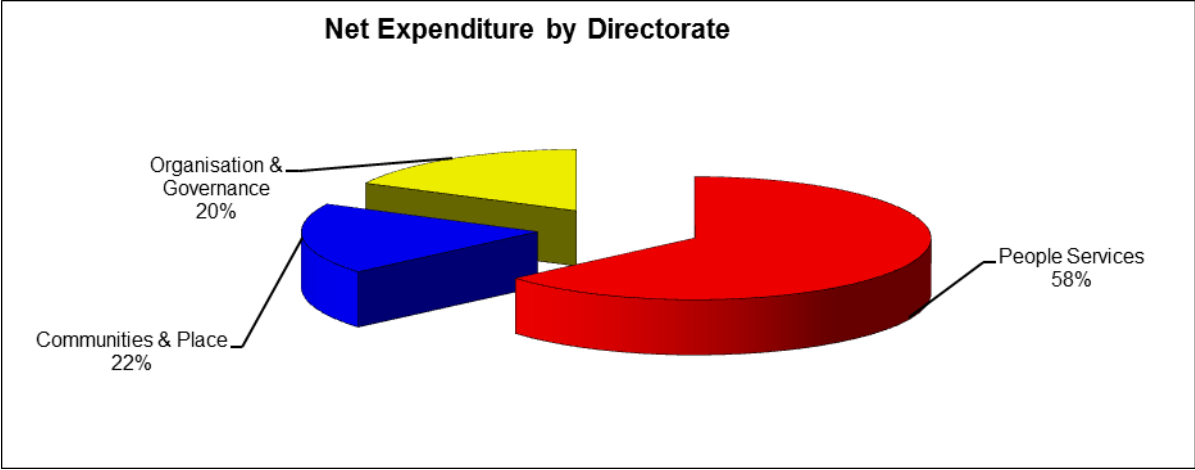


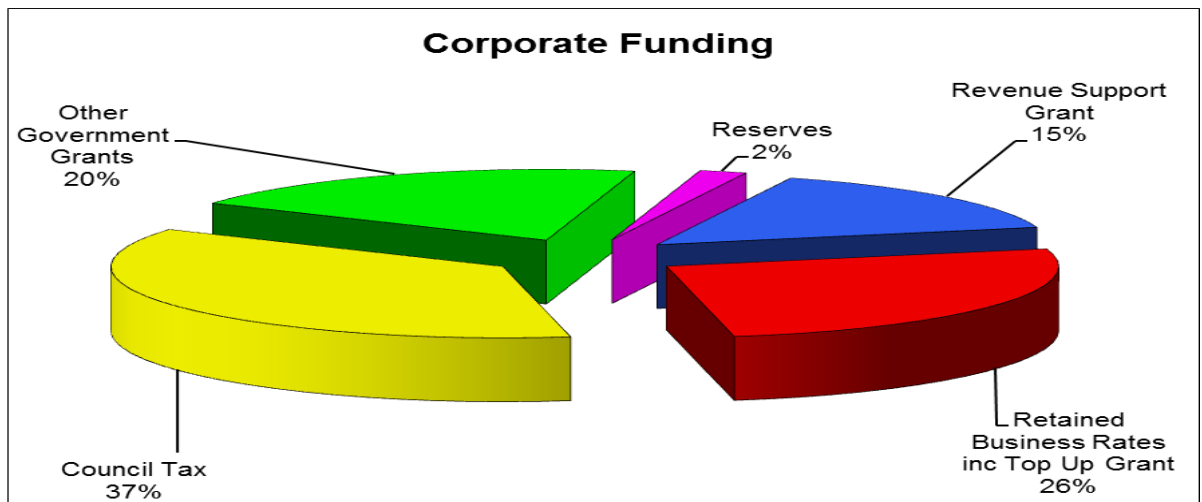
Budget Outturn 2016/17

SUMMARY

- 1.1 This report summarises the overall financial position at the end of the 2016/17 financial year against the budget approved by Council on 3 February 2016. In summary, the year-end outturn was as follows:
- **Revenue budget** : £0.2m underspend against the approved budget of £219.2m;
 - **Capital budget**: The capital programme was revised during the year from £106.2m to £55.3m as a result of delays in major projects including the Waste Plant (£25.0m). Actual expenditure was £52.5m
 - **Reserves**: the General Reserve balance was £8.8m as at 31 March 2017;
 - **Treasury**: Total debt was £458.5m and total Investments £69.7m at the 31 March 2017; no prudential indicators set by Council were breached in the year;
 - **Dedicated Schools Grant (DSG)**: The total grant of £205.1m was underspent by £1.3m on the centrally retained elements and moved to an earmarked reserve;
 - **Collection Fund**: the total deficit attributable to the Council was £3.0m due mainly to increased challenges from businesses in respect of property valuations.
- 1.2 Further analysis and explanations of key variances are provided in section 4 to 10 of the report.
- 1.3 Included in the revenue outturn are delivered savings of £18.0m; 94.5% of the £19.0m savings target set by Council. A summary of the net revenue cost by directorate is set out below:



The net revenue budget was funded as follows:



RECOMMENDATIONS

- 2.1 To note the revenue outturn and key budget variances set out in the report in section 4 and the savings delivered in the year in section 5;
- 2.2 To note the capital outturn and the capital expenditure incurred during the year summarised in section 6;
- 2.3 To note the reserves position at the year-end as set out in section 7;
- 2.4 To note the Council's treasury position at the year end and performance in the year, section 8;
- 2.5 To note the DSG position and balance at the year-end summarised in section 9; and
- 2.6 To note the Collection Fund deficit for the year set out in section 10.
- 2.7 To delegate authority to the s151 Officer to reflect any changes to the financial outturn arising from the External Audit of the Council's 2016/17 Statement of Accounts and report these to the Audit and Accounts Committee.

REASON FOR RECOMMENDATIONS

- 3.1 To note the financial outturn and authorise the section 151 Officer to make any necessary adjustments in order to comply with the requirement to prepare and publish the Council's Statement of Accounts for audit by the Council's external auditors.

SUPPORTING INFORMATION

4.1 The following notes, in sections 4 to 10, provide further analysis and explanations of key variances for each element of the financial outturn.

4.2 Revenue Budget

4.3 The major over / (underspends) by directorate are set out in the table below and result in an overall underspend of £0.2m against budget of £219.225m, a variance of 0.1%.

Directorate	Original Budget £000's	Actual Spend £000's	Over/(under) Spend £000's	Use of Reserves £000's	Final Variance £000's
Peoples Services	136,628	140,029	3,401	1,132	2,269
Communities and Place	42,117	43,396	1,279	783	496
Organisation and Governance	44,642	38,092	(6,550)	(3,585)	(2,965)
Sub Total	223,387	221,517	(1,870)	(1,670)	(200)
Original approved use of reserves	(4,162)	(4,162)	-	-	-
TOTAL	219,225	217,355	(1,870)	(1,670)	(200)

4.4 The major variances by directorate are provided below:

4.4.1 Peoples Services Directorate

Department	Original Budget £000's	Actual Spend £000's	Over/(under) Spend £000's	Use of Reserves £000's	Final Variance £000's
Adults Services	86,684	89,631	2,947	877	2,070
Children's Services	49,944	50,398	454	255	199
Peoples Services	136,628	140,029	3,401	1,132	2,269

4.4.2 The Directorate's full year revenue outturn was a total spend of £140.029m, £2.269m over its allocated budget of £136.628m. The main variances can be explained as follows:

4.4.3 **Adult Services** incurred an overspend of £2.070m due to increased demand in community based packages of homecare and direct payments across the 4 Locality Teams partially offset by lower demand for residential and nursing placements. Additional savings in Housing Related Support and unplanned external contributions assisted in containing the department's overspend.

- 4.4.4 Public Health has also contributed to the directorate position by returning and underspend of (£0.591m) relating mostly from variances in demand led contracts and staffing vacancies.
- 4.4.5 **Children's Services** incurred an overspend of £0.199m overspend by successfully managing agency placement budgets for looked after children, an increased reliance on agency social workers (which is being addressed through recruitment initiatives and regional agreements around fee levels of agency social work) and overspends in relation to safeguarding, legal fees, transport costs in relation to contact for children in care and interpreting.
- 4.4.6 These overspends have been mitigated by savings in contract management and staffing underspends in the Learning and Inclusion Division together with other minor underspends across the service.
- 4.4.7 During the year, the department strengthened its governance arrangements to effectively challenge and manage demand; including the establishment of a review panel for externally commissioned placements, a process of robust review and challenge for all external placements, and an enhanced approval process for complex cases and allow enhanced cost management.

4.5 Community and Place Directorate

Department	Original Budget £000's	Actual Spend £000's	Over/(under) Spend £000's	Use of Reserves £000's	Final Over/(under) Spend £000's
Strategic Partnerships, Planning & Streetpride	27,039	26,335	(704)	(147)	(557)
Leisure, Culture and Tourism	7,491	7,564	73	(200)	273
Regeneration, Property & Housing	5,901	7,413	1,512	1,051	461
Communities, Environment & Regulatory Services	1,686	2,084	398	79	319
Communities and Place	42,117	43,396	1,279	783	496

- 4.5.1 The Directorate's full year revenue outturn was a total spend of £43.396m, £0.496m over its allocated budget of £42.117m after £0.783m use of reserves. The main variances can be explained as follows:
- 4.5.2 The overspend has arisen through unachieved income targets in particular areas, delays in delivering planned savings and efficiencies and the balancing of expenditure between capital and revenue funding that has led to unbudgeted revenue expenditure; this has then been partly offset by overachievement of income and minimising expenditure where possible.

- 4.5.3 The Directorate's Budget assumed additional income from fees and charges which did not materialise in Engineering, Development Control and Leisure Centres creating a shortfall of £0.9m.
- 4.5.4 There have been delays in the delivery of savings, totalling £0.423m, in two key areas; staffing shortages delayed the implementation of savings to reduce the use of the black bin for the disposal of garden waste and the profile of savings delivery in relation to Housing Management savings changed as the detailed plans were developed.
- 4.5.5 Revenue overspends occurred in the against the Building Repairs and Maintenance budget as the funding was changed between the capital and revenue budgets, in line with the type of works that needed to be delivered (the market hall roof, lift replacement schemes and Fire Risk Assessments). Across the Directorate there was also slippage on the financing of external projects and costs associated with internal staffing restructures that contributed to the over spend.
- 4.5.6 The above overspends and reduced income have been partly mitigated by additional income from new and existing enforcement sites across the city and rental income of Theatre Walk; in total £0.733m. In addition, staff vacancy savings and delayed expenditure in Culture and Business Development contributed £0.318m surplus to support reduce the over spend.

4.6 Organisation and Governance Directorate

Department	Original Budget £000's	Actual Spend £000's	Over/(under) Spend £000's	Use of Reserves £000's	Final Variance £000's
Corporate	18,022	11,409	(6,613)	(4,348)	(2,265)
Resources	26,620	26,683	63	763	(700)
Organisation and Governance	44,642	38,092	(6,550)	(3,585)	(2,965)

- 4.6.1 The Directorate's full year revenue outturn was a total spend of £38.092m, £2.965m less than its allocated budget of £44.642m after movements in reserves of £3.585m. The main variances can be explained as follows:
- 4.6.2 Corporate resulted in an underspend of £2.265m due to a one off savings re: unrepresented cheques, treasury management savings from revised Minimum Revenue Provision (MRP) offset in part by greater than anticipated loan interest and a reduction in the contribution received from the DSG towards corporate activities supporting schools.
- 4.6.3 Resources generated an under spend of (£0.700m) mainly due to a review of the position of housing benefit overpayment recovery and adjustments to the provision for bad debts.

5.1 Savings delivery

5.1.1 The Council's Revenue budget for 2016/17 included savings targets for each directorate in order to support a balanced budget position. The achievement of these savings has been included within the overall budget outturn position.

2016/17 Directorate Savings Targets	Savings Targets £'000s	Savings Delivered £'000s	Year End Shortfall £'000s	Year End Variance %
Peoples Services	5,758	5,531	227	3.9%
Communities and Place	5,453	4,630	823	15.09%
Organisation and Governance	7,798	7,798	-	-
Total	19,009	17,959	1,050	5.5%

5.1.2 The following notes provide a summary of each directorate's performance in delivering its savings targets:

5.1.3 **People's Services:** achieved permanent savings of £5.531m. A shortfall of £0.227m of the total savings target has not been achieved in 2016/17 due to the exit strategy around voluntary sector grants leading to a final payment being due to voluntary sector organisations. This will be achieved in future years.

5.1.4 **Communities and Place** have achieved £4.630m of the target, a shortfall of £0.823m. Action plans to achieve these savings have been developed to deliver in 2017/18 including:

- Efficiencies in the management and operation of the Housing Management and Repairs services (£0.246m)
- Diversion of garden waste from black bin change in policy (£0.177m)
- Variation in waste tonnages (£0.074m)
- Additional income and some deletion of posts (£0.184m)
- Review of Pool programme at Queens to maximise usage and income (£0.042m)
- General Efficiencies in Leisure (£0.100m).

5.1.5 **Organisation and Governance:** All of the planned savings of £7.798m have been achieved.

6.1 Capital

6.2 The final capital expenditure outturn for 2016/17 was £52.446m, £53.779m below the approved budget of £106.225m. During the year, the capital programme was revised to reflect delays in key projects in waste management, regeneration and housing resulting in a planned level of capital expenditure of £55.300m.

6.3 The table below analyses the main variances by service against the original budget and revised programme:

2016/17 Capital Programme by Service Area	Approved Capital Budget	Actual Spend	(Under)/Overspend	Revised Capital Programme
	£000's	£000's	£000's	£000's
Schools	8,957	5,817	(3,138)	5,735
Housing General Fund	2,429	2,229	(200)	2,494
Property Improvement	937	4,214	3,277	4,320
Property Maintenance	4,983	2,175	(2,808)	1,498
Flood Defence	11,163	8,187	(2,976)	9,411
Highways & Transport	10,454	5,599	(4,855)	7,101
Vehicles Plant & Equipment	26,494	617	(25,877)	683
Regeneration	17,747	9,066	(8,681)	9,147
Information and Communication Technologies (ICT)	500	601	101	666
Housing Revenue Account (HRA)	22,561	13,940	(8,621)	14,245
Total	106,225	52,446	(53,779)	55,300

6.4 At the end of the year a total of £4.217m of the capital programme budget was approved to be carried forward into 2016/17 reflecting revised phasing of the planned expenditure.

6.5 The main variances between actual capital expenditure and the approved budget are as follows:

6.5.1 **Vehicles Plant and Equipment:** Waste Plant, £25.0m due to contractual complications within the key contractor

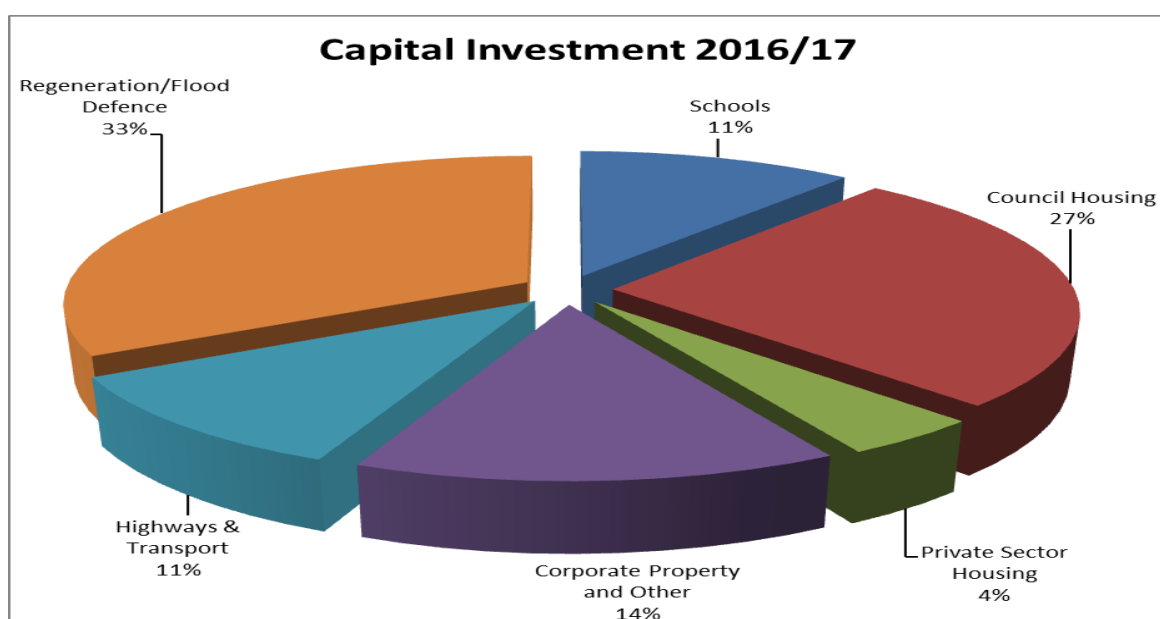
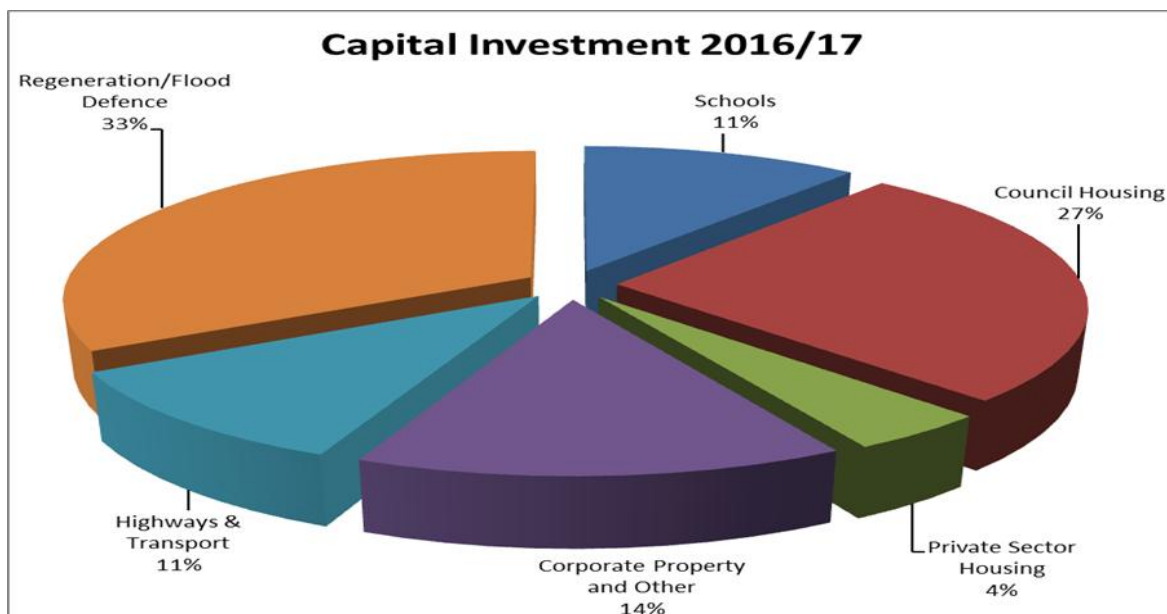
6.5.2 **Regeneration:**

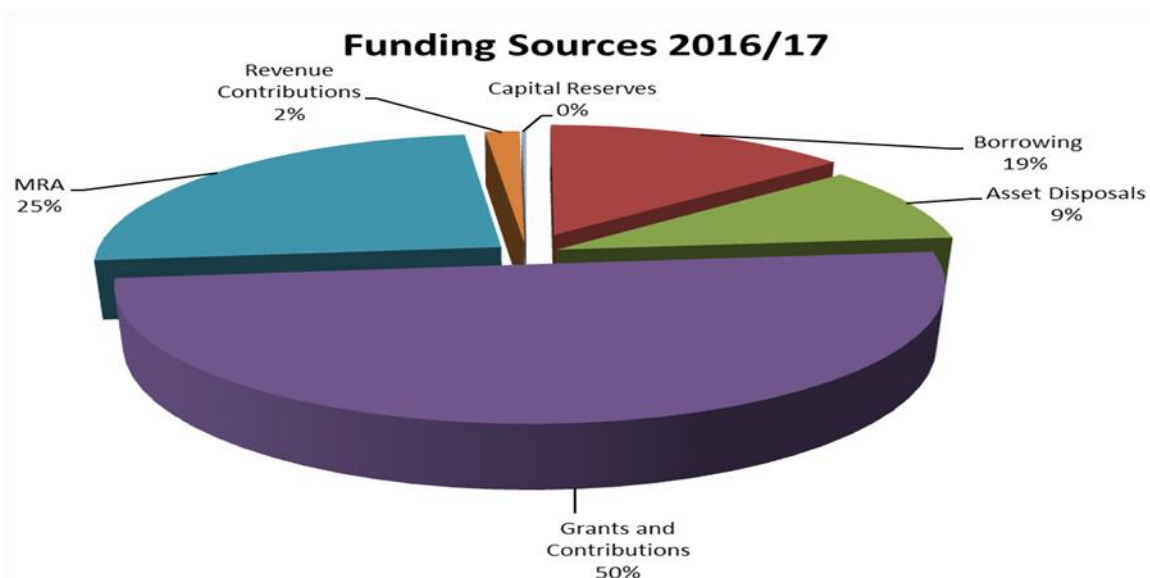
- City Living Project: £4.8m slippage due to potential developer withdrawing from process
- Enterprise Growth Fund £1.0m slippage reflects the applicant process and availability of funds
- Derby Vibrant City slippage £1,.8m grant was resubmitted and rephrased over two years
- Infinity Park: £2.6m slippage negotiations with 3rd parties taking longer than anticipated.

6.5.3 **Housing:**

- New Build programme a reduction of £6.7m
- Mackworth College reduction of £0.4m
- The Knoll slippage of £0.4m
- Ashlea Hostel reduction of £0.2m.

6.6 The following graphs summarise where the £52.4m capital was invested and how it was funded:





7 Reserves

- 7.1 **General Fund Balance.** This represents the minimum level of reserves that the Council should hold. In March 2017, the Council calculated its target range for the General Fund Balance as being between £7.126m and £10.179m; as assessed by the Director of Finance to reflect the Council's strategic and operational risk. At 31 March 2017 the General Fund Balance stands at £ £8.764m and it is therefore within the recommended target range.
- 7.2 **Earmarked Reserves.** These are held to fund specific projects, such as the Council's regeneration fund programme, and at 31 March 2017 totalled £93.002m. Earmarked reserves are reviewed regularly to ensure earmarked reserves remain relevant and required to support their original purpose.
- 7.3 Included in earmarked reserves is a financial reserve for each Council-controlled school in Derby ,known as 'School Balances' and are not available to the Council for general use. At 31 March 2017 School balances as are £10.4m (£10.4m in 2015/16).
- 7.4 Further analysis of the earmarked reserves is set out in Appendix 2.

8 Treasury Management

- 8.1 During 2016/17 all Treasury Management activities were in accordance the Treasury Management Strategy 2016/17, approved by Council Cabinet on 10 February 2016. The Local Government Act 2003, requires the Council to adopt the CIPFA's Prudential Code for Capital Finance in Local Authorities and produce a set of Treasury Management indicators when determining how much money it can afford to borrow and capital indicators that show the capital investment plan of the Council is affordable, prudent and sustainable. All prudential indicators and limits have been adhered to.

- 8.2 The Treasury Management net underspend for 2016/17 was £3.008m arising from the approved changes to the Minimum Revenue Provision (MRP) policy. The table below summaries the treasury activity during the year:

Treasury Management Activity in 2016/17	2015/16	2016/17
Number of fixed-term deposits made	25	33
Number of instant access and money market accounts used	15	15
Number of deposits/withdrawals from money market funds/ call accounts	188	104
Value of deposits/ investments held at 31 March	£69.121m	£69.696m
Average Size of deposit/ investment portfolio	£82.499m	£88.105m
Total interest earned on deposits/ investments	£0.415m	£0.370m
Average Return on deposits/ investment portfolio	0.44%	0.38%

- 8.3 The total debt portfolio of the Council (including HRA debt) was £458.5m offset by investments of £69.7m resulting in an overall net debt position of £388.8m. No additional borrowings were required during the year and the loan portfolio is set out in the table below:

External Borrowing	£m
Fixed Rate PWLB (Public Works Loan Board)	305.897
Fixed Rate Market (LOBO) (Lender Option/Bank Option)	20.000
Other Local Authorities	35.000
Other Loans	2.864
Other Long-term Liabilities:	
- Transferred Debt from other Local Authorities	2.931
- PFI Financing	91.827
Total Gross External Debt at 31 March 2017	458.519
Investments	(69.696)
Total Net External Debt at 31 March 2017	388.823

9 Delegated Schools Grant (DSG)

- 9.1 This ring fenced grant is used specifically for school related and educational services. In 2016/17, Derby City Council's allocation was £205.053m of which £1.297m (0.5%) was underspent in the year. Of the total grant, £190m was delegated to schools and other early years providers and the remainder used to support other educational expenditure; particularly special educational needs places not in the maintained sector and special educational needs support services.
- 9.2 Any net savings or pressures within the Individual Schools Budget (ISB) delegated directly to schools are carried forward to the next financial year by the individual school.
- 9.3 Underspends arising from DSG are held in a specific reserve and is managed by the Schools Forum who consider plans for the use of the reserves before approval is sought from Council Cabinet. In 2016/17 the reserve was utilised to provide a 4% growth in per pupil funding despite overall DSG remaining at a flat cash position.
- 9.4 DSG balances are currently £6.954m of which £2.7m has been earmarked for supporting schools as agreed by School's Forum, the remainder is to be retained and used for the purposes defined within the Schools funding regulations, with approval from the Schools.

10 Collection Fund

- 10.1 The Collection Fund ended the year with a deficit of £3.025m attributable to the Council, this represents a significant movement against the budget assumption of break-even.
- 10.2 The notes below summarise the reasons why the Collection Fund ended the year in deficit and the analysis between Council Tax and Non Domestic Rates – NDR (Business Rates).
- 10.3 Council Tax: the deficit on the Council Tax collection fund was £0.471m of which £0.392 (83.2%) was attributable to the Council (the remainder is charged to Fire and Police services) due to a reduction in debt collection. The deficit will be included in the 2018/19 budget setting process.
- 10.4 Non Domestic Rates: The deficit on NDR at the end of 2016/17 was £5.374m of which £2.633m was attributable to the Council (50% is paid to central government and 1% to the Fire authority). The deficit arose as a result of increased appeals (both in the number of appeals and the length of “back dating” claimed) submitted by businesses against the valuation of their premises.

OTHER OPTIONS CONSIDERED

- 5.1 No other options are considered. The report is prepared to demonstrate the Council has met its statutory obligation to deliver a balanced budget.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Director of Governance and Monitoring Officer Interim Director of Finance and Section 151 Officer Chief Officer Group
For more information contact: Background papers: List of appendices:	Mark Taylor; mark.taylor@derby.gov.uk Toni Nash: toni.nash@derby.gov.uk None Appendix 1 – Implications Appendix 2 - Statement of Earmarked Reserves (to follow)

IMPLICATIONS

Financial and Value for Money

- 1.1 The financial and value for money implications are set out in the report.

Legal

- 2.1 The report confirms that the Council has met its statutory requirement to deliver a balance budget.

Personnel

- 3.1 None directly arising.

IT

- 4.1 These were assessed in full when the budget was approved by Council.

Equalities Impact

- 5.1 None directly arising.

Health and Safety

- 6.1 None directly arising.

Environmental Sustainability

- 7.1 The report sets out the implications of the capital programme.

Property and Asset Management

- 8.1 The report demonstrates that a key risk of not balancing the Council's budget has been fully mitigated in respect of 2016/17.

Risk Management and Safeguarding

- 9.1 The report demonstrates it has the resources available to deliver the Council's priorities.

Corporate objectives and priorities for change

- 10.1 The budget provides the financial resources to deliver key objectives and priorities

Appendix 2

Statement of Reserves

	Opening Balance at 01/04/2016	Net Movement in 2016/17	Balance at 31/03/2017
	£000	£000	£000
General Fund			
Unallocated General Fund Balance	(7,143)	(1,621)	(8,764)
Balances held by schools	(10,464)	42	(10,422)
TOTAL	(17,607)	(1,579)	(19,186)
Revenue Earmarked Reserves			
Budget Risk Reserve	(12,951)	(261)	(13,212)
MTFP Specific Reserve	(10,144)	4,162	(5,982)
Reserve for Asbestos	(1,200)	0	(1,200)
Central Schools Budget Reserve	(6,431)	84	(6,347)
Insurance Savings Reserve	(1,225)	335	(890)
Waste Strategy Corporate Reserve	(1,049)	30	(1,019)
Trading Services Reserve	(1,102)	(32)	(1,134)
Job Evaluation Reserve	(3,408)	1,184	(2,224)
Year end grants with restrictions Reserve	(3,029)	683	(2,346)
Redundancy Costs Reserve	(1,478)	(616)	(2,094)
Regeneration Fund Reserve	(3,723)	585	(3,138)
ICT Reserve	(2,761)	0	(2,761)
Benefit Payments/Subsidy Corporate Defined Use Reserve	(1,395)	0	(1,395)
Assembly Rooms Reserve	(3,408)	0	(3,408)
Achieving Change Reserve	(5,000)	769	(4,231)
PFI Reserves	(23,010)	(1,836)	(24,846)
Other Service Reserves	(10,624)	94	(10,530)
Other Corporate Reserves	(2,996)	(865)	(3,861)
Earmarked reserves to support the capital programme	(2,104)	(747)	(2,851)
TOTAL	(97,038)	3,569	(93,469)