

<b>Key Decision Required:</b>	<b>Yes</b>	<b>In the Forward Plan:</b>	<b>Yes</b>
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## CABINET

13 JULY 2018

### REPORT OF FINANCE AND CORPORATE RESOURCES PORTFOLIO HOLDER

**A.1 OUTTURN 2017/18 – GENERAL FUND CARRY FORWARD REQUESTS AND PROPOSED ALLOCATION OF THE GENERAL FUND VARIANCE FOR THE YEAR**  
(Report prepared by Richard Barrett and the Accountancy Team)

#### PART 1 – KEY INFORMATION

##### **PURPOSE OF THE REPORT**

To seek approval of the carry forward amounts requested by services at the end of March 2018, along with the allocation of the overall General Fund revenue variance for 2017/18.

##### **EXECUTIVE SUMMARY**

- The Portfolio Holder for Finance and Corporate Resources agreed the overall outturn position for 2017/18 on 21 May 2018.
- As part of agreeing the outturn position, the following amounts were transferred to reserves pending a decision from Cabinet:
  - 1) General Fund Revenue Carry Forward Requests - £9,935,810
  - 2) General Fund Capital Carry Forward Requests - £12,249,840
- In addition to the above, the overall General Fund variance for the year of £1,263,112 was also transferred to reserves pending a decision from Cabinet.
- This report presents for approval the carry forwards requested by services that are being held in reserves along with the proposed allocation of the overall General Fund variance for 2017/18.
- A delegation to the Finance and Corporate Resources Portfolio Holder is also included within the recommendations, to approve a number of carry forwards that it is proposed to review against additional value for money / investment criteria before inclusion within the 2018/19 budget.

##### **RECOMMENDATION(S)**

**That Cabinet:**

- (a) approves the General Fund revenue carry forwards of £9,688,690 to be carried forward from 2017/18 to 2018/19 as set out in Section A of Appendix A to this report;**
- (b) requests Officers to undertake a further appraisal of the carry forwards requested by services as set out in Section B of Appendix A based on the general value for money principles set out in this report;**
- (c) subject to (b) above, delegates to the Portfolio Holder for Finance and Corporate**

**Resources to agree the inclusion in the 2018/19 budget of the carry forwards set out in Section B of Appendix A following the further appraisal proposed;**

**(d) approves the General Fund capital budgets of £12,249,840 to be carried forward from 2017/18 to 2018/19; and**

**(e) approves the allocation of the General Fund Variance for the year of £1,263,112 as set out in Table 2 of this report.**

## **PART 2 – IMPLICATIONS OF THE DECISION**

### **DELIVERING PRIORITIES**

Careful planning to ensure financial stability underpins the Council's capacity to deliver against its priorities. Both the capital and revenue budgets of the authority are prepared and monitored with the aim of supporting key objectives. The outturn position reflects this process and supports the successful financial planning process.

### **FINANCE, OTHER RESOURCES AND RISK**

#### **Finance and other resources**

The main financial implications are as set out elsewhere in this report.

#### **Risk**

There are no direct risks associated with this report although the ability to fund future financial forecasts is recognised as a strategic risk to support the achievement of financial resilience of the Council in both the short and long term.

### **LEGAL**

The Council is legally required to calculate a Council Tax requirement each financial year. Within this framework is the requirement to monitor and report accordingly on the financial position of the authority against this requirement.

As agreed by Full Council on 21 November 2017, the approval of the outturn position each year is delegated to the Finance and Corporate Resources Portfolio Holder with the outturn for 2017/18 being the first year subject to this delegation. As set out in the report to Council on 21 November 2017, any further decisions that may be required following the outturn process, such as allocating money brought forward from the prior year will be reported to Cabinet at a subsequent meeting. In effect the approval of the outturn position delegated to the Finance and Resources Portfolio Holder will primarily only place available funding that needs further allocation in reserves until such time as a formal / separate decision is presented to Cabinet. This report therefore seeks Cabinet's approval of the money set aside in reserves at the end of 2017/18 under the delegation to the Portfolio Holder for Finance and Corporate Resources.

The outturn position for 2017/18 and associated actions agreed by the Finance and Corporate Resources Portfolio Holder on 21 May 2018 are within the Council's powers and reflect the statutory requirements and responsibilities of the Council in the preparation of its accounts.

### **OTHER IMPLICATIONS**

**Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.**

**Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

Although there are no direct equality and diversity issues, the overall Financial Strategy and

budget process aims to recognise any such issues where appropriate within the Council's wider Financial Framework.

## PART 3 – SUPPORTING INFORMATION

### BACKGROUND

The Financial Outturn for 2017/18 was agreed by the Finance and Resources Portfolio Holder on 21 May 2018. As part of agreeing that report, amounts requested by services to be carried forward into 2018/19 were transferred to reserves pending Cabinet's approval. A summary of the amounts requested are set out in Table 1 along with the general variance for the year, which is proposed to be allocated as highlighted in Table 2 within the second part of this report:

**Table 1**

	<b>Amount</b>
General Fund Revenue Carry Forwards	£9,935,810
General Fund Capital Carry Forwards	£12,249,840 <i>(includes revenue contribution to capital of £4,591,470)</i>
General Variance for the 2017/18 Carried Forward	£1,263,112
<b>Total</b>	<b>£23,448,762</b>

#### Why are carry forwards requested?

It is recognised that due to the size, nature and lead-in times of some schemes, expenditure can span financial years with some schemes not completed by the 31 March in any one year. Therefore commitments for goods and services are likely to remain outstanding at the 31 March, examples of which include uncompleted work that the Council has a contractual obligation against or the project is either currently underway or will be started shortly with payment dates or trigger points within the process yet to be reached, finalised and paid.

Subject to the approval of the requests to carry forward budgets, payments will become due as work is progressed during 2017/18, including budgets where general commitments have been made.

Strict criteria are applied to determine whether requests to commit expenditure in 2018/19 qualify as carry forwards. The criteria includes consideration of issues such as:

- Has a 'contractual commitment' been made;
- Is it related to a long term project which is expected to span a number of financial years;
- Is it a non-recurring item for which no budget provision exists in the following year;

As set out in the Outturn Report 2017/18 agreed by the Finance and Corporate Resources Portfolio Holder in May 2018, in addition to the carry forwards qualifying under the above criteria, there were a number of requests to carry money forward to support initiatives and projects that although not strictly complying with the above criteria, it could be advantageous for them to be agreed to support the delivery of the long term financial sustainability plan or meet costs which could otherwise become future pressures on the budget.

### PART 1 – APPROVAL OF GENERAL FUND CARRY FORWARDS

Details of the General Fund Revenue requests to carry forward budgets into 2018/19 are set out

in **Appendix A** with capital items included within **Appendix B**.

### Revenue Carry Forwards

**Appendix A** is further broken down into **Sections A and B**, with **Section A** highlighting those requests that meet the qualifying criteria highlighted above and **Section B** for those that do not.

It is recommended that the carry forwards that meet the qualifying criteria included in **Section A** of **Appendix A** are approved, which total **£9,688,690**.

In respect of the items not meeting the qualifying criteria set out in **Section B** of **Appendix A**, which total **£247,120**, it is recommended that Officers undertake a further review as part of a wider value for money / investment appraisal approach being developed, with the outcome presented to the Finance and Corporate Resources Portfolio Holder for final approval under a proposed delegation.

If any carry forwards are subsequently not approved, the associated amount will be added to the general fund variance for the year.

### Capital Carry Forwards

As these inherently fall within the qualifying carry forward criteria, it is recommended all of the items set out in **Appendix B** are approved.

Although amounts are requested to be carried forward from 2017/18 as part of the overall financial management framework, it is recognised that the delivery of some schemes and projects may not necessary be completed in 2018/19. In response to an action emerging from the recent peer review, subject to the approval of the carry forwards requested, it is proposed to work with services to identify a more realistic spending profile which can then be reflected in the budget. This work will be undertaken as part of the budget monitoring process throughout the year.

## PART 2 – PROPOSED ALLOCATION OF OVERALL GENERAL FUND VARIANCE FOR 2017/18

The 2017/18 Outturn report agreed by the Finance and Corporate Resources Portfolio Holder on 21 May 2018 set out an overall General Fund revenue variance for the year of **£1,263,112**. This has been held in reserves pending Cabinet's approval on how it is to be allocated.

It is proposed to allocate this funding in 2018/19 as follows:

**Table 2**

Proposed Allocation	Amount	Comments
Contribution to Forecast Risk Fund	£46,000	The long term forecast highlighted the need to increase this fund by £500k each year from in-year savings etc.  £454k was identified as part of the revised budget process for 2017/18 which was agreed by Full Council in February 2018. This amount is therefore the balance required to meet the planned £500k per year commitment.
Additional Contribution to the Office Transformation Project	£300,000	As the office transformation project has evolved over recent months, opportunities have arisen to deliver value for money through timely variations to the

		overall project plan. This additional money would enable some of these value for money opportunities to be secured. This project is also being supported via a number of proposed carry forwards set out in Appendix A where services' repairs budgets can be 'pooled' to maximise opportunities as the project develops further.
Health and Safety Proactive Work Programme	£200,000	The allocation of this funding would support the recent outcome from a Health and Safety Internal Audit where it was identified that establishing a proactive work programme would be beneficial to the Council. It could also be utilised to support work arising from legionella risk assessments that are currently taking place throughout the Council.
Contribution to Forecast Risk Fund	£717,112 (balance of the General Fund Revenue variance for 2017/18)	<p>The forecast risk fund not only supports the short term deficits arising from the long term sustainability plan, but it also available to support the delivery of savings or reductions in future cost pressures as part of the long term plan.</p> <p>With this in mind it is proposed to allocate the balance of the general fund revenue outturn position for 2017/18 to this fund. As part of the wider financial framework/forecasting process, projects and initiatives could be identified as part of a robust commitment to the long term approach being taken. This could include, for example, a review of operational assets to identify likely cost pressures emerging over the life of the forecast which could be met from this fund rather than it having to be accommodated within the forecast on an adhoc basis which would present a significant financial challenge to the long term plan.</p>
<b>Total Proposed Allocation</b>	<b>£1,263,112</b>	

As part of a prudent approach to the long term forecast, it is important to repeat the point highlighted in the table above of taking the opportunity to use the favourable outturn position for 2017/18 to support the long term plan. 'Isolating' the on-going revenue account for items set out in the table above would help underpin the deliverability of the long term approach. As mentioned in previous reports, significant investment in the Council's priorities can and has been made elsewhere in the budget already which to some extent negates the need to identify further funding from the outturn position for 2017/18.

The Council continues to carefully balance the Council's finances across investing in its priorities and delivering a long term sustainable financial plan. By taking the opportunity to maximise the benefit from the favourable outturn position to support the long term forecast compliments the overall General Fund budget where investment has already been cash backed across a range of priorities.

<b>BACKGROUND PAPERS FOR THE DECISION</b>
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None
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<b>APPENDICES</b>
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<b>Appendix A</b>	<b>General Fund Revenue Carry Forwards Requested by Services</b>
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<b>Appendix B</b>	<b>General Fund Capital Carry Forwards Requested by Services</b>
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