Report To:	**Cabinet**
Date of Meeting:	**30th June 2015**
Lead Member:	**Councillor Julian Thompson-Hill**
Report Author:	**Richard Weigh, Chief Finance Officer**
Title:	**Final Revenue Outturn 2014/15**

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.

The first draft of the Annual Statement of Accounts for 2014/15 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 approve the proposed treatment of balances.

3. What are the Recommendations?

To note the final revenue outturn position for 2014/15 and approve the proposed treatment of reserves and balances as detailed in the report and Appendices 1 and 2.

4. Report details

The overall financial outturn position for 2014/15 is an under spend against the approved budget, which together with a better than forecast net yield from Council Tax strengthens the financial position of the Council. As a consequence it is possible to make recommendations for services to carry forward balances and to make transfers to specific reserves that will continue to assist the Council in addressing the 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, along with the proposed treatment of service year end balances. The final position on service and corporate budgets is an under spend of £1.075m (0.57% of the net revenue budget).

Services continue to be proactive in planning for savings for future years, and the financial impact of some of those proposals began to take effect in 2014/15. Services reported commitments against balances in March which are broadly 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). In addition, four services have proposals to transfer funds to specific reserves and these are as follows:

- Communication Marketing & Leisure – request to establish a reserve for leisure to help mitigate the risk of any future drop in revenue (as base budgets have been reduced) and to contribute to the funding of replacement equipment and swimming pool plant. Cabinet have previously agreed to £40k being established as an equipment reserve, the proposal is to increase this to £140k.
- Community Support Services – request that the in-year underspend of £151k on Cefndy Healthcare be transferred to a specific reserve to provide a financial contingency against future trading risks as the operational base budget has been removed in 2015/16.
- Economic & Business Development – proposal to transfer £128k to a Town & Area Plan reserve as part of the agreed budget strategy for 2015/16 which removed the base budget allocation on the assumption that cash funding would be carried forward.
- Highways & Environment – proposal to create and make a contribution of £147k to a severe weather reserve. This reserve will absorb the existing winter maintenance reserve and a previous provision set aside for floods totalling £176k and will help to mitigate the financial risks associated with the cost of responding to future severe weather events.

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

Schools - Expenditure on schools was £0.354m above the delegated budget. School balances now stand at £3.538m which equates to an average of £232 per pupil (£256 last year) and 5.12% of the net schools budget (5.66% last year). 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 and the collection rate. The council has maintained a relatively high level of tax collection of 97.6% (97.7% last year). Assumptions when the budgets were set had taken account of a possible drop in collection rates and based on previous years experiences, additional contributions to fund provisions for bad debts. However, the council continued to successfully maintain a high collection rate, albeit with a slight reduction and the contribution to the bad debt provision was less than expected. This resulted in there being no requirement to draw down additional funding from general balances.

As a consequence, the final net funding position is £235k (0.6%) higher than the original estimate and the Council therefore has a one off benefit. It is recommended that this is transferred to the Delivering Change/Modernisation Reserve to help fund the upfront cost of service change management and modernisation projects over the next two years. As this relates to funding and is separate from the service budget position, the transfer has been assumed in the analysis of specific reserves presented as Appendix 4 but is still subject to cabinet approval. Appendix 4 details all specific reserves and the movement within the year.

The council's policy on the management and monitoring of reserves is being updated and will be published alongside the final accounts in September.

The council budgeted to make contributions to the funding of the Corporate Plan. Based on current assumptions, the Plan requires approximately £24m of cash and £40m of borrowing to deliver the council's ambitions. Part of the strategy to deliver this has been identifying revenue budget resources to generate cash to fund capital expenditure. The 2014/15 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 from the 14/15 revenue budget is £3.5m, with a further £280k proposed as part of the final position. In addition, during the year, £1.1m was reallocated from a provision originally set aside to fund the cost of historic equal pay claims (reported to Cabinet in February 2015).

With expenditure of £2.1m against the Corporate Plan reserve during the year, the final position at year-end is a balance of £17.4m.

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 2015/16 budget strategy and meet existing commitments. Services will be required to outline in more detail how the balances brought forward have been used in 2015/16 in the Finance Report to Cabinet in October. Unused balances may be reallocated as a result of this review.

The council is in the process of terminating the County Hall PFI contract. The negotiation process is ongoing with the broad substance of the transaction involving the council terminating a lease agreement and paying financial compensation to the lessor. The process to undertake the termination was agreed as part of the budget setting process for 2015/16 and will result in a revenue saving for the council. Assumptions were made within the capital financing budget that the transaction would be completed before the end of the 2014/15 financial year. As the negotiations are still ongoing however, the provisions made in 2014/15 have been transferred to the PFI Reserve to facilitate the transaction during 2015/16.

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 2014/15 was £188m. The final position on service and corporate budgets was a net under spend of £1.075m (0.57% of the net budget). Taking account of funding, the variance on the total budget was £1.3m (0.69%). Where services have highlighted legitimate expenditure commitments against 2014/15 balances, it is proposed that those services carry the net balance forward to 2015/16. The position within each service and intended use of brought forward service balances will be reviewed in the autumn of 2015/16.

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 2014.

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

Budget meetings were held with each head of service and cabinet member as the 2014/15 budget was set. Budget workshops were held with members during the year. 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 £14m which is a considerable achievement. The council's approach to identifying savings as early as possible means that some savings are delivered early and this impacts upon the in-year position. Even with such a volatility in the current financial climate, the total variance on a gross budget of over £280m is less than half of one percent.

The final position means that the contributions required 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. The successful identification and earmarking of the resources to deliver the Plan over the last three years, coupled with a period of historically low borrowing costs, means that if current assumptions about future costs and funding are consistent, the Plan is affordable and therefore achievable from a financial perspective.

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.