Report To: **Cabinet**

Date of Meeting: **24th June 2014**

Lead Member / Officer: **Councillor Julian Thompson-Hill /Paul McGrady**

Report Author: **Richard Weigh, Chief Accountant**

Title: **Financial Outturn Report 2013/14**

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1. What is the report about?

Cabinet has received regular monitoring reports throughout the financial year on the performance of expenditure against budget and savings agreed as part of the Medium Term Financial Plan. This report details the final position at financial year end. County Council will receive the figures in July together with the recommended treatment of reserves.

The first draft of the Annual Statement of Accounts for 2013/14 will be submitted to the external auditors on 30th June. The audited accounts will then be presented to the Corporate Governance Committee in September for formal approval.

2. What is the reason for making this report?

To report the final revenue position and the proposed treatment of balances.

3. What are the Recommendations?

To consider the final revenue outturn position for 2013/14 and recommend the position to full Council.

To recommend to Council the treatment of reserves and balances as detailed in the report.

4. Report details

The overall financial outturn position for 2013/14 is an under spend against the approved budget, which together with an increase in the yield from Council Tax strengthens the financial position of the Council. As a consequence it is possible to make recommendations for the transfer of funds to specific reserves that will continue to assist the Council in addressing the severe financial pressures of the next few years and meet the cash commitments required to deliver the Corporate Plan.

The final Revenue Outturn figures are detailed in Appendix 1. The final position on service and corporate budgets is an under spend of £1.714m (1.8% of the net revenue budget). The final position on service and corporate budgets is £235k higher overall than was reported in March as a number of positions have changed. One of the most significant is in relation to corporate budgets (movement of £220k) where the actual cost of expenses relating to recent flooding were lower than originally anticipated and external audit costs were less than forecast.

Services continue to be proactive in planning for savings for future years, and the financial impact of some of those proposals began to take affect toward the end of 2013/14. Services reported commitments against balances in March which are consistent with the final net position. The majority of the balances had been forecast because of timing issues (e.g. delays in implementing service changes or specific expenditure commitments being delayed or fees being received in advance).

Further information regarding final **service outturn** and proposed use of balances is included as **Appendix 2.**

Schools - Expenditure on schools was £1.023m below the delegated budget. School balances now stand at £3.892m which equates to an average of £256 per pupil and 5.66% of the net schools budget. £306k of the movement relate to two schools that had significant negative balances and illustrates good progress towards returning to a positive balance, while a further £271k relates to Special Schools. School balances are detailed in **Appendix 3**.

The position on the yield from **Council Tax** is impacted upon by the number of dwellings in the County, together with a relatively high level of tax collection (97.7%). The number of dwellings increased Assumptions when the budgets were set had taken account of a likely drop in collection rates as a result of the continuing difficult economic picture generally but the council still successfully maintained a high collection rate, which is a considerable achievement.

As reported throughout the year, the final level of Council Tax yield was thought likely to exceed the original estimates used when setting the budget. The final yield is £321k (0.8%) higher than the original estimate and the Council therefore has a one off benefit. The assumption throughout the year and the proposal now is that this is used to contribute to the funding of the Corporate Plan.

The council budgeted to make a contribution to general balances of £300k which in keeping with previous reports is assumed in the final outturn position and brings general balances to £8.6m. The council also budgeted to make contributions to the funding of the Corporate Plan. The Plan requires around £25m of cash and £52m of borrowing to deliver the council's ambitions. Part of this strategy has been and will continue to be identifying revenue budget resources to generate cash to fund capital expenditure. The 2013/14 budget assumed contributions to the funding of the Corporate Plan would be made through priority funding, budgeted provisions within corporate budgets and other in-year cash transfers. The total funding allocated to the Corporate Plan reserve within the year is £4.3m, with a further £855k proposed as part of the final position. With expenditure of £797k against the reserve during the year, the final position at year-end is £14.7m.

Given the position overall within services, it is proposed at this stage that services carry forward the net under spends listed as Committed Service Balances in Appendix 1 to help deliver the 2014/15 budget strategy and meet existing commitments. Services will be required to outline in more detail how the balances brought forward have been used in 2014/15 in the Finance Report to Cabinet in October. Unused balances may be reallocated as a result of this review.

The final position results in £1.1m cash funding to be allocated. This is a significant achievement and the council must ensure that the funding is used in the most effective way. As highlighted above, it is proposed that £855k of this be used to contribute to the cash reserves required to fund the Corporate Plan. It is further proposed that £250k is set aside as a capital spend to save reserve to explore the possibility of investing in foster care accommodation to potentially reduce the number and cost of external foster placements. A full business case will be developed in the next three months but based on a one-off investment of £50k over five properties, the annual revenue saving could be £40k per placement.

A number of contributions to and from Reserves have been allowed for within the accounts. These are detailed in **Appendix 4** and will require approval by full Council. New reserves established during the year include:

- An out of county special education recoupment reserve has been established to mitigate demand and allow a budget reduction in 2014/15
- A modernising social care reserve has been established using one-off revenue to help deliver future efficiencies
- A Children with Disabilities reserve has been established to help develop leisure and other service provision
- A Channel shift reserve has been established to develop projects that will deliver efficiency savings in Customer Services

5. How does the decision contribute to the Corporate Priorities?

Effective management of the council's revenue and capital budgets and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities.

6. What will it cost and how will it affect other services?

The council's net revenue budget for 2013/14 was £192m. The final position excluding schools was a net under spend of £1.8m (1.4%). Where services have highlighted legitimate expenditure commitments against 2013/14 balances, it is proposed that those services carry the net balance forward to 2014/15. The position within each service and intended use of service balances will be reviewed in 2014/15.

7. **What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?**

A summary EqIA was submitted to Council in February 2013.

8. **What consultations have been carried out with Scrutiny and others?**

Service challenges were held with each head of service and each challenge included representatives from scrutiny committee and Cabinet. Corporate Plan and Budget workshops were held with members in September, November and December. The capital plan was approved by council following scrutiny by the Strategic Investment Group and recommendation by cabinet.

9. **Chief Finance Officer Statement**

It is important that services continue to manage budgets prudently and that any in-year surpluses are considered in the context of the medium-term financial position, particularly given the scale of budget reductions required over the coming two years.

In the last three years, the council has delivered revenue budgets savings of almost £13m which is a considerable achievement. Services continue to be both prudent and effective in identifying savings going forward, some of which have begun to have an impact in 2013/14.

The final position means that the contributions required from 2013/14 to fund the Corporate Plan can be made. The Plan cannot be delivered unless the required cash resources are earmarked for investment in schools, social care and other priorities.

10. **What risks are there and is there anything we can do to reduce them?**

This is the most challenging financial period the council has faced and failure to deliver the agreed budget strategy will put further pressure on services in the current and future financial years. Effective budget monitoring and control will help ensure that the financial strategy is achieved.

11. **Power to make the Decision**

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.