

Report To: Cabinet

Date of Meeting: 28th June 2016

Lead Member: Councillor Julian Thompson-Hill / Richard Weigh, Head of Finance

Report Author: Steve Gadd, Chief Accountant

Title: Final Revenue Outturn 2015/16

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 2015/16 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 2015/16 and approve the proposed treatment of reserves and balances as detailed in the report and Appendices 1, 2 and 3.

4. Report details

The overall financial outturn position for 2015/16 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.

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 (including schools) is an overspend of £0.387m (0.2% 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 2015/16. Services reported commitments against balances in March which are broadly consistent with the final net position.

Appendix 4 details the transfers to and from Earmarked Reserves in full. The majority of the movements have been budgeted for or have been approved in previous monitoring reports to cabinet, however the following year-end transactions should be noted and are recommended for approval:

- It had been projected that investment to modernise the waste collection fleet was to be funded from revenue. After a review of the Sustainable Waste Management Reserve it was considered prudent to fund this expenditure from this reserve. This has allowed for additional investment of £562k in the Severe Weather Reserve which will help provide the Council with the necessary resilience to cope with both the immediate effects of most occurrences of severe weather as well as potential spend to rectify the damage to council assets. It is planned that £250k of this reserve will be spent early in 2016/17 to rectify the long-standing damage to the highway due to a landslip at Wigfair.
- A new reserve has been set up to account for the annual surpluses or deficits for Cefndy Healthcare as a result of the 2015/16 budget decision to give the service a zero budget. The reserve currently stands at £140k which will help the service cope with inflationary pressures in 2016/17.
- The former environmental services trading balance needed to be brought into revenue as the services are not now treated as trading accounts. The balance of £368k, which had been built up over a number of years, was split equally between contributing to the severe weather reserve and creating a new Facilities Reserve to help the Catering and Cleaning service invest in continuing to deliver a modern service.
- Due to greater than anticipated income levels and a delay to some procurement an additional £132k has been transferred to the Leisure Strategy Reserve in order to help fund pressures relating to shared sites with schools during school modernisation works and investment in leisure assets.

Schools - Expenditure on schools was £1.976m above the delegated budget. School balances now stand at £1.562m which equates to an average of £103 per pupil (£232 last year) and 2.26% of the net schools budget (5.12% last year). School balances are detailed in **Appendix 3**. The figures illustrate that a number of schools are finding it difficult to cope with the financial challenges, despite the Council continuing to honour the 1% above 'block grant' financial protection. The Council is working closely with these schools to help deliver plans to set sustainable budgets over a three year period.

Corporate budgets have underspent by £0.540m which is largely as a result of an underspend on council-wide energy budgets amounting to £0.387m. Due to the continuing delays in invoicing of energy bills this underspend was not confirmed until April 2016. It is recommended that £0.472m of this underspend be placed in the Budget Mitigation Reserve (please see below for more detail).

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% (97.6% last year). In addition the Council Tax arrears collected during the year of 44.6% exceeded the target set for 2015/16 (38.7%). Methods of calculating bad debt provisions also resulted in less costs being borne by the funding account. Together these factors resulted in there being no requirement to draw down additional funding from general balances.

As a consequence, the final net funding position is £362k (0.8%) higher than the original estimate and the Council therefore has a one off benefit. It is recommended that this is transferred to the Budget Mitigation Reserve to help fund the delivery of the Medium Term Financial Strategy as detailed in recent reports to Cabinet, Corporate Governance Committee and Council Briefing. As savings become increasingly difficult to identify and deliver this cash reserve will be used to help smooth the levels of savings required over the next few years. The target for this reserve had been set at £1.5m and the transfers in-year along with the transfers recommended within this report bring the figure to £1.511m. It is pleasing that this building block in the budget strategy for 2017/18 is now in place.

During 2015/16 the Council has continued its commitment to delivering an ambitious Corporate Plan which aims to deliver investment of £92m in schools, social care facilities and roads over the coming four years. In 2015/16, individual projects within the Corporate Plan continued to be developed, including investment in highways and schools. Expenditure on Corporate Plan projects was £24.275m in 2015/16 and is estimated to be £31m in 2016/17, which is to be funded from external grant funding (£10m), committed cash transferred into the capital plan (£9m) and prudential borrowing (£12m).

Given the overall position within services, it is proposed that services carry forward the net under spends listed as Committed Service Balances in Appendix 1 to help deliver the 2016/17 budget strategy and meet existing commitments. Appendix 2 summarises the service proposals including £776k of which were approved last month and the remaining £340k that require final approval.

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 2015/16 was £185m. The final position on service and corporate budgets was a net overspend of £0.387m (0.2% of the net budget). Taking account of funding, the variance on the total budget was £0.025m. Where services have highlighted legitimate expenditure

commitments against 2015/16 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 during 2016/17.

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

A detailed impact assessment was produced as part of the budget setting process and was reported to Council in December 2014.

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

In addition to regular reports to the Corporate Governance Committee, the budget process was considered by CET, SLT, Cabinet Briefing and Council Briefing meetings. Specific proposals were reviewed by scrutiny committees and there was a public engagement exercise to consider the impact of budget proposals. The council consulted its partners through the joint Local Service Board and specific discussions took place with the Police. All members of staff were kept informed during the budget setting process and affected staff have been or will be fully consulted, in accordance with the council's HR policies and procedures. Trade Unions were consulted through the Local Joint Consultative Committee.

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 years.

The Council has delivered revenue budgets savings of £6.6m during 2015/16 which was 91% of the budgeted level of savings with the majority of the remaining 9% of savings anticipated to be achieved during 2016/17. The council's approach to identifying savings as early as possible has facilitated this achievement but means that some savings are delivered early and this impacts upon the in-year position. While achieving this the council has also managed to contribute to the key reserves such as the Severe Weather Reserve and achieve the targeted contribution of £1.5m to the Budget Mitigation Reserve.

The Council's record of delivery in identifying and achieving savings while managing reserves effectively strengthens the confidence that the council will continue to deliver effective services while delivering investment in the Corporate Plan during the difficult funding climate anticipated over the coming few years.

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. The council's record of delivery in identifying and achieving savings while managing reserves effectively strengthens the confidence that the council will continue to deliver effective services while delivering investment in the Corporate Plan during the difficult funding climate anticipated over the coming few years.

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.