

Report Title:	Financial Update
Contains Confidential or Exempt Information?	NO - Part I
Member reporting:	Councillor Saunders, Lead Member for Finance
Meeting and Date:	Cabinet - 25 May 2017
Responsible Officer(s):	Russell O'Keefe, Executive Director, Rob Stubbs Deputy Director and Head of Finance.
Wards affected:	All

REPORT SUMMARY

1. This report is the final outturn statement in 2016-17. In summary there is a £477,000 underspend on the General Fund, see Appendix A, which is an improvement of £46,000 from the projection in the April financial monitoring report. This is mainly due to a net increase in the underspend forecast in a number of non-service budgets.
2. The Council remains in a strong financial position; with combined General Fund Reserves of £6,219,000, £264,000 of which is allocated to cover transformation costs in the new year. This leaves usable combined reserves at £5,955,000 (6.64% of budget) in excess of the £5,270,000 (5.88% of budget) recommended minimum level set at Council in February 2016.

1 DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Cabinet notes the report and:

- i) **Notes the Council's outturn position for 2016-17.**
- ii) **Notes the carry forward to 2017-18 of £264,000 of allocated unspent budget approved in March and October 2016 for transforming services details of which are contained in paragraphs 4.3 and 4.4.**
- iii) **Notes the increase to the provision for redundancy costs by £263,000 funded by the capital fund. Details are contained in paragraphs 4.13 and 4.13.**

2 REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

As this is a monitoring report decisions are not normally necessary.

3 KEY IMPLICATIONS

- 3.1 There is a General Fund Reserve of £5,215,000 and a Development Fund balance of £1,004,000, see appendix B for a breakdown of the Development

Fund. The combined reserves total £6,219,000. However this includes £264,000 of budget approved by October 2016 Cabinet for transforming services. The budget is unspent at the year end and is required to be carried forward to 2017-18. This reduces the usable combined reserves to £5,955,000. The 2016-17 budget report recommended a minimal reserve level of £5,270,000 to cover known risks for 18 months.

Table 1: Performance of general fund reserves

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
General Fund Reserves Achieved	Below £5,000,000	£5,000,000 to £5,490,000	£5,490,000 to £6,000,000	Above £6,000,000	31 May 2017

4 FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1. The **Managing Director and Strategic Director of Adults, Children & Health Services** reports a projected outturn figure for 2016-17 of £57,100,000 against a controllable net budget of £57,112,000, an underspend of £12,000. This represents a reduction of £13,000 from the underspend reported to Cabinet in April 2017. There are a small number variations from the position reported last month, as projections made during the financial year are firmed up as part of the financial year closure processes. These variations have no significant impact on the Directorate's final outturn position for the year.
- 4.2. The final position for the dedicated schools grant (DSG) budget shows an increase in the net pressure of £94,000 from that previously reported to £777,000. Projections throughout the year have forecast pressures in the high needs budget, the work associated with closure of the accounts has firmed up the size of this pressure. Work is underway with the schools forum to set out a programme to improve the management of DSG spend on high needs to bring spend back into line with budget in the longer term.
- 4.3. A budget of £200,000 was approved by cabinet in March 2016 and a further £200,000 in October 2016, to fund costs arising from the transfers of children's services to Achieving for Children (AfC) and adult social care to Optalis. £136,000 has been charged against these budgets during the current financial year. Further costs will be incurred in respect of the transfers in 2017-18 and therefore the £264,000 budget unspent in 2016-17 will be carried forward to 2017-18 to fund these costs.
- 4.4. The costs to be charged against the budget to be carried forward to 2017-18 will include the following:
- Tax consultancy in respect of VAT and Stamp Duty Land Tax (SDLT).
 - Stamp Duty Land Tax on property leases to AfC due in August 2017.
 - Market valuations for property leases.
 - Actuarial valuations of pension options.
 - Consultancy in respect of transition arrangements for the transfer of adult social care functions to Optalis.

- Project management and support in 2017-18 for the “Delivering Differently” initiatives.
- 4.5. There are no significant variances to report within the HR budget.
- 4.6. The **Strategic Director of Corporate and Community Services** reports an outturn underspend of £99,000 on controllable budget of £4,407,000; an improvement of £35,000 from the position projected last month.
- 4.7. There were several service changes at the year end from the last projection, the most significant contributor to the improved position being shared service fee refunds in legal and finance.
- 4.8. The **Interim Strategic Director of Operations and Customer Services** reports a full year underspend of £284,000 on the net budget of £21,636,000, a reduction of £53,000 on the projected underspend reported to Cabinet in April 2017.
- 4.9. £40,000 of this amount is for a website refresh commissioned in March 2017 with the balance arising from minor, offsetting variance changes across the services.

Revenue budget movement

- 4.10. Revenue budget movements this month are in table 2, see Appendix C for an expanded full year Movement Statement.

Table 2: Revenue budget movement

Service expenditure budget reported to February Cabinet	£83,390,000
Redundancy costs funded by provision	£28,000
Carry forward of transforming services budgets to be re-allocated in 2017/18	(£264,000)
Budget rounding	£2,000
Service expenditure budget this month	£83,156,000

Cash balances projection

- 4.11. Appendix D provides details of the Borough’s cash balance which is based on the assumptions contained in the 2017-18 budget report. In addition to the investments in the 2017-18 capital programme, the projection considers other capital proposals likely to come forward for approval during the year.
- 4.12. The increase in projected borrowing in March 2018 is based on a short term loan to accommodate the year end period when there is a significant reduction in business rates and council tax income. This year the Local Enterprise Partnership is projecting that a number of high value payments will be made to its partners.

Redundancy provision

- 4.13. In May 2016 the provision for redundancy was increased by £343,000 bringing it to £576,000. The provision has been used throughout the year including the £28,000 allocated this month (Table 2). A balance of £126,000 remains.

4.14. It is now estimated that a provision of £389,000 is required to cover the known redundancies in 2017-18. An increase to the provision of £263,000 has therefore been included in the Finance Update. As in previous years this has been funded from the capital fund.

Non service variances

4.15. When the 2016-17 budget was approved in February 2016 there was limited information on the exact amount of some grants the Council would receive. The Council has received more than expected business rate section 31 grants (£36,000) and more than expected education services grant (£43,000). The variances are reported in appendix A.

Capital programme

4.16. The approved 2016-17 capital estimate is £50,443,000, see table 4. The final outturn for the financial year is £28,861,000, an increase on the capital outturn in 2015-16 of £27,421,000.

4.17. Variances identified in the capital programme have resulted in £1,486,000 of budget no longer required in 2016-17. The majority of these savings relate to the revision of the Housing capital programme.

4.18. Slippage of capital programmes to 2017-18 total £20,096,000 gross. Appendices E and F provide further detail. Table 5 shows the status of schemes in the capital programme.

Table 4: Capital outturn

	Exp.	Inc.	Net
Approved estimate	£50,443,000	(£19,349,000)	£31,094,000
Variances identified	(£1,486,000)	£1,226,000	(£260,000)
Slippage to 2017-18	(£20,096,000)	£6,175,000	(£13,921,000)
Final Outturn 2016-17	£28,861,000	(£11,948,000)	£16,913,000

Table 5: Capital programme status

	Report Cabinet May 2017
Number of schemes in programme	532
Yet to Start	10%
In Progress	62%
Completed	23%
Ongoing Programmes e.g. Disabled Facilities Grant	5%
Devolved Formula Capital Grant schemes budgets devolved to schools	0%

5. LEGAL IMPLICATIONS

5.1 In producing and reviewing this report the Council is meeting its legal obligations to monitor its financial position.

6. RISK MANAGEMENT

Table 6: risks resulting from this report

Risks	Uncontrolled Risk	Controls	Controlled Risk
None			

7. POTENTIAL IMPACTS

7.1 None

8. CONSULTATION

8.1 Overview & Scrutiny meetings are scheduled prior to this Cabinet. Any comments from those meetings will be reported verbally to Cabinet.

9. TIMETABLE FOR IMPLEMENTATION

9.1 Implementation date if not called in: Immediately.

10. APPENDICES

10.1 Appendices attached to this report are shown below.

- Appendix A Revenue budget summary
- Appendix B Development fund analysis
- Appendix C Revenue movement statement
- Appendix D Cash flow projection
- Appendix E Capital budget summary
- Appendix F Capital variances

11. BACKGROUND DOCUMENTS

11.1 Background documents relating to this report are detailed below.

- Budget Report to Council February 2016.
- Budget Report to Cabinet February 2017.

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Commented & returned
Cllr. Saunders	Lead Member for Finance.	24-4-17	27-4-17
Cllr. Rankin	Deputy Lead Member for Finance.	24-4-17	
Alison Alexander	Managing Director.	24-4-17	01-5-17

Name of consultee	Post held	Date sent	Commented & returned
Russell O'Keefe	Strategic Director of Corporate and Community Services.	24-4-17	
Andy Jeffs	Interim Strategic Director of Operations and Customer Services.	24-4-17	
Rob Stubbs	Section 151 Officer.	20-4-17	24-4-17

REPORT HISTORY

Decision type: For information	Urgency item? No
Report Author: Richard Bunn, Chief Accountant, 01628 796510	

Report title: Financial Update
Member reporting: Cllr Saunders
Cabinet meeting: 25th May 2017

What is this report about?

- This report is the Council's financial outturn statement for 2016-17. It confirms the Council is in a strong financial position with combined general fund reserves of £6,219,000.

What is it recommending? That Cabinet:

- i) Notes the Council's outturn position for 2016-17.
- ii) Notes the carry forward to 2017-18 of £264,000 of allocated unspent budget approved in March and October 2016 for transforming services.
- iii) Notes the increase to the provision for redundancy costs by £263,000 funded by the capital fund.

What is the background?

- There is a projected underspend on the General Fund of £477,000 an improvement of £46,000 on that reported in April.
- The Council's directorates are underspending by a combined £395,000 against their controllable budgets. A breakdown is included below.

Directorate	Controllable Net Budget	Projected Variance
Adults, Children & Health Services	£57,112,000	(£12,000)
Corporate & Community Services	£4,407,000	(£99,000)
Operations and Customer Services	£21,637,000	(£284,000)
Total	£83,156,000	(£395,000)

- The main contributor to the improved position was the shared service refunds in legal and finance.
- A carry forward of allocated budget from 2016-17 to 2017-18 of £264,000 for the ongoing costs of transforming services has also been made relating to the transfers of Children's services and Adult social care to Achieving for Children and Optalis respectively.
- The year end review of redundancy costs requires an increase in the provision of £343k to cover known redundancies in 2017-18 including £28,000 allocated this month.

How would it benefit residents?

- The report assures residents that the Council is in a strong financial position and making effective use of its resources.

When would it take effect? Immediately

- Immediately

Key communication message:

- The Council is in a strong financial position, making effective use of its resources.

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