance at 13.34% compared to budgeted void of 15.72%. Income from dwelling rents is £0.216m less than budget mainly due to:

- a lower number of dwellings as a result of variations in stock including higher than anticipated Right To Buys reducing the income from rents by £0.126m.
- write offs and discretionary rent free periods have reduced income by £0.124m.

Income from commercial premises, leaseholder charges and service charges are expected to be £0.145m higher than budget. There is also an increase in grant income of £0.083m.

7.3 Expenditure is £1.213m less than budget. This is mainly due to:

- a repayment of £0.400m funding awarded to Cornwall Housing Ltd for electrical testing in 2017/18 which is subsequently being returned.
- service expenditure such as administration costs, legal fees and contingency is £0.644m lower than budget.
- a reduction in the bad debt provision of £0.277m.

These are off-set by increased depreciation and amortisation costs of £0.186m.

7.4 Other operating expenditure is £0.308m above budget due to:

- an additional contribution of £0.121m to the capital programme.
- contribution of £1m to the New Build and Acquisition Reserve for future capital development.
- Lower than budgeted interest on borrowing, increased interest received on cash balances and lower debt management costs resulted in a favourable variance of £0.816m.

8 Treasury Management

8.1 As at 31 March Cornwall Council's total debt was £791m, broken down as £690m of long term and £101m of short term debt. Average interest rate payable on debt to 31 March was 3.95%.

8.2 Investments as at 31 March totalled £341m, with £141m long term and £200m short term. This gives rise to a net debt position of £450m. The average investment return to 31 March was 1.33% compared to the average 7 day LIBID lending rate of 0.51%.