

## Wiltshire Council

### Cabinet

20 June 2017

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**Subject:** Revenue Outturns 2016/2017 and Statement of Accounts

**Cabinet Member:** Councillor Phillip Whitehead – Finance and IT

**Key Decision:** No

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#### **Executive Summary**

The Council is required to produce an Annual Statement of Accounts. The national reporting requirements set out that the Accounts are prepared in accordance with a single set of standards for public and private sector bodies. As local authorities are funded from local and national taxation there are a number of technical adjustments made to the Comprehensive Income and Expenditure Account to ensure that consistency. These adjustments mean it can appear there is a different reporting position from the outturn. To overcome that there is now a reconciliation statement – the Expenditure Funding Analysis (EFA) that ties into the Outturn report.

This report is thus to advise Cabinet of the final (unaudited) General Revenue Fund (GRF), Housing Revenue Account (HRA), and Collection Fund outturn positions as at 31 March 2017 for the financial year 2016/2017; as well as reserves.

The year-end positions are an underspend of £0.328 million for the GRF and an underspend of £1.716 million for the HRA. This is an improvement from the forecast position at period 9, and in line with the projections of the Section 151 Officer. Overall this outturn means that reserves are in line with requirements and the Council has a sound financial standing.

#### **Proposal**

Cabinet are asked to note:

- a) the report showing an outturn for the General Revenue Fund and HRA, subject to external audit, of an underspend of £0.328 million and an underspend of £1.716 million, GRF and HRA respectively. Cabinet should note appropriate transfers to the General Revenue Fund and Earmarked reserves as set out in Sections 22-25 of this report, and return to HRA reserves.
- b) The unaudited Statement of Accounts for 2016/2017.

**Reasons for Proposals**

As part of its role in ensuring sound financial management and financial soundness, Cabinet are required to assess and approve the final revenue outturns for 2016/2017 and assess any impact on the longer term financial standing of the Authority.

**Michael Hudson**

**Associate Director, Finance / Chief Finance Officer**

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### PURPOSE OF REPORT

1. To advise Cabinet of the (unaudited) General Revenue Fund and Housing Revenue Account outturn positions for financial year 2016/2017. As well as the position for the Collection Fund and Reserves.
2. To provide Cabinet with oversight of the unaudited Statement of Accounts, including the narrative report.

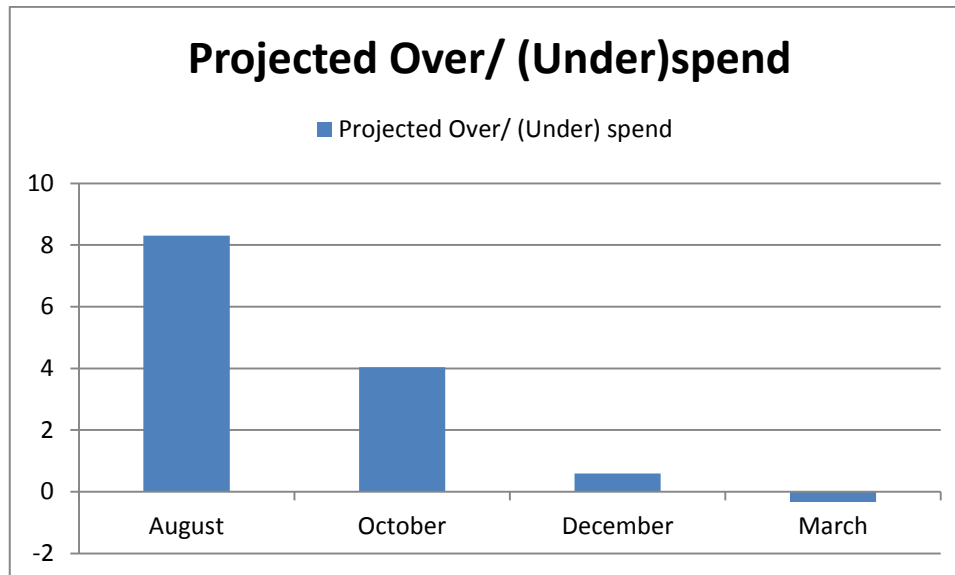
### SUMMARY

3. The final outturn position is as follows:

	Revised Budget £ million	Outturn Position for Year £ million	Overspend/ (Underspend) for Year £ million	Overspend/ (Underspend) reported at period 9 £ million	Movement since period 9 £ million
General Fund Total	313.585	313.257	(0.328)	0.597	(0.925)
Housing Revenue Account	(0.975)	(2.691)	(1.716)	0.000	(1.716)

4. The final unaudited outturn position on the general revenue fund is an underspend of £0.328 million. This represents an improvement of £0.925 million on the budget monitoring position reported to Members for period 9, and is in line with the forecast reported by the Section 151 Officer to Council in February 2017. The reasons for the changes are set out in the following section of this report.
5. The HRA was originally projected to return £0.975 million to HRA reserves. The final unaudited outturn position on the HRA is an underspend of £1.716 million, which gives a final return to reserves of £2.691 million. This is again explained in the following sections of this report.
6. The outturn is summarised by service area in Appendix C. More detailed details for the large variances are noted in the following sections.

7. The graph below shows how the forecast outturn position has improved during budget monitoring reports to Cabinet this year. The graph shows a clear improvement in the position towards the end of the financial year.



8. This outturn shows an improvement on figures in the financial plan. The financial plan will be updated to reflect this during budget setting 2017/2018. As a result, General Fund Reserves will be increased by this surplus and are reported in the unaudited Statement of Accounts as £12.534 million. This is in line with the minimum requirement set by the Council in February.
9. The Statement of Accounts are also appended to this report, and the Expenditure Funding Analysis reconciles the Comprehensive Income and Expenditure Statement to the outturn.

### **Statement of Accounts (unaudited)**

10. The Council is required to prepare an annual Statement of Accounts and to arrange for them to be audited and reported in accordance with the Accounts and Audit Regulations 2015 and the 2016/2017 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement of Accounts present the overall financial position of the Council reflecting the outturn position above.

11. The national reporting requirements set out that the Accounts are prepared in accordance with a single set of standards for public and private sector bodies. As local authorities are funded from local and national taxation there are a number of technical adjustments made to the Comprehensive Income and Expenditure Account to ensure that consistency. These adjustments mean it can appear there is a different reporting position from the outturn. To overcome that there is now a reconciliation statement – the Expenditure Funding Analysis (EFA) that ties into this Outturn report. This identifies £65.991 million of technical adjustments:

	2016/2017		Net Expenditure in the Comprehensive Income & Expenditure Statement £000
	Net Expenditure Chargeable to the General Fund & HRA Balances £000	Adjustments between Funding and Accounting Basis £000	
<b>General Fund Services</b>			
Adult Social Care Operations	123,471	703	124,174
Adult Care Commissioning & Housing	10,204	2,800	13,004
Public Health & Public Protection	2,262	4,136	6,398
Operational Children's Services	57,588	1,172	58,760
Commissioning, Performance & School Effectiveness	9,837	8,779	18,616
Economy & Planning	3,992	(2,625)	1,367
Highways & Transport	28,061	13,461	41,522
Waste & Environment	35,637	10,636	46,273
Communities & Communications	7,137	1,086	8,223
Corporate Function, Procurement & Programme Office	6,552	(173)	6,379
Finance	2,880	(205)	2,675
Legal & Governance	3,156	(51)	3,105
People & Business Services	25,914	12,104	38,018
Corporate Directors	2,897	(22)	2,875
Corporate	(6,331)	14,190	7,859
<b>Net Cost of Service General Fund</b>	<b>313,257</b>	<b>65,991</b>	<b>379,248</b>

12. The Technical adjustments are then examined further in note 13 to the Statements and reflect changes for pensions, depreciation and other factors such as PFI transactions that do not impact on council tax funding:

	2016/2017			Total Adjustments £000
	Capital Purposes (Note 13a) £000	Pension Adjustments (Note 13b) £000	Other Differences (Note 13c) £000	
<b>General Fund Services</b>				
Adult Social Care Operations	1,155	(427)	(25)	703
Adult Care Commissioning & Housing	4,078	(127)	(1,151)	2,800
Public Health & Public Protection	4,437	(304)	3	4,136
Operational Children's Services	1,860	(693)	5	1,172
Commissioning, Performance & School Effectiveness	9,178	(669)	270	8,779
Economy & Planning	(2,386)	(235)	(4)	(2,625)
Highways & Transport	13,658	(194)	(3)	13,461
Waste & Environment	10,826	(188)	(2)	10,636
Communities & Communications	1,281	(189)	(6)	1,086
Corporate Function, Procurement & Programme Office	0	(185)	12	(173)
Finance	0	(187)	(18)	(205)
Legal & Governance	60	(104)	(7)	(51)
People & Business Services	12,909	(388)	(417)	12,104
Corporate Directors	0	(18)	(4)	(22)
Corporate	0	616	18,042	18,658
Housing Revenue Account (HRA)	14,572	(74)	(13,681)	817
<b>Net Cost of Service</b>	<b>71,628</b>	<b>(3,366)</b>	<b>3,014</b>	<b>71,276</b>

13. In addition, members will note a changed narrative format to the reports, the aim of which is to set the Accounts out in a more user friendly format and gain increased readership and review of the accounts.
14. The draft accounts were signed by the Chief Finance Officer on 31 May 2017, well ahead of the statutory deadline of 31 July 2017.
15. The draft Statement of Accounts are then subject to external audit by the Council's appointed auditors (KPMG) before the final set is brought to the Audit Committee for final approval. This adoption process ensures that there is external independent scrutiny of the figures in the Statement of Accounts before they are brought to the Audit Committee. Under the constitutions, in Wiltshire the Statement of Accounts are adopted by the Audit Committee.
16. The Statement of Accounts will be taken to the Audit Committee on 26 July 2017. This is well ahead of the Statutory Deadline of 30 September.
17. The draft Statement of Accounts is attached as Appendix E.

## **GENERAL FUND MONITORING DETAILS**

18. The overall outturn position by service areas is set out in Appendix C.
19. A summary of the Service Area movements from period 9 monitoring are set out in Appendix D. As with reports during the year, this report targets service areas with large variances at year end.

### **Adult Social Care Operations and Commissioning - net £0.198 million underspend; (0.2%) of revised net budget**

20. The overall split between Adult Care Services shows a mixture of under and overspends. Overall the total net budget for these services, as a collective, is reporting a small underspend of £0.198 million. The forecast is thus a slight improvement on the small overspend (£0.968 million) forecast previously reported to Cabinet. The improvement has come from continued management of spend and care management. The continued realignment of the base budgets will assess these outturns and the level of provision in the 2017/2018 base, with any recommendations for further rebasing and virements brought with the 2017/2018 first quarter budget monitoring report.

**Special Educational Needs & Disabilities (SEND) - £1.197 million overspend; 6.4% of revised net budget**

21. The 0-25 Services for Children and young people with SEN and disabilities overspent by £1.197 million, however that is a significant improvement on the forecast of £2.5 million at period 9. The reduction has been achieved through a mixture of panel assessments taking into account financial advice and case management, as well as DSG adjustments to reflect the appropriate split of package costs. The key pressures, as previously reported to Cabinet, are SEN Transport and an increase in the numbers and costs of care packages, particularly for over 18s. These pressures continue to be recognised within the 2017/2018 budget setting process however SEND budgets will remain under pressure and further reviews are to take place of this area of spend.

**Children's Social Care £0.711 million overspend; 2.0% of revised net budget**

22. Children's Social Care budgets overspent by £0.711 million, an improvement of £1.1m compared with the forecast at period 9. This takes in to account a transfer from reserves previously agreed by Cabinet to support costs of agency social work staff and recruitment strategy actions previously agreed by Cabinet in October 2014. Overall at year end the staff plus agency spend was in line with the total pay budget. In addition to staffing costs, the biggest pressure on the budget remains the costs of placements for looked after children. There was a small fall in placements during the latter part of the year which contributed to the reduction in forecast overspend. This area remains volatile, and a £1.5 million investment in 2017/2018 has been made to cover this risk, and invest in prevention and transformation, including £0.809 million in Special Guardians. The outturn would support that investment and the budget will continue to be monitored closely in 2017/2018.

**Libraries, Arts, Heritage & Culture £0.452 million net overspend; 8.4% of revised net budget**

23. Period 9 forecast an overspend of £0.427 million, the outturn thus of £0.452 million is in line with that. The reasons for the pressures were reported in previous budget monitoring reports to Cabinet, and were a mixture of pressures, protraction in implementing savings, and unforeseen cost pressures.

**Legal & Governance £0.191 million net overspend; 6.4% of revised net budget**

24. The overspend, as previously reported to Cabinet, is primarily due to a significant increase in demand for legal services across the council, which has largely been met in-house to minimise external legal spend. This has, however, resulted in additional agency locum costs and a shortfall in income generation. In addition there has been a shortfall in income generation from local land charges searches due to a reduction in the volume of official search requests. This position however is an improvement on the Period 9 forecast of £0.355 million. Steps have been taken to address the situation for 2017/2018.

**Waste Services £0.985 million net underspend; (3.1%) of revised net budget**

25. This reflects a change from the Period 9 forecast which showed a balanced budget. During 2016/2017 negotiations were ongoing regard the award of the waste collection and disposal contracts. It was unclear during those discussions if provision was needed for future years' costs and thus a balanced budget was reported to reflect the potential call on any underspend. That position is now resolved and no additional payments were required to be made. The underspend arose due to a reduction in the waste tonnes collected and the consequential costs, delivery of savings and increased income.

**Human Resources £0.720 million net underspend; (17.9%) of revised net budget**

26. This Service was instructed to and therefore committed to deliver an overall underspend. The underspend was delivered by measures including:
27. The agreed action to "stop spending" on the delivery of non-statutory / health and safety training & development
- Agreed action taken to "stop spending" on the purchase of systems to support delivery of the people strategy and workforce priorities e.g. new eLearning packages and other online training resources/talent relationship management system
  - Underspend of external funding due to the in-year short term cessation of delivery of apprenticeship training and family learning
  - Increased income received from third parties for DBS checks, payroll services and recruitment advertising
  - Underspend of recruitment advertising budget, due to annual contract renewal being after year end, so a misalignment against the financial year in 2016/2017

**Information Services £0.585 million net underspend; (6.2%) of revised net budget**

28. This reflects a change from the Period 9 forecast which showed a balanced budget. This is due to the delayed commencement of a new contract, planned deferral of discretionary spend e.g. ICT staff training due to restructure of the department and unplanned additional income.

**Corporate £0.464 million net overspend; 6.8% of revised net budget**

29. Corporate as a whole is reporting a small overspend of £0.464 million. This is a change of £6.380 million reported at Period 9. The main significant reasons for the large variance are:



- There is an underspend of £0.677 million on Capital Financing due to increased capital re-programming into 2017/2018. The capital outturn report is also on this agenda.
- Restructure & contingency forecast an underspend of £2.914 million, however a £1.4 million overspend has been reported. This change reflects £1.8 million transfer to ear marked reserves for future risks arising from the potential central Government changes to universal credit and business rates, as well as additional election costs. In addition the timing of a number of corporate savings was delayed and this has also been then reflected in amendments made and agreed by Full Council for the 2017/2018 base budget.
- General Government Grants forecast an underspend of £2 million, however the outturn report a £0.051 million overspend. This is mainly due a set aside of £2 million to earmarked reserves as set out in further paragraphs within this report.

#### **HOUSING REVENUE ACCOUNT**

30. The HRA is reporting an underspend of £1.716 million. This allows a return to reserves of £2.691 million. This has arisen due mainly to continued improvement in income collection.
31. The impact on the HRA reserve is to increase the level to £23.170 million. The HRA Business Plan sets out how this will be used over the coming years to fund repairs and maintenance and debt repayment.

#### **Reserves**

32. The tables below shows the year end outturn position on the general revenue fund balance and estimated earmarked reserves held by the council.
33. As there is an overall improvement in the outturn position from that reported at period 9, subject to audit, this means that the year end balance on the General Revenue Fund reserves is slightly better than forecast to Council in February 2017.
34. The movements on the general revenue fund reserve has been reflected in the figures in this report.

<b>General Fund Reserve</b>	<b>£ million</b>
Balance as at 1 April 2016	(12.206)
Underspend for year 2016/2017	(0.328)
<b>General Fund Balance 31 March 2017</b>	<b>(12.534)</b>

35. The final position shows General Revenue Fund Reserves at the year end of £12.534 million. The report "Wiltshire Council's Financial Plan Update 2017/2018" that went to Cabinet on 7 February 2017 gives full details of the risk assessment of General Revenue Fund Reserves. The outturn shows that the level of reserves exceeds the minimum level of reserves identified to Cabinet and Council of £10 million, and that should help ensure against further risk and negate any strategy to increase reserves in future years of the medium term financial plan.
36. In addition to General Revenue Fund Reserves, the Council also has a number of ring fenced earmarked reserves. These are held for specific reasons. Earmarked Reserves are reviewed regularly as part of closedown process.

37. Below is a list of current Earmarked Reserves:

<b>Earmarked Reserves</b>	<b>Opening Balance 01-Apr-16</b>	<b>Drawdown/ (Deposits)</b>	<b>Closing Balance 31-Mar-17</b>
Schools PFI Reserve	(4.304)	0.049	(4.255)
Insurance Reserve	(3.311)	(0.243)	(3.554)
Schools Balances	(8.636)	2.372	(6.264)
Elections Reserve	(0.330)	(0.495)	(0.825)
Area Board Reserve	(0.060)	0.038	(0.022)
Digital Inclusion Reserve	(0.183)	0	(0.183)
Housing PFI Reserve	(2.980)	0.064	(2.916)
Action 4 Wiltshire Reserve	(0.165)	0.165	0
Transformation Reserve	0.000	0.736	0.000
Business Plan Priority Funding Reserve	0.000	0.141	0.000
Economic Development & Planning Reserve	(0.014)	(0.000)	(0.014)
Revenue Grants Reserve	(5.694)	3.171	(2.523)
Play Area Asset Transfers	0	(0.078)	(0.078)
Enabling Fund	0	(2.000)	(2.000)
Business Rates Equalisation Fund	0	(0.800)	(0.800)
Housing Benefit Subsidy Clawback	0	(0.500)	(0.500)
Transitional Fund	0	(6.000)	(6.000)
Single View	(0.700)	(0.211)	(0.911)
<b>Balance 31 March</b>	<b>(26.377)</b>	<b>(4.468)</b>	<b>(30.845)</b>

38. This identifies that a number of new earmarked reserves have been set up. The Transitional Fund is in line with the Full Council budget setting assumption that the 2016/2017 Transitional and Rural Grant will be used as part of funding 2017/2018 base budgets. In addition new funding has been set aside to recognise the ongoing risks arising from Government changes to universal credit and business rate. Finally £2 million has also been earmarked to enable further pump priming of initiatives to deliver future years savings.

### **Main Consideration for the Council**

39. To note, in its ongoing consideration of the Council's financial standing in taking decisions, the unaudited outturn and Statement of Accounts for 2016/2017, as well as the Council's reserve position.

### **Safeguarding Implications**

40. None have been identified as arising directly from this report.

## **Public Health Implications**

41. None have been identified as arising directly from this report. A return has been submitted to Government confirming that the Public Health grant was fully discharged on expenditure relating to Public Health.

## **Corporate Procurement Implications**

42. None have been identified as arising directly from this report.

## **Equalities Impact of the Proposal**

43. No equality and diversity issues have been identified or arising from this report.

## **Environmental and Climate Change Considerations**

44. None have been identified as arising directly from this report.

## **Legal Implications**

45. None have been identified as arising directly from this report.

## **Risk Assessment**

46. During the year, the Council has faced significant service financial pressures. Actions to manage these pressures have been agreed previously and work has been undertaken to manage the financial position.
47. The Council has identified in its corporate risk register various elements which have been covered in previous monitoring reports, most notably the impact the current economic climate has on the Council's finances.

## **Financial Implications**

48. These have been examined and are implicit throughout the report.

## **Proposals**

49. Cabinet are asked to note:
    - a) the report showing an outturn for the General Revenue Fund and HRA, subject to external audit, of an underspend of £0.328 million and an underspend of £1.716 million, General Revenue Fund and HRA respectively. Cabinet should note appropriate transfers to the General Revenue Fund and Earmarked reserves as set out in this report, and the further return to HRA reserves.
    - b) The unaudited Statement of Accounts for 2016/17.
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**Appendices:**

- Appendix A: Revenue Budget Movements 2016/2017
- Appendix B: Service Area Movements 2016/2016
- Appendix C: Detailed Service Area Budget Statements
- Appendix D: Outturn Variance Movements
- Appendix E: Statement of Accounts 2016/2017 (unaudited)