

## **Audit Committee**

**31 July 2017**



## **2016/17 Final Outturn for the General Fund and Collection Fund**

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### **Report of John Hewitt, Corporate Director Resources**

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#### **Purpose of the Report**

- 1 To provide Audit Committee with details of the final outturn for the General Fund and Collection Fund for 2016/17.

#### **Background**

- 2 The 2016/17 unaudited Statement of Accounts includes a summary of the 2016/17 final financial outturn. The attached report presented to Cabinet on 12 July 2017 provides a more detailed review of the final outturn position for both revenue and capital and the Collection Fund.

#### **Recommendation and reasons**

- 3 Members are asked to note the 2016/17 final outturn position on the General Fund and Collection Fund.

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## **Appendix 1: Implications**

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### **Finance –**

There are no direct financial implications arising for the Council as a result of this report.

### **Staffing -**

None

### **Risk -**

None

### **Equality and Diversity -**

None

### **Accommodation -**

None

### **Crime and Disorder -**

None

### **Human Rights -**

None

### **Consultation -**

None

### **Procurement -**

None

### **Disability Discrimination Act -**

None

### **Legal Implications -**

None

## Cabinet

12 July 2017

### 2016/17 Final Outturn for the General Fund and Collection Fund



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## Report of Corporate Management Team

John Hewitt, Corporate Director of Resources

Councillor Alan Napier, Portfolio Holder for Finance

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### Purpose of the Report

- 1 To provide Cabinet with details of the revenue and capital outturn for the General Fund for 2016/17, and the 2016/17 outturn for the Collection Fund in respect of Council Tax collection and Business Rates collection.

### Background

- 2 The financial outlook for the Council and the whole of local government remains extremely challenging. The Council has faced government funding reductions since 2010/11 and they will continue until at least 2019/20.
- 3 The Chancellor of the Exchequers Budget published on 8 March 2017 confirmed that austerity would continue until at least 2020/21. At this point the national budget will still have a £21 billion deficit. In addition the Government is still required to identify £3.5 billion of 'efficiency savings' from the 2019/20 budget. This raises the possibility that local government could face additional funding reductions in 2019/20 and beyond. By 31 March 2018, the Council will have delivered savings of £209 million since 2011.
- 4 The Chancellor of the Exchequers March Budget also announced additional financial support for social care. An additional £2 billion is available to local government over the three years 2017/18 to 2019/20. For Durham, the allocations for the next three years are £13 million, £8 million and £4 million respectively. Although the additional funding is welcome, the funding is one off in nature and cannot be invested on recurrent expenditure without creating further financial pressures in future MTFP's. The Council is required to work with Clinical Commissioning Groups (CCGs) in terms of investment plans.
- 5 On 24 February 2016, County Council agreed a net revenue budget of £401.515 million for 2016/17. Factoring in cuts in Government grant, inflation and other budget pressures the delivery of £36.847 million of savings was required in 2016/17 in order to deliver a balanced budget.
- 6 Quarterly forecast outturn reports have been considered by Cabinet throughout the 2016/17 financial year and detailed reports on individual Service Groupings have also been considered by the various Overview and Scrutiny Committees.

- 7 This final outturn for 2016/17 has been determined as part of the production of the Annual Statement of Accounts. During the process of finalising the Statement of Accounts, the Corporate Director of Resources will be required to make a number of technical decisions in the best financial interests of the Council. Such decisions will be fully disclosed in the Statement of Accounts.

### **General Fund Outturn**

- 8 This section of the report details the following:
- (a) cash limit outturn for service groupings;
  - (b) overall revenue outturn for the General Fund with summarised service grouping commentary;
  - (c) overall capital outturn of the General Fund with summarised service grouping commentary.

### **Cash Limit Outturn for Service Groupings**

- 9 The overall outturn for the Council is shown in Appendix 2, which details how the cash limit outturn for each Service Grouping is calculated. Two key elements have been excluded from the Service Grouping outturn when calculating the cash limit outturn as detailed below:

(a) **Sums Outside the Cash Limit**

Some expenditure and income is excluded from the Cash Limit for a number of reasons. Examples of these are detailed below:

- (i) items not controlled by the Service Groupings e.g. technical accounting entries such as Capital Charges and Central Administration Recharges actioned at year end;
- (ii) exceptional items and expenditure pressures which were not accounted for in the Service Grouping base budget build and which are covered by contingencies or earmarked reserves held corporately e.g. redundancy and early access costs linked to restructuring activity to achieve Medium Term Financial Plan (MTFP) savings proposals.

(b) **Use of or Contribution to Earmarked Reserves**

Sums that Service Groupings have utilised or contributed to Earmarked Reserves, have been excluded from their outturn position in order to calculate their year end cash limit position.

- 10 After taking into account the above exclusions, through tight budgetary control by managers and robust delivery of financial savings targets, including the achievement of future years savings in advance, all Service Groupings have generated a cash limit underspend in 2016/17 with the exception of Children and Young People's Services. Further detail can be found in the Service Grouping commentary which begins at paragraph 20.
- 11 The 2016/17 cash limit position for each Service Grouping is detailed in the table below:

Type of Reserve	Opening Balance as at 1 April 2016	Budgeted use at 1 April 2016	Movement during 2016/17		Closing balance as at 31 March 2017
			Use of Reserve during 2016/17	Final Outturn	
	£m	£m	£m	£m	£m
<b>Service Grouping Cash Limit</b>					
Adult and Health Services	-2.336	0.000	1.570	-4.746	-5.512
Children and Young People's Services	-11.164	0.142	3.853	3.860	-3.309
Regeneration and Local Services	-6.371	0.000	2.899	-2.760	-6.232
Resources	-2.151	0.068	2.861	-1.801	-1.023
Transformation and Partnerships	-0.277	0.000	0.203	-0.105	-0.179
<b>TOTAL CASH LIMIT RESERVE</b>	<b>-22.299</b>	<b>0.210</b>	<b>11.386</b>	<b>-5.552</b>	<b>-16.255</b>

- 12 A fundamental review of all reserves has taken place which considered the pressures identified in the MTFP which need coverage and also the opportunity to reduce other Earmarked Reserves. As a result of this work the following reserves have been replenished:-
- (a) MTFP ER/VR Redundancy Reserve (£4.812 million);
  - (b) Budget Support Reserve (£13.624 million);
  - (c) Equal Pay Reserve (£11.253 million).
- 13 A new Earmarked Reserve of £5 million has been created to recognise the financial challenges across the Council's schools.
- 14 The replenishment and creation of the Earmarked Reserves above amounting to £34.689 million were facilitated through the reduction in a number of other Earmarked Reserves (£22.969 million), and a transfer from the General Reserve (£12.000 million).

## Revenue Outturn

- 15 Appendix 2 provides a more detailed Outturn position for the Council's General Fund by Service Grouping. In addition, Appendix 3 provides a detailed Outturn position for the Council by type of expenditure and income. The table below provides a summary of the final outturn position:

	<b>£m</b>	<b>£m</b>
Gross Expenditure		1,435.311
Less:		
Gross Income		-1,019.409
<b>Net Expenditure</b>		<b>415.902</b>
Financed by:		
Council Tax	185.802	
Collection Fund Surplus	2.617	
Start Up Funding Assessment	193.021	
New Homes Bonus	10.449	
Section 31 Grant	4.400	
Education Services Grant	5.419	
Net use of Cash Limit Reserves	6.044	
Net Contribution to (-) / from Earmarked Reserves:		
Schools and DSG	5.272	
Non-Schools	-3.222	
Net Contribution from the General Reserve	6.100	
<b>Total Financing</b>		<b>415.902</b>

- 16 The final outturn position for 2016/17 was an underspend of £11.452 million and the table below details the transfer to reserves:

	<b>£m</b>
2016/17 Underspend transferred to General Reserve	-5.900
2016/17 Underspend transferred to Cash Limit Reserves	-5.542
<b>Total 2016/17 Underspend</b>	<b>-11.452</b>

- 17 The final outturn position for the Council's General Reserve is detailed below:

	<b>£m</b>
Opening Balance as at 1 April 2016	-29.101
Add:	
2016/17 Underspend to General Reserve	-5.900
Less:	
Transfer to Earmarked Reserves	12.000
<b>Closing General Reserve Balance as at 31 March 2017</b>	<b>-23.001</b>

18 The General Reserve balance carried forward of £23.001 million is within the Council's General Reserves policy of retaining between 5% and 7.5% of the Net Budget Requirement, which in cash terms is between £19.38 million and £29.07 million. The £23.001 million balance at 31 March 2017 equates to 5.93% of the 2017/18 Net Budget Requirement. The main reasons why the General Reserve has decreased are detailed below:

- (a) Interest and Investment income - £1.368 million more than budgeted;
- (b) Section 31 Grant income - £0.133 million more than budgeted;
- (c) Corporate Costs - £0.243 million less than budgeted;
- (d) Sums Outside the Cash Limit - £0.993 million less than budgeted;
- (e) Contingencies - £3.259 million less than budgeted offset by;
- (f) Interest payable and similar charges - £0.156 million more than budgeted;
- (g) A transfer of £12.000 million to Earmarked Reserves during the year.

19 The table below shows that in 2016/17 the total non schools reserves reduced from £234.476 million to £225.557 million. Appendix 4 details the movement on Earmarked Reserves during 2016/17.

#### Total Non School Reserves

	<b>General Reserve</b>	<b>Earmarked Reserves</b>	<b>Cash Limits</b>	<b>TOTAL</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Opening Reserve Balances as at 1 April 2016	-29.101	-183.076	-22.299	-234.476
Contribution to (-) / from (+) Reserves	+6.100	-3.225	+6.044	+8.919
<b>Reserve Balance as at 31 March 2017</b>	<b>-23.001</b>	<b>-186.301</b>	<b>-16.255</b>	<b>-225.557</b>

## Schools

	<b>Schools Balances</b>	<b>Centrally Held DSG</b>	<b>TOTAL</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Opening Schools Balances as at 1 April 2016	-24.083	-12.185	-36.268
Less contribution to (-) / from (+) Earmarked Reserves	+4.247	+1.025	+5.272
<b>Schools Balance as at 31 March 2017</b>	<b>-19.836</b>	<b>-11.160</b>	<b>-30.996</b>

### Service Grouping Commentary

- 20 A summary of the outturn for each service grouping is provided below. Detailed outturn reports will be provided to the relevant Overview and Scrutiny Committees.

### Adult and Health Services (AHS)

- 21 The 2016/17 outturn for Adult and Health Services (AHS) was a cash limit under spend of £4.746 million, representing circa 2.9% of the total budget for AHS. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from the strategic reserve, year-end capital entries and contributions to and from earmarked reserves.
- 22 The cash limit outturn position compares to the previously forecast position of £4.511 million under budget, and therefore the actual outturn is broadly in line with the previously forecast position.
- 23 The outturn reflects the proactive management of activity by Heads of Service across AHS to remain within the cash limit and to prepare for 2017/18 MTFP savings requirements. The outturn position is accounted for as follows:
- (a) early achievement of a number of future MTFP savings from management and support service proposals across the Adult Care and related areas, together with the careful management and control of vacant posts and supplies and services budgets across the service has created a net underspend for the year of circa £4.6 million;
  - (b) net spend on adult care packages is £0.460 million over budget. This area of spend is being closely monitored to assess the impact of demographic and procedural/operational changes, where significant MTFP savings have been taken over recent years.
  - (d) a change in accounting treatment as a result of accelerating the final accounts process this year has contributed to a one off additional underspend for 2016/17 of circa £0.300 million.

- (e) net expenditure in respect of Environment, Health and Consumer Protection (EHCP) services, previously reported under the former Neighbourhood Service's area, is £0.257 million under budget, resulting mainly from early achievement of future MTFP savings.
- 24 Further to the quarter 3 forecast outturn report, the following items have been excluded from the outturn in arriving at the cash limit at year end:
- (a) £0.888 million relates to net use of earmarked reserves to support specific projects:
    - (i) a net use of the Social Care Reserve of £1.409 million to fund social care activity;
    - (ii) a £0.538 million contribution to the Public Health reserves, to ensure that this ring fenced grant is retained for Public Health spending in future years;
    - (iii) a £0.017 million use of EHCP reserves.
  - (b) £1.946 million net use of reserves in relation to ER/VR costs and insurance recharges incurred in quarter 4.
- 25 Taking the outturn position into account, the cash limit reserve to be carried forward for Adult and Health Services is £5.512 million at 31 March 2017.

### **Children and Young People's Services (CYPS)**

- 26 The 2016/17 outturn for Children and Young People's Services (CYPS) is a cash limit over spend of £3.860 million, representing circa 4.1% of the total budget for CYPS. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from the strategic reserve, year-end capital entries and contributions to and from earmarked reserves.
- 27 The cash limit outturn position compares to the previously forecast position of £3.544 million over spend, therefore the actual outturn is broadly in line with the previously forecast position.
- 28 In arriving at the cash limit outturn premises related costs associated with vacant former schools of £0.634 million have been treated as outside the cash limit.
- 29 The outturn position is accounted for as follows:
- (a) The Education Service was £0.762 million under budget in the year. This relates to early achievement of MTFP savings, staff vacancies, reduction in pension liabilities and additional service level contract income. Changes to the Home to School transport policy took effect from September and the outturn position within the overall Education Service is a small £35,000 underspend for the year. Whilst there was an overspend on Post 16 students unable to travel independently due to Special Educational Needs and Disabilities (SEND) as a result of greater numbers of students eligible for hardship funding than provided

for, this was offset by an under spend across other areas of transport provision, partly due to better commissioning arrangements;

(b) Children's Services was £4.626 million over budget for the year. This is primarily related to costs associated with Children's placements, both those who have a legal status of looked after and those young people in permanent placements that are financially supported by the Council, details as follows:

- (i) young people requiring to be looked after is a volatile and high cost area of activity within CYPS and current external demographic demands are creating a strain on the service both in terms of staffing and financial resource allocation. The additional demand on the service has been recognised and growth funding has been agreed in 2017/18 to address the identified staffing pressure (circa £1.384 million) and placement costs for young people with a legal status of looked after and those young people accommodated in other placement arrangements that incur costs to the authority (circa £2.735 million). Work actively continues to try to address the placement mix of young people looked after, focusing on increasing the proportion of placements in higher quality low cost in house foster care but the current numbers and mix of placements is leading to an overspend when combined with non Looked After Children (LAC) permanent placements of circa £4.192 million;
- (ii) the balance of the children's overspend relates to a combination of factors but of note is an employee overspend within 'Children protection & disability' and 'First contact & intervention' of £0.926 million staffing due to increased costs associated with agency staff covering vacancies and absences required to maintain safe service levels. This additional cost is partially mitigated by employee underspends elsewhere in the service due to vacancies and savings relating to premises.

30 Further to the quarter 3 forecast outturn report, the following items have been excluded from the outturn in arriving at the cash limit at year end:

- (a) £0.304 million relates to net use of contributions to and from earmarked reserves and cash limits to support specific projects in future years, including:
  - (i) a (£0.200) million use of the Continuous Professional Development reserve in quarter 4 against contribution to reserves of £0.185 million in earlier quarters, resulting in a use of £0.015 million in the year;
  - (ii) a £0.541 million contribution to the various Education trading account reserves in quarter 4 in addition to use of £0.150 million in earlier quarters, resulting in a net contribution of £0.391 million in the year;

- (iii) (£0.156) million transferred from the Tackling Troubled Families reserve to fund additional activity related to Stronger Families;
  - (iv) £0.130 million contribution to the Aycliffe Secure reserve was made in quarter 4 leading to a total use of reserves of £0.074 million in the year;
  - (v) a (£0.619) million use of the Social Care Reserve.
- (b) £0.595 million net contribution to reserves in relation to ER/VR costs and insurance recharges.
- 31 Taking the outturn position into account, the cash limit reserve to be carried forward for Children and Young People's Services is £3.309 million at 31 March 2017, which reflects the disaggregation of the cash limit formerly held for Children and Adult Services based on the controllable budget.

### Dedicated Schools Grant

- 32 The Dedicated Schools Grant (DSG) allocation for 2016/17 was £358.8 million, however due to schools converting to academies and reduction in high needs DSG allocations for payments made direct by the Education Funding Agency the budget was reduced by £80.516 million in year to £278.284 million. A further reduction of £0.299 million was confirmed in relation to an Early Years adjustment for the previous financial year resulting in a final receipt of DSG for 2016/17 of £277.985 million. This includes both the delegated schools budget and the centrally retained DSG budget.
- 33 The total revised delegated budget for maintained schools (including early years' providers and excluding centrally retained DSG) was £260.138 million.
- 34 Where schools spent more or less than their delegated budgets, the difference either reduces or increases their accumulated balance. Schools-related balances were £19.754 million at 31 March 2017, a reduction of £4.329 million in year. The changes in balances were as follows:

	<b>31 March 2016 £</b>	<b>Movement £</b>	<b>31 March 2017 £</b>
Schools balances	(23,879,764)	4,365,866	(19,513,898)
Communities of Learning	(393,825)	9,543	(384,282)
Loans to schools	190,878	(128,058)	62,820
<b>Total</b>	<b>(24,082,711)</b>	<b>4,247,351</b>	<b>(19,835,360)</b>

- 35 The Quarter 3 forecast of outturn indicated that school balances would reduce to £13.793 million by 31 March 2017. The outturn position was £5.721 million higher than previously forecast, with most schools ending the year with a higher balance than the Q3 forecast, which was based on budget plans prepared by each of the schools.

- 36 There are 237 maintained schools, of which 164 ended the year with a higher balance than the Q3 forecast suggested, with balances being £6.921 million higher than previously forecast. There were 73 schools where the balance was less than the Q3 forecast suggested, with spending being £1.282 million higher than was previously forecast.
- 37 At 31 March 2017 there were 16 schools with a deficit balance, with a total accumulated deficit of £4.161 million. This compares with the position at 31 March 2016, when there were 10 schools in deficit, with an aggregate deficit of £2.736 million.
- 38 Three of the schools in deficit at 31 March 2017 are secondary schools, with combined deficits of £3.717 million. The combined accumulated deficit for these three schools was £2.586 million at 31 March 2016. As previously reported, there are concerns about the long-term financial viability of these schools and officers from Children and Young Peoples Services and Resources are in discussion with these schools about ways to improve their financial position for the longer term. The other 13 schools have deficits totalling £0.444 million and officers will work with these schools to ensure that they recover these deficits in 2017/18.
- 39 The overall outturn position for the centrally retained element of the DSG shows an over spend of £1.026 million in year. The pressure area for the centrally controlled element of the DSG in 2016/17 was High Needs top-up funding and Early Years (£2.129 million). This was offset by under spends in the Education Service teams dealing SEND children and school improvement of £1.103 million.
- 40 The earmarked reserve relating to centrally retained DSG carried forward at 31 March 2017 is £11.160 million, compared to the £12.185 million at 31 March 2016. In terms of the balance carried forward, £1.565 million is earmarked for Schools relating to the Growth Fund, School Improvement and unallocated formula funding; £0.284 million has been used to set schools budgets in 2017/18; £3.245 million is earmarked across Early Years provision, Schools Redundancy, Capital schemes and post 16 High Needs and the balance of £6.065 million will support continuing High Needs pressures in 2017/18 and beyond.

## **Regeneration and Local Services**

- 41 The 2016/17 outturn for Regeneration and Local Services is a cash limit underspend of £2.760 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs that are met from corporate reserves, year-end capital accounting entries and use of / contributions to earmarked reserves.
- 42 The cash limit outturn position compares to the previously forecast Quarter 3 position of a cash limit underspend of £1.897 million.
- 43 The underspend reflects the proactive management of activity by Heads of Service across Regeneration and Local Services to bring spend within the cash limit and to prepare for 2017/18 MTFP savings requirements. The main reasons accounting for the outturn position are as follows:

- (a) Strategy, Programmes and Performance was £0.215 million underspent, mainly on salary costs due to vacancies and reduced working hours;
- (b) Economic Development and Housing was £0.684 million underspent, primarily due to early achievement of MTFP savings in the housing solutions service, additional rental income in the Gypsy Roma Traveller Service and additional grant income received in year;
- (c) Planning and Assets was £0.614 million underspent, resulting from an overachievement of planning fee income, savings from vacant posts and other efficiency savings on running costs offset by increased costs associated with the County Durham Plan;
- (d) Transport was £84,000 underspent, comprising a planned underspend on employee costs linked to early achievement of MTFP savings and additional income in Care Connect;
- (e) Direct Services was £61,000 underspent, which was the net effect of increased income relating to Trade and Bulky Waste (£0.340 million) offset by short term planned overspends due to the re-organisation of refuse collection rounds and new trade waste bin purchases (£0.190 million), along with unachieved 2016/17 MTFP savings relating to Fleet (£89,000), which were delayed until 2017/18;
- (f) Technical Services was £59,000 overspent. This is the net position and takes into account additional expenditure of £0.630 million within Highway Services relating to highways maintenance, mainly in relation to Category 1 and 2 defects and footway maintenance. The additional costs were however offset by additional surpluses generated within Design Services (£0.227 million) and savings on employees and premises costs in Strategic Highways (£0.351 million);
- (g) Culture & Sport was £0.132 million underspent, relating mainly to modest savings in leisure and library facilities across a range of budget heads;
- (h) Projects & Business Services was £1.030 million underspent. This is the net position and takes into account savings achieved within Strategic Waste of £0.160 million, within Business Support of £0.222 million, Customer Services of £0.296 million and Policy & Performance of £0.056 million, which are all mainly due to the early achievement of MTFP savings. Within Strategic Waste there was a modest overspend on the Waste Contracts of £0.125 million offset by underspends on Garden Waste of £0.310 million.

44 Further to the quarter 3 forecast outturn report, the following items have been excluded from the outturn in arriving at the cash limit:

- (a) £2.345 million – relating to a net contribution to earmarked reserves and cash limit reserves to support specific projects in 2017/18. This includes:

- (i) £1.179 million contribution relating to Economic Development and Housing;
  - (ii) £0.561 million contribution in respect of Planning and Assets;
  - (iii) £0.452 million contribution to earmarked reserves to support one off expenditure in Highways;
  - (iv) £0.505 million contribution to earmarked reserves in respect of Culture and Sport;
  - (v) £0.454 million drawdown from earmarked reserves in respect of Buildings and Grounds Maintenance, and Street Cleaning;
  - (vi) £70,000 contribution to earmarked reserves for Customer Services.
- (b) The movement on Reserves includes a contribution of £0.521 million to the Winter Maintenance Reserve that was established at the end of 2013/14. This contribution represents the additional underspend experienced in the service since the Quarter 3 forecast was prepared, reflecting the relatively mild conditions that were experienced during the last winter. The Winter Maintenance Reserve now stands at £3.925 million and is available to be drawn down when severe winter or weather events occur and the annual budget is insufficient to meet the unavoidable costs in this area in that year.
- (c) £1.447 million net contribution to reserves in relation to ER/VR costs, equal pay and Insurance costs.
- (d) £23.648 million relates to a range of adjustments with the major component relating to capital charges.

45 Taking the outturn position into account, the Cash Limit Reserve to be carried forward for Regeneration and Local Services is £6.232 million.

## **Resources**

46 The 2016/17 outturn for Resources was a cash limit underspend of £1.801 million. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year end capital accounting entries and use of / contributions to earmarked reserves.

47 The cash limit outturn position compares to the previously forecast position at quarter 3 of a cash limit underspend position of £1.529 million.

48 The underspend reflects the proactive management of activity by Heads of Service across Resources throughout the year to remain within the cash limit and to prepare for 2017/18 MTFP savings requirements. The outturn position is accounted for as follows:

- (a) Corporate Finance and HR was underspent by £0.298 million. Of this, £0.172 million relates to the early achievement of future years' MTFP

savings, of which £0.154 million relates to employees' costs through vacancy management in year. The remaining £0.126 million underbudget was a managed position, that included overachieved income of £0.132 million offset by net underspending across other budget headings;

- (b) Financial and HR Services was underspent by £0.773 million. Of this, £0.727 million relates to the early achievement of future years' MTFP savings, mostly from employees' costs through vacancy management in year. The remaining £46,000 underspend relates to overachieved income of £37,000 and other budget savings of £39,000 being partly offset by an overspend of £30,000 on supplies and services and transport;
- (c) ICT Services returned a balanced position against the budget, where a reduction in schools trading income compared to 2015/16 was accompanied by a reduction in the costs of supplies and services used to supply the service. The surplus and deficit on traded activity within ICT is transferred to the earmarked Trading Account Reserve at year end;
- (d) Internal Audit was underspent by £84,000, reflecting the early achievement of future years MTFP savings, through a managed underspend on employees of £63,000 and increased income of £24,000, partially offset by an overspend on supplies and services of £3,000;
- (e) Legal and Democratic Services was underspent by £0.649 million, including managed underspends on employees of £0.141 million, premises related expenditure of £36,000, transport (£60,000) and supplies and services of £0.239 million, plus overachieved income totalling £0.173 million. These managed underspends are related to future year's MTFP savings delivered early and an improved income position in respect of the Registrars Service.

49 Further to the quarter 3 forecast of outturn report, the following items have been excluded from the outturn in arriving at the cash limit outturn position:

- (a) £0.439 million – relates to the net position for contributions to and from earmarked reserves and cash limits to support specific projects in 2016/17. The main contributions to reserves are £0.485 million to the Corporate Procurement Reserve, £0.182 million to the Welfare Assistance Funding Reserve, £0.158 million to the Welfare Rights Reserve, £0.114 million to the ICT Trading Account Reserve and £0.100 million to the Revenues and Benefits Reserve. There is also a contribution of £0.794 million from the corporate reserve for redundancies incurred as part of MTFP savings plans.
- (b) £0.684 million – relates to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration recharges.

- 50 Taking the outturn position into account, including items outside the cash limit and transfers to and from earmarked reserves, the cash limit reserve to be carried forward for Resources is £1.023 million.

### **Transformation and Partnerships (T&P)**

- 51 The 2016/17 outturn for the Transformation and Partnerships (T&P) Service was a cash limit underspend of £105,000. This takes into account adjustments for sums outside the cash limit such as redundancy costs which are met from corporate reserves, year-end capital accounting entries and use of / contributions to earmarked reserves.
- 52 The cash limit position compares to the previously forecast position at quarter 3 of a cash limit underspend of £87,000, therefore the actual outturn is broadly in line with the previous forecast position.
- 53 The outturn underspend is a managed position, reflecting the proactive management of activity by Heads of Service across T&P throughout the year to remain within the cash limit and to prepare for 2017/18 MTFP savings requirements. The outturn position is accounted for as follows:
- (a) Partnerships and Community Engagement was £88,000 underspent in year, primarily due to an underspend on supplies and services costs and an over recovery of income;
  - (b) Planning and Performance was £11,000 overspent, primarily in employee costs through not meeting the 3% staff turnover target;
  - (c) Policy and Communications was £28,000 underspent, predominantly relating to an underspend on supplies and service across the service.
- 54 Further to the quarter 3 forecast of outturn report, the following items have been excluded from the outturn in arriving at the cash limit outturn position:
- (a) £0.379 million – relates to contributions to and from earmarked reserves and cash limits to support specific projects in 2017/18. The main contributions are £0.224 million from the AAP Reserve, £0.166 million from the Members Neighborhood's Revenues Reserve and £0.102 million from the Members Initiative Fund Reserve to support projects in the community. There is also a contribution of £0.116 million to the Syrian Resettlement Refugee Reserve;
  - (b) £2.387 million – relates to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration.
- 55 Taking the outturn position into account, including items outside the cash limit, transfers to and from earmarked reserves, the cash limit reserve to be carried forward for T&P is £0.179 million.

## **Resources - Centrally Allocated Costs (Corporate Costs)**

- 56 The 2016/17 outturn for Resources – Centrally Administered Costs is a cash limit underspend of £0.243 million. This takes into account adjustments for sums outside the cash limit such as the use of / contribution to earmarked reserves.
- 57 The cash limit outturn position compares to the previously forecast position at Quarter 3 of a cash limit underspend of £0.202 million.
- 58 The outturn position reflects underspends on external audit fees (£19,000), expenses associated with raising loans (£34,000), payment card charges (£73,000), subscriptions (£59,000), an over recovery of income (£50,000) and other variances (£8,000).
- 59 Further to the quarter 3 forecast of outturn report, the following items have been excluded from the outturn in arriving at the cash limit outturn position:
- (a) £0.743 million – relates to contributions to and from earmarked reserves including £0.555 million from the Equal Pay Reserve, £0.239 million from the Insurance Reserve £51,000 to the Welfare Assistance Reserve;
  - (b) £0.173 million – relates to a range of adjustments associated with capital charges, centralised repairs and maintenance and central administration.

## **Central Budgets**

### **Interest and Investment Income**

- 60 There has been an overachievement of investment income of £1.368 million which is mainly due to the higher than anticipated cash balances. This is due in the main to capital expenditure being below base budget levels and generally higher than forecast cash balances. The budget was increased by £2.640 million in year due to receipt of a special dividend arising from the refinancing of Newcastle Airport. The MTFP(7) report to Council on 22 February 2017 approved the utilisation of this funding to support the capital programme. The sum was therefore applied in 2016/17.

## **2016/17 Capital Outturn**

### **General Fund Capital Programme**

- 61 The original General Fund (GF) capital budget for 2016/17, taking into account the budgets approved by Council on 24 February 2016 and adjustments for re-profiling of underspends at 2015/16 year end was £126.090 million. This was agreed by Cabinet on 13 July 2016.
- 62 Throughout the year, the Capital Member Officer Working Group (MOWG) has continually reviewed progress in delivering the capital programme to take into account changes in planning and delivery timescales and analysis of changes in demands on resources. Regular updates to the capital programme were reported to and approved by Cabinet as part of the quarterly

budgetary control reports in year. Requests for re-profiling capital programme underspends at 31 March 2017 have also been considered by MOWG.

- 63 The following table summarises the revised capital budgets, taking into account revisions considered by MOWG and agreed by Cabinet throughout the year, together with the outturn position for each service area. The table also details the action that has been taken with regard to re-profiling and other budget adjustments at year end, which were reported to MOWG on 23 May 2017.

### General Fund Capital Programme 2016/17

Service Grouping	Original Budget 2016/17	Revised Budget 2016/17	Outturn 2016/17	Variance	Additions / Deletions From Budget	Reprofiling
	£m	£m	£m	£m	£m	£m
Transformation and Partnerships	5.622	4.042	2.497	1.545	0.092	-0.961
Adult and Health Services	1.035	0.896	0.633	0.263	-	0.208
Children and Young People's Services	29.854	24.901	21.499	3.402	3.645	-7.557
Regeneration and Local Services	77.711	78.811	78.656	0.155	0.481	-1.272
Resources	11.868	4.179	3.856	0.323	5.470	-5.793
<b>TOTAL</b>	<b>126.090</b>	<b>112.829</b>	<b>107.141</b>	<b>5.688</b>	<b>9.688</b>	<b>-15.375</b>

- 64 In addition to underspends requested to be carried forward into 2016/17 to fund the completion of capital schemes, the variances in the table above also include some overspends on projects that span multiple financial years, which resulted from acceleration of project delivery timescales. In such instances the 2017/18 budgets have been reduced to offset the increased activity in 2016/17. All re-profiling has now been included in the updated capital budgets for 2016/17 – 2019/20.
- 65 The Capital Programme is financed via various funding sources including grants, capital receipts, revenue contributions, contributions from reserves and borrowing. The financing of the 2016/17 Outturn is detailed in the following table:

### Financing – General Fund Capital Programme 2016/17

Financed by	2016/17 Outturn £m
Grants and Contributions	47.150
Revenue & Reserves	20.398
Capital Receipts	7.649
Borrowing	31.944
<b>Total</b>	<b>107.141</b>

## Service Grouping Commentary

66 The primary reasons for the net capital underspending of £5.688 million (circa 5% under budget at year end) are set out below:

### Transformation and Partnerships (T&P)

67 The underspend of £1.545 million within T&P is mainly due to:

(a) **Members Budgets** – underspend £1.259 million.

Elected Members are encouraged to invest their annual allocation within each financial year. Current guidance states that uncommitted funds may be carried forward but not beyond an elected Member's term of office. All the £1.259 million was committed in 2016/17 and the schemes will be completed in 2017/18.

(b) **Community Facilities in Crook** - underspend £0.344 million.

Ongoing discussions regarding the transfer of trust land through the Charities Commission delayed the start of the project and the issue of the offer letter, including the terms and conditions, to Crook Community Leisure.

(c) **Budgets Brought Forward from 2017/18** - £58,264.

A number of budgets within this Service have been brought forward to fund expenditure incurred in 2016/17.

### Adult and Health Services (AHS)

68 The underspend of £0.263 million for AHS is mainly due to:

(a) **ICT Budgets**

Relates mainly to the fact that a number of ICT schemes have not been completed in 2016/17. These are the Poppie Data project (£32,057), which is to be completed in 2017/18 and the Planning Systems Development and Service Strategy project (£155,558). In addition, the Broadband Width Connectivity – 0-19 Public Health Contract project (£71,000) has been deferred until 2017/18.

### Children and Young People's Services (CYPS)

69 The underspend of £3.402 million for CYPS is mainly due to:

(a) **School Related** – underspend £1.260 million.

Mainly due to the delay between when budgets are allocated to schemes as they are commissioned and when the schemes are completed in major school holidays to minimise disruption.

- (b) **Devolved Formula Capital** – underspend £2.260 million.  
Work has been delayed awaiting individual schools to finalise capital investment plans.
- (c) **Secure Services** – net overspend £47,566.  
The overspend relates to additional work being carried on the secure units due to the late allocation of grant funding from the DfE.

### **Regeneration and Local Services (REAL)**

70 The underspend of £0.155 million is primarily due to a combination of under and over spending within the service area as follows:

- (a) **Economic Development & Housing** – overspend £1.914 million.  
  
The main reason is the acceleration of works in respect of Disabled Facilities Grants and the issue of Home Loans to the value of £1.168million along with work on the Netpark 3 project of £0.848million.
- (b) **Planning and Assets** – underspend £1.172 million.  
  
Relates mainly to the Structural Capitalised Maintenance Programme being underspent by £0.708 million. This was due to the protracted discussions regarding the detailed design work for the Comeleon House project, work at the Louisa Centre was delayed whilst awaiting permission from the Coal Board and two roofing projects were delayed due to the weather. The School Demolition Programme was underspent by £0.176 million due to delays in obtaining DfE approval. The Energy and Efficiency programme was also underspent by £0.233million due to programming the work with the relevant third party. The underspends have been reprofiled into 2017/18 for completion.
- (c) **Transport and Contracted Services** – overspend £2.696 million.  
  
Primarily due the accelerated work on Forrest Park project, £2.388 million for which NECA funding is available.
- (b) **Strategy, Programmes and Performance** – underspend £0.104 million.  
  
This contingency budget has been carried forward into the new financial year 2017/18.

- (c) **Direct Services** – underspend £1.248 million.

A number of schemes within this service area were underspent and include £52,205 for the Upgrade to the Locomotion Café and Kitchen due to ongoing discussions regarding the design of the front of house seating. The Play Area budget was underspent by £0.522 million due to final invoices not received from contractors. The budget for the Refurbishment of Mountsett Crematorium was underspent by £0.201 million and was mainly due to the fact the external contractor did not claim the bond for the project. Other underspends include the Environmental Improvement project £0.157million and the Bereavement Improvement project £0.155 million.

- (d) **Culture and Sport** – underspend £0.794 million.

The underspend within this service area is mainly due the delay in obtaining DfE approval for the upgrading of the changing facilities at Roseberry and Blackfyne £0.441 million and the fact that additional works were requested during the year for the Newton Aycliffe CAP project £0.317 million.

- (e) **Project and Business** – underspend £0.710 million.

Primarily due to the underspend of £0.358 million for the CRM system as the go live date was initially delayed by the implementation partner. The underspend of £0.248 million on a number of Waste Management schemes was due to awaiting agreement on the contract price for the Stainton Grove project as well as issues relating to the design work for the Thornley Waste Transfer Station project.

- (f) **Technical Services** – underspend £0.735 million.

The outturn is due to a combination of under and over spending on the major areas within the service. Accelerated work led to overspending in the following areas: Street Lighting Reduction Energy Programme £0.671 million, Footways £0.133 million, Street Lighting £0.124 million and Drainage £0.141 million. The Traffic and Community Engagement schemes were underspent by £0.158 million and the Highways Maintenance project by £1.204 million.

## Resources

- 71 Once again, the underspend of £0.323 million is a result of under and overspending of the main areas within the service:

- (a) **Migration of HR / Payroll System to Oracle** – underspend £0.511 million.

The project was underspent due to the decision not to migrate to Oracle. The budget has been carried forward into 2017/18 to fund the new HR/Payroll system, which is currently out to procurement.

(b) **Digital Durham Contract 2** – overspend £0.876 million.

Funding is available to finance the expenditure from a combination of BDUK grant and contributions from local authority partners, including the Council.

(c) **ICT Projects**

The remaining underspend relates to various ICT projects which have been delayed due to either take advantage of the current market pricing or where the supplier has advised DCC to proceed with an alternative option of procurement.

## Capital Receipts

72 Income from the sale of assets and other capital income streams (capital receipts) are utilised to support the capital budget. The 2016/17 budget for income from capital receipts was £8.728 million. The final outturn position is shown in the following table:

Source	Sum Received 2016/17
	£m
Land Sales	2.596
Land Sales via Durham Villages Regeneration Limited	1.704
VAT Shelter – Livin	0.550
VAT Shelter – Derwentside Homes	0.230
VAT Shelter – Teesdale	0.029
VAT Shelter – County Durham Housing Group	1.746
Preserved 'Right to Buy' Sales	0.761
Vehicle Sales	0.032
<b>TOTAL</b>	<b>7.648</b>
Less: Income Budget	8.728
<b>Underachievement of Capital Receipts</b>	<b>-1.080</b>

73 One of the main reasons for the underachievement on capital receipts in 2016/17 related to the planned sale of land at Queen Street in Crook. A capital receipt of £1.2 million was expected in 2016/17 but only the deposit of £60,000 was received, with the balance to be paid in 2017/18.

## Council Tax and Business Rates Collection Funds

### Council Tax

74 Council Tax is charged for all residential dwellings in bandings agreed by the Valuation Office Agency, which is part of Her Majesty's Revenues and Customs (HMRC). Exemptions, reliefs and discounts are awarded dependent upon the state of the property, its use and occupiers' personal circumstances.

75 The collection rate at 31 March 2017 was 96.69% and whilst this demonstrates an improvement of 0.39% on 2015/16 this is slightly below the target of 96.80%. This has been achieved through continued automation of the 2016/17 recovery schedule used to target non-payers, e-enablement of processes and availability of a wide range of payment methods.

76 The in-year collection rates at 31 March for the last three years, including the current year, are shown below:

<b>Billing Year</b>	<b>Position at 31 March Each Year %</b>
2016/17	96.69
2015/16	96.30
2014/15	95.80

77 The current overall collection rate for 2015/16 council tax liabilities is now 98.09%, and for 2014/15 the rate is now 98.48%. The Council continues to recover Council Tax from earlier years and currently, the collection rate for all years excluding the current year is 99.62% which is line with our medium term financial plan forecasts.

78 The income shown in the Council Tax Collection Fund is the amount collectable from Council Tax payers in the long run, rather than the actual cash collected in the year the charges are raised. Likely bad debts are accounted for by maintaining a bad debt provision. The amount estimated to be collectable is estimated each year by reference to the actual council taxbase for all domestic properties in the county (schedule of all properties, discounts and reliefs) with an allowance for non-collection, currently 1.5%.

79 Due to changes in the number of properties (including new build and demolitions), eligibility of discounts and reliefs during the year, the actual amount collectable increases or decreases from the estimate on a dynamic day to day basis. In addition, adjustments for previous billing years take place during each accounting year. All of these adjustments mean that the actual amounts collected will always differ from the estimate.

80 Such differences at the end of each accounting year, after taking into account the calculated change required in the 'bad debt' provision, determines whether a surplus or deficit has arisen, which is then shared proportionately between the Council and its major preceptors, being Durham Police and Crime Commissioner and County Durham and Darlington Fire and Rescue Authority.

81 At 31 March 2017, the outturn for the Council Tax Collection Fund is a surplus of £5.029 million as shown in the table below. Durham County Council's share of this forecasted surplus is £4.231 million.

	<b>£ million</b>
Net Bills issued during Accounting Year 2016/17	290.535
LCTRS and previous years CTB adjustments	-51.74
Calculated change in provision for bad debts required and write offs	-1.664
<b>Net income receivable (a)</b>	<b>237.131</b>
<b>Precepts and Demands</b>	
Durham County Council	185.798
Parish and Town Councils	11.513
Durham Police and Crime Commissioner	22.219
County Durham and Darlington Fire and Rescue Authority	12.822
<b>Total Precepts and Demands (b)</b>	<b>232.352</b>
<b>Net Surplus / (-) Deficit for year (a) – (b)</b>	<b>4.779</b>
<b>Surplus Brought Forward from 2015/16</b>	<b>0.250</b>
<b>Estimated Year end surplus</b>	<b>5.029</b>

- 82 At 15 January in each year, the estimated surplus/deficit on the Collection Fund Council Tax Account is notified to the two major preceptors for inclusion in the budget setting process for the following year as an additional income or expenditure item.
- 83 At 15 January 2017 an estimated year end position on the Council Tax Collection Fund for 2016/17 was declared and taken into account in the budget setting process for 2017/18. The difference between this and the actual surplus at 31 March 2017 will be carried forward to 15 January 2018 and will be taken into account in estimating the surplus/deficit for 2017/18, which will need to be taken into account for 2018/19 budget setting. A reduction in bad debt requirement and write offs has led to a higher than anticipated surplus at the year end, this has been achieved largely due to a more proactive and supportive approach and additional enforcement actions towards debt collection.
- 84 Over the past four years, the Council Tax provision for bad debts has been increasing steadily. This has reflected concerns in relation to collection during the recession and also at a time when the Council became responsible for Local Council Tax Support. The position has now been reached where the provision is deemed to be at a prudent level which allows consideration to be given to the declaration of a surplus.

### **Business Rates**

- 85 2013/14 was the first year of the new Business Rates Retention Scheme whereby the Council has a vested budget interest and stake in the level of business rate yield, as income generated from Business Rates is now shared between Central Government (50%), Durham County Council (49%) and County Durham and Darlington Fire and Rescue Authority (1%). Therefore, it is not only the accuracy and timeliness of bills levied and collected that is

monitored and audited, but the level of income anticipated for the year is important and new monitoring procedures have been devised for this purpose.

- 86 Bills raised, exemptions and reliefs awarded are examined together with local knowledge of anticipated changes in reliefs such as Mandatory Charitable Relief and Discretionary Rate Relief on a monthly basis to enable a comparison with the January 2016 estimate of 2016/17 Business Rates income that was used for budget setting purposes. At 31 March 2017, the outturn for the Collection Fund Business Rates is a surplus of £3.706 million, arrived at as shown in the table below, which takes into account the undeclared deficit as at 31 March 2016.

	<b>£ million</b>
Net rate yield for 2016/17 including previous year adjustments	118.186
Estimate of changes due to appeals lodged and future appeals	0.046
Estimated losses in Collection – Provision for Bad Debts and Write-offs	-0.992
<b>Net income receivable (a)</b>	<b>117.240</b>
Agreed allocated shares	
Central Government (50%)	55.918
Durham County Council (49%)	54.800
County Durham and Darlington Fire and Rescue Authority (1%)	1.118
Cost of Collection Allowance and Renewable Energy (paid to Durham County Council)	0.700
<b>Total fixed payments (b)</b>	<b>112.536</b>
<b>Net surplus for year (a) – (b)</b>	<b>4.704</b>
<b>Undeclared Deficit brought forward from 2015/16</b>	<b>-0.998</b>
<b>Estimated year end Surplus</b>	<b>3.706</b>

- 87 The in-year surplus of £4.704 million is offset by the total undeclared deficit brought forward from 2015/16, leaving a surplus of £3.706 million at 31 March 2017. Any surpluses or deficits at 31 March in any year are shared proportionately between Durham County Council, Central Government and County Durham and Darlington Fire and Rescue, Durham County Council's share being 49%. Durham County Council's share of the year end surplus will therefore be £1.816 million. A reduction in bad debt requirement has led to a higher than anticipated surplus at the year end, this has been achieved largely due to a more proactive and supportive approach and additional enforcement actions towards debt collection. The provision for appeals was also lower than anticipated due to the increase in settlements of appeals, late in the financial year.

- 88 The payment profile on collection performance is changing due to more businesses opting to spread their payments over 12 months rather than ten. The major Business Rates Payers have all opted to take up this opportunity to re-profile their cash flow. However, robust collection procedures have enabled the setting of a challenging collection rate target of 97.50% at 31 March 2017.
- 89 The in-year collection rates at 31 March for the last three years, including the current year, are shown below:

Billing year	Position at 31 March Each Year %
2016/17	97.78
2015/16	97.40
2014/15	97.20

- 90 The 97.78% collection rate is above the target by 0.28 percentage points.
- 91 The current overall collection rate for 2015/16 business rate liabilities is now 98.92% and for 2014/15 business rate liabilities is now 99.44%. The Council continues to recover Business Rates from earlier years and currently, the collection rate for all years excluding the current year is 99.28% which is line with our medium term financial plan forecasts.

### **Section 31 Grant - Small Business Rate Relief**

- 92 Small Business Ratepayers with properties with rateable values under £12,000 benefit from relief on their rates payable. The Government has awarded local authorities a special 'Section 31' grant to cover their share of the shortfall in business rates that these small business ratepayers would have paid had the relief scheme not been in place.
- 93 Small Business Ratepayers with properties with rateable values up to £6,000 are currently being granted full relief instead of 50% relief under the previous scheme, and properties with rateable values between £6,000 and £12,000 have a tapered relief applied to them ranging from 100% down to 0%, but in all cases double the standard relief.
- 94 The Section 31 grant has been calculated as 50% of the extended small business rate relief awarded.
- 95 The Government has only agreed to pay Section 31 grant for the additional Small Business Rate Relief in respect of business rates bills and adjustments thereof relating to the period commencing 1 April 2013. Any adjustments that relate to bills for years prior to this will be dealt with as part of the normal Rate Retention shares. At 31 March 2017, the gross Small Business Relief awarded against 2016/17 Business Rates bills and adjustments to 2015/16, 2014/15 and 2013/14 bills is £10.376 million, and on this the Council will receive £2.579 million in Section 31 Grant, including the capping adjustment.

## Other Section 31 Grants

- 96 In the Autumn Statement 2013, 2014 and 2015, additional Business Rate Reliefs were announced for 2014/15, 2015/16 and 2016/17 for which Section 31 Grants would be payable. These included one for properties empty from new, reoccupation of long-term empty properties and an additional relief for small shops. Durham County Council will be recompensed for any retained rates foregone because of reliefs given.
- 97 When assessing estimated outturn income from Business Rates, due regard must also be given on the effect that changes in estimated reliefs will have on the Section 31 grants. At 31 March 2017, the increase in Durham County Council's Section 31 Grants (including Small Business Rate Relief) was £132,665.
- 98 Whilst the increase in S31 grants is accounted for in 2016/17, the surplus on Business Rates retention is accounted for in 2017/18.

## Recommendations and Reasons

- 99 It is recommended that Cabinet note:
- (a) the reduction in the Cash Limit Reserves of £6.044 million during 2016/17 with closing Cash Limit Reserves of £16.255 million. These sums will continue be held as Earmarked Reserves and be available for Service Groupings to manage their budgets effectively;
  - (b) the closing General Reserve balance of £23.001 million;
  - (c) the closing balance on General Fund Earmarked Reserves (excluding Cash Limit Reserves) is £186.301 million;
  - (d) the closing balance on Schools Reserves is £30.996 million;
  - (e) the position for the Collection Funds in respect of Council Tax and Business Rates.
- 100 It is recommended that Cabinet approve:
- (a) the capital budget carried forward of £15.375 million for the General Fund is moved into 2017/18, offset by reductions in the 2017/18 programme to fund accelerated spending in 2016/17 and that service groupings regularly review capital profiles throughout 2017/18 reporting revisions to MOWG and Cabinet as necessary.

## Background Papers

- ) Cabinet – 14 September 2016 – Forecast of Revenue and Capital Outturn 2016/17 – Period to 30 June 2016.
- ) Cabinet – 16 November 2016 - Forecast of Revenue and Capital Outturn 2016/17 – Period to 30 September 2016.
- ) Cabinet – 15 March 2017 - Forecast of Revenue and Capital Outturn 2016/17 – Period to 31 December 2016.

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## **Appendix 1: Implications**

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**Finance** - The report details the financial outturn for the Council for 2016/17 for Revenue and Capital. The report covers General Fund for both Revenue and Capital and the outturn position for General and Earmarked Reserves at 31 March 2017, plus the Collection Fund outturn, covering both Council Tax and Business Rates.

**Staffing** - None.

**Risk** - The figures contained within this report have been extracted from the General Ledger, and have been scrutinised and supplemented with information supplied by Budget Managers and Service Management Teams. The outturn has been produced taking into consideration all spend in year and year end accounting requirements and standard / recommended accounting practices. This should mitigate any risks with regards to challenge over the accuracy and validity of the financial outturn position of the Council as reported.

**Equality and Diversity / Public Sector Equality Duty** - None.

**Accommodation** - None.

**Crime and Disorder** - None.

**Human Rights** - None.

**Consultation** - Budget Managers and Service Management Teams have been consulted on and contributed to the contents of the report and the accounting entries contained within.

**Procurement** - None.

**Disability Issues** - None.

**Legal Implications** - The outturn contained within this report has been prepared in accordance with standard accounting policies and procedures.

## Appendix 2: General Fund Revenue Summary 2016/17

	Cash Limit Adjustments							
	Original Budget 2016/17	Revised Budget	Service Groupings Final Outturn	Variance	Sums Outside the cash limit	Cash Limit Reserve	Contribution to / Use of Earmarked Reserves	Final Outturn
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult and Health Services	158,665	161,409	159,084	-2,325	413	0	-2,834	-4,746
Children and Young People's Services	96,429	106,755	118,608	11,853	-14,836	0	6,843	3,860
Regeneration and Local Services	125,882	131,871	101,669	-30,202	23,648	152	3,642	-2,760
Resources	16,282	18,187	16,631	-1,556	-684	15	424	-1,801
Transformation and Partnerships	9,448	10,660	13,321	2,661	-2,387	-14	-365	-105
<b>Cash Limit Position</b>	<b>406,706</b>	<b>428,882</b>	<b>409,313</b>	<b>-19,569</b>	<b>6,154</b>	<b>153</b>	<b>7,710</b>	<b>-5,552</b>
Contingencies	6,194	3,259	0	-3,259			0	-3,259
Centrally Held Budgets	0	0	-1,572	-1,572	1,572	0	0	0
Corporate Costs	4,235	4,374	4,701	327	173	0	-743	-243
<b>NET COST OF SERVICES</b>	<b>417,135</b>	<b>436,515</b>	<b>412,442</b>	<b>-24,073</b>	<b>7,899</b>	<b>153</b>	<b>6,967</b>	<b>-9,054</b>
Capital charges	-55,478	-55,478	-64,144	-8,666	-3,751			-12,417
Gain/Loss on Disposal	0	0	12,417	12,417				12,417
Interest and Investment income	-1,641	-4,381	-5,749	-1,368				-1,368
Interest payable and similar charges	37,401	42,146	41,852	-294			450	156
HR Accrual	0	0	3,155	3,155	-3,155			0
Levies	15,929	15,929	15,929	0				0
<b>Net Expenditure</b>	<b>413,346</b>	<b>434,731</b>	<b>415,902</b>	<b>-18,829</b>	<b>993</b>	<b>153</b>	<b>7,417</b>	<b>-10,266</b>
<b>Funded By:</b>								
Council tax	-185,798	-185,798	-185,802	-4				-4
Use of (-) / contribution to earmarked reserves	-11,621	-26,372	-2,050	24,322			16,905	41,227
Estimated net surplus on Collection Fund	-2,617	-2,617	-2,617	0				0
Start up Funding Assessment	-192,977	-192,977	-193,021	-44				-44
New Homes Bonus	-10,182	-10,182	-10,182	0				0
New Homes Bonus - Re-imburement	-267	-267	-267	0				0
Section 31 Grant	-4,267	-4,267	-4,400	-133				-133
Education Services Grant	-5,407	-5,407	-5,419	-12				-12
Use of Cash Limit Reserve	-210	-6,844	-6,044	800		-4,905		-4,105
Use of (-) / contribution to General Reserves	0	0	-6,100	-6,100				-6,100
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>993</b>	<b>-4,752</b>	<b>24,322</b>	<b>20,563</b>

### Appendix 3: General Fund Revenue Summary by Expenditure / Income for 2016/17

	Original Budget 2016/17	Revised Budget	Proposed Budget Revisions	Agreed Budget	Service Groupings Final Outturn	Corporate Costs	Variance	Cash Limit Adjustments			Cash Limit Position	Cash Limit Carry Forward (including Corporate Costs)	Variance - Corporate Costs
								Sums Outside the Cash Limit	Cash Limit Reserve	Contribution to / Use of Earmarked Reserves			
								£'000	£'000	£'000			
<b>Employees</b>	496,559	505,690	0	505,690	515,619	1,202	11,131	3,194	38	-2,882	11,481	-11,481	-52
<b>Premises</b>	51,287	54,487	0	54,487	56,340	5	1,858	-1,989	12	-67	-186	186	0
<b>Transport</b>	41,402	40,436	0	40,436	39,509	0	-927	-1	0	-16	-944	944	0
<b>Supplies &amp; Services</b>	120,648	128,807	0	128,807	124,938	1,104	-2,765	627	18	3,045	925	-925	-220
<b>Agency &amp; Contracted</b>	310,712	312,978	0	312,978	326,023	2,200	15,245	-33	324	584	16,120	-16,120	-8
<b>Transfer Payments</b>	209,047	211,438	0	211,438	208,921	0	-2,517	0	0	89	-2,428	2,428	0
<b>Central Costs</b>	75,877	90,183	0	90,183	69,002	849	-20,332	-3,625	-239	6,744	-17,452	17,452	87
<b>DRF</b>	0	71	0	71	2,236	0	2,165	-627	0	-777	761	-761	0
<b>Other</b>	25,199	27,480	0	27,480	26,427	0	-1,053	-6	0	538	-521	521	0
<b>Capital Charges</b>	55,478	55,478	0	55,478	51,727	0	-3,751	3,751	0	0	0	0	0
<b>GROSS EXPENDITURE</b>	<b>1,386,209</b>	<b>1,427,048</b>	<b>0</b>	<b>1,427,048</b>	<b>1,420,742</b>	<b>5,360</b>	<b>-946</b>	<b>1,291</b>	<b>153</b>	<b>7,258</b>	<b>7,756</b>	<b>-7,756</b>	<b>-193</b>
<b>Income</b>													
Government Grants	584,251	568,648	0	568,648	578,055	306	9,713	47	0	-141	9,619	-9,619	-1
Other Grants and Contributions	70,538	73,530	0	73,530	75,584	0	2,054	-80	0	1,704	3,678	-3,678	0
Sales	8,881	8,069	0	8,069	8,303	304	538	-154	0	0	384	-384	0
Fees and Charges	105,241	106,491	0	106,491	110,662	49	4,220	0	0	48	4,268	-4,268	-49
Rents	8,787	7,686	0	7,686	8,302	0	616	0	0	-471	145	-145	0
Recharges To Other Services	190,646	221,856	0	221,856	217,852	0	-4,004	-6,421	0	39	-10,386	10,386	0
Other	6,924	7,512	0	7,512	14,243	0	6,731	0	0	-888	5,843	-5,843	0
<b>Total Income</b>	<b>975,268</b>	<b>993,792</b>	<b>0</b>	<b>993,792</b>	<b>1,013,001</b>	<b>659</b>	<b>19,868</b>	<b>-6,608</b>	<b>0</b>	<b>291</b>	<b>13,551</b>	<b>-13,551</b>	<b>-50</b>
<b>NET EXPENDITURE</b>	<b>410,941</b>	<b>433,256</b>	<b>0</b>	<b>433,256</b>	<b>407,741</b>	<b>4,701</b>	<b>-20,814</b>	<b>7,899</b>	<b>153</b>	<b>6,967</b>	<b>-5,795</b>	<b>5,795</b>	<b>-243</b>

## Appendix 4: General Fund Earmarked Reserves as at 31 March 2017

	EARMARKED RESERVES AND CASH LIMIT RESERVES	SERVICE GROUPING	2015/16 CLOSING BALANCE	USE OF RESERVES	CONTRIBUTION TO RESERVES	TRANSFERS BETWEEN RESERVES	TOTAL MOVEMENT ON RESERVES	2016/17 CLOSING BALANCE AS AT 31 MAR 2017
			£'000	£'000	£'000	£'000	£'000	£'000
1	T&P AAP/Members Reserve	T&P	-3,606	1,124	0	0	1,124	-2,482
2	T&P Grant Reserve	T&P	-1,412	264	-24	0	240	-1,172
3	T&P Operational Reserve	T&P	-747	13	-176	20	-143	-890
4	Social Care Reserve	AHS	-13,363	5,397	-170	1,800	7,027	-6,336
5	Public Health Reserve	AHS	-4,955	1,865	-590	244	1,519	-3,436
6	Env. Health and Consumer Protection Reserve	AHS	-814	79	0	26	105	-709
7	Children's Services Reserve	CYPS	-5,835	2,251	-2,402	1,000	849	-4,986
8	Continuing Professional Development Reserve	CYPS	-1,201	15	0	0	15	-1,186
9	Education Reserve	CYPS	-3,652	399	-5,789	0	-5,390	-9,042
10	Neighbourhoods AAP Reserve	REAL	-49	3	0	0	3	-46
11	Customer Services Reserve	REAL	-233	0	0	23	23	-210
12	Direct Services Reserve	REAL	-3,125	1,639	-1,608	500	531	-2,594
13	Culture and Sport Reserve	REAL	-3,112	1,818	-224	-1,028	566	-2,546
14	Strategic Waste Reserve	REAL	-136	0	0	0	0	-136
15	Technical Services Reserve	REAL	-4,353	1,073	-851	-500	-278	-4,631
16	Transport Asset Management Programme Reserve	REAL	-160	160	0	0	160	0
17	Business Growth Fund Reserve	REAL	-816	52	0	0	52	-764
18	Economic Development Reserve	REAL	-1,323	35	-673	-467	-1,105	-2,428
19	Planning Reserve	REAL	-1,329	293	-220	5	78	-1,251
20	North Pennines AONB Partnership Reserve	REAL	-206	0	-123	0	-123	-329
21	Employability and Training Reserve	REAL	-1,706	269	-103	1,414	1,580	-126
22	REAL Match Fund Programme Reserve	REAL	-2,012	173	-180	284	277	-1,735
23	Housing Regeneration Reserve	REAL	-320	70	-14	-827	-771	-1,091
24	Housing Solutions Reserve	REAL	-1,142	21	-307	100	-186	-1,328
25	Restructure Reserve	REAL	-188	74	0	0	74	-114
26	Transport Reserve	REAL	-249	42	0	0	42	-207
27	Funding and Programmes Management Reserve	REAL	-156	0	0	-234	-234	-390
28	Resources Corporate Reserve	Resources	-931	245	-485	193	-47	-978
29	Resources DWP Grant Reserve	Resources	-2,035	558	-325	120	353	-1,682
30	Resources System Development Reserve	Resources	-874	178	-29	0	149	-725
31	Resources Housing Benefit Subsidy Reserve	Resources	-500	67	0	0	67	-433
32	Resources Revenue and Benefits Reserve	Resources	-200	0	-100	0	-100	-300
33	Resources Single Fraud Incentive Scheme	Resources	-257	0	0	257	257	0
34	Resources Land Search Fees Reserve	Resources	-444	111	-32	365	444	0
35	Resources Legal Expenses Reserve	Resources	-200	0	0	0	0	-200
36	Resources Legal Services Reserve	Resources	-154	0	0	0	0	-154
37	Resources Elections Reserve	Resources	-1,010	0	0	0	0	-1,010
38	Resources ICT Reserves	Resources	-1,727	828	-458	399	769	-958
39	Human Resources Reserve	Resources	-65	57	-89	0	-32	-97
40	Equal Pay Reserve	Corporate Fin	-9,529	641	-7,000	-4,253	-10,612	-20,141
41	Insurance Reserve	Corporate Fin	-10,228	0	-2,363	2,600	237	-9,991
42	Performance Reward Grant Reserve	Corporate Fin	-685	47	0	0	47	-638
43	MTFP Redundancy and Early Retirement Reserve	Corporate Fin	-13,859	5,849	0	-4,812	1,037	-12,822
44	Office Accommodation Project Support Reserve	Corporate Fin	-697	410	0	211	621	-76
45	Budget Support Reserve	Corporate Fin	-30,000	1,624	0	-14,246	-12,622	-42,622
46	Office Accommodation Capital Reserve	Corporate Fin	-42,481	0	0	1,836	1,836	-40,645
47	Housing Stock Transfer Reserve	Corporate Fin	-1,000	0	0	1,000	1,000	0
48	Pension Deficit Reserve	Corporate Fin	-10,000	0	0	10,000	10,000	0
49	Inspire Programme Reserve	Corporate Fin	0	0	0	-2,664	-2,664	-2,664
	<b>Total Earmarked Reserves</b>		<b>-183,076</b>	<b>27,744</b>	<b>-24,335</b>	<b>-6,634</b>	<b>-3,225</b>	<b>-186,301</b>
	<b>Cash Limit Reserves</b>							
50	Adult and Health Services		-2,336	0	-4,746	1,570	-3,176	-5,512
51	Children and Young People's Services		-11,164	3,372	3,860	623	7,855	-3,309
52	Regeneration and Local Services		-6,371	1,170	-2,760	1,729	139	-6,232
53	Resources		-2,151	420	-1,801	2,509	1,128	-1,023
54	Transformation and Partnerships		-277	0	-105	203	98	-179
	<b>Total Cash Limit Reserves</b>		<b>-22,299</b>	<b>4,962</b>	<b>-5,552</b>	<b>6,634</b>	<b>6,044</b>	<b>-16,255</b>
	<b>Total Council Reserves</b>		<b>-205,375</b>	<b>32,706</b>	<b>-29,887</b>	<b>0</b>	<b>2,819</b>	<b>-202,556</b>
	<b>Schools' Balances</b>							
Sch 1	Schools' Revenue Balance	CYPS	-24,083	4,247	0	0	4,247	-19,836
Sch 2	DSG Reserve	CYPS	-12,185	1,025	0	0	1,025	-11,160
	<b>Total Schools and DSG Reserve</b>		<b>-36,268</b>	<b>5,272</b>	<b>0</b>	<b>0</b>	<b>5,272</b>	<b>-30,996</b>