

REVENUE OUTURN 2016/17

- 1.1 Appendix 2 outlines the Council's budget outturn for the 2016/17 financial year at both Directorate and Portfolio level. After carry forwards, the Council overspent by £2.221 million or 0.77% of gross budgeted spend excluding schools. The 2016/17 revenue budget included a requirement for the delivery of £12.644m of savings and additional income generation of which over 90% were achieved during the year.
- 1.2 Underlying the Council's "bottom line" figure, prior to carry forwards, are a number of variations (at a Directorate level):
- Service overspends of £4.100m
 - Service underspends / over achievement of income of £0.343m
 - A £1.725m underspend on Corporate and Agency budgets.
- 1.3 The explanations for the 2016/17 outturn variations are given in Appendix 3, and some are highlighted below.
- 1.4 The main areas contributing to the underspend and over achievement of income position occurred in the following areas:

Heritage Services

Favourable variance of £936,000, this is mainly as a result of increased income from visitors to the Roman Bath's. This was achieved through targeted marketing in the 'shoulder months' that are outside of the main tourism season.

Capital Financing Costs

Underspend of £778,000 owing to capital programme slippage delaying the need to borrow and Minimum Revenue Provision savings.

Corporate Budgets

Underspend of £872,000, which includes additional income of £673,000 from the Thermae Spa Profit Share arrangements, a £110,000 underspend due to less than anticipated use of the provision for Education Services Grant reduction, and several other underspends including the Charter Trustees not taking their budgeted grant and a surplus on the Council contribution required for historic pension deficit recovery.

- 1.5 The main areas of overspending have occurred in the following areas:

Adult Social Care & Health

Overspend of £1,970,000. The overspend mainly relates to inflationary and demographic pressures in Adult Social Care as a result of a number of factors including: implementation of the National Living Wage impacting care providers; the costs associated with purchased care packages to support people with complex and acute care needs to remain in their own homes; the increasing demand for high dependency residential care and nursing care home placements, which have higher associated fees than lower dependency care home placements; and an increasingly challenged care market with some providers withdrawing from the market. The latter resulted in the closure of four care homes in 2016/17 and associated loss of 144 care home beds, which required supporting

the move of existing residents in to new placements at significant additional cost of £1.2m.

Children Young People & Families

As previously reported, there has been significant pressure in Children's Social Care resulting in a year end overspend of £1,039,000. The continued pressures in this area are a result of a number of issues, including an increase in numbers of cases involving Court action and rising costs in supporting residential placements and staffing budget pressures.

Learning & Inclusion

Overspend of £338,000. This is due to children centre activity income targets that have not been achieved, there has also been overspends in safeguarding staffing budgets.

Traded Services

Overspend of £583,000. This is largely due to shortfall on income in the catering service and inflationary pressures, steps are already in place to address this position in the year ahead.

Community Services

Overspend of £624,000. This is mainly due to overspends in fleet and waste services arising from increased fuel, waste treatment and disposal costs, and bereavement services related to consultancy costs and additional revenue costs required to support works on refurbishment.

DECISIONS REQUIRED RELATING TO OVER AND UNDERSPENDS

- 1.6 Decisions are needed on some of the items in Appendix 4 relating to under and overspending in 2016/17. Each section of Appendix 4 is clearly marked for information or for decision. In particular, decisions are required in Tables 2 and 3 of Appendix 4. If all these items are approved this would give a final overspend of £2.221m.
- 1.7 Table 3 of Appendix 4 contains requests to write off overspends as an exception to the Budget Management Scheme rules. The write off is requested as it is not considered practical to recover the overspend against the continuing financial pressures in 2017/18 and future years.
- 1.8 It is proposed to fund the final overspend through drawdowns from the following earmarked reserves that are held as contingency against in year spending pressures:-

Revenue Budget Contingency Reserve - £1.155m

This reflects the allocation of the 2016/17 Transitional Grant contingency and the net £250k payment received from WoECA in relation to Devolution costs. After this drawdown the unallocated balance remaining in the reserve will be £1.9m.

Adult Social Care Reserves - £1.066m

This drawdown reflects the additional cost pressures experienced in the provision of Adult Care services highlighted in paragraph 1.5 above. After this drawdown the balance remaining in the Adult Social Care Reserves will be £1.3m.

The Social Care pressures have been recognised nationally by the Government with additional grant funding of £1bn recently announced for 2017/18; the B&NES Council allocation was £3.4m.

- 1.9 Appendix 5 provides details of corporately earmarked reserves reflecting the outturn revenue budget position.

REVENUE RESERVES

- 1.10 If the requests shown in recommendations 2.2 and 2.3 are approved by the Cabinet, the overall situation would be as follows:

Description of the Revenue Reserves Movements	£'000
Estimated General Un-earmarked Reserves following February Budget Report 2017*	13,480
2016/17 Outturn position, including additional use in carry forward of underspends and write off of overspends	-2,221
Use of Earmarked Reserves	+2,221
Remaining available reserves would then be *	13,480
<i>Recommended optimal level based on corporate risk assessment</i>	13,480

*Excluding Invest to Save drawdowns which are repayable in future years. (Actual level of unearmarked reserves as at 31/3/17 is £12.7m reflecting the invest to save drawdowns)

- 1.11 As a result, the Council is meeting the reserves strategy outlined in the budget report to Council on 14th February 2017.

- 1.12 Appendix 5 provides details of corporately earmarked reserves reflecting the outturn revenue budget position.

SCHOOLS

- 1.13 The centrally held elements of the Dedicated Schools Grant (DSG) have overspent by £3.025m. The DSG overspend results in a balance to be carried forward through earmarked reserves of £2.014m down from £5.039m in 2016/17. The main reasons for the decrease in the DSG balance is a planned reduction in the DSG carry forward. The Schools Forum allocated £2.337m in one off resources to schools and central budgets as part of setting the DSG budget for 2016/17. Further overspends have occurred as a result of increased Special Educational Needs expenditure. These items are automatically carried forward under the DSG accounting arrangements, and budget adjustments have been made to reflect this.

- 1.14 The balances held by schools have reduced by £991k from £3.037m to £2.046m. The main reason for the reduction in balances is a result of schools converting to

academies and therefore their balances transfer to the academy. In total £768k of the reduction is as a result of the transfer of the funds to academies. With this transfer to academies excluded the schools have a net reduction in balances of £223k. The schools balances are closely monitored by Schools Forum which has an excessive balances policy in line with continued DFE best practise guidance which has been adopted by the Schools Forum. All schools with balances deemed to be excessive are challenged to explain their position. Most large balances are planned in preparation for capital projects in schools.

COLLECTION FUND OUTTURN POSITION

1.15 As part of the 2017/18 Budget, an estimate was made on the position of the Collection Fund as at the 31st March 2017. The estimate is split into two elements, one relating to Council Tax and the other relating to Business Rates. The estimated and actual position for each is shown in the following table. The figures relate to the Council's share of the surplus / deficit, excluding preceptor and central government shares.

	Estimated surplus / (deficit) £m	Actual surplus / (deficit) £m	Difference £m
Council Tax	0.755	0.709	(0.046)
Business Rates	(2.134)	(2.939)	(0.805)
Total	(1.379)	(2.230)	(0.851)

1.16 The increase in the deficit on the Business Rates Collection Fund is mainly due to the increasing costs of settling appeals which are decided by the Valuation Office Agency. The 2017/18 Budget included provision for these costs and the difference will be taken into consideration when estimating the closing 2017/18 Collection Fund position as part of the 2018/19 Budget process. The Council also holds an earmarked reserve to help manage the volatility in Business Rates income.

CAPITAL OUTTURN 2016/17

1.17 The outturn capital spend of £53.910m was £24.681m less than the 2016/17 revised budget of £78.591m.

1.18 Services are requesting re-phasing of funding (project re-phasing) to 2017/18 of £23.932m, which includes:-

- £3.550m – Waste Project including vehicle replacement
- £0.919m – Bath Quays Waterside – Strategic Flooding Solution
- £0.823m – Bath Quays Bridge & Linking Infrastructure
- £0.840m - Spend at School Level (devolved school budgets)

- £3.129m - Other Children Services Projects
- £1.283m – Property Company Investment
- £1.228m - Keynsham Regeneration & New Build
- £3.039m - Other Property Schemes
- £2.000m - Corporate Capital Contingency

Details of the overall capital outturn position are given in Appendix 7, with further detail on the rephasing requests and over/underspends adjustments provided in Appendix 8.

CAPITAL RESOURCES

1.19 The 2016/17 outturn expenditure of £53.910m was financed mainly through the use of capital grants, capital receipts and borrowing.

1.20 The 2016/17 outturn expenditure was financed as follows:

	£'000
Total Capital Spending:	53,910
Funded by:	
Capital Receipts	11,171
Capital Grants	17,407
3 rd Party Receipts (inc S106)	3,371
Revenue	470
Prudential Borrowing (Implied Need)	21,491
Total	53,910

1.21 An additional capital receipt of £800k was received in 2016/17, relating to a previous sale of land in Keynsham. This receipt has been used to replace capital funding on schemes which originally required revenue contributions. The revenue released has been transferred to the Revenue Budget Contingency Reserve.

1.22 The Council's provisional Capital Financing Requirement (CFR) as at 31st March 2017 is £200.1 million. This represents the Council's requirement to borrow to finance capital expenditure, and demonstrates that total borrowing of £124.0 million remains well below this requirement as at 31st March 2017. This illustrates the extent to which the Council is currently cash-flowing capital projects in line with the Treasury Management Strategy.