

**REPORT OF THE SERVICE DIRECTOR – FINANCE, PROCUREMENT &
IMPROVEMENT****DRAFT MANAGEMENT ACCOUNTS 2015/16****Purpose of the Report**

- 1.1 To inform the Committee of the year end position for the 2015/16 draft Management Accounts.
- 1.2 To request that the Committee recommends the transfer from General Fund Balances of £3.0m, for approval by County Council.
- 1.3 To inform the Committee of the position on other reserves of the Authority.
- 1.4 To inform the Committee of the final position on 2015/16 contingency requests.
- 1.5 To inform the Committee on the year end position for the 2015/16 Capital Programme and it's financing.
- 1.6 To request approval of variations to the Capital Programme.

Information and Advice**2. Background**

- 2.1 The financial position of the County Council has been monitored throughout the financial year, with monthly reports to Corporate Leadership Team and this Committee providing an update of progress, thus ensuring decision makers had access to financial information on a timely basis. At the Finance and Property Committee meeting of the 25 April 2016, Members were informed of the forecast as at period 11. This report is the draft out-turn for 2015/16. The final figures will be confirmed at the County Council meeting on the 4 July 2016.

3. Summary Financial Position

- 3.1 Through continued prudent financial management, Committee budgets have achieved a net underspend of £11.5m or 2.3% of net Committee budgets. This compares to a period 11 forecast of £9.4m.
- 3.2 The level of General Fund balances, subject to approval by County Council, will reduce by £3.0m to £24.0m. This results in a closing balance that is £3.0m higher than originally planned. This was forecast at the time of setting the 2016/17 budget and has been factored into the Council's Medium Term Financial Strategy.
- 3.3 The detailed figures are summarised in the appendices to this report. Table 1 shows the summary revenue position of the County Council.

Table 1 – Summary Financial Position

Committee	Final Budget £ 000's	Draft Out-turn £ 000's	Draft Variance £ 000's
Children & Young People	138,618	139,857	1,239
Adult Social Care & Health	201,627	193,776	(7,851)
Transport & Highways	59,642	59,407	(235)
Environment & Sustainability	30,439	30,251	(188)
Community Safety	2,996	3,079	83
Culture	13,555	12,870	(685)
Policy	24,737	23,275	(1,462)
Finance & Property	33,495	32,735	(760)
Personnel	3,285	2,548	(737)
Economic Development	1,424	1,249	(175)
Public Health	3,553	2,796	(757)
Net Committee (under)/overspend	513,371	501,843	(11,528)
Central items	(12,016)	(15,559)	(3,543)
Contribution to Schools Expenditure	382	382	-
Contribution to/(from) Traders	198	421	223
Forecast prior to use of reserves	501,935	487,087	(14,848)
Transfer to / (from) Corporate Reserves	(5,694)	3,318	9,012
Transfer to / (from) Departmental Reserves	(2,976)	(164)	2,812
Transfer to / (from) General Fund	(6,038)	(3,014)	3,024
Net County Council Budget Requirement	487,227	487,227	-

4. Committee & Central Items

The overall net underspend within the Committees is £11.5m and the principal reasons for the variations are detailed below.

4.1 Children & Young People (£1.2m overspend, 0.9% of Committee budget)

The Children's Social Care Division has overspent by £1.9m. This net position includes overspends of £1.4m on the continued use of agency staff to cover vacancies in social work and safeguarding teams, £0.3m on Looked After Children placements, £0.2m on Unaccompanied Asylum Seeking Children and a £0.2m overspend on school transport. These variances have been offset by a £0.2m underspend on the Children's Disability Service (CDS) due to additional income and vacancies.

The Department has introduced a number of mitigating actions including the Social Work Support Officer (SWSO) Pilot, a Social Worker Development Directory detailing all the available training for the social work workforce and a rolling recruitment programme. In addition, it is recognised that a longer term recruitment and retention strategy is required and, as part of this, £1.8m has been allocated to cover the additional cost of agency staff and the payment of a market factor supplement to qualified social workers, within the hard to recruit to teams. It is anticipated that these and other measures will reduce the reliance on agency staff and their costs in future years.

The final outturn for Education Standards and Inclusion Division is a net overspend of £0.8m. Within this, there is an overspend of £1.2m on Special Educational and Disability Policy and Provision for SEN home to school transport where demand has exceeded the

budget. This has been partly offset by a £0.4m underspend on the Support to Schools Service due to vacancies and an underspend on mainstream home to school transport.

A net underspend of £1.1m was delivered in the Youth, Families and Culture Division. This was due to a £0.7m underspend on Early Years and Early Intervention relating to contract savings, pension refunds and backdated NNDR refunds. A £0.4m underspend across the Family Service budgets arose primarily from savings within employee costs and activities and support budgets.

The Capital and Central Charges area had a £0.3m overspend due to insurance charges in excess of the budget allocated for this purpose which is the additional cost of premiums for historic abuse cases.

There is also an underspend of £0.6m in Business Support which relates to savings associated with the part year effect of fixed term contracts and holding vacancies in anticipation of future years' savings.

4.2 Adult Social Care and Health (£7.9m underspend, 3.9% of Committee budget)

The Strategic Commissioning, Access and Safeguarding Division has underspent by £0.7m which is mainly due to a £1.5m underspend on the Learning Disability Contract within Supporting People, £0.2m on various contracts within Strategic Commissioning and an underspend of £0.3m on the business support and framework teams. This has been partially offset by a shortfall of £1.3m on client contributions.

A net underspend of £1.9m was achieved in the North and Direct Services budgets. This is mainly due to a £1.6m underspend on Day Services and Employment Services, primarily on staffing, a £0.2m underspend on Care and Support Centres and a £0.3m underspend on the Short Breaks units, primarily on staffing. This was partially offset by a £0.2m overspend on Bassetlaw Care Packages due to overspends on Younger Adults.

The Mid and South Nottinghamshire Divisions have underspent by £1.9m which is mainly due to an underspend of £3.2m on Older Adults Care Packages, partially offset by an overspend of £1.3m on Younger Adults Care Packages.

As reported previously, the ASCH Transformation budget was underspent by £3.4m on the Care Act mainly due to delays in recruiting staff and a backlog of assessments.

4.3 Transport & Highways (£0.2m underspend, 0.4% of Committee budget)

The net underspend above is made up of a £0.5m underspend in Transport Division offset by a £0.3m overspend in Highways Division.

Within the Transport Division, Concessionary Fares underspent by £0.2m mainly due to a delay in commencing the operation of Tram Lines, a downturn in passenger trips and savings from fleet running contracts that had previously been let externally. There was a saving in Local Bus Services of £0.2m due to reduced expenditure on concessionary payments for elderly and disabled travellers, together with increased income from travel on local bus services run by Fleet Operations. Other transport costs were £0.1m underspent.

The majority of the Highways overspend relates to Carriageway/Footway Patching, trees and hedges and verges maintenance.

4.4 Environment and Sustainability (£0.2m underspend, 0.6% of Committee budget)

There was a £0.4m underspend as a result of rate and utility rebates and additional trade waste income. This was partially offset by an overspend of £0.2m against Non-PFI Contract Costs due to the funding of the Ashfield Bins Project.

4.5 Community Safety (£0.1m overspend, 2.8% of Committee budget)

The Committee overspend is due to small variances across both Coroners and Trading Standards.

4.6 Culture (£0.7m underspend, 5.0% of Committee budget)

A £0.3m underspend in Country Parks was due to a continued increase in income and a £0.4m underspend across Libraries and Arts was due to vacancy savings in readiness for 2016/17 targets and increased teaching and grant income.

4.7 Policy (£1.4m underspend, 5.9% of Committee budget)

The underspend of £0.4m within the Customer Services Centre budget relates to a reduction in both staffing and overall running costs. Some savings were achieved through reduced telephony costs (from a change in suppliers) and the replacement of the Lagan CRM system with a Cloud based and more cost effective solution, Firmstep. Costs have been renegotiated and reduced and will contribute to future savings targets required in 2016/17. There was also an increase in income gained from a small increase in Blue Badge applications.

The Programmes and Projects Team underspent by £0.4m as a result of the detailed review of the Programmes and Project Teams expenditure, commitments and scheduled workloads at the half year stage of the financial year.

The Ways of Working Programme underspend of £0.3m was due mainly to reduced ICT costs relating to staff moves following the remodelling of floor 2 of County Hall.

The Legal Services Division underspent by £0.2m due to continuing improvements in electronic and digital working and an ongoing efficiency programme to reduce operating costs where possible.

The Business Support Centre underspent by £0.1m as a result largely of vacancy savings.

4.8 Finance and Property (£0.7m underspend, 2.3% of Committee budget)

County Offices and Facilities Management Division underspent by £0.3m due mainly to reduced business rates payable on County Offices premises.

A net underspend of £0.2m was achieved in Property due to staffing rationalisation to enable early achievement of savings to align with 2016/17 targets, together with reduced costs on industrial properties.

The Finance and Procurement Division and Business Support Division delivered further underspends of £0.2m due to staff vacancies.

4.9 Personnel (£0.7m underspend, 22.4% of Committee budget)

The underspend is due mainly to staff vacancies and a reduction in running costs, together with a reduction in training fees due to lower than expected in-year training requests.

4.10 Economic Development (£0.2m underspend, 12.3% of Committee budget)

The underspend of £0.2m has occurred due to slippage in the Broadband and Youth Employment projects matched by a lower than expected draw down from reserves in 2015/16.

4.11 Public Health (£0.8m underspend, transferred in full to the Public Health Reserve)

Expenditure in this area is met in full by a government grant, with underspends transferred to an earmarked reserve for use in subsequent years. The major underspends arose on a number of contracts, namely £1.3m on Smoking and Tobacco, £0.5m on the Health Check Programme, £0.5m on Public Health Directorate staffing costs, £0.6m on Sexual Health, and £0.2m on Domestic Violence and Abuse together with an underspend on the Realignment Fund of £0.3m. This has been offset partially by a reduction of £2.6m in the level of grant during the 2015/16 financial year.

5 Carry Forwards

In previous years the Council has considered requests to allow planned savings to be carried forward into the following financial year to support Committee priorities. This approach has been suspended since 2014/15 due to the financial pressures that the authority faces in forthcoming years.

6 Central Items (£3.5m underspend, 15.0% of budget)

Central Items primarily consists of interest on cash balances and payments on borrowing, contingency, capital charges and various grants. Key variances are outlined below.

6.1 Interest (£0.8m overspend)

Interest payments depend upon Treasury Management decisions taken, expectations of future rates and anticipated slippage on the capital programme. Variances against each of these factors in 2015/16 has resulted in an overspend of £0.8m.

6.2 Contingency (£0.8m underspend)

The total 2015/16 contingency budget was originally set at £5.1m to cover both redundancy and general contingency requirements. Following a base budget review a further £2.5m was added to the contingency budget during 2015/16. The balance of contingency relates to schemes approved in year through the budget monitoring report and by the Section 151 Officer.

6.3 Statutory Provision for Debt Redemption (£0.6m underspend)

The budget included an estimate of the Minimum Revenue Provision (MRP) that was based on the assumption that the mix of assets types on which capital expenditure would be incurred would be similar to that of previous years and certain capital receipts would be received within the financial year. In 2015/16, capital receipts were applied against assets with shorter lives. As a result, MRP was £0.6m less than budget.

6.4 Pension Deficit Contribution (£0.3m underspend)

Across the Authority there was an overprovision of £0.3m in allocating the employers pensions contribution to match the 13.2% rate and fixed contribution of £13.0m set by the actuary. This has therefore been charged centrally and the balance transferred into a reserve to provide for any future shortfalls.

6.5 Government Grants (£0.9m underspend)

Several non-ring fenced grants sit centrally, but values are not normally confirmed until after the budget is set in the February of each year, which results in year end variances to budget. Overall these grants have resulted in a minor £0.2m overspend.

As previously reported the Council's membership of the Nottinghamshire Business Rates Pool results in a proportion of local growth being retained by the Council. For 2014/15, this was £1.0m, received in the 2015/16 financial year. For 2015/16, NCC's share of the pooled surplus was £1.8m which will be held in an earmarked reserve and used to fund future priorities.

7 Movements on Balances and Reserves (for detail please refer to Appendix B)

7.1 General Fund Balances

The Council meeting on 25 February 2016 approved the use of £6.0m of General Fund Balances. Given the underspend that has been achieved, it is recommended that £3.0m is drawn down. Subject to Council approval, the closing balance of the Council's General Fund will reduce from £27.0m to £24.0m.

7.2 Other Earmarked Reserves

At the end of 2015/16 other 'earmarked' reserves totalled £121.7m, an increase of £0.6m since 31 March 2015. This consists of the following:

- **PFI Reserves**

£31.3m of reserves are held for PFI schemes and this equates to 26.1% of other earmarked reserves. The arrangements for calculating PFI grant result in more grant being received in the early years of a PFI scheme than is needed to meet the payments to providers of the service. These surpluses need to be kept in an earmarked reserve to cover the corresponding deficits in later years. The amounts set aside at the end of 2015/16 are shown in the table below.

Table 2 – PFI set aside as at 31/03/2016

PFI Scheme	£'000
East Leake Schools	3,213
Bassetlaw Schools	304
Waste	27,773
Total	31,290

- **Insurance Reserve**

The Authority operates a self-insurance scheme and covers risks up to an agreed amount. External insurers cover risks in excess of this figure. The Insurance Reserve is set aside to cover possible insurance claims losses that are not yet known. The closing balance of this reserve is £11.9m.

- **Capital Projects Reserve**

The Capital Projects Reserve supports the Medium Term Financial Strategy as well as current and future capital commitments. In 2015/16 there was a net contribution to the reserve of £0.9m. As at 31 March 2016, the balance on the Capital Projects Reserve is £12.1m.

- **Strategic Development Fund (including Ways of Working)**

The establishment of a Strategic Development Fund (SDF) was approved in the 2014/15 Budget Report (Council, 27/02/2014), funded in part by the remaining balance of the Improvement Programme reserve and by other balances that were identified as surplus to their original requirement. The residual Ways of Working (WoW) Reserve has been identified separately although this programme is clearly linked to the Council's Transformation agenda. As reported in Section 4.7 above, underspends were achieved in both of these areas resulting in a reduced requirement for funding from the reserve. As a result, £0.1m was drawn down from the Improvement Programme Reserve and £2.2m from the Strategic Development Fund Reserve. The closing balance for the SDF reserve is now £5.3m and the WoW balance is £2.4m. It is proposed that these two reserves are brought together to fund on-going transformational costs.

- **Redundancy Reserve**

The Redundancy Reserve was created in 2009/10 and, since then, a proportion of year end underspends, combined with the release of the former Corporate Pay Review Reserve have increased the reserve value resulting in an opening balance of £9.1m. The 2015/16 budget included draw down of £4.0m. With the underspend achieved and the significant budget pressures from 2016/17 onwards the proposed £4.0m has not been drawn down and has instead been transferred to the Earmarked for Services Reserve.

- **Earmarked for Services Reserves**

All departments have reserves for identified purposes. In addition, Financial Reporting Standards require grant income to be carried on the Balance Sheet as a reserve balance. This includes Public Health and Section 256 grants. During the year, these departmental balances decreased by a net £4.5m to £49.6m.

8 Capital Expenditure

- 8.1 Capital Expenditure in 2015/16 totalled £80.244m. Table 3 shows the final 2015/16 Capital Programme broken down by Committee.

Table 3 – 2015/16 Capital Expenditure

Committee	Original Budget £'000	Revised Budget £'000	Total Outturn £'000	Variance £'000
Children & Young People	40,400	35,644	26,476	(9,168)
Adult Social Care & Health	6,920	4,317	1,789	(2,528)
Transport & Highways	38,786	36,320	34,202	(2,118)
Environment & Sustainability	1,913	2,516	2,237	(279)
Community Safety	-	-	-	-
Culture	1,051	1,532	965	(567)
Policy	1,221	1,976	1,988	12
Finance & Property	12,801	10,237	7,709	(2,528)
Personnel	95	298	36	(262)
Economic Development	7,052	6,691	4,841	(1,850)
Contingency	1,800	-	-	-
Total	112,039	99,531	80,243	(19,288)

Note: These figures exclude any expenditure incurred directly by schools.

The major areas of investment in 2015/16 are listed in Table 4 below.

Table 4 – Major investment areas 2015/16

Committee	Scheme	2015/16 Capital Expenditure £'000
Children and Young People	School Refurbishment Programme	14,384
	School Places Programme	8,125
	Edwinstowe Respite Centre	1,484
Transport & Highways	Road Maintenance & Renewals	13,781
	Integrated Transport Measures	4,682
	A453 Widening Scheme	5,000
	Street Lighting	3,083
	Hucknall Town Centre Improvement Scheme	2,385
	Worksop Bus Station	1,903
	Ways Of Working Programme	1,824
Policy	Various IT Capital Projects	3,536
Finance & Property	Superfast Broadband	3,739
Economic Development		

Capital Programme Variations

- 8.2** The changes in the gross Capital Programme for 2015/16, since its approval at Council (26/02/15) are summarised in Table 5 below.

Table 5 2015/16 Capital Programme

	£'000
Approved per Council (Budget Report 2015/16)	112,039
Variations funded from County Council Allocations : Net slippage from 2014/15 and financing adjustments	(6,539)
Variations funded from other sources : Net slippage from 2014/15 and financing adjustments	(5,969)
Revised Gross Capital Programme	99,531

To comply with financial regulations, every item of capital expenditure incurred by the Council has to be approved, irrespective of how it is funded. The following variation to the Capital Programme requires approval by Finance and Property Committee as it is in excess of £0.250m:-

It is proposed that the 2015/16 Capital Programme for Transport & Highways Committee is varied to reflect that £0.261m external funding was secured to part fund costs associated with the Integrated Transport Measures programme.

A number of other minor variations to the capital programme have been approved by the Service Director – Finance, Procurement and Improvement. These variations are set out in Appendix D.

8.3 Maximising the use of grants in 2015/16

Sometimes when there is slippage on a scheme funded by grant, rather than slipping the grant funding for use in the next year, it is possible to use the grant to finance the expenditure on a different scheme in the current year. This does not affect the total expenditure on individual schemes, nor their phasing, but delays the use of prudential borrowing and the consequent impact on the revenue budget of having to set aside a minimum revenue provision (MRP).

Grant funding unapplied totalling £2.6m has been used to fund capital expenditure on the Early Years and Edwinstowe Respite Centre projects in 2015/16 that would otherwise have been funded from borrowing.

Slippage/re-phasing of Capital Schemes

- 8.4** In addition to the slippage and re-phasing of schemes incorporated into the Budget Report 2015/16 there has been £19.3m of further net slippage/re-phasing on a number of schemes, of which £23.2m relates to schemes funded by capital allocations (borrowing). The main areas of this further slippage/re-phasing are:-

Slippage

- Schools Capital Refurbishment Programme (£5.6m)
- School Places Programme (£3.1m)
- Living at Home (£1.9m)

The main reasons for slippage on the Schools Capital Programme are:-

- Contributions to condition works at Academies have not been made as the works have not completed.
- Deliberate stalling of works to schools that were the subject of bids to the Priority School Building Programme 2; the works were re-instated if bids were unsuccessful
- Schools are increasingly at capacity with no decant space resulting in works being re-scheduled to minimise disruption.
- Maintenance of a strong position on standardised specifications and design solutions to generate funds to support the poor 2017/18 Basic Need settlement.

Despite slippage on the main schools capital programmes it is still expected that the programmes will be delivered as agreed and within approved budgets.

Capital Financing

- 8.5 The following Table outlines how the 2015/16 capital expenditure has been financed.

Table 6 - 2015/16 Capital Financing

	Original Budget £'000	Revised Budget £'000	Total Outturn £'000	Variance £'000
Funding Source:				
Prudential Borrowing	55,452	48,913	25,703	(23,210)
Capital Grants	51,829	48,262	52,843	4,581
Revenue / Reserves	4,758	2,356	1,697	(659)
Gross Capital	112,039	99,531	80,243	(19,288)

- 8.6 Capital receipts for 2015/16 totalled £7.7m, which is £0.8m more than anticipated in the 2015/16 budget report. These capital receipts have been set against the principal of borrowing in previous years. Analysis has determined that this application of funding sources is optimum in terms of reducing the impact of the Capital Programme on the revenue account.
- 8.7 Total borrowing for the year is £25.7m, which is £23.2m less than the revised borrowing for 2015/16 of £48.9m. This is primarily as a result of the slippage/re-phasing of capital expenditure to be funded from prudential borrowing. The corresponding funding (capital allocations) will be carried forward and incorporated into the Capital Programme for 2016/17.
- 8.8 The Capital Programme for 2016/17 will be monitored to ensure that borrowing for 2016/17 is managed within the prudential limits for the year. Funding by borrowing in 2016/17 is now projected to be £78.2m. Although this is £23.5m more than the budgeted borrowing figure in the Budget Report 2016/17, any new capital expenditure slippage in 2016/17 will offset this and the Council's overall level of indebtedness is not expected to exceed previous forecasts. The size of the revised Capital Programme for 2016/17 is £112.3m.

9 Statement of Accounts

The pre-audited Statement of Accounts will be certified by the S151 Officer before 30th June to meet the statutory requirements, and be published on the Council's website. The external audit will take place over the summer months and therefore figures will be provisional, pending the completion of the audit.

Statutory and Policy Implications

- 10 This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such

implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATIONS

- 11.1 To note the provisional 2015/16 year end revenue position.
- 11.2 To recommend the level of County Fund Balances for approval by County Council as set out in section 7.1 and Appendix B.
- 11.3 To note the movements in reserves as detailed in section 7 and Appendix B.
- 11.4 To note the final position on contingency requests as detailed in Appendix C.
- 11.5 To approve the capital variations outlined in section 8.4.
- 11.6 To note the capital programme and it's financing.

Nigel Stevenson

Service Director – Finance, Procurement and Improvement

For any enquiries about this report please contact:

Glen Bicknell - Senior Accountant, Financial Strategy & Accounting

Constitutional Comments (HD 08/06/2016)

Committee has the authority to determine the recommendations within the report

Financial Comments (GB 13/05/2016)

The financial implications are set out in the report.

Background Papers

None

Electoral Division(s) and Member(s) Affected

All