

## NORTH LINCOLNSHIRE COUNCIL

### Cabinet

#### Finance and Performance Outturn 2016-17 and Budget Review 2017/18

##### 1. OBJECT AND KEY POINTS IN THIS REPORT

1.1. This report provides an overview of the Council's financial performance in 2016/17. It also presents the budget for 2017/18 aligned to the new council structure.

1.2. It brings together finance and performance information to allow a broad judgement to be made regarding the impact of budget efficiencies on service delivery.

1.3. The key messages are:

- The council's management arrangements continued to be effective and its financial position resilient.
- Net revenue spending was successfully contained within the revised budget approved in the January Budget Review, and was £0.9m or 0.7% below the cash limit.
- There was also £0.8m of additional funding, which increased the Council underspend to £1.7m. This has led to a small increase in the level of available reserves.
- Capital outturn shows that 84% (£33.1m) of the revised programme was spent with requests for net re-phasing of £6.6m.
- Of the council wide Key Performance Indicators for which data is available, 75% were on track or within tolerance and the majority showed year-on-year improvement.

1.4. Cabinet is invited to consider:

- The financial outturn and performance for 2016/17
- The rephasing of the capital programme
- The revenue and capital budgets for 2017/18, and
- A view on emerging budget pressures for 2017/18 which are being actively addressed by the relevant services.

##### 2. BACKGROUND INFORMATION

2.1. The Council manages its spending within a statutory framework ensuring that it remains within cash limits:

- The day to day cost of providing services is paid for from government grants, business rates, council tax and service charges and is classified as **revenue** spending.
- The **capital** programme relates to investment in long term assets such as roads and buildings, paid for through borrowing, external funding and receipts from the sale of Council assets

2.2. The Council also has **reserves** and a strategy for setting the appropriate level and when they will be used. These include:

- General reserves to meet unforeseen pressures
- Earmarked and grant reserves for specified purposes
- Schools related funding reserves which are ring-fenced

2.3. The report and appendices provide a financial overview for 2016/17 based on the service structure which operated in that year, both revenue and capital, and considers the implications for future financial years and the planned use of reserves. It provides a similar overview of performance across a range of measures. Finally it re-presents the approved budgets for 2017/18 in the new council operating model and seeks approval for the rephasing of the capital programme.

### 3. OPTIONS FOR CONSIDERATION

#### Revenue Outturn 2016/17

3.1. Net service expenditure of £110.3m is an overall saving against budget of £0.2m (see Appendix 1):

- Extra demand led to increased costs in adult and children's social care, but these were offset by increased income, grant and other cost savings producing an underspend of £215k.
- The cost of council support services was £41k under budget.
- Additional resources were added to the customer and community service budgets in January to address in year cost and income pressures. At outturn there were residual overspends as a result of lower income and higher demand respectively, combined with some service underspends the net out-turn was an overspend of £53k.

3.2. Total expenditure which includes corporate spending on capital financing, insurance, levies and contingency is £126.2m. On this measure there is an overall saving of £0.9m or 0.7%. There were significant savings in capital financing costs. A review of council policy on Minimum Revenue Provision charged to revenue generated a saving and insurance costs were lower.

3.3. Council funding amounted to £128m which was £0.8m more than planned due to an adjustment within the Collection Fund in respect of business rates.

## Council Reserves

- 3.4. The overall underspend has reduced the required use of the Revenue Support Account reserve in 2016/17 by £1.7m. The closing balance on this reserve at the end of 2019/20 is therefore now expected to be £3.4m.
- 3.5. The Council has made significant use of reserves in year as part of its strategy to support transformation initiatives, the phased delivery of cost reduction programmes and to apply earmarked grants to specific services. It will continue to do so as it aims to ensure a sustainable financial position beyond 2019/20. The planned use of reserves is shown at appendix 5.
- 3.6. The general principle followed by the Council is that reserves should be used for one- off and short term purposes and not to support long-term service delivery, which would undermine the robustness and sustainability of the financial plan.
- 3.7. Schools manage their own budgets which are funded through Dedicated Schools Grant. They also maintain their own earmarked reserves. Schools drew £1.8m from their reserves to support spending in 2016/17.

## Capital Outturn 2016/17

- 3.8. The approved capital investment programme for 2016-17 was £39.6m. Spending in 2016-17 was £33.1m which was £6.5m less than budget. The underspends are largely due to timing and requests for re-phasing amount to £6.6m. Appendix 3 provides a summary of expenditure and how it has been financed.
- 3.9. The main project variances were on regeneration schemes, facilities improvement and major construction projects. Those with underspends include;
- |                                |       |
|--------------------------------|-------|
| • Schools & Children's Centres | £1.4m |
| • Gauge Enhancements           | £1.1m |
| • Axholme North Sports Centre  | £0.6m |
| • Westcliffe Regeneration      | £0.6m |
| • Lincolnshire Lakes           | £0.5m |
- 3.10. These underspends are largely due to timing and there are requests for programme re-phasing of £6.6m.
- 3.11 The Council funds its capital programme through a mix of resources. It has funded the 2016-17 programme from:
- Government grants for individual schemes and programmes
  - Other external funding
  - Borrowing
  - Direct revenue funding.

## **Treasury Management**

- 3.12 Treasury management is the management of the council's investments, borrowing and cash flows. It ensures that funds are available to meet council spending commitments when they arise, while ensuring effective management of risk.
- 3.13 Appendix 6 shows that performance measured by prudential indicators complied with the limits set for the year for capital spending, borrowing and the cost of borrowing.

## **Performance 2016/17**

- 3.14 Of the council wide Key Performance indicators that data is available, 75% were on track or within tolerance and the majority showed year-on-year improvement. A summary of performance outcomes is shown in Appendix 7.

## **Budget 2017/18**

- 3.15 At Council on 16<sup>th</sup> February 2017 members approved a net revenue budget of £126.1m. The Council has completed its senior management review since the budget was approved, and the budget is restated in new structure at Appendix 2.
- 3.16 A review of spending after the first two months has identified a number of budget pressures, which are being considered by senior managers in order to resolve during the year.
- 3.17 The Medium Term Financial Plan 2017-20 includes a savings and income programme totalling £20.4m over the three year period, of which £12.1m is included in 2017/18. An early review has identified that just over £10m are on track.

## **Capital Programme 2017/20**

- 3.18 Appendix 4 shows the revised capital programme for 2017/20 which includes the re-phasing identified from the 2016/17 year end. The programme also incorporates re-prioritisation and additions to the programme as a result of additional funding being received

## **4 ANALYSIS OF OPTIONS**

- 4.1 The outturn position on revenue, capital and performance are a matter of record and therefore there are no options to consider. There are however choices about the treatment of capital rephasing and the related adjustments to the 2017/18 capital programme.

4.2 The rephrasing of the capital programme between 2016/17 and later years and the proposed scheme additions are necessary to allow schemes to progress to completion and to cover commitments.

## **5 RESOURCE IMPLICATIONS**

5.1 The financial implications are contained in the report and the supporting appendices.

## **6 OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

6.1 Not applicable.

## **7 OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

7.1 Not applicable.

## **8 RECOMMENDATIONS**

8.1 To note the revenue, capital, treasury and performance outturn for 2016/17.

8.2 To note the restated 2017/18 revenue budget aligned to the new management structure.

8.3 To note the 2017/18 revenue spending position

8.4 To approve the revised 2017/20 capital programme at Appendix 4.

### **DIRECTOR OF GOVERNANCE AND PARTNERSHIPS**

Civic Centre  
Ashby Road  
SCUNTHORPE  
North Lincolnshire  
DN16 1AB  
Author: Peter Fijalkowski  
Date: 27 June 2017

### **Background Papers**

Budget Report to Council, February 2017