

**REPORT OF THE CHAIRMAN OF FINANCE & MAJOR CONTRACTS  
MANAGEMENT COMMITTEE**

**MANAGEMENT ACCOUNTS 2016/17**

**Purpose of the Report**

- 1.1 To inform Council of the year end position for the 2016/17 Management Accounts.
- 1.2 To request that Council approves the transfer to the General Fund Balances of £3.7m.
- 1.3 To inform Council of the position on other reserves of the Authority.
- 1.4 To inform Council of the year end position for the 2016/17 Capital Programme and its financing.
- 1.5 To inform Council that capital expenditure and borrowing in 2016/17 were managed within the Council's Prudential Indicators.
- 1.6 To inform Council of Treasury Management activities during 2016/17.
- 1.7 To request approval for an amendment to the 2016/17 and 2017/18 MRP Policy.

**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 Committee providing an update of progress, thus ensuring decision makers had access to financial information on a timely basis. Draft Management Accounts were reported to Finance and Major Contracts Management Committee on 19 June 2017, this report is the final out-turn for 2016/17, and this is in line with the forecast position.

**3. Summary Financial Position**

- 3.1 Through continued prudent financial management, Committee budgets have achieved a net underspend of £11.4m or 2.2% of net Committee budgets. This compares to a period 11 forecast of £6.6m.
- 3.2 The level of General Fund balances, subject to approval by County Council, will increase by £3.7m to £27.7m. This results in a closing balance that is £7.4m higher than originally planned.

3.3 Table 1 shows the summary revenue position of the County Council. Further detail, including the position on reserves, is provided in the appendices to this report.

**Table 1 – Summary Financial Position**

<b>Committee</b>	<b>Final Budget £'000</b>	<b>Draft Out-turn £'000</b>	<b>Draft Variance £'000</b>
Children & Young People	129,985	133,412	3,427
Adult Social Care & Health	214,095	206,423	(7,672)
Transport & Highways	59,495	58,916	(579)
Environment & Sustainability	32,547	32,283	(264)
Community Safety	3,096	3,196	100
Culture	13,204	12,947	(257)
Policy	23,219	22,202	(1,017)
Finance & Property	29,253	28,757	(496)
Personnel	11,150	10,614	(536)
Economic Development	1,545	1,443	(102)
Public Health	5,360	1,389	(3,971)
<b>Net Committee (under)/overspend</b>	<b>522,949</b>	<b>511,582</b>	<b>(11,367)</b>
Central items	(23,489)	(29,652)	(6,163)
Contribution to Schools Expenditure	621	621	-
Contribution to/(from) Traders	155	(31)	(186)
<b>Forecast prior to use of reserves</b>	<b>500,236</b>	<b>482,520</b>	<b>(17,716)</b>
Transfer to / (from) Corporate Reserves	(11,847)	(7,724)	4,123
Transfer to / (from) Departmental Reserves	(5,752)	412	6,164
Transfer to / (from) General Fund	(3,741)	3,688	7,429
<b>Net County Council Budget Requirement</b>	<b>478,896</b>	<b>478,896</b>	<b>-</b>

#### 4. Net Committee Spend

The overall net underspend within the Committees is £11.4m and the principal reasons for the variations are detailed below.

##### 4.1 Children & Young People (£3.4m overspend, 2.6% of Committee budget)

The Children's Social Care Division has overspent by £2.7m. This net position includes overspends of £2.6m on Provider Services (Looked after Children placements), £0.3m on staffing in social work and safeguarding teams, £0.1m on transport and £0.2m on various other budgets across the Division. These variances have been offset by a £0.3m underspend on non LAC placements and a £0.2m underspend on the Children with disabilities homes budget.

The final outturn for Education Standards and Inclusion Division is a net overspend of £1.7m. Within this, there is an overspend of £2.0m on Special Education Needs and Disability (SEND) home to school transport where demand has exceeded the budget. This has been partly offset by a £0.2m underspend on the Virtual School, with expenditure being charged to the Pupil Premium Looked after Children grant, together with a £0.1m over-achievement of sold service income.

A net underspend of £0.6m has been delivered in the Youth, Families and Culture Division. This is due to a £0.4m underspend across the Family Service and Youth Justice budgets,

arising primarily from savings within employee costs and activities and support budgets, together with a £0.2m underspend in the Integrated Children's Disability Service.

There is also an underspend of £0.4m in Business Support which relates to savings associated with holding vacancies in anticipation of future years' budget savings.

#### **4.2 Adult Social Care and Health (£7.7m underspend, 3.6% of Committee budget)**

The Strategic Commissioning, Access and Safeguarding Division has underspent by £0.8m which is mainly due to a £0.4m underspend due to the new Advocacy contract let in October, a £0.3m underspend on Learning Disability Commissioning and a £0.5m underspend on the ICELS pooled budget. This has been partially offset by a £0.4m overspend due to an investigation into an external provider and Direct Payment Support Service (DPSS) transfer fees.

A net underspend of £1.9m has been achieved in the North and Direct Services budgets. This is mainly due to a £0.7m 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. In addition there is a £0.7m underspend on Bassetlaw Care Packages due to an underspending on Younger Adults, partially offset by an overspend in Older Adults.

The Mid and South Nottinghamshire Divisions have underspent by £5.0m which is mainly due to an underspend of £3.1m on Older Adults Care Packages, together with an underspend of £1.7m on Younger Adults Care Packages. This underspend has increased by £1.4m since Period 11 as a result of further reductions to Older Adult commitments and increased Continuing Healthcare income.

#### **4.3 Transport & Highways (£0.6m underspend, 1.0% of Committee budget)**

The net underspend above is made up of a £0.6m underspend in the Transport Division due to the reduction of concessionary fare payments, through reduced patronage, beneficial contractor agreements and changes in eligibility criteria.

#### **4.4 Environment and Sustainability (£0.3m underspend, 0.8% of Committee budget)**

The net underspend is due to a £0.5m underspend on non-PFI contract costs, due to trade waste income and energy rebates, partially offset by a £0.1m shortfall in planning fee income and a £0.1m revenue contribution to capital expenditure on the Eastcroft Plant.

#### **4.5 Community Safety (£0.1m overspend, 3.2% of Committee budget)**

The Committee overspend is due to a small variance on the Coroners Service.

#### **4.6 Culture (£0.3m underspend, 1.9% of Committee budget)**

The net underspend of £0.3m is due mainly to commercial activity during the year in Country Parks, together with the vigilant use of the temporary transition budget during the first year of the Inspire contract.

#### **4.7 Policy (£1.0m underspend, 4.4% of Committee budget)**

This net underspend is due mainly to reduced insurance costs and increased income in Democratic Services, together with reduced external legal fees, vacancy savings in the Business Support Centre and a reduced use of agency staff in the Programmes and Projects Team. £0.3m relates to a payment which was anticipated in the 2015/16 accounts and which has now been confirmed as not outstanding. The above underspends are offset by some of the costs associated with the May 2017 local elections which would have previously been funded by contingency.

#### **4.8 Finance and Property (£0.5m underspend, 1.7% of Committee budget)**

The County Offices and Facilities Management Division underspent by £0.2m due mainly to reduced utility charges and reduced business rates payable on County Offices premises. A net underspend of £0.1m has been achieved in Property due to an underspend on planning consultancy and the Finance and Procurement Division has delivered further underspends of £0.2m due to staff vacancies.

#### **4.9 Personnel (£0.5m underspend, 4.8% 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 (£0.1m underspend, 6.6% of Committee budget)**

The underspend of £0.1m has occurred due to the contract surplus for the Innovation Centre.

#### **4.11 Public Health (£4.0m 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 underspend increased by £1.9m since Period 11 and is mainly due to slippage in activity against the Health Check Programme, together with an underspend against the Smoking and Tobacco Programme and the Public Health Directorate. In addition the service has been able to secure further section 256 funding towards a number of public health programmes.

### **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 (£6.2m underspend)**

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 Contingency (£5.2m underspend) (for detail please refer to Appendix C)**

The total 2016/17 contingency budget was originally set at £5.8m to cover both redundancy and general contingency requirements. Further adjustments increased this by £2.5m during 2016/17. Requests are received throughout the year from Committees and are approved through the budget monitoring reports presented to Finance and Property Committee or by the Section 151 Officer.

#### **6.2 Government Grants (£3.6m 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 £1.6m underspend.

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. In 2016/17 there is a £1.4m pool contribution to the N2 reserve as agreed and reported at Economic Prosperity Committee. There is also a £0.6m contribution which is the Authority's share of the 2016/17 pool surplus.

### 6.3 Statutory Provision for Debt Redemption (£3.1m overspend)

The Council is under a statutory duty “to determine for the current financial year an amount of MRP which it considers to be prudent”. The Minimum Revenue Provision (MRP) charged to the General Fund in 2016/17 has been determined at £3.1m.

## 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 £3.7m of General Fund Balances. Given the underspend that has been achieved, it is recommended that a contribution of £3.7m is made to the General Fund. Subject to Council approval, the closing balance of the Council’s General Fund will increase from £24.0m to £27.7m.

### 7.2 Other Earmarked Reserves

At the end of 2016/17 other ‘earmarked’ reserves totalled £111.7m, a decrease of £10.0m since 31 March 2016. This consists of the following:

- **PFI Reserves**

£29.5m of reserves are held for PFI schemes and this equates to 26.4% 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 2016/17 are shown in the table below.

**Table 2 – PFI set aside as at 31/03/2017**

<b>PFI Scheme</b>	<b>£'000</b>
East Leake Schools	3,241
Bassetlaw Schools	569
Waste	25,651
<b>Total</b>	<b>29,461</b>

- **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 £16.3m.

- **Capital Projects Reserve**

The Capital Projects Reserve supports the Medium Term Financial Strategy as well as current and future capital commitments. In 2016/17 there was a net contribution to the reserve of £1.5m. As at 31 March 2017, the balance on the Capital Projects Reserve is £13.6m.

- **Strategic Development Fund**

It was approved that the Strategic Development Fund (SDF) reserve would be brought together with the Improvement Programme reserve (Finance and Property Committee, June 2016) to fund on-going transformational costs. In 2016/17, £3.0m was drawn down to fund

costs associated with the Programmes and Projects team in addition to specific transformational projects. In 2017/18 and 2018/19, it has been agreed that costs associated with the Programme and Projects team are funded from the capital receipts flexibility directive.

- **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 £5.0m. As reported in the 20<sup>th</sup> March 2017 Finance and Property report any underspending on the amount set aside from contingency for redundancy in year would be transferred into this reserve. A contribution of £1.2m has therefore been made to this 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 £8.1m to £41.6m.

- **NDR Pool Reserve**

The pool was established in April 2013 when a new funding mechanism was introduced with the seven District and Borough Councils. There was a net increase of £0.7m in 2016/17. Of the £6.0m year-end balance £1.7m is the County's share of the pool surplus, the remaining balance (£4.3m) is the money set aside for the pool.

- **Earmarked Reserve**

Earmarked reserves contain balances of reserves previously held under services but have been deemed no longer required for their original purpose. As part of the reserves strategy a budget of £7.3m was set. One-off income and write-offs during the year has reduced the call on this budget so only £6.6m was used in 2016/17. Following an exercise in the summer additional earmarked for services reserves have transferred in to leave the balance at £9.6m.

## 8 Capital Expenditure

8.1 Capital Expenditure in 2016/17 totalled £74.931m. Table 3 shows the final 2016/17 Capital Programme broken down by Committee.

**Table 3 – 2016/17 Capital Expenditure**

Committee	Original Budget £'000	Revised Budget £'000	Total Outturn £'000	Variance £'000
Children & Young People	39,465	25,711	19,687	(6,024)
Adult Social Care & Health	7,060	4,011	2,732	(1,279)
Transport & Highways	36,030	39,496	35,200	(4,296)
Environment & Sustainability	2,745	2,724	2,934	210
Community Safety	100	100	-	(100)
Culture	4,912	975	309	(666)
Policy	244	255	240	(15)
Finance & Property	14,948	11,235	9,214	(2,021)
Personnel	70	252	225	(27)
Economic Development	4,731	4,425	4,390	(35)
Contingency	2,000	-	-	-
<b>Total</b>	<b>112,305</b>	<b>89,184</b>	<b>74,931</b>	<b>(14,253)</b>

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

The major areas of investment in 2016/17 are listed in Table 4 below.

**Table 4 – Major investment areas 2016/17**

Committee	Scheme	2016/17 Capital Expenditure £'000
Children & Young People	School Places Programme	14,505
	School Capital Refurbishment Programme	2,977
	Clayfields House	1,429
Transport & Highways	Road Maintenance & Renewals	14,029
	Integrated Transport Measures	3,382
	Hucknall Town Centre Improvement Scheme	6,621
	Street Lighting	2,707
	Rolls Royce Development	3,245
	A57 Roundabout	2,244
Adult Social Care & Health	Living at Home	2,236
Finance & Property	Various IT Capital Projects	2,805
Economic Development	Superfast Broadband	3,529

## Capital Programme Variations

8.2 The changes in the gross Capital Programme for 2016/17, since its approval at Council (25/02/16) are summarised in Table 5 below.

**Table 5 2016/17 Capital Programme**

	£'000
Approved per Council (Budget Report 2016/17)	112,305
Variations funded from County Council Allocations : Net slippage from 2015/16 and financing adjustments	(23,574)
Variations funded from other sources : Net slippage from 2015/16 and financing adjustments	453
<b>Revised Gross Capital Programme</b>	<b>89,184</b>

### 8.3 Maximising the use of grants in 2016/17

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 £14.8m has been used to fund capital expenditure on projects in 2016/17 that would otherwise have been funded from borrowing.

### 8.4 Slippage/re-phasing of Capital Schemes

In addition to the slippage and re-phasing of schemes incorporated into the Budget Report 2016/17 there has been £14.3m further slippage.

#### Main Areas of Slippage

- Schools Capital Refurbishment Programme (£1.8m)
- School Places Programme (£3.5m)
- Integrated Transport Measures (£1.4m)
- Harworth Access Link (£0.8m)

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



- 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 future School Places programme.

The main reasons for slippage on the Transport and Highways Capital Programme are:-

- External funding used to fund the Harworth Access Link capital project has been re-profiled into 2017/18.
- Unforeseen railway works have delayed a capital project funded from within the Roads Maintenance and renewals programme which will now be delivered in 2017/18..
- The nature of consultation involved in a number of projects within the Integrated Transport Measured Programme has resulted in funding being re-profiled into 2017/18.

Despite slippage on both the Schools Capital Programme and the Transport and Highways Capital Programme it is still expected that the programmes will be delivered as agreed and within approved budgets.

### Capital Financing

8.5 Table 6 below outlines how the 2016/17 capital expenditure has been financed.

**Table 6 - 2016/17 Capital Financing**

	Original Budget £'000	Revised Budget £'000	Total Outturn £'000	Variance £'000
<b>Funding Source:</b>				
Prudential Borrowing	54,723	31,149	8,964	(22,185)
Capital Grants	56,877	55,560	62,575	7,015
Revenue / Reserves	705	2,475	3,392	917
<b>Gross Capital</b>	<b>112,305</b>	<b>89,184</b>	<b>74,931</b>	<b>(14,253)</b>

8.6 Capital receipts for 2016/17 totalled £4.3m, which is £10.8m less than anticipated in the 2016/17 budget report. This is mainly as a result of a small number of high value capital receipts that were not completed in 2016/17. The 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 £9.0m, which is £22.1m less than the revised borrowing for 2016/17 of £31.1m. 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 2017/18 will be monitored to ensure that borrowing for 2017/18 is managed within the prudential limits for the year. Funding by borrowing in 2017/18 is now projected to be £80.1m. Although this is £23.2m more than the budgeted borrowing

figure in the Budget Report 2017/18, any new capital expenditure slippage in 2017/18 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 2017/18 is £123.1m.

## **9 Treasury Management Activities**

- 9.1 All treasury management activities during 2016/17 were carried out within approved limits and adhered to approved policies and practices. Appendix E provides a full report on these activities.

## **10 Minimum Revenue Provision**

- 10.1 Approval for an amendment to the Council's Minimum Revenue Provision (MRP) Statement is sought. Appendix F provides details of the proposed change to the MRP policy.

## **11 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**

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**

1. To note the provisional 2016/17 year end revenue position.
2. To approve the level of County Fund Balances as set out in section 7.1 and Appendix A.
3. To note the movements in reserves as detailed in section 7 and Appendix B.
4. To note the Capital Programme and it's financing.
5. To note that the Council's Prudential Indicators were not breached in 2016/17 as detailed in Appendix D.
6. To note the Treasury Management outturn report in Appendix E.
7. To approve the revised MRP Policy for 2016/17 and 2017/18 as set out in Appendix F.

**Councillor Richard Jackson**

**Chairman of Finance and Major Contracts Management Committee**

**For any enquiries about this report please contact:**

Keith Palframan – Group Manager, Financial Strategy & Compliance

**Constitutional Comments (KK 03/07/2017)**

The proposals in this report are within the remit of Full Council

**Financial Comments (GB 03/07/2017)**

The financial implications are set out in the report.

**Background Papers**

None

**Electoral Division(s) and Member(s) Affected**

All