

Report To: Cabinet
Date of Meeting: 6th June 2017
Lead Officer: Richard Weigh, Head of Finance
Report Author: Steve Gadd, Chief Accountant
Title: Finance Report (2016/17 Financial Outturn)

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 2016/17 will be submitted to the external auditors by 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?

Cabinet Members are recommended:

- i) To note the final revenue outturn position for 2016/17
- ii) To approve the proposed treatment of reserves and balances as described in the report and detailed in Appendices 1, 2 and 3
- iii) To note the details of transfers to and from Earmarked Reserves as set out in Appendix 4

4. Report details

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 £2.626m (1.4% of the net revenue budget). The main areas to note are reported below:

Schools - As reported throughout last financial year, this has been a difficult year for school finances due to the higher than usual inflationary pressures, and the outturn position of £2.626m includes an overspend on delegated school budgets of £2.618m. Although schools received protection of 1.85% (£1.173m) they have also had to find savings to fund inflationary pressures of approximately £2.5m. School balances at the end of the financial year show a net deficit balance of £1.056m (£0.973m when reported in February - a reduction of £2.618m on the balances brought forward from 2015/16 of £1.562m). Schools continue to work closely with Education Finance colleagues on detailed financial plans for the new academic year and over the following two years to deliver long term balanced budgets. Currently there are 26 schools with

deficit balances, all of which continue to work closely with finance colleagues to develop and agreed action plan. Inflationary pressures for 2017/18 are more than accounted for in total investment of £2.1m and it is hoped the financial position for most schools will be consolidated during 2017/18. Individual school balances are detailed in Appendix 3.

Community Support Services – inflationary pressures such as the implementation of the statutory National Living Wage (NLW) will continue to increase care home fees. As projected the pressure in 16/17 has been contained within existing budgets and through the use of reserves. Community Support Services utilised reserves of £0.386m in 2015/16 in response to such pressures and it has had to call on £1.4m of reserves in 2016/17. These pressures were considered as part of the 2017/18 budget process and an investment above inflation of £0.750m was agreed and included in the Medium Term Financial Plan. Finance is also currently working with the service to amend the method of dealing with deferred income from clients which may result in more income being recognised in the accounts next financial year. This is a technical accounting issue that does not affect amounts owed by clients.

Education and Children's Service - the overspend within Children's Services of £0.569m is offset by the use of reserves in 2016/17, however it is likely that this pressure will continue next financial year. The service contains a number of demand-led and therefore volatile budgets such as children's placements. Reserves have been put in place to help manage annual variances, however they remain areas of risk in 17/18 and beyond.

Highways and Environment Services – the service has overspent by £0.297m, however £0.330m of this relates to School Transport. This pressure has been reported throughout the year and a £0.300m pressure has been included in the budget for 2017/18. However this area will continue to be monitored closely.

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:

- As reported in February it was hoped that the remaining underspend within Corporate Budgets such as the call on the Council Tax Reduction Scheme budget, as well as any increase in availability of cash due to the efficiency of Council Tax collection, can be used to partly reimburse the reserves required to fund the substantial pressures in Community Support Services and Children's Services. It can be confirmed that the outturn position takes account of a £0.500m re-investment in the Specialist Children's Placements Reserve and £0.928m re-investment in the Adult Social Care Reserve. It is hoped that this investment provides the services with a further year of financial stability and that this is supported by Cabinet.
- An under spend within Non-Delegated Schools budgets amounting to £0.154m has been placed in a reserve to help build financial resilience within schools.

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 97.73% (97.6% last year). In addition the Council Tax arrears collected during the year of 43.02% exceeded the target set for 2016/17 (38.7%). Methods of calculating bad debt provisions also resulted in less costs being borne by the funding account. As a consequence, the final net funding position is £422k (0.9%) higher than the original estimate and the Council therefore has a one off benefit. It is recommended that this is used to fund service overspends and therefore help facilitate the re-imburement of social care reserves.

Given the overall position within services and the availability of corporate funds, it is proposed that services carry forward the net under spends listed as Committed Service Balances in **Appendix 1** to help deliver the 2017/18 budget strategy and meet existing commitments. In previous reports proposals for the use of service underspends have been included pending final figures amounting to £204k, additional proposals of £209k have now been put forward and require formal approval. **Appendix 2** summarises the service proposals.

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 2016/17 was £185m. The final position on service and corporate budgets was a net overspend of £2.626m (1.4% of the net budget). Taking account of funding, the variance on the total budget was £2.204m. Where services have highlighted legitimate expenditure commitments against 2016/17 balances, it is proposed that those services carry the net balance forward to 2017/18. 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 Well-being Impact Assessment?

A full Impact Assessment was completed for all relevant budget proposals which formed part of the 2016/17 Budget. The new Well-being Impact Assessment will be completed individually for all budget saving proposals which form part of future budgets, although it is envisaged that individual assessments will not be required for genuine efficiency savings.

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 £3.6m during 2016/17 which was 70% of the budgeted level of savings with 25% of savings (£1.3m) anticipated to be achieved during 2017/18.

This report has highlighted the key pressure areas for 2017/18 and the plans in place to help manage those pressures such as investment and growth in social care, school transport and schools alongside the prudent re-investment in key reserves to help build financial resilience for the coming year.

During the year we have also continued the funding of the Corporate Plan and placed an additional £1m in the Budget Mitigation Reserve as per the agreed budget strategy in order to help smooth the impact of future budget reductions.

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 remains 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.