

## Cabinet

<b>Report Title:</b>	2015/16 Actual Revenue and Capital Spending
<b>Meeting Date:</b>	12 July 2016
<b>Lead Councillor(s):</b>	Councillor Richard Smith MVO
<b>Local Councillor(s):</b>	All Councillors
<b>Director:</b>	Geoff Dobson, Director of Resource Management 01473 264347
<b>Assistant Director or Head of Service:</b>	Geoff Dobson, Director of Resource Management 01473 264347
<b>Author:</b>	Tracey Woods, Chief Accountant (Financial Control) 01473 265639

### Brief summary of report

1. This report summarises the financial outturn of the Council compared to the approved budget for 2015/16. The revenue budget has been underspent by £2.6m, equivalent to 0.5% of the net budget. The report also includes a summary of expenditure against the capital programme and the performance of the treasury management function.

### What is Cabinet being asked to decide?

<ol style="list-style-type: none"> <li>a) To note the financial outturn position for 2015/16 for revenue and capital spending.</li> <li>b) To note the significant transfers (virements) in accordance with the Council's Financial Regulations.</li> <li>c) To note the balances on the Council's reserves</li> <li>d) To note the final position on Treasury Management and Prudential Indicators paragraphs 44 to 54 and Tables 11 and 12.</li> </ol>
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### Reason for recommendation

2. The Cabinet has been receiving regular budget monitoring reports throughout the year and this report presents the final year end position. It shows the Council has kept its net revenue spending within its approved budget which had already been reduced by £38.3m to reflect the planned savings that had to be made in 2015/16.

### What are the key issues to consider?

3. The outturn for the year ending 31 March 2016 is £2.6m lower than the approved budget. This is 0.5% of the net budget. When excluding overspending against the Dedicated School Grant (DSG) which is ringfenced for school

related education activities, this figure increases to £3.0m, approximately 0.6% of the net budget of the Council (excluding schools).

4. The Council continued to exercise firm financial management over its budgets during 2015/16 and ended the year in a reasonable financial position. This is a sound basis upon which the Council can continue to address the significant financial challenges over the next financial year and beyond.

### **What are the resource and risk implications?**

5. The major risk in managing the budget in 2015/16 has been the requirement to achieve £38.3m of savings in the year whilst minimising the impact on front line services. Alongside this there have been difficulties achieving savings from the joint work on Health & Social Care and the cost and demand for adult care and purchased care placements for children continue to put pressure on the Council's budget.

### **What are the timescales associated with this decision?**

6. Budget management is an ongoing process.

### **Alternative options**

7. Cabinet may decide to direct Officers to take alternative action to manage the Council's budget position in 2016/17 as a result of the information in this report.

### **Who will be affected by this decision?**

8. Staff who are responsible for the financial management of the resources of the Council and citizens of Suffolk who receive the Council's services.

## **Revenue Budget**

### **Introduction**

9. The Council set a net expenditure budget of £500.7m for the year 2015/16. This is the budget after fees, charges, contributions and some specific grants have been deducted. This budget is therefore funded by the Council Tax Freeze Grant, Public Health ring-fenced grant, Education Services Grant, the New Homes Bonus, Revenue Support Grant, Business Rates and Council Tax. The budget included a target for planned savings of £38.3m to reach a balanced budget. During the third quarter a reduction in the Public Health Grant of £1.8m has reduced the net expenditure budget to £498.9m.
10. This is the final budget monitoring report for the year 2015/16. It covers expenditure for the period April to March and shows that the outturn was £2.6m lower than the approved budget. **Table 1** below shows the forecast for each directorate
11. The level of the underspend shows that the savings target of £38.3m was exceeded as directorates continue to manage their resources effectively.
12. **Table 1** overleaf shows the outturn for each service and **Table 2** provides a summary of the Council's reserves.

**Table 1 2015/16 Revenue Budget Monitoring for the Period Ending 31<sup>st</sup> March 2016**

Full Year Budget (from budget book)	Directorate	Current Full Year Budget	Outturn	Variance over (+) under (-) Budget
£ million		£ million	£ million	£ million
204.1	Adult and Community Services (ACS)	203.3	202.1	-1.1
102.0	Children and Young People (CYP)	100.6	101.1	0.4
55.8	Public Health and Protection (PH&P)	51.9	50.2	-1.7
95.1	Resource Management (RM)	97.7	97.6	-0.1
42.1	Corporate Resources and Capital Financing	22.1	22.1	-0.1
<b>499.1</b>		<b>475.7</b>	<b>473.1</b>	<b>-2.6</b>
1.6	Agreed Use of (-) / Contribution to (+) Reserves	23.2		
<b>500.7</b>	<b>Total Net Expenditure Budget</b>	<b>498.9</b>		

**Table 2 Summary of Reserves**

	Actual Balance 31/03/2015 £'m	Actual Balance 31/03/2016 £'m
Unallocated Reserves	39.3	49.5
Directorate Reserves	33.4	31.6
Allocated Reserves for Defined Future Uses	64.2	64.0
Reserves for Future Capital and Infrastructure Projects	40.2	46.2
Schools Reserves	30.9	30.0
Total Reserves	208.1	221.2

### Adult and Community Services (ACS)

13. In 2015/16 the Directorate underspent by £1.1m which is 0.5% of the £204m net budget. This is an increase in underspend from the £0.1m reported at quarter three, which is mainly due to a reduction in the overspend that was forecast for care purchasing.
14. ACS received £6.6m revenue funding in the year to implement the Care Act phase 1 reforms from April 2015 and to prepare for the phase 2 funding reforms from April 2016. Only part year costs were incurred for the setting up and recruitment to Care Act funded posts, which will have a full year impact in 2016/17. Also, the Government's decision to postpone the phase 2 reforms, without being clear initially on whether funding would be clawed back, meant that the ACS Management Team took the decision during quarter three not to commit further funding. These two factors resulted in a £4.4m underspend, primarily within the area social work budgets.

15. In addition, new responsibilities under the Care Act relating to carers did not result in additional referrals and assessment in the first half of the year which led to an underspend in the budget for Family Carers Support of £1.2m. The number of referrals did start to rise in the second half of the year and are expected to continue to do so going into 2016/17.
16. The above underspends offset the two main overspending areas of the budget relating to the Better Care Fund and Care Purchasing.
17. As reported at quarter three, the funding transfer as part of the Better Care Fund from the Clinical Commissioning Groups (CCG's) in Suffolk was £3.1m below the expected saving from the Health & Social Care Integration (HASCI) of £4.1m. The ability of the Health system to deliver savings from transformation, when set against increased demand and growing financial pressures, limited the transfer that could be made. There is no indication that this will improve in 2016/17.
18. The Supporting Lives Connecting Communities (SLCC) initiative has successfully kept gross spend relatively flat within care purchasing, helped by a relatively mild winter period. The pressure in the budget resulting in a £1.4m overspend came from a shortfall in customer contributions. There are various reasons for this including a reduction in the overall numbers of customers and that the move away from residential care settings to home based community services involves a different financial assessment to work out the customer contribution with the result that less income is due.

### **Children & Young People (CYP)**

19. In 2015/16 the directorate was overspent by £0.05m against its base budget and overspent by £0.37m on the Dedicated Schools Grant (DSG), giving an overall £0.4m overspend. (see **Table 4**). This is a decrease of £0.4m on the overall forecast underspend reported at quarter 3. Whilst the DSG budget overspend is not significantly different to that reported at quarter 3, the base budget financial position was improved by a reduction in the bad debt provision required from the previous financial year.
20. The base budget outturn was a combination of pressures against purchased placements, Special Guardianship Orders and locum costs in Social Care teams, mitigated by vacancies and underspends in Early Help, Education and Learning, Business Support and Workforce Development. Many of these vacancies stemmed from the Making Every Intervention Count (MEIC) restructure which was implemented in April 2015. Whilst there was some turnover in staffing over the first 7 months of the year, many of these vacancies have now been filled.
21. The DSG overspend was caused by the significant pressure on the Special Educational Needs (SEN) placements budget to either support children who are unable to attend school due to ill health or exclusion, or to meet the SEN needs of children in mainstream education (including Post 16 learners). Underspends due to vacancies in service areas as described above reduced the overall impact on the DSG reserves.
22. There was an overspend of £2.4m in specialist services. Of this, £3.3m related to the higher than budgeted costs of placements and services for Children in

Care (CiC). The number of purchased placements increased over 2015/16 by 38 to 242 at the end of March, evidencing the higher number of older children (over 12 years of age) who come into care and whose needs cannot be met by in-house foster carers. Cabinet agreed in June a new allowance scheme to improve the recruitment of in-house carers and whilst there are now more available in-house placements, these increases have not kept pace with the rate of new care entrants' accommodation. There was a significant overspend of £0.9m in area social work teams, where more costly locums are still needed to cover Social Work vacancies and teams with high levels of Newly Qualified Social Workers (NQSWS), who cannot manage the number of cases of more experienced workers. The service is working on reducing the number of locums required over the next 6 months, and has seen improved retention of staff over the last year. Early Help (including childrens centres and health visiting teams) were underspent by £1.9m, of which £1.4m was vacancies.

23. The overspend in specialist services was offset by significant underspends in Business Support (£0.5m – mostly vacancies), Directorate Overheads (including contingency budget - £0.7m), Workforce Development (£0.3m – vacancies and trading income). The Education and Learning (E&L) service underspend of £0.1m was a combination of overspends in inclusive services of £1.7m, and underspends against Early Years, Advanced Skills Teachers, and school related costs (including redundancies). The directorate continues to work on the recovery plan for SEN in order to reduce the potential overspend in 2016/17, focusing on the In Year Fair Access Panels (IYFAP) and continuing to build Specialist and PRU provision through new free schools which in turn should result in less spent on out of county placements. This has been shared with Schools Forum emphasising the importance and need for stakeholders to work together to not only achieve best value, but also the best possible outcomes for our most vulnerable of learners.

## **Public Health and Protection (PH&P)**

24. In 2015/16 Public Health and Protection underspent by £1.7m. This includes an underspend on the ring fenced Public Health budget of £1.0m which has been transferred to a ring-fenced Public Health reserve for future use.
25. The main underspends in Public Health were £0.2m for GP under prescribing of drug costs for public health schemes, in particular smoking. The transitional costs set aside for the new sexual health provider from April 2015 were not required in full and resulted in an underspend of £0.3m. The final balance of Integrated Drugs Treatments Systems for Prisons (IDTS) was unspent and this £0.2m relates to ring fenced money transferred from NHS England for services provided to Suffolk prisons. Public Health staffing costs were £0.2m underspent due to in year vacancies and changes. The underspend in GP prescribing and staff costs are early realisation of recurrent savings planned for 2016/17.
26. Suffolk Fire and Rescue Service were underspent by £0.7m. This was due to no ill-health retirements in-year and firefighter vacancies led to underspends on salary and training budgets. These were managed to help assist and prepare for the savings that are part of the proposed 2016/17 plans. The underspend has been transferred to a reserve to support public protection transformation

works, to include supporting the emergency vehicle renewals programme and other improvements, all of which support important 999 emergency services.

27. Trading Standards service ended the financial year with a small overspend due to escalating costs associated with the court process of prosecuting rogue traders and a redundancy cost. The service continued to mount a significant number of relatively high profile prosecutions throughout the course of 2015/16, the vast majority of which resulted in successful convictions. As the service now attempts to re-claim any funds which are the result of criminal activity from defendants, more and more cases are being contested by traders to the higher courts, with the attendant costs for the Trading Standards service.
28. Health and Safety, Knowledge and Intelligence and Partnerships and Localities all contributed a small underspend due to vacancies within their respective service areas.

### **Resource Management (RM)**

29. In 2015/16 RM underspent by £0.1m. This equates to 0.1% of the net budget. This is a decrease to the underspend reported at quarter three by £0.8m and is mainly attributable to the Highways and Transport budget which reported an overspend of £1.9m. This overspend was offset by a combination of underspends across RM notably in Waste, Passenger Transport and support services as a result of vacancies being held along with increased levels of income from Legal Services.
30. There was a substantial overspend in Highways and Transport of £1.9m. The overspend on the Highways budget is mainly due to the impact of resolving disputed claims for highways works since the commencement of the contract with Kier in October 2013. Resolving those claims and providing for the expected cost of claims that had not been resolved by the end of March equates to £1.1m. In addition there were extra maintenance works and expected savings on the cost of street lighting energy were not made due to a delay in the roll out of the LED lantern programme.
31. The underspend in Passenger Transport is principally due to concessionary fares as a result of a steady decline in passenger journeys. In addition, the early impact of the Travel Transformation project led to an underspend on the Community Transport budget.
32. Waste and Infrastructure underspent by £0.4m. This is mainly due to the Energy from Waste (EfW) contract where there was a lower than expected tonnage sent for processing, and a reduced number of by-products sent to landfill. In addition, there were savings on haulage costs and less tonnes of garden waste at Household Waste Recycling Centres than expected which also contributed to the underspend position.

### **Corporate & Capital Financing**

33. The variance on the Corporate Resources & Capital Financing budget relates to underspending on levies and budgets for premature retirement costs and a small overspend on the Councillors budget. As a result of a change in the policy on Minimum Revenue Provision that was agreed by the Council in

February and the continuing low interest rate environment it has been possible to contribute £19.8m to the capital financing reserve. This reserve is used to finance capital expenditure and therefore has reduced the need to borrow and commitments against it include the Council's contribution toward the costs of design and construction of the bridge crossings in Ipswich and Lowestoft.

**Table 3 – 2015/16 Adult & Community Services Revenue Budget Monitoring for period ending 31<sup>st</sup> March 2016**

Full Year Budget (from budget book)	Directorate Service	Change in Planned Reserve Movements	Virements	Current Full Year Budget	Outturn	Variance over (+) under (-) Budget	Explanation of Planned Reserve Movements	Explanation of Virements
£ million		£ million	£ million	£ million	£ million	£ million		
148.6	Care: Purchasing of Services	-0.6	18.8	166.8	168.2	1.4	£0.5m contribution to reserve for recovery of unspend direct payments	Movement of income budgets to Care Act & Better Care Fund (BCF) budget (£19.3m). Reallocation of budgets as part of review of pay budgets across directorate (-£0.2m). Transfer of (-£0.3m) budget in to Commissioners and Specialist services for enhanced contracts team
24.1	Home First Re-ablement Service & Area Teams	0.0	4.7	28.8	25.1	-3.8		Movement of income budgets to Care Act & BCF budget and the reallocation of Care Act expenditure budgets to other parts of ACS (£4.7m).
0.5	Community Equipment & Assistive Technology	0.0	0.0	0.5	0.6	0.1		
2.4	Family Carers Support	-0.6	0.8	2.6	1.3	-1.2	Contribution to carer's reserve (£0.5m)	Increase of budget for Care Act (£0.8m)
0.9	Welfare Rights & Fairer Charging Teams	0.2	0.6	1.7	1.8	0.1	Contribution from reserve for Social Fund grant payments	Increase of budget for Care Act (£0.1m), Reallocation of budget from contingency (£0.5m) for social fund grant payments
8.1	Housing Related Support	0.0	-0.1	8.0	7.6	-0.4		Age UK grant moved to specialist services (-£0.1m)
7.0	Commissioners & Specialist Services	-0.1	1.6	8.5	8.1	-0.4	£0.1m contribution from reserve for Dignity Ambassadors	Age UK grant moved from Housing Related Support (£0.1m); Budget for Care Act (£0.9m). Transfer to RM for health & safety post & complaints service (-£0.1m), to CYP for customer rights (-£0.1m) and to PH&P for HIV contribution (-£0.1m). Transfer from Management and Support & Care Purchasing (£0.5m) for enhanced contracts team. Transfer from RM directorate £0.3m for IT service.
8.5	Culture, Libraries, Sport & Community	0.4	0.1	9.0	9.3	0.2	£0.2m for home of horse racing, £0.1m for art and development, £0.1m for archives and libraries.	Reallocation of budgets as part of review of pay budgets across directorate (£0.1mm).
3.9	Management and Support	0.0	-1.0	2.9	2.7	-0.2		Reallocation of budgets as part of review of pay budgets across directorate (-£0.2m), Reallocation of budget (-£0.5m) to Welfare Rights to cover for social fund grant payments. Transfer of (-£0.3m) budget in to Commissioners and Specialist services for enhanced contracts team
0.0	Care Act and Better Care Fund	0.0	-25.6	-25.6	-22.5	3.1		This is the creation of a new element of the ACS budget showing the Care Act grant of -£4.8m, the Better Care Fund transfers to ACS of -£16.7m, and the savings expected from HASCI of -£4.1m
<b>204.1</b>		<b>-0.7</b>	<b>-0.1</b>	<b>203.3</b>	<b>202.1</b>	<b>-1.1</b>		
0.0	Planned use of (-) / Contribution to (+) Reserves			0.7	0.7			
<b>204.1</b>	<b>Total Net Expenditure Budget</b>			<b>204.0</b>	<b>202.9</b>			



**Table 4 – 2015/16 Children & Young People Services Revenue Budget Monitoring for period ending 31<sup>st</sup> March 2016**

Full Year Budget (from budget book)	Directorate Service	Change in Planned Reserve Movements	Virements	Current Full Year Budget	Outturn	Variance over (+) under (-) Budget	Variance over (+) under (-) Grant Budgets	Variance over (+) under (-) Base Budget	Explanation of Planned Reserve Movements	Explanation of Virements
£ million		£ million	£ million	£ million	£ million	£ million	£ million	£ million		
10.1	Directorate Management/Overheads	0.4	-0.1	10.4	9.0	-1.4	-0.1	-1.3	Workforce Development Signs of Safety (£0.1m); CareFirst Development (£0.2m); DSG bad debt provision (£0.2m); Insurance claim (£0.2m); Unused redundancy provision (-£0.3m)	Business Support/Other Staff movements to/from Education and Learning (E&L) and Specialist Services due to restructure
60.3	Early Help & Specialist Services	0.8	0.5	61.5	63.9	2.4	-0.2	2.6	Universal Childrens Services and Safeguarding (£0.2m); Youth Offending (£0.2m); Making Every Intervention Count (MEIC) transformation (£0.2m); Fostering Allowances (£0.4m); Adoption Reform Grant commitments (-£0.2m)	Child & Adolescent Mental Health Services moved to Commissioning (-£0.1m); Unaccompanied Asylum Seeker Children (UASC) (£0.5m); Innovations Grant (£0.4m); Youth Offending Service (-£0.1m); Other MEIC restructure movements
2.6	Commissioning	-0.2	0.6	3.0	2.8	-0.2	0.0	-0.2	Purchased Placement Commissioning (£0.1m) Public Health funding for Child and Adolescent Mental Health Services (-£0.3m)	Child & Adolescent Mental Health Services moved from Early Help & Specialist (£0.1m); MEIC restructure (£0.4m); E&L restructure into Intelligence Hub (£0.1m)
20.0	Home to School Transport	0.9	0.0	20.9	20.9	0.0	0.0	0.0	Additional costs of Home to School (£0.9m)	
84.0	Education & Learning	-0.8	4.7	87.9	87.9	-0.1	1.0	-1.1	SEN Reforms Grant (£0.5m); SOR and School related (£2.7m); Penalty Notices income (-£0.1m); Youth Guarantee Funding and Skills (-£3.9m)	Adjustment to level of DSG funding available (£2.5m); Additional Music Grant (£0.2m); MEIC restructure (-£0.2m); DSG funding for SEN development (£2.2m)
265.5	Maintained Schools	-2.2	-10.4	252.9	252.6	-0.3	-0.3	0.0	Unallocated DSG and 2 year old funding (-£1.6m); Closing middle school balances (-£0.6m)	Adjustment to DSG funding (-£10.9m). £0.5m moved to E&L
0.0	Schools Choice	-0.4	0.0	-0.4	-0.4	0.0	0.0	0.0	Trading Surplus	
-340.4	Grant Income	-0.1	4.9	-335.6	-335.6	0.0	0.0	0.0	Suffolk Family Focus grant	DSG Adjustments (£7.3m); Music Grant (-£0.2m); Youth Justice Board grant (£0.1m); Innovation Grant (-£0.4m); Staying Put Grant (-£0.1m); UASC (-£0.5m); Schools PE & Sport Strategy (-£2m); Tuition fees income no longer treated as a grant (£0.7m)
<b>102.0</b>		<b>-1.5</b>	<b>0.1</b>	<b>100.6</b>	<b>101.1</b>	<b>0.4</b>	<b>0.4</b>	<b>0.0</b>		
-3.8	Planned use of (-) / Contribution to (+) Reserves			-2.3	-2.3					
<b>98.2</b>	<b>Total Net Expenditure Budget</b>			<b>98.3</b>	<b>98.7</b>					

**Table 5 – 2015/16 Public Health & Protection Revenue Budget Monitoring for period ending 31<sup>st</sup> March 2016**

Full Year Budget	Directorate Service	Change in Planned Reserve Movements	Virements	Current Full Year Budget	Outturn	Variance over (+) under (-) Budget	Explanation of Planned Reserve Movements	Explanation of Virements
£ million		£ million	£ million	£ million	£ million	£ million		
21.4	Fire Service	-0.5	0.0	20.9	20.2	-0.7	Contribution to PFI £0.2m allocated for use in future years. In addition Fire Pension balance £0.2m and Fire specific projects continuing in 2016-17 at £0.1m.  PH STARS Project (£0.2m); PH/CYP Speech and Language Project (£0.4m); expected withdrawal from reserves which was no longer required (-£1.4m).	The Public Health budget was rebased in June 2015 and reallocated across service headings based on the latest information for 2015/16 and the outturn for 2014/15. £0.1m HIV Wellbeing Contribution from ACS. Public Health Grant reduction in-year of £1.8m.
0.2	Health and Safety	0.0	0.0	0.3	0.2	0.0		
30.7	Health Improvement and Health Protection	-1.6	-2.1	27.0	26.0	-1.0		
0.4	Joint Emergency Planning Unit	0.0	0.0	0.4	0.4	0.0		
0.2	Knowledge and Intelligence	0.0	0.0	0.2	0.2	0.0		
0.6	Partnerships and Localities	0.0	0.4	0.9	0.9	0.0		
2.3	Trading Standards	0.0	0.0	2.2	2.3	0.0		
<b>55.8</b>		<b>-2.1</b>	<b>-1.7</b>	<b>51.9</b>	<b>50.2</b>	<b>-1.7</b>		
-0.4	Planned use of (-) / Contribution to (+) Reserves			1.7	1.7			
<b>55.3</b>	<b>Total Net Expenditure Budget</b>			<b>53.6</b>	<b>51.8</b>			

**Table 6 – 2015/16 Resource Management Revenue Budget Monitoring for period ending 31<sup>st</sup> March 2016**

Full Year Budget (from budget book)	Directorate Service	Change in Planned Reserve Movements	Virements	Current Full Year Budget	Outturn	Variance over (+) under (-) Budget	Explanation of planned reserve movements	Explanation of Virements
£ million		£ million	£ million	£ million	£ million	£ million		
0.3	Chief Executive & Support Team	0.0	0.0	0.3	0.3	0.0		
2.4	Finance	-0.4	0.1	2.2	2.0	-0.2	Schools Choice overheads charge contributed to Transformation Reserve	Movement of Pensions team from HR
2.4	Human Resources	0.2	-0.2	2.5	1.7	-0.8	Funding of Corporate Graduate Programme from Transformation Reserve	Movement of Pensions team to Finance
11.4	Information & Communication Technology	0.0	0.3	11.8	11.3	-0.5		Licence costs for Highways Insight IT system and Passenger Transport DIVA IT system moved to IT (£0.2m), Homefirst system costs from ACS (£0.1m), Printing Budget from Property (£0.1m)
8.0	Corporate Property	1.9	-0.1	9.8	10.1	0.3	Funding of Building Exit and Non-Operational Property costs from Capital Financing Reserve	Printing Budget to IT
3.0	Business Development	0.5	-0.1	3.4	3.3	0.0	Raising the Bar programme	3 posts moved to CYP and 1 post moved to IT
1.7	Communications, Marketing and Customer Service	0.6	0.2	2.5	2.7	0.1	Digital Transformation programme	Customer Rights team moved from ACS
1.1	Procurement & Contract Management	-0.2	0.0	0.8	0.8	0.0	Energy schemes	
4.8	Scrutiny & Monitoring	0.0	-1.3	3.4	3.1	-0.3		Councillors Budget moved to Corporate
0.8	Directorate Management	0.5	0.0	1.3	1.5	0.2	Funding on directorate redundancy costs	
3.4	Strategic Development	0.5	0.0	3.9	3.9	0.0	Economic Development (£0.1m), Suffolk Energy Gateway (£0.2m), Business Resource Efficiency (£0.2m)	
20.9	Waste and Infrastructure	0.0	0.0	20.9	20.4	-0.4		
21.5	Highways and Transport	0.1	-0.1	21.5	23.4	1.9	Commuted Sums collected in year transferred to reserves	Licence for Highways IT system (Insight) transferred to IT.
13.4	Passenger Transport	0.1	-0.1	13.4	13.0	-0.4	Contribution to capital scheme	Licence for Passenger Transport route planning system (DIVA) transferred to IT
<b>95.1</b>		<b>3.7</b>	<b>-1.1</b>	<b>97.7</b>	<b>97.6</b>	<b>-0.1</b>		
0.3	Planned use of (-) / Contribution to (+) Reserves			-3.5	-3.5			
<b>95.4</b>	<b>Total Net Expenditure Budget</b>			<b>94.2</b>	<b>94.1</b>			

**Table 7 – 2015/16 Corporate Resources & Capital Financing Revenue Budget Monitoring for period ending 31<sup>st</sup> March 2016**

Full Year Budget (from budget book)	Directorate Service	Change in Planned Reserve Movements	Virements	Current Full Year Budget	Outturn	Variance over (+) under (-) Budget	Explanation of Planned Reserve Movements	Explanation of Virements
£ million		£ million	£ million	£ million	£ million	£ million		
34.8	Capital Financing	-19.8	0.0	15.0	15.0	0.0	Contribution to capital financing reserve	
1.9	Premature Retirement Costs	0.0	0.0	1.9	1.8	0.0		
1.0	Management of Change	-0.2	-0.4	0.4	0.4	0.0	Unspent budget transferred to transformation reserve	Funding for Housing Development Company (£0.1m) and ACS IT Transformation (£0.3m)
0.0	Housing Development Company	0.0	0.1	0.1	0.1	0.0		Funding from Management of Change (£0.1m)
0.0	Transition Fund	0.2	0.0	0.2	0.2	0.0	Transition fund commitments financed through earmarked reserve	
0.7	Flood Defence Committee levies	0.0	0.0	0.7	0.7	0.0		
0.1	External Audit Fees	0.0	0.0	0.1	0.1	0.0		
0.9	Locality Budget	-0.1	0.0	0.8	0.8	0.0	Increase in locality budget to allow £12,000 per locality due to be funded from reserves but not all required	
0.4	Eastern Inshore Fisheries and Conservation Authority (EIFCA)	0.0	0.0	0.4	0.3	-0.1		
-1.2	Vertas Dividend and Corporate Contract Rebates	0.6	0.0	-0.6	-0.6	0.0	Funding for Energy Contract	
3.5	Corporate Contingency	-3.5	0.0	0.0	0.0	0.0	Unspent budget transferred to contingency reserve	
0.0	Councillors	0.0	1.3	1.3	1.4	0.1		Councillors Budget moved from RM
0.0	Insurance	1.6	0.0	1.6	1.6	0.0	The surplus on the insurance trading account was transferred into the insurance reserve	
0.0	Redundancy	0.2	0.0	0.2	0.2	0.0	Corporate contribution to redundancy costs funded from redundancy reserve	
<b>42.1</b>		<b>-21.0</b>	<b>1.0</b>	<b>22.1</b>	<b>22.1</b>	<b>-0.1</b>		
5.6	Planned use of (-) / Contribution to (+) Reserves			26.6	26.6			
<b>47.7</b>	<b>Total Net Expenditure Budget</b>			<b>48.8</b>	<b>48.7</b>			

**Table 8 Cross Directorate Virements**

	ACS £m	CYP £m	PH&P £m	RM £m	Corporate £m
3 Posts from Business Development to CYP Hub		0.1		-0.1	
Customer Rights moved to RM from ACS	-0.2			0.2	
Customer Rights moved to Schools Choice from ACS	-0.1	0.1			
HIV Wellbeing Contribution from ACS to PH&P	-0.1		0.1		
Transfer of Homefirst costs from ACS to RM	-0.1			0.1	
Reduction in Public Health Grant			-1.9		
Funding from Management of Change for ACS IT Transformation	0.3				-0.3
Movement of Councillors budget from RM to Corporate				-1.3	1.3
<b>TOTAL</b>	<b>-0.1</b>	<b>0.1</b>	<b>-1.8</b>	<b>-1.1</b>	<b>1.0</b>

**Table 9 Reserves**

Adjusted Opening Balance of Reserves	Reserve	Planned Contributions to (+) or from (-) reserves	Capital Financing	Carry Forward Over (-) or Underspending (+)	Reserve Balance 31/3/16
£ million		£ million		£ million	£ million
<b>Service 'carry forward' reserves</b>					
6.9	Adult & Community Services	0.0		1.1	8.0
14.1	Children & Young People (non schools)	-3.4		0.0	10.7
1.5	Public Health & Protection	0.0		0.2	1.7
6.6	Resource Management	-1.3		0.1	5.4
0.7	Corporate Resources and Capital Financing	0.0		0.0	0.7
<b>29.8</b>	<b>Sub Total</b>	<b>-4.6</b>	<b>0.0</b>	<b>1.3</b>	<b>26.5</b>
<b>Earmarked reserves</b>					
3.3	Adult & Community Services	0.7		0.0	4.0
5.8	Children & Young People (non schools)	3.3		0.0	9.1
4.4	Public Health & Protection	0.1		0.5	5.0
19.2	Resource Management	0.4	-1.3	0.0	18.3
30.7	Corporate Resources and Capital Financing	-4.3		0.0	26.4
<b>63.4</b>	<b>Sub Total</b>	<b>0.2</b>	<b>-1.3</b>	<b>0.5</b>	<b>62.8</b>
3.6	Public Health (Ring Fenced Grant)	0.4		1.0	5.1
28.4	Contingency	10.1		0.0	38.5
10.9	County Fund	0.0		0.1	11.0
0.8	Trader: Schools Choice	0.4		0.0	1.1
<b>Renewals Reserves</b>					
0.4	Adult & Community Services	0.0		0.0	0.4
0.1	Children & Young People (non schools)	-0.1		0.0	0.0
1.3	Public Health & Protection	1.1	-0.6	0.0	1.8
1.5	Resource Management	0.0	0.0	0.0	1.5
<b>3.4</b>	<b>Sub Total</b>	<b>1.1</b>	<b>-0.7</b>	<b>0.0</b>	<b>3.8</b>
<b>140.3</b>	<b>Sub Total - Non Schools</b>	<b>7.6</b>	<b>-2.0</b>	<b>3.0</b>	<b>148.8</b>
25.0	Schools Balances	0.7		0.0	25.8
5.9	Dedicated Schools Grant Reserve	-1.1	-0.1	-0.4	4.2
<b>30.9</b>	<b>Sub Total - Schools</b>	<b>-0.4</b>	<b>-0.1</b>	<b>-0.4</b>	<b>30.0</b>
36.9	Capital Reserves inc Financing	18.2	-12.7	0.0	42.4
<b>208.1</b>	<b>TOTAL</b>	<b>25.3</b>	<b>-14.8</b>	<b>2.6</b>	<b>221.2</b>

## Capital Programme

### Introduction

34. The capital expenditure programme for 2015/16 agreed by the County Council in February 2015 was £104.2m. A total of £64.4m was brought forward from 2014/15 and additional funding of £27.9m has been received in the year. This gives a revised expenditure programme of £196.5m. A summary of the capital programme and its financing is shown in **Table 10** below.

**Table 10 Capital Budget Monitoring for period ending 31<sup>st</sup> March 2016**

Original Expenditure Programme 2015/16		Revised Expenditure Programme 2015/16	Actual	Variance Against Revised Programme
£ million		£ million	£ million	£ million
8.5	Adult & Community Services	9.9	4.4	5.5
39.4	Children and Young People	52.8	34.3	18.5
2.0	Schools	11.3	8.3	3.0
1.5	Public Health & Protection	7.0	1.3	5.7
30.1	Highways	60.6	40.9	19.7
0.0	Waste & Environment	19.9	1.6	18.3
8.5	Property	18.4	9.8	8.6
3.5	IT	5.3	4.1	1.2
10.7	Broadband	11.3	7.0	4.3
<b>104.2</b>		<b>196.5</b>	<b>111.7</b>	<b>84.8</b>
	<u>Financed by:</u>			
8.3	Ringfenced Government Grant	17.8	9.4	8.4
1.9	Ringfenced Contributions	25.9	19.3	6.6
37.9	Non-Ringfenced Government Grant	39.7	37.5	2.2
15.0	Capital Receipts	23.1	15.8	7.3
5.0	Revenue Budgets or Reserves	28.0	19.7	8.3
36.1	Borrowing	62.0	10.0	52.0
<b>104.2</b>		<b>196.5</b>	<b>111.7</b>	<b>84.8</b>

**Adult and Community Services (ACS)**

35. The £4.4m spend on ACS capital projects includes £2.7m Disabled Facilities Grant paid to district and borough councils in order for them to provide support to disabled people who require adaptations to their homes. £1.1m was spent on community equipment and £0.4m towards supported housing for working age adults. The variance of £5.5m relates mainly to the ACS IT transformation programme which has a three year project timescale.

## **Children and Young People (CYP)**

36. There was expenditure of £7.2m on basic need schemes in 2015/16 which provided new school places in areas of pupil growth and £4.6m was spent on school maintenance and refurbishment. The programme included a further £13.9m for basic need schemes which as a result of delays in planning and site acquisition will now be spent in future years. £5.7m was spent on major projects including £2.2m on construction of the Bridge School, a dedicated special needs school in Ipswich, and £2.6m on Pakefield High School, Lowestoft. There was a total spend of £15.6m for Schools Organisation Review (SOR). Most of these schemes are now complete, with the exception of a number of projects in SOR phase 6 that are still on site including Sybil Andrews Academy. These will be completed in 2016/17.

## **Public Health & Protection (PH&P)**

37. In 2015/16 £0.6m was spent on the replacement of ageing emergency vehicles and new operational equipment for Suffolk Fire and Rescue Service and £1.6m will be carried forward to 2016/17. £0.3m was spent on Fire Estates improvement, completing the refurbishment of Woodbridge Community Fire and Police Station, leaving £2.6m capital funding for fire estates improvement work, to be carried forward into 2016/17. This will be used to create shared blue light stations for Felixstowe, Saxmundham, Ipswich and other stations (subject to planning approvals). £0.1m was also spent on operational Fire Communications renewals to improve 999 Combined Fire Control equipment and fire station mobilising and alerting equipment. The remaining £0.1m of this budget will be spent in 2016/17 to support the replacement of fire engine-mounted mobile data terminals. The £0.4m budget for Suffolk Fire and Rescue Service Transformation, which is earmarked to support the Service's change programme, will be carried forward into 2016/17.

## **Highways**

38. The highways capital maintenance programme of £30.3m was fully spent in 2015/16 and included maintenance work on principal & non-principal roads, bridges, street lighting & traffic signals, footways & drainage. Other highways capital expenditure includes £1.6m on new LED street lamps, major highway improvements and traffic signal upgrades in Ipswich and the design of schemes in towns across Suffolk for construction in 2016/17. Work has begun on the construction of the Bury St Edmunds eastern relief road following delays as a result of protracted negotiations for the complex and interdependent legal agreements required to enable several developments at Moreton Hall. This road is expected to be completed in summer 2017. Construction of the Beccles southern relief road has also been delayed due to objections received on the compulsory purchase and side roads orders. The Department for Transport requires a public inquiry to be held which is scheduled for August 2016. Subject to a satisfactory and timely decision by the Secretary of State it is anticipated that construction will start in 2017. The delay in construction of these two roads has resulted in a carry forward of £14.8m to 2016/17.

## **Waste & Environment**

39. The spend of £1.6m relates to Green Deal Communities grant from the Department for Energy and Climate Change which is being used to help Suffolk homeowners and private renting tenants with the cost of installing energy efficiency home improvements, with the primary focus on solid wall insulation. This will continue to be spent in future years (£3.6m). The waste budget of £14.7m will be carried forward into future years as plans for the improvement of existing household waste sites and new transfer stations are developed. The priority for the use of the funds will be the West Suffolk Operational Hub at Bury St Edmunds and the East Suffolk transfer station at the Ransomes Europark in Ipswich.

## **Property**

40. Expenditure on the Corporate Estate in 2015/16 has seen the successful delivery of two new office buildings in Lowestoft procured jointly with Waveney District Council; Riverside Road and the Marina Centre. These were occupied in 2015/16, with final accounts for construction fees to be paid in 2016/17. The Council also purchased Beacon House which was occupied on the ground floor in 2015/16 by external tenants and Vertas. The top floor is currently undergoing refurbishment and will house the Coroner's Court as well as other office space. This is due to be completed in 2016/17. Land at South Lowestoft was purchased in 2015/16 and it is expected that £3.2m will be spent in 2016/17 and 2017/18 on the development of industrial units on the site which will be leased out.

## **IT & Broadband**

41. Phase 1 of the Superfast Broadband project was completed on schedule by 31st March 2016 and Phase 2 is now underway. The slippage of £4.3m will be spent in future years. IT Capital investment of £3.4m in 2015/16 has been used to establish the foundation infrastructure and architecture to support the Council's IT Strategy. This includes investment in cyber security protection in order to protect the authority from the ever-advancing cyber security threats, forming a core Unified Comms platform with O2, based on the Skype for Business platform and establishing a resilient connectivity to cloud services from Microsoft from the Suffolk-wide area network. This is required to allow the Council to move services to modern cloud-based platforms over the next few years and will ensure the Council always has connectivity to the cloud from all sites with sufficient capacity and bandwidth. Investment has also been made in Business Intelligence architecture to enable advanced analytic capabilities in order to make information based decisions.

## **Future capital programme**

42. In February 2016 the Council set a capital programme for 2016-2019 totalling £295.7m. The programme includes investment in schools of £140.7m,



investment in the county's road network of £83.4m and £26.7m for the Suffolk Better Broadband programme which will provide 98% of premises in Suffolk with access to superfast broadband speeds. The programme also includes £17.1m for a new Suffolk Heritage Centre of which the Council's contribution is expected to be £5m. Since the capital programme was agreed it was announced in the Chancellor's Budget in March that £151m of government funding would be made available to support two very large transport infrastructure projects in Suffolk, a Wet Dock Crossing in Ipswich and a Third Crossing over Lake Lothing in Lowestoft. This requires a local capital contribution for both schemes under the terms of the government approval of about £37m of which £10m has now been included in the capital programme for the early design work to feed into the final business case. The Council is also providing £10m of revenue funding.

### **Capital Receipts**

43. During 2015/16 Corporate Property completed sales of £6.2m. There were £18.1m of capital receipts brought forward from 2014/15 resulting in £24.3m available to fund the 2015/16 capital programme, of which £15.8m was used to fund capital spend. The remaining £8.5m will be carried forward for use in future years.

### **Treasury Management Practices and Prudential Indicators**

44. The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that the Council report on the performance of the treasury management function at least twice a year (mid-year and at year end).
45. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The treasury activity and associated monitoring and control of risk undertaken for the year is explained below.
46. At 31 March 2016 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £650m, while useable reserves and working capital which are the underlying resources available for investment were £291m. At 31 March 2016 the Council had £322m of borrowing, £102m liability under PFI, and £65m of investments.

#### **Borrowing Activity**

47. All of the Council's external borrowing at 31 March 2016 consisted of Public Works Loan Board (PWLB) and Lender's Option Borrower's Option (LOBO) loans amounting to £322m. There was no temporary, or new external, borrowing undertaken in 2015/16. The average rate of interest on the Council's external borrowing at March 2016 was 3.85% (3.80% at March 2015).
48. The Council holds £175m of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £90m of these LOBOs had options during the year, none of which were exercised by the lender.

49. Borrowing activity during the year consisted of repayment of elements of PWLB loans which were due for repayment. No early debt repayment was undertaken due to the charge for repayment remaining relatively expensive for the loans in the Council's portfolio.

### **Investment Activity**

50. Investment activity undertaken in 2015 /16 is shown in **Table 11** below.

**Table 11 Investment Activity for 2015 /16**

Investment Activity 2015/16	Maximum Investment per criteria £m	Balance at 01/04/2015 £m	Investments Made £m	Investments Recalled/ Matured £m	Balance on 31/3/16 £m	Avg Rate %
<b>Money Market Funds:</b>						
Amundi Luxembourg	25	-	26.0	- 26.0	-	0.48%
Black Rock Institutional Cash Series Plc	25	-	54.2	- 51.7	2.5	0.45%
Deutsche Global Liquidity Series Plc	25	<b>4.8</b>	107.2	- 105.3	6.7	0.47%
Federated Investors (UK) LLP	25	<b>10.8</b>	86.6	- 90.2	7.1	0.47%
Federated Investors (UK) LLP Cash Plus	25	-	4.0	- 4.0	-	0.72%
Goldman Sachs Asset Management Int.	25	<b>5.2</b>	38.3	- 43.4	0.0	0.44%
Insight Investment Funds Management Ltd	25	<b>7.8</b>	159.5	- 160.3	7.1	0.46%
J P Morgan Asset Management	25	-	41.6	- 36.3	5.4	0.48%
Morgan Stanley Liquidity Funds	25	-	113.2	- 109.4	3.8	0.44%
Royal London	25	-	5.0	- 5.0	-	0.57%
Aberdeen Global Liquidity Fund PLC	25	<b>11.8</b>	121.6	- 126.8	6.6	0.48%
<b>Deposit Accounts:</b>						
Lloyds Deposit Account	15	<b>4.5</b>	78.2	- 77.6	5.2	0.50%
Barclays Deposit Account	10	-	-	-	-	0.50%
<b>Fixed Term Deposits:</b>						
Fixed Term Deposits : Local Authorities	£15m per Authority	<b>10.0</b>	24.0	- 28.0	6.0	0.53%
Fixed Term Deposits : Other Banking institutions	Band 1 : £15m per institution Band 2 : £10m per institution	-	138.0	- 123.0	15.0	0.63%
<b>Total</b>		<b>55.0</b>	<b>997.4</b>	<b>- 986.9</b>	<b>65.4</b>	

51. Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2015 /16.

### **Compliance with Prudential Indicators**

52. The Council's approved prudential indicators for 2015/16 are compared with the outturn position at 31 March 2016 in **Table 12** below. All new lending that was undertaken during 2015/16 was in accordance with the Council's approved prudential indicators for the year.

**Table 12 Approved Prudential Indicators Compared to the Outturn Position**

	2015-16 Approved	2015-16 Actual Excluding Waste PFI	2015-16 Actual Including PFI
<b>Capital expenditure</b>			
<b>Incremental impact of capital expenditure decisions on Band D</b>			
<b>Council Tax</b>			
Net impact (after capital grant and use of capital receipts)	£ 1.42	£ 0.82	£ 0.84
Ratio of financing costs to net revenue expenditure	7.43%	3.77%	5.59%
Capital financing requirement relating to Borrowing	£604m	£548m	£548m
Capital financing requirements relating to PFI Liabilities	£13m	£13m	£102m
<b>Capital financing requirement at 31 March 2016</b>	<b>£617m</b>	<b>£561m</b>	<b>£650m</b>
<b>Borrowing</b>			
Gross external borrowing at 31 March 2016	£358m	£322m	£322m
Other Long Term Liabilities at 31 March 2016	£13m	£13m	£102m
<b>Total external debt at 31 March 2016</b>	<b>£371m</b>	<b>£335m</b>	<b>£424m</b>
Operational boundary for external borrowing	£437m	£322m	£322m
Operational boundary for long term Liabilities	£13m	£13m	£102m
<b>Total Operational borrowing</b>	<b>£450m</b>	<b>£335m</b>	<b>£424m</b>
Authorised limit for external borrowing	£604m	£322m	£322m
Authorised limit for Long Term Liabilities	£13m	£13m	£102m
<b>Total Authorised limit</b>	<b>£617m</b>	<b>£335m</b>	<b>£424m</b>
<b>Treasury Management</b>			
Upper limit on net borrowing/(investment) at fixed interest rates (compared with maximum net borrowing)	£450m	£301m	£301m
Upper limit on net borrowing/(investment) at variable interest rates (compared with maximum net borrowing)	£167m	£45m	£45m
<b>Maturity Structure of fixed rate borrowing</b>			
Under 12 months (inc. market loans)	0-30%	30% £96m	30% £96m
12 months to 2 years	0-30%	14% £46m	14% £46m
2 years to 5 years	0-40%	26% £83m	26% £83m
5 years to 10 years	25-70%	22% £72m	22% £72m
Over 10 years	25-100%	8% £25m	8% £25m
Principal Invested for longer than 364 days	0	0	0

53. The Council's total gross external debt was £424m at 31 March 2016 (£428m at 31 March 2015). This consisted of borrowing of £322m and long term liability of £102m. This was substantially below the Council's capital financing requirement of £650m, which is the statutory ceiling on external borrowing for capital purposes. This reflects the Council's approach to treasury management, which makes use of internal balances and other reserves wherever possible to reduce the need for external borrowing.
54. The 2015/16 Approved figures do not take into account the Private Finance Initiative (PFI) for the energy from waste plant contract entered into with Suez for the provision of services and facilities at Great Blakenham. Therefore the

actuals have been calculated including PFI and excluding PFI to allow comparison against the approved figures.

## **Conclusion**

55. During 2015/16 the Council has successfully delivered the planned budget savings of £38.3m which means savings of over £170m have been made since 2011/12. The 2016/17 budget has been agreed including a further £34m of savings and forecast projections indicate that another £46m of savings will be required in 2017/18. As a result of the EU referendum there is much volatility in financial markets and economic forecasters predict the economy will shrink in the short term. The repercussions of this and the impact on public finances has yet to emerge.
56. In order to address the continuing budget challenge the Council is required to become a leaner and more focused organisation. This is being implemented through a portfolio of service transformation and enabling programmes that are fundamentally reviewing how services are operated and how the organisation is run. However the successful delivery of these programmes is challenging. It is becoming increasingly challenging to protect services in the face of the much-increased savings targets that are the necessary response to the Government's planned reductions to local government funding and the increased pressure facing health and social care services. The Council still has much work to do to balance future budgets and identify savings proposals.
57. Therefore it is imperative that the council maintains sound financial management over the coming years. In particular, the council must continue to take every opportunity to work with local Clinical Commissioning Groups and other partners to optimise the resources and services for health and social care; it must manage contracts effectively to take cost out of the supply chain; and it must innovate collaboratively with other organisations and local communities to reduce demand and thus costs of services. At the same time the council must aim to stimulate further the local economy to generate additional business rates and council tax, and continue programmes which enhance the skills of local people.

### **Sources of further information**

Revenue Budget 2015/16 and Capital Programme 2015/18

[http://committeeminutes.suffolkcc.gov.uk/searchResult.aspx?qry=c\\_committee~~County Council](http://committeeminutes.suffolkcc.gov.uk/searchResult.aspx?qry=c_committee~~County Council)

Scheme of Resource Management – Financial Procedures

<http://www.suffolk.gov.uk/NR/rdonlyres/54DC8E78-E6DE-4357-B784-42791FF7A8CC/0/04ConstitutionPART41b.pdf>

Council Payments over £250

<http://www.suffolk.gov.uk/council-and-democracy/council-data-and-transparency/council-expenditure-and-contracts/expenditure-exceeding-250/>