

APPENDIX A (to the Executive Report)

TO: THE EXECUTIVE
DATE: 18 JULY 2017

REVENUE EXPENDITURE OUTTURN 2016/17
Borough Treasurer

1 PURPOSE OF REPORT

- 1.1 The Council, at its meeting on 24 February 2016, approved a revenue budget for 2016/17 of £70.278m. This report informs Members of the outturn expenditure position, subject to audit, for the financial year 2015/16 highlighting that the Council is within budget for the nineteenth successive year and under spent by -£3.515m (including in-year savings of -£3.398m). The Council has therefore withdrawn £1.659m from General Balances as opposed to a budgeted withdrawal of £5.174m.
- 1.2 The Accounts & Audit Regulations 2015 require the Annual Statement of Accounts to be signed by the Borough Treasurer by 30 June and approved by the Council or a specific committee by 30 September. The draft accounts were actually signed on 30 May. The Council has established a Governance and Audit Committee which will meet on 26 July to approve the Annual Statement of Accounts.

2 RECOMMENDATIONS

That the Executive:

- 2.1 **Note the outturn expenditure for 2016/17, subject to audit, of £66.763m, which represents an under spend of -£3.515m compared with the approved budget.**
- 2.2 **Note the budget carry forwards of £0.221m (see paragraph 5.9 and Annexe C).**
- 2.3 **Recommends that Council note the Treasury Management performance in 2016/17 as set out in Annexe B.**
- 2.4 **Approve the earmarked reserves as set out in Annexe D.**
- 2.5 **Approve the virements relating to the 2016/17 budget between £0.050m and £0.100m and recommend those that are over £0.100m for approval by Council (see Annexe E).**

3 REASONS FOR RECOMMENDATIONS

- 3.1 The recommendations are intended to inform the Executive of financial performance against budget in the 2016/17 financial year.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The report sets out the Council's actual financial performance in 2016/17 and the consideration of options is not therefore appropriate.

5 SUPPORTING INFORMATION

General Fund Revenue Expenditure 2016/17

- 5.1 The Council approved a revenue budget of £70.278m for 2016/17. In addition transfers to and from S106 and earmarked reserves (£1.293m) have been made during the course of the year. These are shown in Table 1 below and explanations for the use of the reserves are set out in the following paragraphs.

Table 1: Transfers From Earmarked Reserves/Budget Carry forwards

Department	Carry Forwards from 2015/16	Bus Contract (S106)	Other S106	Structural Changes	Other Earmarked Reserves	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Corporate Services	21	0	0	100	782	903
Children, Young People and Learning	14	0	0	77	-135	-44
Adult Social Care, Health and Housing	0	0	0	37	624	661
Environment, Culture & Communities	280	46	80	240	-877	- 231
Non departmental budgets	0	0	0	0	4	4
Total	315	46	80	454	398	1,293

Carry Forwards from 2015/16

In accordance with the Council's constitution, budget under spends can be carried forward to the following year in exceptional circumstances.

Bus Contract from S106

The Wykery Copse bus contract was negotiated during the course of the year with the funding to be provided from S106 resources.

Other S106

Revenue funding for staff and a vehicle involved in the production, co-ordination and monitoring of the Suitable Alternative Natural Green Spaces (SANGS) plans and the maintenance and management of SANGS areas, plus funding for recycling, have also been provided from S106 resources.

Structural Changes

One off costs associated with restructuring and salary protections payments were met from the Structural Changes Reserve during the year.

Other Earmarked Reserves

Carry forwards to 2017/18 of -£0.221m are included within this figure and are covered in more detail in paragraph 5.9. A number of other budget adjustments were made during the year to reflect transfers to or from reserves, the most significant being transfers to the Government Grants Unapplied Reserve (-£1.320m) and the Commuted Maintenance of Land Reserve (-£0.309m) and transfers from the Better Care Fund Reserve (£0.711m), Transformation Reserve (£0.839m) and Schools Reserves (£0.604m). Note, the transfer from the Business Rates Equalisation Reserve (£11.8m) was already reflected in the in the original budget

Unrestricted

Provisional Outturn Position

- 5.2 Table 2 analyses by department the outturn compared with the original budget. These figures inevitably remain subject to minor change, pending external audit. However, no significant movement is anticipated.

Table 2 – Projected Outturn Expenditure

Department	Original Approved Budget	Carry Forwards & Virements	Current Approved Budget	Outturn	Variance
	£'000	£'000	£'000	£'000	£'000
Corporate Services	7,770	-297	7,473	6,922	-551
Children, Young People and Learning	27,234	-204	27,030	27,135	105
Adult Social Care, Health and Housing	37,550	-1,117	36,433	35,816	-617
Environment, Culture and Communities	34,113	5,751	39,864	39,492	-372
Non Departmental Budgets	-23,687	-2,967	-26,654	-31,558	-4,904
Transfers to/from Earmarked Reserves	-12,702	-1,166	-13,868	-11,044	2,824
Total	70,278	0	70,278	66,763	-3,515

- 5.3 The current approved budget takes into account virements actioned during the course of the year. The most significant being:

- Those included in paragraph 5.1 and Table 1
- Reallocation of budgets to departments for non cash items to reflect actual costs (£5.3m), namely:
 - the requirement to charge to service revenue accounts capital expenditure not adding value to assets (£0.3m);
 - downward revaluation of properties (£9.3m);
 - capital charges (-£0.7m)
 - pension adjustments (-£3.6m).
- Adjustments relating to the accounting for the waste PFI (-£0.6m).
- Allocations from the Contingency Fund (£1.0m).

These reallocations have no overall effect on the amount raised from tax payers as they are reversed out within the Non Departmental Budgets line.

- 5.4 Explanations for significant variances by service are set out in Annexe A and more detail can be found in departmental QSRs. Variances to be highlighted are:

Corporate Services/Chief Executive's Office

- Additional income from Industrial and Commercial Properties, primarily from the purchase of two new properties (-£0.447m), and from legal fees (-£0.037m).
- An under spend in the Operations Unit primarily from reduced Home to School Transport costs (-£0.264m).

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- An external consultant has undertaken a piece of work to complete some assessment alterations on a number of properties paying Business Rates. This has generated an additional -£1.000m+ of income for the Collection Fund but the one-off costs cannot be charged to the Collection Fund and resulted in an over spend in the Local Tax Collection budget (£0.216m).
- Under spends on internal and external audit work (-£0.031m).

Children, Young People and Learning

- Within Learning and Achievement, additional income was earned at the Bracknell Open Learning Centre from lettings and courses and fixed penalty notices (-£0.060m). In addition, a saving was achieved on higher education fees (-£0.041m).
- Within Children's Social Care significant cost increases occurred through greater use of the Childcare Solicitor service (operated by Reading Borough Council as a Berkshire Joint Arrangement) due to a doubling in the number of cases in court. This reflects the national position (£0.387m). The increase in court cases also contributed to additional Special Guardianship Orders (£0.145m). These costs were partly offset by additional income at Larchwood Respite Home (-£0.031m) and from other local authorities relating to adoptions (-£0.045m) plus under spends on direct payments to young people (-£0.053m) and on care and accommodation needs for looked after children (-£0.030m).
- An under spend on staff costs across the department primarily relating to vacancies (-£0.201m).

Adult Social Care, Health and Housing

- An under spend on Learning Disabilities (-£1.869m) offset by additional costs within the Community Mental Health Team Older Adults (£1.595m) and Older People & Long Term Conditions (£0.486m). These variances primarily relate the cost of residential and nursing placements, other care package costs and additional Continuing Health Care Funding.
- A significant increase in the recovery of Housing Benefit overpayments during the year resulted in additional net income (-£0.187m). Other savings were achieved in Housing by taking the supporting older people contract back in-house (-£0.128m), generating additional income from Forestcare (-£0.060m) and by purchasing additional properties, principally through the Council owned company Downshire Homes Ltd, which has significantly reduced the cost of short-term bed & breakfast accommodation (-£0.081m).
- Within Commissioning and Resources there has been an under spend on the budget for grants and donations (-£0.334m) and additional income has also been generated from deputyship and appointeeship clients and Downshire homes Ltd (-£0.070m).

Environment, Culture and Communities

- Additional income at the Cemetery and Crematorium (-£0.181m), Bracknell Leisure Centre (-£0.100m), from Building Control (-£0.090m) and from the Community Infrastructure Levy to cover administrative costs (-£0.055m).
- An under spend on Waste Disposal due to reduced tonnages in part from the introduction of non-residents access restrictions (-£0.208m).
- Concessionary Fares under spent due to a reduction in passenger numbers (-£0.247m).
- Additional one-off revenue costs on Coral Reef due to the closure of the facility for capital works (£0.467m).

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- An under spend on the Local Development Framework due to the reduced cost of the archaeology evaluation (-£0.043m) and on staff due to vacancies (-£0.032m).
- An under spend on land charges primarily from the over provision for legal fees for the joint claim by local authorities in respect of Personal Search companies (-£0.062m).
- An overspend on Highways Maintenance where delays to the LED street lighting project have meant projected savings on electricity have not been fully realised (£0.229m).

Non-Departmental / Council Wide

- Higher cash balances have been sustained throughout the year resulting in additional interest from investments and from paying all 2016/17 employers and employees pension fund contributions, in full, in advance (-£0.358m).
 - Internally funded capital expenditure was financed from internal borrowing to spread the cost impact on revenue. The capital expenditure charged to the General Fund budget was therefore not required (-£0.430m). Refinancing of earlier capital expenditure, higher than forecast capital receipts in 2015/16 and significant carry forwards into 2016/17 have all helped to create an under spend against the Minimum Revenue Provision (-£0.588m).
 - The balance payable for Glitnir Bank held in Icelandic Krónur in an interest bearing escrow account in Iceland was auctioned off generating a receipt of £0.595m. This was less than the estimate included in the accounts at 31 March 2016 and has therefore generated a further impairment in 2016/17 (£0.161m).
 - A net overspend resulting from changes in Section 31 grant for reliefs, the end of year levy payment and withdrawals from the Business Rates Equalisation Reserve compared to the budgeted position (£0.626m).
 - An in-year savings programme was implemented to reduce the use of balances down from the £5.161m included in the original budget (-£3.398m)
 - Transfers into the Transformation Reserve (£1.400m), including from the Demographic Pressures and Projects Reserve (-£0.200m) and the Early Intervention Reserve (-£0.200m) to fund a core, in-house Transformation team for the next 3 years. Addition to the Structural Changes Reserve (£0.750m) to fund any staffing implications from the Council's transformation programme. The creation of new reserves for Town Centre Regeneration (£0.250m) and Commercial Property Acquisitions (£0.150m), the latter funded by a transfer from the School Masterplans and Feasibility Studies Reserve (-£0.150m).
- 5.5 A full analysis of the 2016/17 variances, identifying those already built into the 2017/18 base budget, one off items and those of an ongoing nature has been undertaken to inform the evolving 2018/19 budget proposals.

Treasury Management

- 5.6 Annexe B contains a detailed analysis of the Council's treasury management performance during 2016/17. An annual report is required to comply with the Prudential Code for Capital Finance as performance in this area can have a significant impact on the Council's overall financial position and balances.

Budget Carry Forwards

- 5.7 In accordance with the Council's Constitution, some unspent budget provision is permitted to be carried forward to the following year in exceptional circumstances. This would include where expenditure was budgeted for and planned in a particular year, but due to unforeseen circumstances has had to be deferred to the following year. Table 3 summarises the carry forwards by department and a detailed breakdown is included in Annexe C.

Table 3 – Budget Carry Forwards

Department (Details in Annexe C)	Requested Carry Forwards
	£'000
Corporate Services	33
Adult Social Care, Health and Housing	11
Environment, Culture & Communities	177
Total	221

Balances (General Reserves)

- 5.8 As the actual outturn for 2016/17 was an under spend of -£3.515m, the Council has only withdrawn £1.659m from General Reserves rather than the budgeted £5.174m. This is primarily due to the in-year savings programme agreed after the original budget was approved and means that more resources are available to assist the Council with balancing future years' budgets. The General Reserves balance at 31st March 2017 was £11.071m. Of this, £2.568m will be used to finance the 2017/18 budget.
- 5.9 A detailed review of all existing reserves and provisions has been undertaken as part of the accounts closedown process. The proposed changes to reserves and balances are included in Annexe D.

Virement requests

- 5.10 Financial Regulations require formal approval by the Executive of any virement between £0.050m and £0.100m and of virements between departments of any amount. Full Council approval is required for virements over £0.100m. A number of virements have been made since the February Executive meeting which require the approval of the Executive. These have been previously reported to the Corporate Management Team which recommends them for approval. They have been included in the Quarterly Service Reports. Details of the virements are set out in Annexe E.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERSBorough Solicitor

- 6.1 There is nothing to add to the report.

Borough Treasurer

- 6.2 The financial implications of this report are included in the supporting information.

Equalities Impact Assessment

- 6.3 None.

Strategic Risk Management Issues

- 6.4 The Council needs to maintain reserves to aid cash flow and to protect itself from fluctuations in actual expenditure and income. The review of reserves undertaken by the Borough Treasurer ensures that the Council has adequate and appropriate earmarked reserves to manage future risks.

7 CONSULTATION

Not applicable.

Background Papers

None.

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