

**Name of meeting: Cabinet**  
**Date: 24 May 2016**

**Title of report: EARLY REVIEW OF 2015-16 COUNCIL GENERAL FUND REVENUE OUTTURN**

Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	N/A
Is it in the <a href="#">Council's Forward Plan</a> ?	Yes
Is it eligible for "call in" by <a href="#">Scrutiny</a> ?	No
Date signed off by <u>Director</u> & name	David Smith
Is it signed off by the Director of Resources?	Yes 13/05/2016
Is it signed off by the Assistant Director – Legal, Governance and Monitoring?	Yes 22/04/2016
Cabinet member <a href="#">Directorate</a>	Resources

**Electoral [wards](#) affected: All**  
**Ward councillors consulted: None**

**Public or private: Public**

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## 1. Purpose of report

- 1.1 This report provides an indicative outturn financial position for 2015-16 and a range of proposals.
- 1.2 The finalised revenue outturn position for 2015-16, in conjunction with the capital outturn position, and proposals for rollover, will be reported in more detail to Cabinet & Council on 28 and 29 June 2016 respectively.

## 2. Key points

- 2.1 Quarter 3 monitoring to Cabinet on 8 March 2016 had reported a forecast Central Budgets saving of £4.1m; largely attributable to Treasury

Management at £2.3m and Central Contingencies at £1.6m. There was also a forecast saving on Joint Services at £0.7m. As reported at Quarter 3, some of the underspend was one-off in nature, and some e.g. Treasury Management, considered more sustainable and factored into the approved Council budget plans for 2016-19.

- 2.2 Since Quarter 3 monitoring, there has been a further increase in Central Budget underspend by £2.7m, to £6.8m. The shift from Quarter 3 includes further Treasury Management underspend at £0.6m, and within central budget contingencies, a dividend payment from Yorkshire Purchasing Organisation at £0.7m, insurance fund surplus of £0.7m and a further £0.5m relating to a one-off supplementary new burdens (property searches) grant allocation from Government. The underspend is also net of £0.2m specific transformation costs (see also, para 2.8 below).
- 2.3 This has created an opportunity to fund existing capital expenditure differently. Instead of utilising planned borrowing it is proposed to use this unspent central contingency. This in turn will reduce future year financing costs with an estimated medium term financial plan (MTFP) annual saving of £320k against Treasury Management revenue budget, from 2016-17 onwards.
- 2.4 Furthermore it is also proposed to defer drawdown of £1.3m earmarked reserves from 2015-16 to 2016-17, which relates to uncommitted public health funding contributions built up from previous years. This was earmarked to be drawn-down to help offset the impact of an in-year 6% reduction in the public health specific grant allocation to Councils, announced by Government as part of its 8 July 2015 budget statement. The in-year grant reduction for this Council was £1.6m.
- 2.5 The 2016-17 financial settlement included government commitment to consider public health specific grant reductions beyond 2015-16, but that this would be subject to further consultation. Council approved budget plans for 2016-19 acknowledged government intent, whilst at the time reflecting the base specific grant allocations included in the 2016-17 financial settlement.
- 2.6 On the 11<sup>th</sup> February 2016 the Government concluded its consultation, and announced that public health specific grant allocations to Councils will reduce by 7.7% compared to the base grant allocations included in the 2016-17 financial settlement; equivalent to £2.3m grant reduction for this Council. This is a permanent reduction.
- 2.7 Deferral of £1.3m public health reserves drawdown to 2016-17 will help officers to buy time to consider options for sustainable savings against public health activity in light of the permanent £2.3m specific grant reduction in 2016-17.
- 2.8 The £3m New Council Transformation reserve was created to help resource the Council achieve the scale of transformation required to deliver 2016-19 forward budget plans. These proposals seek to carry this reserve forward in full, to 2016-17, and that any in-year spend that would have otherwise been

met by this reserve (£0.2m), be accommodated within the overall Central Budget.

- 2.9 It is also proposed that the existing reserve is increased in-year, by an additional £1m, to £4m. The increase is to recognise the increased scale of transformation required and anticipated upfront funding to realise these savings over a longer time frame.
- 2.10 The forecast overall Directorate revenue outturn position for 2015-16 indicates that there is sufficient headroom to accommodate the reserves proposals set out in paras 2.3 and 2.9 above.
- 2.11 Table 1 below gives an overview of the updated provisional general fund revenue outturn position for 2015-16, after taking account of all the proposals set out in this report:

**Table 1; Summary provisional general fund revenue outturn position 2015-16 following the adjustments outlined in this report.**

Description	Net revenue Budget	Draft Revenue Outturn	Variance
	£m	£m	£m
Directorates	265.8	260.9	(4.9)
Central Budgets	47.2	47.2	Nil
<b>Sub-total</b>	<b>313.0</b>	<b>308.1</b>	<b>(4.9)</b>
District Committee managed budgets	1.1	0.2	(0.9)
<b>Total</b>	<b>314.1</b>	<b>308.3</b>	<b>(5.8)</b>

- 2.12 The provisional general fund revenue outturn position indicates a net underspend of £5.8m or 1.8%, against £314.1m revenue budget, across Directorates and District Committees.
- 2.13 It is anticipated that the District Committee saving will automatically roll forward into 2016-17. The finalised revenue outturn position, including any proposals for rollover, will be reported to Cabinet on 28 June and Council on 29 June, 2016.

### **3. Implications for the Council**

- 3.1 The proposals set out in this report are based on the provisional Council general fund revenue outturn position as at 11 May 2016. These proposals provide a number of opportunities to deliver unplanned savings and provide resources for invest to save initiatives, which will place us in a stronger financial position going forward.

- 3.2 There is an accompanying report on this Cabinet Agenda relating to emerging issues that have been identified relating to; child protection and social work practice, the actions already taken and key priorities for the children's service going forward.
- 3.3 This report acknowledges these emerging issues and resource implications in the context of the early outturn review. Work is currently taking place to quantify the likely cost and identify funding. At this stage based on a six month period of intensive work, the estimated cost for 2016/17 to be met from reserves is £1.6 million. Further details are set out in the report elsewhere on the agenda. In addition, we have seen a 5% increase in the number of looked after children over the last quarter of 2015/16. This is likely to place further pressure on the Council's budget in the longer term. The actual drawdown requirements will be reported to Cabinet through 2016-17, as part of quarterly financial monitoring. The balance of the risk based contingency at 31<sup>st</sup> March 2016 was £7.528 million.
- 3.4 The above approach is consistent with the 17 February 2016 Budget Council approved 2016-19 medium term financial plan, which included member endorsement for the requirement to continue to set aside existing corporate risk reserves for the purposes such as those referred to in the accompanying corporate risk register, which includes reference to safeguarding risks associated with the care of children, and inspection and external scrutiny as potential risk areas, and any associated significant one-off costs, which the risk reserve was provided for.

#### **4. Consultees and their opinions**

This report has been prepared by the Director of Resources in consultation with Cabinet members.

#### **5. Next steps**

Cabinet members to support the proposals set out in this report.

#### **6. Officer recommendations and reasons**

It is recommended that members support the proposals to:-

- i) apply Central Budget underspend to existing capital spend, as set out in paragraph 2.3;
- ii) defer drawdown of earmarked reserves from 2015-16 to 2016-17 as outlined in paragraph 2.4;
- iii) provide additional resource to support the New Council Transformation reserve as detailed in paragraph 2.8
- iv) To receive further reports detailing the finalised revenue outturn position reported to Cabinet on 28 June and Council on 29 June.

- v) Note the additional resource requirement arising from the issues set out in paragraphs 3.2 to 3.4 and the proposed drawn down of the organisational risk reserve, and to receive further updated information as part of the Corporate Financial monitoring reports during 2016-17.

**7. Cabinet Directorate holder recommendation**

The Resources portfolio holder supports the officer recommendations.

**8. Contact officer and relevant papers**

Debbie Hogg, Assistant Director, Finance, Performance,  
Risk & IT 01484 221000  
(74231 internal)

**9. Director responsible**

David Smith, Director of Resources 01484 221124  
(72300 internal)