

## The Report of the Executive

The Executive met on Tuesday, 24 May 2016 commencing at 11.00am County Councillor Carl Les in the Chair. County Councillors David Chance, Gareth Dadd, Don Mackenzie, Chris Metcalfe, Janet Sanderson and Clare Wood.

Also in attendance: two members of the public and one media representative.

The Executive met on Tuesday, 14 June 2016 commencing at 11.00 am. County Councillor Carl Les in the Chair. County Councillors Arthur Barker, David Chance, Gareth Dadd, Don Mackenzie, Chris Metcalfe and Clare Wood.

Also in attendance: County Councillors Andrew Backhouse, Liz Casling, Jim Clark, John Clark, Janet Jefferson, Mike Jordan, Shelagh Marshall and Patrick Mulligan

The Executive met on Tuesday, 5 July 2016 commencing at 11.00 am. County Councillors present: County Councillor Gareth Dadd in the Chair. County Councillors Arthur Barker, David Chance, Don Mackenzie, Janet Sanderson and Clare Wood.

Also in attendance: Two BBC documentary film makers.

**1. Revenue Budget 2015/16 – Outturn:** During the Performance Monitoring Meeting – Quarter 4 held 14 June 2016, the Executive considered the Revenue Budget 2015/16 outturn report noting that there is an overall net saving of £4.104m against operational budgets for 2015/16 (see **paragraphs 4.3.1 to 4.3.2** of the report which is attached at Annex 1, pages 26 to 28).

There are a number of ‘one-off’ variances which together total a saving of £4.104m including:

- £997k net early achievement of Budget/MTFS and 2020 North Yorkshire savings. This includes £1,640k early achievement of savings offset by £302k savings that have previously been agreed to be re-profiled by Executive and a further £346k savings that won't be achieved in 2015/16;
- £14k additional income from business rates income/relief grants;
- £827k additional costs due to flooding;
- and, £3,435k from other one-off windfalls and savings across all directorates and corporate budgets, net of overspends and investment in services. This includes £1,685k remaining from the HAS demographic growth contingency held centrally.

A further £484k of business rates pooling surplus is earmarked for spending on BES development initiatives in future years (**paragraph 4.3.1**, pages 26 to 27).

A breakdown of each directorate's forecast variance is provided in **Appendices B to F** (pages 38 to 44) with the financial position of SmartSolutions set out in **Appendix G** (page 45)

The PIP budget for 2015/16 totals £24.4m of which £4.4m is earmarked. Of this earmarked funding £4.3m has been re-phased into later years (**paragraph 4.4.4** pages 28 to 29). Going forward unallocated PIP funding has been transferred to earmarked reserves and therefore this is the final time that commentary on PIP will be provided in Q reports (**paragraph 4.4.3** page 28).

Savings targets reflected in Directorate's 2015/16 budgets total £23.4m (**paragraph 4.5.1** (page 26).

The unallocated GWB (excluding PIP funding) is £27.3m as at 31 March 2016 in line with the policy target set out in the MTFS and Budget Report presented to County Council in February 2016 (comparative figure is £69.0m under the 'old' GWB policy) (**paragraphs 4.6.3 to 4.6.6** (pages 31 to 32) **and Appendix H** (page 46)).

County Council approval is required to authorise the proposed carry forward of £484k earmarked for BES development initiatives, and therefore

**The Executive RECOMMENDS:**

That County Council approve the proposed carry forward of £484k earmarked for BES development initiatives, as set out at **paragraph 4.3.1**, pages 26 to 27.

**2. Capital Expenditure outturn and Financing 2015/16:** During the Performance Monitoring Meeting – Quarter 4 held 14 June 2016, the Executive considered the Capital Expenditure outturn and Financing 2015/16 report (this is attached at Annex 2, pages 47 to 55)

It was noted that:

- Gross Capital spend of £112.8m was £1.6m below the last Capital Plan update of £114.4m in February 2016 and £5.0m below the Original Plan in February 2015. After accounting for £2.6m less capital income however there was a net capital overspend of £1.0m. Allowing for corporate capital plan variations of £2.0m, an adjusted net underspend of £1.0m is being requested for carry over into 2016/17. (**Paragraphs 5.3 to 5.12**, pages 47 to 49).
- Financing of the Capital spend (paragraph 5.13 (page 50) **and** Appendix F (page 55)) included £7.4m capital receipts (paragraph 5.18 (page 51)) resulting from the sale of land and property (of which £3.2m was from County Farms). After utilising other capital income (grants, contributions and revenue contributions), the balancing figure of £0.4m was funded from internal borrowing which has the impact of running down investments (paragraph 5.16 (pages 50 to 51)).
- After the earmarking of £7.5m for future primary school places, there are £4.8m potential surplus capital resources up to 2018/19 achieved mainly from capital receipts (of which £2.4m is in hand at 31 March 2016) (paragraph 5.25 (page 52)). This could be used to fund capital expenditure or to reduce the Council's outstanding debt.

County Council approval is required to authorise the proposed carry forward of the net capital underspend totalling £954k.

**The Executive RECOMMENDS:**

That County Council approve the proposed carry forward from 2015/16 of the net capital underspend totalling £954k as set out in **paragraph 5.10**, page 48.

**3. Four Year Settlement:** At the meeting held 5 July 2016, the Executive received an update on correspondence from the Department of Communities and Local Government on 21 March setting out their offer of a multi-year finance settlement, covering:

- the Revenue Support Grant;
- Rural Services Delivery Grant;
- and Transitional Grant.

The report highlighted the impact of the recent EU referendum and as the implications for local government finance are unclear, it was proposed that the settlement offer is considered subject to there being no significant change. The report considered is attached at Annex 3, page 56 to 65.

**The Executive RECOMMENDS:**

That County Council approve acceptance of the Government's offer of a multi-year settlement for 2017/18 to 2019/20.

**4. Corporate Tax Evasion:** At the meeting held 5 July 2016, the Executive received a detailed response following the Motion to County Council on 24 February 2016 regarding Corporate Tax Evasion.

The Motion which had been moved by County Councillor David Billing and seconded by County Councillor John Ritchie, called for procurement procedures to be amended so that all companies bidding for service and works contracts at levels, to self-certify that they are fully tax compliant in line with central government practice using the standards in Procurement Policy Note 03/14 applying to contracts of the size to be determined by the Executive.

The report considered by the Executive is available at Annex 4, pages 66 to 71. In light of the complex practical implications of complying with this request

**The Executive RECOMMENDS:**

That the County Council retains its current position, which is in line with the latest procurement policy guidance.

That the County Council reviews its position in line with the European Single Procurement Document, the future UK exit from the EU, and when any associated update procurement policy notes are published by Crown Commercial Service.

**5. Appointments to Committees and Outside Bodies:** At the meeting held 5 July 2016, the Executive considered the following proposals.

**Hambleton Area Committee**

The Northallerton Division by election took place 26 May 2016 and Caroline Dickinson, Conservative, was elected to the seat. County Councillor Caroline Dickinson is therefore proposed for appointment to the vacancy on Hambleton Area Committee.

### Other Committee Vacancies

Members are asked to consider nominees for the following Conservative Group vacancies:

- Young People Overview and Scrutiny Committee (seat previously held by County Councillor Tony Hall)
- Chief Officer Appointments and Disciplinary Committee – one member and one substitute member (seat previously held by County Councillor Tony Hall).

### Road Safety Champion and Cycling and Walking Champion

The County Council, from time to time, nominates an elected Member as a "Champion" for a particular issue or interest group, such as older people. Local Transport Plan 4 states:-

- "We will have an elected member who will act as **Road Safety Champion** and advocate for road safety being incorporated across council activity in policy and in service planning and delivery. For less obvious or smaller scale issues such as Road Safety, there is a real benefit from a well-placed advocate to look for opportunities and represent the importance of road safety and crash and casualty prevention work across the Council's decisions and services."
- "... the County Council will increase our current involvement with the Borough Council led Cycling Forums in Harrogate and Scarborough with a view to supporting potential localised Cycling and Walking Partnerships with the DfT. As an essential part of this increased involvement in promoting and providing for cycling an elected member will act as a **Champion** and advocate for the needs and potential of **walking and cycling** across council activity in policy and in service planning and delivery."

It should be noted that neither role carries an allowance. Members are asked to approve the updating of Constitution to reflect the creation of these roles, and to appoint representatives accordingly.

### Better Health Programme (Durham Darlington and Tees) - Joint Health Scrutiny Committee

Durham County Council are establishing a Joint Health Scrutiny Committee under the provisions of the Health and Social Care Act 2012, involving all local authorities (Darlington Borough Council, Durham County Council, Hartlepool Borough Council, Middlesbrough Borough Council, Redcar and Cleveland Borough Council, Stockton-upon-Tees Borough Council and North Yorkshire County Council) affected by the Better Health Programme and any associated service review proposals. The programme is about achieving and sustaining high quality care provided by hospital services in the Durham, Darlington and Tees (DDT) area as defined by agreed clinical quality standards and national expectations.

To progress this, the County Council has been invited to nominate 3 representatives and it is suggested that these should include the Chairman of the Scrutiny of Health Committee, County Councillor Jim Clark, along with a Conservative Member and a North Yorkshire Independent Member. A further report will be submitted requesting the agreement of the terms of reference for the Joint Health Scrutiny Committee.

Members are asked to approve the updating of the Constitution to reflect the creation of this joint committee, and to approve the appointment of the 3 representatives.

### Independent Members Remuneration Panel

Further to the previous report received by County Council 18 May 2016, it is hoped to advise Members at today's meeting of the 2 new nominees to fill the vacancies on the panel.

#### **The Executive RECOMMENDS:**

- (a) That County Councillor Caroline Dickinson be appointed to Hambleton Area Committee.
- (b) That an appointment be made to the present Conservative Group vacancy on the Young People Overview and Scrutiny Committee.
- (c) That an appointment be made to the present Conservative Group member and substitute member vacancies on the Chief Officer Appointment and Disciplinary Committee.
- (d)
  - (i) That the Constitution be updated to reflect the creation of the road Safety Champion and Cycling and Walking Champion roles.
  - (ii) That an elected Member be appointed Road Safety Champion.
  - (iii) That an elected Member be appointed Walking and Cycling Champion.
- (e)
  - (i) That the Constitution be updated to reflect the creation of the Better Health Programme (Durham, Darlington and Tees) - Joint Health Scrutiny Committee.
  - (ii) That three representatives are to be nominated to the Better Health Programme (Durham, Darlington and Tees) - Joint Health Scrutiny Committee - the Chairman of the Scrutiny of Health Committee, County Councillor Jim Clark, along with County Councillor Caroline Dickinson and County Councillor John Blackie.
- (f) That County Council accept nominations and appoint to the 2 vacant seats on the Independent Members Remuneration Panel.
- (g) To agree any other changes to memberships or substitute memberships of committees, or other bodies to which the Council makes appointments put forward by the relevant political group, prior to or at the meeting of Council.

CARL LES  
Chairman

County Hall,  
NORTHALLERTON  
12 July 2016

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### 4.0 REVENUE BUDGET 2015/16

4.1 This section of the report presents details of the draft Revenue Outturn for the 2015/16 financial year and makes recommendations to County Council on the proposed carry forward to 2016/17 of certain budgets not spent during the year. The Accounts of the County Council for 2015/16 have now been closed and are being finalised for External Audit by KPMG. The figures are, therefore, still provisional at this stage up to the Statutory Final Accounts being signed off by the External Auditor in September 2016. It is not envisaged that any significant amendments will be required.

### 4.2 BACKGROUND AND SUMMARY

4.2.1 The final revised 2015/16 net expenditure budget is £389,860k with the movement since the net budget approved by Executive and County Council in February 2015 shown in **Appendix A**.

4.2.2 The overall 2015/16 revenue outturn position of the County Council is a net saving of £4,104k (1.1%) against operational budgets. A total of £4,319k unspent PIP funding will be re-phased into later years and has been paid into specific, earmarked reserves. In addition £20,022k of PIP funding has been allocated to specific earmarked reserves (see paragraph 4.4.6). The overall net budget is summarised as follows:

Item	Budget £000	Forecast Variance £000	Note
Recurring operational budgets	356,647	3,620	Para 4.3
Projects / Initiatives	8,873	-484	Para 4.3
Subtotal operational budgets	365,520	-4,104	
Earmarked PIP funding	4,319	-4,319	Para 4.4
Unallocated Corporate PIP (including c/fwd from 2014/15)	20,022		
Net budget	389,860		

4.2.3 The table above shows an outturn cash saving of £4,104k for expenditure and funding. A further £4,319k has been paid into specific, earmarked reserves and will be re-profiled into future years (see paragraphs 4.4.4 and 4.4.5). Further detail is provided in the following sections against each of these areas.

### 4.3 OPERATIONAL BUDGETS

4.3.1 The Table overleaf identifies the operational budgets for each of the Directorates in 2015/16. The revenue outturn indicates a number of variances which together total a saving of £4,104k. Issues of note include:

- £997k net early achievement of Budget/MTFS and 2020 North Yorkshire savings. This includes £1,640k early achievement of savings offset by £302k savings that have previously been agreed to be re-profiled by Executive and a further £341k savings that won't be achieved in 2015/16 (see paragraph 4.5.2);
- £14k additional income from business rates income/relief grants;

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- £827k additional costs due to weather events, and
- £3,435k from other one-off windfalls and savings across all directorates and corporate budgets, net of overspends and investment in services.
- In addition, a further £484k of business rates pooling surplus is earmarked for spending on BES development initiatives in future years (a principle previously approved). Details of the variances are provided in **Appendices B to F**.

4.3.2 The net saving against operational budgets includes a saving on the HAS demographic growth contingency held centrally in Corporate Miscellaneous budgets. The full year outturn for these cost pressures is £1,450k leaving £1,685k as a non-recurring saving.

	HAS	BES	CYPS	CS	Corp Misc Budgets	Total
	£000	£000	£000	£000	£000	£000
Recurring budget	134,138	76,081	68,902	58,386	19,140	356,647
Carry forwards from 2014/15 (assumed fully spent)	1,050	504	109	355	763	2,781
PIP allocations 2015/16	85	1,964	442	1,655	-	4,146
Business Rate Pooling		168			-168	0
New investment allocations 2015/16	-	-	250	1,696	-	1,946
<b>Total Budget 2015/16</b>	<b>135,273</b>	<b>78,717</b>	<b>69,703</b>	<b>62,092</b>	<b>19,735</b>	<b>365,520</b>
<b>Appendix</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	
<b>Savings and overspends impacting on GWB in 2015/16</b>						
Early achievement of Budget / MTFs and 2020 North Yorkshire savings	-348	-537	-162	-340	-253	-1,640
One-off impact of agreed re-profiling of savings (para 4.5.2)	-	-	+302	-	-	+302
Shortfall in savings to be re-profiled		+341				+341
Impact of Flooding	-	+826				+826
Business Rates Income/Relief Grants	-	-	-	-	-14	-14
Other one-off windfalls and savings net of overspends	+348	-3,161	+1,057	-538	-1,141	-3,435
<b>Sub-total</b>	<b>0</b>	<b>-2,531</b>	<b>+1,197</b>	<b>-878</b>	<b>-1,408</b>	<b>-3,620</b>

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<b>Variations to be carried forward to future years</b>						
Business rates pooling surplus earmarked for BES development initiatives	-	-	-	-	-484	-484
<b>Total Operational budget outturn variation</b>	<b>0</b>	<b>-2,531</b>	<b>+1,197</b>	<b>-878</b>	<b>-1,892</b>	<b>-4,104</b>

4.3.3 A draft outturn statement for the County Council’s SmartSolutions traded services is also attached at **Appendix G**. These services are mainly provided to schools in the County and the figures reported do not have any further impact on those in the above table because where relevant, the charges are already incorporated in Directorate forecast budget outturn positions.

### 4.4 PENDING ISSUES PROVISION (PIP)

4.4.1 The Pending Issue Provision (PIP) was set up in 2008/09 as part of the MTFs process, to underpin a financial strategy that would ensure sufficient recurring funds are available in future years to meet the predicted year on year additional costs of the Waste Strategy. In addition to providing long term recurring funding for the Waste Strategy, the funding paid into the PIP but not drawn down by the Waste Strategy is available to fund non-recurring items and a wide variety of significant sums have already been approved by the Executive since 2008/09.

4.4.2 Full details of the PIP were reported to Executive and County Council as part of the Revenue Budget 2015/16 and Medium Term Financial Strategy 2019/20 approved by Executive on 3 February 2015 and County Council on 18 February 2015. Since the PIP was first created its use has been widened both in terms of the sources of contributions paid in and the range of allocations paid out. A subsequent annual inflationary increase has also been applied to the initial provision.

4.4.3 A simplified approach was agreed by County Council on 24 February 2016 which means that all previously agreed PIP allocations have been transferred into specific, earmarked reserves. All unallocated PIP has been transferred into the ‘Strategic Capacity – Unallocated’ reserve. This is, therefore, the final time that commentary on PIP will be provided in Q reports. Executive will continue to receive updates on budget monitoring and reserves through the Q reports – which will include all formerly agreed PIP allocations. This ensures a consistent approach with other non-PIP investments and allocations agreed by Executive which are managed through specific, earmarked reserves.

4.4.4 The current and projected position of the PIP for 2015/16 and subsequent years, reflecting allocations agreed by the Executive to date, together with the latest forecast sums required to fund the Waste Strategy is as follows:



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Item	Budget	Forecast outturn	Variation to be profiled into future years
	£000	£000	£000
Remaining budget approved February 2014	3,810		
Brought forward from 2014/15	20,616		
<b>= total PIP budget 2015/16</b>	<b>24,426</b>		
Earmarked for			
Graduate posts	396	0	-396
HAS Extra Care procurement			
- Develop business case	348	0	-180
- Procurement	2,500	0	-2,500
HAS Extra Care	600	85	-515
HAS FACS savings proposals	210	0	-210
Engineering and building development	350	0	-350
Sub total of earmarked funding	4,404	85	-4,319
Remaining unallocated after allocations agreed at Q1	20,022		
<b>= total PIP budget 2015/16</b>	<b>24,426</b>		

4.4.5 There is an outturn cash saving of £4,319k on earmarked PIP funds where spending profiled in 2015/16 will be re-phased into later years. As reported to Executive at Q3, a review of the reserves strategy has been undertaken and proposals to reclassify non-recurring PIP funds into specific, earmarked funds were included in the MTFS and Budget Report presented to County Council on 24 February 2016. In line with this approach, the remaining non-recurring £20,022k has been paid into specific earmarked reserves:

- £8,847k PIP non-recurring funding previously agreed by Executive has been earmarked within specific reserves.
- £11,175k PIP non-recurring funding has been classified as unallocated and is within the Strategic Capacity – Unallocated reserve.

4.4.6 The longer term position as set out below however shows that there is potentially £23,198k remaining (from former PIP funds) available for one off issues in the period to 2018/19.

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Item	2015/16	2016/17	2017/18	2018/19
<b>Funding Available</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Initial budget allocations	14,394	14,394	14,394	14,394
Add subsequent inflationary increases	7,556	7,556	7,556	7,556
Less allocations to Waste Strategy	-14,079	-15,019	-17,689	-21,129
Add funding carried forward from 2014/15	20,616			
<b>= Funding available</b>	<b>28,487</b>	<b>6,931</b>	<b>4,261</b>	<b>821</b>
Allocations previously agreed by Executive including some re-phasing between years				
Allocations to Directorate Budget/MTFS	-4,061			
Allocations within Corporate Miscellaneous	-85			
Budget spent within 2015/16				
<b>PIP Funding still available</b>	<b>24,341</b>	<b>6,931</b>	<b>4,261</b>	<b>821</b>
PIP Funding transferred into Specific, Earmarked Reserves	-13,166			
PIP Funding transferred into Strategic Capacity – Unallocated Reserve	-11,175			
Future Year Recurring Budget: planned transfer into Strategic Capacity – Unallocated		-6,931	-4,261	-821
PIP Funds Remaining*	0	0	0	0

\* NB. All unallocated PIP funds are now within 'Strategic Capacity – Unallocated' Reserve which will support the Budget/ MTFS and investments.

### 4.5 BUDGET/ MTFS SAVINGS TARGETS

4.5.1 The 2015/16 revenue budget reflects previously agreed and updated 2020 North Yorkshire savings targets and these are incorporated into Directorate 2015/16 budget control totals shown in the table in **paragraph 4.3.2**. These 2015/16 savings targets (which are in addition to savings targets reflected in previous year's budgets) total £23,430k, and consist of:

Item	£000
North Yorkshire 2020 savings in 2015/16 agreed in the February 2015 budget and earlier years MTFS savings targets:	
BES	6,812
CYPS	7,629
HAS	6,750
CS	2,239
<b>Total savings reflected in 2015/16 budget</b>	<b>23,430</b>

- 4.5.2 There has been some welcome and significant overachievement of 2015/16 savings to the end of 2014/15. There is £1,640k anticipated early achievement of savings in 2015/16 (**paragraph 4.3.1**) although this figure is offset by £302k savings which the Executive have previously agreed to re-profile, including:
- £202k Education and Skills Service, agreed by Executive on 17 March 2015
  - £100k Disabled Children’s Services, agreed by Executive on 26 May 2015

In addition, a further £341k savings in relation to grass-cutting and gully emptying have not been achieved in 2015/16. In order to realise the full benefits on grass cutting and gully cleansing projects, it was necessary to undertake negotiation with our highways contractor to deliver the savings; this process took longer than originally anticipated due, in part, to other developments in the contract in addition to wanting to maintain a level of service.

- 4.5.3 Variances from the 2015/16 Budget have been tracked as part of the governance of the 2020 North Yorkshire Programme and are mitigated in 2015/16 by other planned savings being delivered in advance. The net position is always reported within the quarterly Revenue Budget monitoring report and details of the variances are shown in **Appendices B to F**.

#### 4.6 GENERAL WORKING BALANCE

- 4.6.1 A key feature of the Revenue Budget 2015/16 and Medium Term Financial Strategy 2015/16, approved by the Executive on 3 February 2015 and County Council on 18 February 2015, is to maintain the General Working Balance (GWB) at a defined minimum acceptable level.
- 4.6.2 For 2015/16 the defined minimum level has been a policy target set as part of the 2014/15 Revenue Budget/MTFS process which is as follows:
- (i) Maintenance of a minimum of 2% of the net revenue budget for the GWB in order to provide for unforeseen emergencies etc. supplemented by;
  - (ii) An additional (and reviewable) cash sum of £20m to be held back in the event of a slower delivery of savings targets;
- and reflects:
- (i) The increased number of risk factors which the County Council is facing as set out in **Section 14** of the 2015/16 Budget report and in particular;
  - (ii) Savings targets not being delivered on time; and
  - (iii) The increased level of risk falling on the GWB resulting from the review and consequential release of earmarked reserves into the GWB (i.e. some of the risks which have been covered by these reserves will now fall on the GWB).
- 4.6.3 Taking into account the GWB policy on minimum balances – 2% of the net revenue budget plus £20m – GWB at year-end amounts to £27,270k. A simplified approach was agreed by County Council on 24 February 2016 which sees the GWB held at “policy” level and any unallocated balance in excess of this level is transferred to “Strategic Capacity – Unallocated”. Where sums were earmarked for other specific purposes they have been transferred to specific operational reserves. The underspend against operational budgets in 2015/16 (£3,620k) as outlined in **paragraphs 4.3.1 and 4.3.2** will

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be paid into the Strategic Capacity - Unallocated Reserve and will be available to assist with MTFS/ Budget and investment decisions in 2016/17 and future years.

- 4.6.4 For comparative purposes, however, based on the information in this report, the GWB at the year-end under the old policy and calculation would have been £68,982k (18.9% of the net operational revenue budget). The table below describes the movement in 2015/16 under the 'old' policy.

Item	£000
Balance at 31 March 2015	91,711
- Directorate and Corporate / PIP surplus carried forward from 2014/15	-23,397
= GWB at 31 March 2015	68,314
<b>Forecast variations in 2015/16</b>	
- contribution required in 2015/16 following budget	-1,006
- additional allocations agreed at Q4 2014/15 outturn funded from the GWB and are profiled in 2015/16	-1,946
+ Net outturn savings	+3,620
<b>= Draft outturn position at 31 March 2016</b>	<b>68,982</b>

- 4.6.5 It should also be borne in mind that 2015/16 represents the single biggest year of savings since 2011/12 (the very first year of the period of austerity) with £23m of savings profiled and the longer term MTFS up to 2019/20 still has a shortfall of £14.0m to find. In light of these risks, the availability of one-off cash is welcome but should not mask the scale of financial challenge over the remainder of this decade.

- 4.6.6 Further details of General Working Balances are provided in **Appendix H**.

### 4.7 STRATEGIC CAPACITY – UNALLOCATED RESERVE

- 4.7.1 As reported to County Council in February 2016, a reclassification of reserves has been undertaken. The 'Strategic Capacity – Unallocated' effectively consolidates unallocated sums, balances released from the detailed review of reserves in 2015/16 and includes former unallocated PIP funding. The balance of the 'Strategic Capacity – Unallocated' reserve as at 31 March 2016 is £36.0m. This includes the £3.6m net savings against operational budgets outlined in the table at **paragraph 4.3.2**.

- 4.7.2 The following table provides a longer term forecast for the 'Strategic Capacity – Unallocated' reserve.

Year End	Latest Forecast			
	Start Year	MTFS	Base budget contribution	End Year
	£000	£000	£000	£000
31 March 2016	36,015	(633)	6,931	42,313
31 March 2017	42,313	(7,264)	4,261	39,310
31 March 2018	39,310	(11,327)	821	28,804
31 March 2019	28,804	(13,961)	821	15,664
<i>31 March 2020</i>	<i>15,664</i>	<i>(13,961)</i>	<i>821</i>	<i>2,524</i>

4.7.3 The table above shows that in the longer term the 'Strategic Capacity – Unallocated' reserve would be £15.7m by the end of the current MTFS period and would be almost fully depleted by 31 March 2020. These projections are illustrative based on the current MTFS position and assumes that the council will have a recurring £14.0m budget shortfall. However, measures are now in progress to address the shortfall which would enable the cash to be used for strategic investments.

#### 4.8 EARMARKED RESERVES

4.8.1 In addition to GWB (**paragraphs 4.6.1 to 4.6.6**) and 'Strategic Capacity – Unallocated' reserve (**paragraphs 4.7.1 to 4.7.3**), the County Council also holds a number of other earmarked reserves. These represent funds that have been set aside for a specific initiative or liability and, therefore, are not available to fund recurring costs that would otherwise be part of the base budget of a service.

4.8.2 Since the 2010/11 introduction of International Financial Reporting Standards (IFRS) to local authority accounts there is also a category of revenue income streams consisting of grants and contributions which have to be fully recognised in the revenue account when any conditions attached to the income have generally been met. This is different to the previous practice of carrying forward such unspent income to the following year as income in advance. Thus at 31 March 2016 £29.3m (£27.0m as at 31 March 2015) of unspent grant and contributions income, where any conditions have generally been met, is being carried forward to 2016/17 in these reserves.

4.8.3 As part of the 2016/17 Revenue Budget/ MTFS report in February 2016, a detailed review of earmarked reserves was undertaken. Following the finalisation of the draft accounts for 2015/16, a further detailed review of reserves will be undertaken in May/ June 2016.

4.8.4 **Appendix I** shows the overall draft position of the County Council's reserves (GWB + 'Strategic Capacity – Unallocated' + earmarked reserves) at the start and end of 2015/16.

4.8.5 A summary of the increase in the level of reserves of £11.9m (including GWB and 'Strategic Capacity – Unallocated' reserve between 31 March 2015 (£207.6m) and 31 March 2016 (£219.5m) is as follows:

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	31 March 2015 £m	31 March 2016 £m	2015/16 Variation £m
<b>General Working Balance *</b> (paragraphs 4.6.1 to 4.6.6)	<b>91.7</b>	<b>27.3</b>	<b>-64.4</b>
<b>Strategic Reserves</b>			
Strategic Capacity – Unallocated (paragraphs 4.7.1 to 4.7.3)	<b>0</b>	<b>36.0</b>	<b>+36.0</b>
Investments	0	10.0	+10.0
Agreed Investment Projects	1.2	17.7	+15.2
<b>Total Strategic Reserves*</b>	<b>1.2</b>	<b>63.7</b>	<b>+62.5</b>
<b>Operational Reserves</b>			
<b>Earmarked for Schools</b>			
Schools balances (LMS reserves)	30.9	33.9	+3.0
Schools Block/ DSG	13.4	10.9	-2.5
<b>Sub-Total</b>	<b>44.3</b>	<b>44.7</b>	<b>+0.5</b>
<b>Other Earmarked Reserves</b>			
Public Health Reserve	9.4	9.4	-
SmartSolutions	4.8	6.6	+1.8
BES Reserves	12.7	14.1	+1.4
Central Services Reserves	8.0	13.2	+5.2
CYPS Reserves	8.6	9.7	+1.1
Corporate Reserves	14.2	20.2	+6.0
HAS Reserves	12.7	10.9	-1.8
<b>Sub-Total</b>	<b>70.4</b>	<b>84.1</b>	<b>+13.7</b>
<b>Total Operational Reserves</b>	<b>114.7</b>	<b>128.8</b>	<b>+14.2</b>
<b>= Total Reserves</b>	<b>207.6</b>	<b>219.8</b>	<b>+12.2</b>

\* Variations also include the reclassification of reserves outlined in **paragraph 4.6.3**.

4.8.5 In addition to these earmarked reserves, there are also provisions of £7.7m at 31 March 2016 which compares with £9.0m at 31 March 2015 consisting of:

- Insurance claims £4.6m (£4.4m at 31 March 2015)
- Highways Advance Payments £2.1m (£2.5m at 31 March 2015)
- Other provisions £1.0m (£2.2m at 31 March 2015)

4.8.6 The Local Government Act 2003 and associated CIPFA guidance requires a review and regular report as part of the budgetary control process on the level and adequacy of reserves, balances and provisions. These requirements were incorporated into the 2016/17 Budget/ MTFS report approved by Executive and Full Council in February 2016. **Appendix I** continues this process. In addition, **paragraph 4.8.3** above refers to the review of all earmarked reserves undertaken in 2015/16 with a further review to be carried out in 2016/17.

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## 4.9 STATEMENT OF FINAL ACCOUNTS 2015/16

- 4.9.1 This Revenue Outturn report together with the accompanying Capital Outturn and Treasury Management reports are based on the County Council's organisational and budgetary management arrangements. However, a comprehensive Statement of Final Accounts (SoFA) that conforms in format and content to the IFRS based statutory Code of Practice on Local Authority Accounting is required to be formally approved by Members and certified by the External Auditor.
- 4.9.2 The current statutory requirements (Accounts and Audit Regulations 2011) are that the SoFA is certified by the Section 151 (Chief Finance) Officer by 30 June each year and approved by Members in advance of the External Audit opinion and certificate and publication of the accounts by 30 September each year.
- 4.9.3 It should be noted, however, that following earlier consultation new Accounts and Audit Regulations shorten these current statutory deadlines of 30 June and 30 September to 31 May (shortened by one month) and 31 July (shortened by two months) respectively. As these changes don't have to be implemented until 2017/18, officers will continue to look at the implications and timelines for achieving them.
- 4.9.4 Responsibility for considering and approving the County Council's SoFA rests with the Audit Committee. Following completion of the External Audit in July and August 2016, the final SoFA will, therefore, be submitted to the Audit Committee for approval on 29 September 2016, immediately before the External Auditor presents his opinion and certificate in relation to the SoFA.
- 4.9.5 Although there is no longer a requirement for the draft/ unaudited SoFA to be approved by Members by 30 June each year, DCLG and CIPFA suggest that good practice would be for the draft SoFA still to be presented to Members for review and comment prior to External Audit.
- 4.9.6 As in recent years, the County Council's draft SoFA for 2015/16 will be submitted to the Audit Committee on 14 July 2016 but this will be for review and comment only. As indicated in **paragraph 4.9.4**, the final SoFA after External Audit will subsequently be resubmitted to the Audit Committee on 29 September 2016 for formal approval.
- 4.9.7 The statutory SoFA that will be submitted to the Audit Committee for information and comment on 14 July 2016 and for subsequent approval on 29 September 2016 after External Audit, will be markedly different to the management accounts presented in this report. This is because of two key reasons:
- (a) CIPFA's required service structure is very different to the County Council's organisational structure. The service structure in the SoFA must follow the Service Reporting Code of Practice (Serco).
  - (b) The SoFA must comply with CIPFA's IFRS-based Code of Practice on Local Authority Accounting thereby requiring many technical adjustments to our management accounts for such items as depreciation of assets and pension costs and liabilities.
- 4.9.8 Explanations will be provided as to the key difference between the two sets of figures.

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## 4.10 LOOKING AHEAD

4.10.1 For 2016/17, the first Q1 update will be submitted to Executive in August 2016. The overall savings requirement reflected in the 2016/17 budget is £11.3m (£10.7m from 2020 North Yorkshire Programme and £0.6m from earlier year's savings programme).

4.10.2 The further review of earmarked reserves in 2016/17 as mentioned in **paragraph 4.8.3** is expected to result in further release of such reserves into the 'Strategic Capacity – Unallocated' reserve.

4.10.3 Beyond 2016/17, the MTFS agreed in February 2016 reflects the following to 2019/20:

- Savings reductions of £25.6m from the 2020 North Yorkshire Programme
- There is a residual £14.0m recurring funding shortfall. As described in the MTFS/ Budget report to Executive and County Council in February 2016, action is underway to identify options to address the shortfall.
- An assumed 2% increase in Adult Social Care Precept each year
- As assumed 1.99% increase in Council Tax each year

4.10.4 For both 2016/17 and subsequent years there are many spend and funding risks and uncertainties as fully set out in the February 2016 budget/ MTFS report. These risks and uncertainties arise from both funding (government grants, council tax, business rates yield etc.) and the County Council's spending and other income streams (e.g. delivery of savings targets, demand for services, inflation and cost pressures, weather uncertainties, unexpected one-off liabilities etc.).

4.10.5 An update on all of the above in relation to 2016/17 will be provided to Executive as part of the Q reports and any significant developments that affect 2016/17 and later years will also be reported to Members. A detailed update for 2017/18 and subsequent years including progress on achieving savings targets and the current longer term shortfall mentioned in **paragraph 4.10.3** will be incorporated into the 2017/18 Revenue Budget/ MTFS process.



### 4.11 Recommendation

That the Executive

- (i) notes the position on the draft outturn position for the County Council's 2015/16 Revenue Budget as summarised in **paragraph 4.2.2**
- (ii) recommend to the County Council the proposed carry forward of £484k earmarked for BES development initiatives detailed in **paragraphs 4.3.1 to 4.3.2**
- (iii) notes the position on the GWB following the application of the simplified approach (**paragraphs 4.6.1 to 4.6.6**)
- (iv) note the position on ' Strategic Capacity – Unallocated' reserve (**paragraphs 4.7.1 to 4.7.3**)
- (v) note the position of other earmarked reserves as detailed in **paragraph 4.8.1 to 4.8.6 and Appendix I**

## HEALTH AND ADULT SERVICES

## APPENDIX B

### 2015-16 REVENUE BUDGET MONITORING OUTTURN 31 MARCH 2016

BUDGET HEAD	REVISED BUDGET 2015-16 £000	FINAL OUTTURN 2015-16 £000	VARIANCE (-) = saving £000	COMMENTS
<b>Care &amp; Support - Area Budgets Hambleton/Richmond</b>	28,482	29,175	694	Significant demand pressure on services for adults with learning disabilities (£655k) and for older people (£859k) was partially mitigated by staffing savings in both assessment teams (£228k) and in-house home care provision (£504k).
Selby	8,044	8,426	383	Overspending on services for older people (£351k) and the Emergency Duty Team (£175k) were in part offset by underspends on community services for adults with physical disabilities (£113k).
Harrogate/Craven	38,721	40,587	1,866	Significant demand and market pressure on services for adults with learning (£1,199k) and physical (+£554k) disabilities and for older people (£284k).
Scarborough/Whitby/Ryedale	34,051	34,376	325	The overspending position reflects pressure on the budgets for services for younger adults with physical disabilities (£500k) and younger adults with learning disabilities (£131k). These were offset, in part, by staff vacancy savings (£250k).
Provider Services	10,316	10,075	241	Staffing underspends (£638k) and lower expenditure on catering and running costs (£410k) reflected lower average occupancy but this also impacted on income levels (£775k).
Mental Health	7,965	7,708	257	Improved income levels, particularly joint funding from health (£420k) and vacancy and travel savings on social work staff (£130k) were partially offset by overspends on services, in particular short term and respite care.
Assistant Director/Cross-area budgets	-	8,835	519	Significant one-off backdated health income following concerted efforts to review clients for potential Continuing Health Care funding. This was, in part, offset by pressure on the pooled budget for disability equipment purchase.
<b>SUB-TOTAL *</b>	<b>119,261</b>	<b>121,512</b>	<b>2,251</b>	

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## HEALTH AND ADULT SERVICES

## APPENDIX B

### 2015-16 REVENUE BUDGET MONITORING OUTTURN 31 MARCH 2016

Public Health - Spend	20,889	20,889	-	-	Public Health faced an in-year grant cut of £1.4m and initial plans envisaged drawing down £1.25m from the Public Health reserve to ensure priorities were funded. The final required drawdown was only £0.25m principally due to lower spend against winter health budgets and reduced requirements for funding the community safety and targeted prevention services.
- Grant Income	-	20,889	-	-	
Quality & Engagement	1,769	1,626	-	143	Higher than anticipated external funding (£81k), staff vacancy savings and reduced contract costs.
Commissioning	11,465	11,175	-	291	Ending of some block contracted services together with contract reviews and staff vacancy savings.
Integration	201	212		11	
Resources Unit	1,493	1,451	-	42	Reduced insurance premiums. Balance of Care Act funding transferred to Care Act reserve.
Head of Human Resources	896	817	-	79	Staff vacancy savings linked, in particular, to the restructuring of the telecare service and the creation of the new business development team
Director & Cross-Directorate	187	71	-	258	Underspending reflects one-off grant funding around winter pressures and Deprivation of Liberty costs together with early achievement of some 2016-17 savings. This has been partially offset by a higher provision for potentially doubtful debts reflecting improved management information.
<b>TOTAL</b>	<b>135,272</b>	<b>136,722</b>		<b>1,450</b>	
In-year drawdown of funding from corporately held HAS contingency		1,450	-	1,450	
<b>TOTAL</b>	<b>135,272</b>	<b>135,272</b>	-	<b>0</b>	

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## APPENDIX C

<b>BUSINESS &amp; ENVIRONMENTAL SERVICES</b>				
<b>2015-16 REVENUE BUDGET MONITORING OUTURN 31 MARCH 2016</b>				
<b>BUDGET HEAD</b>	<b>REVISED BUDGET 2015-16</b>	<b>FINAL OUTTURN</b>	<b>VARIANCE (-) = saving</b>	<b>COMMENTS</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Highways & Transportation	31,273	32,398	1,125	Overspend reflects additional costs due to weather costs (£1.1m), overspend on highways maintenance (£0.5m) and a shortfall in achievement of 2020 savings in relation to grass cutting and gully emptying (£0.4m). These are offset, in aprt, by savings from an otherwise mild winter (£0.9m)
Integrated Passenger Transport	12,326	10,944	- 1,382	Underspending of £1,382k is £103k lower than reported at Q3. Further in-year savings on Concessionary Fares are £400k higher than previously reported although this is offset, in aprt, by the one-off direct purchase of vehicles.
Trading Standards & Planning Services	2,318	2,107	- 210	As reported at Q3, savings in Trading Standards offset by overspending on planning (shortfall in income and planned one-off spend on consultants).
Waste & Countryside Services	31,180	29,345	- 1,835	Underspend reflects lower waste disposal costs and lower tonnage than anticipated. This stems from negotiated short-term waste contracts which have benefitted from the European demand for waste to supply Combined Heat and Power Plants.
Economic Partnership Unit	205	205	- 0	
Resources, Performance & Impr	897	905	8	
Corporate Director of BES	519	281	- 238	Deliberate underspend on Corporate Director budget to help fund the cost of flooding (net against overspend on Highways and Transportation).
<b>TOTAL</b>	<b>78,717</b>	<b>76,185</b>	<b>- 2,532</b>	
<b>Q3 31 December 2015</b>	<b>79,429</b>		<b>- 2,919</b>	

# ITEM 5 - ANNEX 1

## APPENDIX D

CHILDREN & YOUNG PEOPLE'S SERVICES				
2015-16 REVENUE BUDGET MONITORING OUTTURN 31 MARCH 2016				
BUDGET HEAD	REVISED BUDGET 2015-16	FINAL OUTTURN	VARIANCE (-) = saving	COMMENTS
	£000	£000	£000	
LA Access & Inclusion Inclusion	1,169	1,272	103	Agreed overspend resulting from transitional costs as part of Education and Skills review (Behaviour Advisers)
SEND - Special Education Needs & Disabilities Assessment & Review Officers	763	812	49	
Disabled Children's Services	4,983	5,560	578	Outturn figure reflects £100k reprofiling of 2020 NY Savings as agreed by Executive. Further overspending reflects pressures in commissioning budgets and reduced income contributions from Health partners. Management action - identified as part of a fundamental budget review - will address these issues to ensure that spending is contained within the available funding envelope in 2016/17.
Home to School Transport	19,526	20,485	959	Pressures on SEN home to school and college transport reported at Q3 have continued. A net budget pressure of £1.4m has been partially offset by £0.4m underspending on mainstream transport provision. As reported at Q3, a project has been established to investigate and implement remedial actions which will see these costs reduce.
Children & Families Education & Skills Service	34,730	34,161	-569	Underspending of £569k reflects the early achievement of savings of £274k.
Finance & Management Support Information Technology	3,057	3,156	99	Agreed overspend resulting from transitional costs as part of the Education and Skills Review (School Improvement staff)
Personnel	630	681	51	Reduced grant for Extended Rights to School Travel offset by other efficiencies.
Strategy & Commissioning Safeguarding Unit	2,535	2,440	-95	
Schools & Units	1,360	1,351	-9	
	-	-0	-0	
<b>LA TOTAL</b>	<b>69,703</b>	<b>70,900</b>	<b>1,197</b>	
<b>DSG</b>				
Access & Inclusion Inclusion	8,319	8,164	155	
Alternative Provision	5,350	5,350	0	
SEND - Special Education Needs & Disabilities Assessment & Review Officers	36	37	1	
High Needs Commissioning	28,412	28,412	0	
Home to School Transport	2,986	2,942	44	
Children & Families Education & Skills Service	1,202	1,244	42	
	-47,956	47,656	300	
Finance & Management Support				£300k represents the net underspending against the in-year DSG grant and has been paid into the Schools Block Reserve for exclusive use against school-related activity in future years.
Information Technology	888	888	-	
Personnel	100	99	0	
Strategy & Commissioning Safeguarding Unit	664	519	145	
Schools & Units	-	-	-	
	-	0	0	
<b>TOTAL</b>	<b>69,703</b>	<b>70,900</b>	<b>1,197</b>	
<b>Q3 31 December 2015</b>	<b>71,598</b>		<b>1,424</b>	

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## APPENDIX E

<b>CENTRAL SERVICES</b>				
<b>2015-16 REVENUE BUDGET MONITORING OUTTURN 31 MARCH 2016</b>				
<b>BUDGET HEAD</b>	<b>REVISED BUDGET 2015-16</b>	<b>FINAL OUTTURN</b>	<b>VARIANCE (-) = saving</b>	<b>COMMENTS</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
<b>Strategic Resources</b>				
Financial Services	3,910	3,936	26	
Insurance	-	0	0	
Property Service	13,094	13,273	179	One-off overspend of £179k on corporate repairs and maintenance.
Technology & Change	11,351	11,351	0	
<b>Business Support &amp; HR</b>				
Business Support Services	13,604	12,987	618	Early achievement of savings (£300k) reflects underspending predominantly related to lower than expected venue hire costs (£312k) and refreshments (£192k)
HR Services	3,766	3,505	261	Underspending arising from one-off saving in training budgets. One-off staff savings of £164k have also contributed to the underspend.
<b>Chief Executives Office</b>				
CEO Support Services, Grants & Subscriptions	450	421	29	
Communications Unit	625	663	38	
Policy & Partnerships	3,177	3,205	28	
<b>Legal &amp; Democratic Services</b>				
Democratic Services	330	303	27	
Legal Services	2,034	1,914	120	Underspend arising due to lower than anticipated legal expenses.
Members Services	1,212	1,140	73	Underspend arising mainly due to Member's allowances (£31k), and car allowances (£29k)
<b>Library, Customer &amp; Community Services</b>				
Archives & Records Management	349	353	4	
Coroners	723	884	161	
Customer Services	1,811	1,885	74	
Public Library Service	6,101	6,035	66	
Registrars	-	642	- 195	£186k overspend on staffing offset by higher than expected income (£416k)
<b>TOTAL</b>	<b>62,092</b>	<b>61,213</b>	<b>879</b>	
<b>Q3 31 December 2015</b>	<b>58,725</b>	<b>-</b>	<b>776</b>	

## CORPORATE MISCELLANEOUS

### 2015/16 REVENUE BUDGET MONITORING OUTTURN 31 MARCH 2016

BUDGET HEAD	REVISED BUDGET 2015/16 £000	REVISED OUTTURN £000	VARIANCE (-) = under spend £000	COMMENTS
<b>ANNUAL BUDGETS &amp; FUNDS (EXCLUDING PIP)</b>				
<b>Contingencies</b>				
General Provision - 2015/16 base	250	257	7	This general provision, for one off initiatives, unforeseen expenditure and emergencies includes a contribution of £2.10k towards the Local Government Yorkshire and Humber Pension Costs
- carried forward from 2014/15	159	159	0	
Corporately Held Budget Savings	57	0	-57	Declared savings in Registrars.
HAS Demographic Growth - Centrally held contingency	3,135	1,450	-1,685	£3m provision for the impact of Demographic changes in demand for Adult Social Care services held centrally and claimed by HAS on a needs basis during the year. £1,450k has been drawn down resulting in a one-off saving of £1,685k in 2015-16.
	<b>3,601</b>	<b>1,866</b>	<b>-1,735</b>	
Capital Financing Costs	26,661	26,819	158	Market loans not called and Invest to Save recharges lower than budgeted due to revenue funding of costs previously forecast to be funded centrally.
Interest Earned	-1,744	-1,393	351	Lower interest rate being achieved on investments 0.66% outturn compared with 0.75% provided in the budget (partially offset by the continuing higher than expected levels of cash balances) as well as the payment accrued to the LEP relating to funding held by NYCC.
<b>Other</b>				
YPO Surplus	-450	-599	-149	Based on YPO results and relative NYCC turnover. Net of allocations to catering and cleaning. Figures for 2015/16 are estimates at this stage.
Internal Trading Income	-1,239	-963	276	Lower than anticipated income due to budget centralisations.
Dedicated Schools Grant	-1,149	-1,150	-1	Contribution to corporate overheads from the Dedicated Schools Grant (DSG).
New Homes Bonus Grant	-2,197	-2,198	-1	Actual allocation in 2015-16 of £2,198k ( = 20% of total as 80% paid to Districts)
Refunded Top-slicing of New Homes Bonus (NHB)	0	-202	-202	Refund of top slicing from national funding pot to pay for the NHB.
Education Services Grant	-7,200	-7,251	-51	
Business Rates RPI Compensation Grant from DCLG	-896	-894	2	Localisation of BR from 1 April 2013 means NYCC receives about £60m of such BR each year (£4.1m from DCLG + £.19m from the 7 Districts). The income is normally uplifted by RPI each April but DCLG capped the 2014/15 and 2015/16 increases. DCLG agreed to pay councils a grant to compensate for the lost 1.1% income
Business Rates Pooling	0	-484	-484	Latest forecast net gain to NYCC in 2015/16 of being part of a Business Rating pooling arrangement with 5 of North Yorkshire District Councils.
Business Rates Funding Income	0	391	391	Final allocations for 2015-16 notified by District Councils in relation to 9% Business Rates payable to NYCC together with their estimated BR collection fund account surpluses and deficits were lower than forecast. As a result this largely relates to a reduction relating to Selby DC, resulting in an overall deficit of £.391k
Business Rates Relief Grant from DCLG	-1,000	-1,405	-405	Recent BR reliefs agreed by the Government which impact on the sums retained locally by councils are being reimbursed by grants. Final allocation were notified on 29 April 2015 and exceed the £1m budget provision
Local Welfare Reform Provision	253	0	-253	Funding approved as part of the 2015/16 Budget to replace the 2014/15 grant, which has been stopped from 2015/16. The Government still expects local authorities to continue providing the support. Savings achieved in advance and will contribute towards to Central Services Cashable Benefits log.
SFNY Contribution	4,000	4,000	0	£4m matched funding to increase Broadband coverage in the County.
Other Budgets	353	599	246	All other Corporate budgets. Overspend relates to charge for Superfast Broadband which was funded centrally and some other miscellaneous expenditure items where it was not readily possible to charge against individual Directorates and therefore they have been charged to Corporate Miscellaneous
	<b>-9,525</b>	<b>-10,156</b>	<b>-631</b>	

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## CORPORATE MISCELLANEOUS

### 2015/16 REVENUE BUDGET MONITORING OUTTURN 31 MARCH 2016

BUDGET HEAD	REVISED BUDGET 2015/16 £000	REVISED OUTTURN £000	VARIANCE (-) = under spend £000	COMMENTS
<b>Funds</b>				
Community Fund	411	379	-32	
Pay and Reward Fund	331	328	-3	
	<b>742</b>	<b>707</b>	<b>-35</b>	
<b>TOTAL - Excluding PIP</b>	<b>19,735</b>	<b>17,843</b>	<b>-1,892</b>	
<b>PENDING ISSUES PROVISION (PIP)</b>				
<b>Earmarked funding retained in Corporate Miscell.</b>				
Funding of graduate posts	396	396	0	Funding of additional graduate posts agreed by Executive on 20 August 2013 - this has now been repensed to 2016/17 through the earmarked reserve.
HAS Extra Care procurement develop Business case	348	348	0	£500k agreed by Executive on 30 July 2013. £97k was claimed in 2013/14 and £55k in 2014/15 leaving a residual £348k which has now been repensed to 2016/17 as part of the earmarked reserve.
<b>44</b> Procurement	2,500	2,500	0	£2,500k agreed by Executive on 30 July 2013 for HAS Extra Care Procurement, which has been carried forward within the earmarked reserve in order to repense into future years.
HAS Extra Care	515	515	0	£4m approved on 19 August 2014 of which £0.6m was initially phased in 2015/16 but this will now all slip forward within the earmarked reserve
HAS FACS Resources	210	210	0	£1,150k agreed by Executive on 9 July 2013 for resources to support delivery of savings proposals. £135k was claimed in 2013/14 and £805k in 2014/15 leaving a residual £210k which has been repensed to 2016/17 as part of the earmarked reserve.
Engineering and Building Design contract	350	350	0	£500k approved as part of Q1 2014/15 investments - new contract will take effect from April 2016 - to be repensed as part of the earmarked reserve.
<b>Remaining unallocated funding in 2015/16</b>	<b>4,319</b>	<b>4,319</b>	<b>0</b>	
Unallocated funding	20,022	20,022	0	There is currently £20,022k unallocated PIP funding to be carried forward into 2016/17 within the earmarked reserve.
	<b>20,022</b>	<b>20,022</b>	<b>0</b>	
<b>TOTAL PIP</b>	<b>24,341</b>	<b>24,341</b>	<b>0</b>	
<b>OVERALL TOTAL</b>	<b>44,076</b>	<b>42,184</b>	<b>-1,892</b>	
<b>Q3 31 DECEMBER 2015</b>	<b>44,162</b>		<b>-25,378</b>	



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Appendix G

## Traded Services Profit and Loss Summary: 2015-16

Service	Total Cost- £'000	Total Income- £'000	Net Profit/ (Loss) £'000	Comments	
1 Broadband	2,106	2,106	0	After contribution from Corp Miscellaneous £292K	
2 Building Cleaning Services	7,257	7,370	113		
3 County Caterers Service	16,921	17,068	147		
6 Education and Skills	720	822	102		
9 Education Safeguarding and Protection Service	7	9	2		
11 Energy Traded Service	171	189	19		
12 Financial Management Services	1,224	1,386	161		
13 Grounds Maintenance Service	1,103	1,108	6		
14 Health and Safety Service (HandS)	287	281	-6		
16 Health and Wellbeing Service	0	0	0		
17 HR Advisory Service	703	719	15		After contribution from Reserve £24K
18 LA Clerking Service	366	379	13		
20 Maintenance and Servicing Scheme	3,627	3,885	258		
21 Music Service	2,233	2,111	-121		
22 North Yorkshire Procurement Service	1	27	27		
23 Outdoor Learning Service	2,300	2,298	-2		
24 Schools ICT Service	3,733	3,701	-32		
26 CYC	0	0	0		
28 Training and Learning					
29 Recruitment of Headteachers					
<b>TOTAL £'000</b>	<b>42,757</b>	<b>43,458</b>	<b>701</b>		
Service	Total Cost	Total Income	Net Profit/ (Loss)		
1 Balance of Risks	84	431	347		
2 Insurance Services	1,476	1,455	-20		
3 Staff Absence Scheme	3,526	4,301	775		
	0	0	0		
<b>TOTAL £'000</b>	<b>5,085</b>	<b>6,188</b>	<b>1,102</b>		
Service	Total Cost- £'000	Total Income- £'000	Net Profit/ (Loss) £'000	Comments	
4 Document Management Centre	64	64	0	After contribution from HR reserve £83K	
5 Early Years Finance Service	19	19	0		
7 Education Psychology & STS	102	102	0		
8 (DBS) Education Safeguarding and Protection Service	582	588	6		
10 Employment Support Services	2,002	1,917	-85		
15 Health and Safety Commercial	57	54	-3		
16 Health and Wellbeing Service	176	225	50		
19 Legal and Democratic Services	136	169	33		
25 Specialist Careers Service	74	83	10		
27 School admission and exclusion appeals service	19	15	-5		
<b>TOTAL £'000</b>	<b>3,230</b>	<b>3,237</b>	<b>6</b>		
Service	Total Cost	Total Income	Net Profit/ (Loss)		
SmartSolutions Unit	686	25	-661		
<b>Total</b>			<b>1,148</b>		

## ITEM 5 - ANNEX 1

### GENERAL WORKING BALANCE (GWB)

1. The County Council has adopted a set of 'good practice rules' as part of its MTFS to maintain a policy target of 2% of the net Revenue Budget of the County Council plus an additional cash sum of £20m to be held back in the event of a slower delivery of savings targets.
2. These rules are as follows:
  - (i) that any under spending on the Corporate Miscellaneous budget at the year-end should be allocated to the GWB
  - (ii) that should there be any call on the GWB during a year such that the MTFS Targets will not be achieved at the respective year ends then:
    - (a) that shortfall be addressed in the next Budget cycle and/or
    - (b) that revenue or capital expenditure reductions be effected in either the current or following financial year, in order to offset the shortfall.
  - (iii) that in order to implement (b) the Executive should review the position of the GWB on a regular basis as part of the quarterly budget monitoring report process.
3. The balance on the GWB was £68,314k as at 1 April 2015. The simplified approach sees the GWB held at "policy" level and any unallocated balance in excess of this level is transferred to "Strategic Capacity – Unallocated". Where sums were earmarked for other specific purposes they have been transferred to specific operational reserves.
4. The comparable outturn (using the old policy and calculation) of £69,879k as at 31 March 2016 compares with:
  - (i) a forecast of £63,713k at 31 March 2016 reported as part of the February 2015 Revenue Budget/MTFS
  - (ii) an actual of £68,314k at 31 March 2015
  - (iii) a forecast of £67,308k at 31 March 2016 reflected in the 2014/15 Q4 outturn report

5.0 CAPITAL EXPENDITURE OUTFURN AND FINANCING 2015/16

OVERVIEW

5.1 This section of the report presents details of actual capital expenditure and its financing for 2015/16.

CAPITAL PLAN

5.2 The original Capital Plan for 2015/16 was submitted to and approved by Executive on 3 February 2015 and subsequently by County Council on 18 February 2015 as part of the 2015/16 budget / MTFS set of reports. The latest (i.e. revised and updated) 2015/16 Plan was submitted to and approved by Executive on 16 February 2016 and subsequently by County Council on 24 February 2016 as part of the 2016/17 budget / MTFS set of reports.

CAPITAL EXPENDITURE IN 2015/16

5.3 Capital expenditure in 2015/16 compared to the original Capital Plan and latest Capital Plan referred to in **paragraph 5.2** is as follows:

Item	Gross Capital Spend	Less Capital Grants and Contributions and Directorate Capital receipts	Net Capital Spend
	£m	£m	£m
<b>Original Capital Plan</b>	117.8	-105.4	12.4
<b>Latest Capital Plan</b>	114.4	-107.6	6.8
<b>Outturn for 2015/16</b>	<b>112.8</b>	<b>-105.0</b>	<b>7.8</b>
Original plan (a - c)	-5.0	+0.4	-4.6
Latest plan (b – c)	-1.6	+2.6	+1.0

5.4 The 2015/16 gross capital spending of £112.8m therefore represents a £1.6m underspend compared with the last Q3 Capital Plan update of £114.4m. When capital receipts and grants are taken into account the net position shows an overspend of £1m. The outturn variations referred to throughout the remainder of this report are based on a comparison with the last Q3 2015/16 Capital Plan reported to and approved by Executive in February 2016.

5.5 A summary of the outturn position is set out below for gross capital spend at Directorate level with a more detailed summary being provided in **Appendix A** and an individual statement for each Directorate at **Appendices B to E**. These Appendices also show the outturn position for related capital income from grants, contributions and revenue contribution, and a net spend which is funded from capital receipts and borrowing.

<b>Service</b>	<b>Appendix</b>	<b>Gross Latest Plan (Feb 2016)</b>	<b>Gross Outturn Spend</b>	<b>Variation to Latest Plan</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>
Health and Adult Services	B	0.6	0.7	+0.1
Business and Environmental Services	C	80.3	80.4	+0.1
Children and Young People's Services	D	27.7	27.3	-0.4
Central Services	E	5.8	4.4	-1.4
<b>Total</b>		<b>114.4</b>	<b>112.8</b>	<b>-1.6</b>

5.6 A summary of the outturn variations at Directorate level is also shown in the table below:

<b>Service</b>	<b>Gross Spend Variation</b>	<b>Gross Income Variation</b>	<b>Net Spend Variation</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Health and Adult Services	0.1	-0.1	0.0
Business and Environmental Services	+0.1	0.0	+0.1
Children and Young People's Services	-0.4	+0.1	-0.3
Central Services	-1.4	+2.6	+1.2
<b>Total</b>	<b>-1.6</b>	<b>+2.6</b>	<b>+1.0</b>

5.7 The key issues to highlight from the summary above are:-

- (a) the gross capital underspend of £1.6m includes £1.4m on Central Services. As a result of an underspend on ICT and vehicles offset by an overspend relating to a loan to NyNet (due to the timing of cash flows at the end of the year).
- (b) lower Directorate capital income of £2.6m.
- (c) leading to an overall net overspend of £1m.

5.8 The implications of this net £1.0m overspend in terms of carry forward to 2016/17 and its impact on the capital spending capacity of the County Council is considered further in **paragraphs 5.9 to 5.12** below.

### **IMPLICATIONS OF 2015/16 CAPITAL UNDERSPENDING AND PROPOSED CARRY FORWARD TO 2016/17**

5.9 The County Council's Financial Procedure Rules incorporate a carry forward facility for under/overspends both for approved capital expenditure and scheme specific capital income.

5.10 The various components of this net £1.0m overspend and the proposed carry forward to 2015/16 is as follows:-

<b>Item</b>		<b>£000</b>
Latest 2015/16 Q3 Capital Plan update (gross spend)		114,351
2015/16 outturn		112,756
= gross capital underspend		1,595
- reduction in grants and contributions (£107,758k to £104,993k)		-2,585
= net capital overspend		-990
'Corporate' Capital Plan variations not proposed for carry forward to 2016/17		
Material Damage provision underspend	-101	
Purchase of vehicles provision underspend	-498	
NYnet loan balance increase	2,543	1,944
<b>= adjusted net underspend proposed for carry forward to 2016/17</b>		<b>954</b>

5.11 The split of the proposed £954k carry forward underspend between Directorates is as follows:-

<b>Directorate</b>	<b>£000 underspend</b>
Health and Adult Services	0
Business and Environmental Services	-49
Children and Young People's Service	269
Central Services	734
<b>Total net underspend carried forward</b>	<b>954</b>

5.12 This proposed carry forward will not impact on the long term capital financing arrangements for the Capital Plan as borrowing and use of capital receipts can be used flexibly between years.

## FINANCING OF 2015/16 CAPITAL EXPENDITURE

5.13 Total capital expenditure of £112,756 in 2015/16 (**paragraph 5.5**) has been financed as follows:-

Item	£000	£000
<b>New borrowing (Paragraphs 5.11 and 5.12)</b>		
• External sources as adjusted for debt repayment and statutory charges to revenue	0	
• Internal capital borrowing	385	385
<b>Capital Grants and Contributions</b>		
• Total	93,282	
• Less loan repayments classed as capital receipts (see below *)	0	93,282
<b>Schemes financed from Revenue</b>		
• Directorate revenue contributions		11,711
<b>Capital Receipts (paragraphs 5.14 to 5.19)</b>		
• Receipts received in 2013/14 from property sales	7,378	
• NYnet loan repayment *	0	
• LLP Growing Places loan repayment *	0	7,378
<b>= Total capital spending to be financed in 2015/16</b>		<b>112,756</b>

5.14 The balancing figure in the above table is an increased level of borrowing for capital purposes from internal sources of £385k.

5.15 A more detailed comparison of the above funding package with that underlying the original Capital Plan approved by Members in February 2015 and the last update approved in February 2016 is provided at **Appendix F**.

5.16 As a result, new borrowing of £385k was needed to finance capital spending in 2015/16 as indicated in **paragraph 5.14**. This had the impact of increasing internal borrowing from cash balances with no external borrowing being taken in 2015/16 or premature loan repayments being made. In considering this figure, the following points should be noted:

- (i) a breakdown of the total capital borrowing requirement of £0.4m into constituent elements and compared with the original and latest Capital Plan is:

Item	Original Estimate (Feb 2015)	Latest Estimate (Feb 2016)	2015/16 Outturn
	£m	£m	£m
Prudential Borrowing approved by the County Council	1.1	0.1	-0.5
Movement on NyNet Loan*	-0.4	-0.4	2.1
Slippage of net capital expenditure and capital receipts between years	9.2	8.8	8.7
Temporary use of surplus capital resources (mainly capital receipts) and other financing arrangements	-3.1	-10.5	-9.9
<b>Total Capital Borrowing requirement</b>	<b>6.8</b>	<b>-2.0</b>	<b>0.4</b>

\* The increase in the NyNet loan balance is classed as capital expenditure and has the impact of increasing prudential borrowing

(ii) as indicated in (i) above, no new external borrowing was taken in 2015/16 and this is considered in more detail in **paragraphs 6.25 to 6.40** of the Annual Treasury Management section of this report.

## CAPITAL RECEIPTS

5.17 The County Council's policy on capital receipts is that essentially all such receipts shall be used to finance capital expenditure in the year in which the receipts are generated; The position relating to County Farms is explained further in **paragraphs 5.20 and 5.21** below.

5.18 The outturn position on Capital Receipts is as follows:

Item	£000
Receipts achieved in 2015/16	
(i) from the sale of land and properties	
• sale of County Farms	3,196
• sale of other land and buildings	4,182
total from the sale of land and property	7,378
(ii) other capital income classed as capital receipts	0
Total capital receipts in 2015/16	7,378
Used to fund capital expenditure in 2015/16	-7,378
<b>Capital Receipts carried forward to 2016/17</b>	<b>0</b>

5.19 Points to mention in relation to the above table are as follows:-

- (i) total capital receipts from the sale of land and property achieved of £7,378k compared with the estimates of £8,793k reflected in the 2015/16 original Capital Plan in February 2015 and £5,652k in the latest 2015/16 Capital Plan approved in February 2016. The shortfall is principally due to slippage of capital receipts from the sale of properties due to timing issues, which are now expected to complete in 2016/17.
- (ii) all available Capital Receipts at 31 March 2016 (£7,378k) have been used to fund capital spending in the year. This approach is advantageous in terms of treasury management activities and reducing capital financing costs in 2016/17

5.20 In terms of County Farms capital receipts, the County Council agreed on 6 May 2008 to maintain a flexible policy on the utilisation of capital receipts. The policy is to use receipts as appropriate to either finance the Capital Plan, to reduce debt or for other purposes, in accordance with the financial demands on the County Council, and with its policies, at the time when the receipts became available.

5.21 The Capital Plan approved by Executive and Full Council in February 2016 therefore utilises all expected County Farms receipts achieved in the financial years 2015/16 to 2018/19 to fund capital spending rather than for debt repayment or other purposes. Therefore all such receipts in 2015/16 totalling £3,196k have been treated accordingly and used for the funding of capital spending.

5.22 The property market has seen much more activity across most sectors albeit with only modest movements in the office/industrial sectors and with a return to increases for residential and industrial land reflecting the improved confidence. Properties continue to sell in the right locations if priced correctly. The farm land market remains strong for both bare land and smallholdings with residential elements being particularly attractive. The County Council will continue its use of auctions to dispose of property which has proved to be a more successful approach in recent years, but will continue to review alternative approaches.

5.23 It was anticipated the flow of surplus property from the County Council's property portfolio should increase as a result of service reviews and the property reviews resulting from 2020 North Yorkshire. The quantity of property that will be released and the rate of flow is to be increased whilst combined with an improving market, it still remains difficult to predict the level of capital receipts that will be achieved over the next few years with any degree of certainty.

#### **FUTURE AVAILABILITY OF CAPITAL RESOURCES**

5.24 The Q3 Capital Plan update report submitted to Executive and Full Council in February 2016 identified a potential £13.0m of unallocated capital funding that might become available in the Capital Plan period. This sum arose mainly from additional capital receipts that had been identified, net of additional capital funding allocations approved by Executive.

5.25 As a result of the 2015/16 outturn position and a more recent updated forecast of capital receipts up to 2018/19 this surplus capital resources forecast is now £4.8m (£2.4m) in hand at the end of 2015/16). This reduction is principally due to the



allocation of £7.5m of unallocated capital funding to support the schools capital primary places programme agreed by the County Council in February 2016.

- 5.26 As indicated in **paragraph 5.25** above, it is currently difficult to predict the level of capital receipts that will be achieved over the next few years with any degree of certainty. Given this scenario the current £12.3m forecast of surplus corporate capital funding does include some fairly significant potential receipts that are relatively uncertain in terms of timing and amount.
- 5.27 The surplus corporate capital resources could be made available for either:
- (i) new capital investment (i.e. additional schemes), or
  - (ii) reducing prudential borrowing in 2016/17 or subsequent years and therefore achieving debt financing cost savings in the Revenue Budget/MFTS or
  - (iii) holding for the time being with no immediate decision to either spend or reduce borrowing. This course of action would result in additional short-term interest being earned within Corporate Miscellaneous.
- 5.28 Members have previously agreed to adopt option (iii) above and retain any surplus capital funding for the time being. Another factor that influenced this decision was that the forecast funding levels include a capital receipts risk in terms of both forecast receipts slipping into a future year and/or not achieving their estimate.
- 5.29 Given the factors mentioned above and the intention to review the schemes in the Capital Plan and uncertainties associated with capital receipts forecasts, it is proposed that option (iii) be reaffirmed at this stage and that the unallocated funding is held in reserve for the time being with the exception of £7.5m being proposed for investment in School Primary Places as set out in **paragraphs 5.30 and 5.31**. Future further investment proposals are likely to include Capital projects and initiatives however and these will be incorporated into a future quarterly Capital report.

## LOOKING AHEAD

- 5.30 As part of the 2020 Yorkshire Programme, officers are reviewing a number of distinct areas in order to improve the way in which the County Council works:-
- (i) assess the scope for property rationalisation across the County Council in order to reduce existing and future property costs. This work is already in train and, as proposed in the Revenue Budget report, £3.2m has been earmarked for property in Northallerton. Further details will be provided to the Executive in due course with a view to seeking approval to commit the funding on specific schemes.
  - (ii) all uncommitted schemes in the Capital Plan together with reviewing the capital plan process as a whole as part of the savings approach towards capital and treasury management identified in the MTFs / Revenue Budget report in an attempt to bridge the savings gap.

- (iii) Centralising the management of the delivery of capital and other property projects within the Property Service. This includes the creation of clear process workflows used by the clients in directorates, the Property Service and Mouchel (the County Council's projects consultant with effect from 1 April 2016) which incorporate formal approval points that control the move of a project from stage to stage in the process."

5.31 In addition, a review of the County Council's School Primary Places requirement has been carried out as part of the planning for the future years school capital programme. In February, the County Council agreed to earmark £7.5m for the provision of additional primary school places over the next few years on the basis that matched funding is secured from the Department for Education. Although some additional funding has now been promised by DfE, this does not yet equate to a matched value. Therefore it is proposed that the earmarked funding (£7.5m) is provided from unallocated capital funding to bridge the funding gap. Further details will be provided following the completion of discussions with the Department for Education.

#### **RECOMMENDATIONS**

5.33 The Executive is recommended:

- (a) to note the position on capital outturn as detailed in **Appendices A to E**
- (b) to recommend to the County Council, the proposed carry forward to 2015/16 of the net capital underspend totalling £954k as set out in **paragraph 5.10**
- (c) to approve the financing of capital expenditure as detailed in **paragraph 5.13** and **Appendix F** including the use of County Farms capital receipts to finance capital spending as explained in **paragraph 5.21**

# ITEM 5 - ANNEX 2

## APPENDIX F

### FINANCING OF CAPITAL EXPENDITURE IN 2015/16

	Original Plan to Exec 03/02/15 £000s	Latest Plan to Exec 16/02/16 £000s	Year End Outturn 31/05/16 £000s
<b>Borrowing</b>			
Unsupported Prudential Borrowing	670	-330	1,614
Re-phased borrowing re slippage etc	9,233	8,826	8,642
= total capital borrowing requirement	<b>9,903</b>	<b>8,496</b>	<b>10,256</b>
Surplus capital resources etc	-3,149	-10,515	-9,871
= adjusted borrowing requirement	<b>6,754</b>	<b>-2,019</b>	<b>385</b>
<b>Capital Grants &amp; Contributions</b>			
Health & Adult Services	18,678	573	671
Business & Environmental Services	68,737	70,574	69,753
Children & Young Peoples Services	626	23,104	22,845
Central Services	311	340	13
	<b>88,352</b>	<b>94,591</b>	<b>93,282</b>
<b>Financed from Revenue</b>			
Health & Adult Services	600	0	0
Business & Environmental Services	8,151	5,780	6,619
Children & Young Peoples Services	1,848	3,367	3,492
Central Services	2,368	3,439	1,601
	<b>12,967</b>	<b>12,586</b>	<b>11,712</b>
<b>Available capital receipts</b>			
County Farms receipts	1,010	4,352	3,196
Earmarked for Depots rationalisation programme receipts	1,200	777	752
Other capital receipts from sale of properties	3,442	3,664	3,430
LEP Growing places loan repayment (classed as capital receipts)	3,710	0	0
Company Loan repayments (treated as capital receipts)	400	400	0
	<b>9,762</b>	<b>9,193</b>	<b>7,378</b>
Brought forward from 2014/15	0	0	0
Carried forward to 2016/17	0	0	0
	<b>9,762</b>	<b>9,193</b>	<b>7,378</b>
<b>Total Expenditure to be financed</b>	<b>117,835</b>	<b>114,351</b>	<b>112,756</b>

## NORTH YORKSHIRE COUNTY COUNCIL

## EXECUTIVE

5 July 2016

## FOUR YEAR SETTLEMENT

## Report of the Corporate Director – Strategic Resources, Central Services

**1.0 Introduction**

- 1.1 On 21 March the Department of Communities and Local Government wrote to all councils setting out their offer of a multi-year finance settlement. The offer covers the Revenue Support Grant, Rural Services Delivery Grant and Transitional Grant.
- 1.2 The report highlights the impact of the recent EU referendum and as the implications for local government finance are unclear the settlement offer is considered subject to no significant change.

**2.0 Multi-Year Settlement**

- 2.1 In order to qualify for consideration, the Council must respond with a link to its published efficiency plan, no later than 5.00pm on 14 October 2016. Confirmation of the offer is set to be provided shortly after the deadline.
- 2.2 For North Yorkshire County Council the offer comprises the following funding for the four years from 2016/17 to 2019/20:

	2016/17 £000's	Multi-Year Settlement		
		2017/18 £000's	2018/19 £000's	2019/20 £000's
Revenue Support Grant	37,370	19,120	7,560	0
Rural Services Delivery Grant	8,234	6,648	5,114	6,648
Transitional Grant	2,992	2,962	0	0
<b>Total</b>	<b>48,596</b>	<b>28,730</b>	<b>12,674</b>	<b>6,648</b>

- 2.3 In addition, business rates tariffs and top-ups will not be altered for reasons related to the relative needs of local authorities for the years 2017/18 to 2019/20 although in the final year this may be subject to 100% business rates retention. The multi-year settlement shows that by 2019/20 the Council's Business Rates Baseline Funding as £67.14m but with a top-up adjustment of -£3.7m – a net £63.44m.
- 2.4 The offer of a four year settlement from government is welcome as it helps to provide greater certainty and helps the planning framework of the Council. It is important, however, to recognise what is not within the scope of the settlement - it does not include the following:
- Public Health Grant
  - Education Services Grant

- Business Rates Local Share (and Pool Surpluses/Deficits)
- Better Care Fund

A copy of the letter received with the offer is attached as **Appendix A**.

### **3.0 Financial Outlook**

3.1 The approved budget (as set by the County Council on 24 February 2016) identifies a residual funding gap, after planned savings, of £14m through to 2019/20. Since the budget was approved in February there have been a number of further developments that are likely to have a material impact upon the financial outlook for the Council:-

- Dedicated Schools Grant - Since the budget was approved, the DfE has conducted the first stage of a consultation on changes to school funding and the Dedicated Schools Grant (DSG). This grant is used to fund a number of costs associated with schools, including school delegated budgets, but also some council services. The initial proposals suggest that there will be restrictions placed on how the council can use the DSG and therefore this is likely to impact on overall spending decisions. Initial estimates suggest that an amount of at least £3.1m is in this category, although we will not know further details until stage two of the consultation is launched. This was initially expected to have taken place by now but so far has not materialised.
- Better Care Fund - The Council has agreed funding for the Protection/Maintenance of Social Care for 2016/17 only. In reaching this agreement the Council has had to forgo future increases in Clinical Commissioning Groups (CCGs) contribution previously agreed. Funding beyond 16/17 will again be subject to negotiation with the 5 CCGs, all of which are reporting difficult financial positions themselves. Increases in future years will need to keep pace with the Council's inflationary pressures as a minimum, which with the Living Wage issues are likely to be significant.
- Existing Savings Programme – the 2020NY Programme is constantly reviewed and a number of areas have already been re-profiled. However further re-profiling is likely to be proposed by February 2017 and there are also likely to be some downward revisions to some areas of saving, particularly within HAS.

3.2 There have also been some more positive variances including assumptions around inflation and core funding. As a result the overall net forecast is that the Council still faces a shortfall of circa £14m per annum by 2019/20. Work is currently being carried out by officers to identify savings that will reduce this shortfall and maximise the amount of Reserves that remain available for investing in Council priorities. It is anticipated that more detailed proposals will be forthcoming as part of the 2017/18 budget process but proposals will follow the principles set out in the 2020 North Yorkshire Programme and set out in the section below.

### **4.0 Efficiency Plan**

4.1 Acceptance of the government's offer requires the Council to publish an efficiency plan. At this stage the government has not issued a detailed specification for these plans although they have stated that plans must open and transparent about the benefits they will bring to the Council and the community.

- 4.2 The Local Government Association and CIPFA are in dialogue with the government over the details of the plan, favouring complete discretion for councils in order to avoid additional burdens.
- 4.3 The Council's approach to savings delivery is well embedded and a detailed plan is in place. The Council's 2020 North Yorkshire Programme provides the vision for North Yorkshire County Council through to 2020 – focussing on clear priorities and on outcomes for people and communities, playing to our strengths and adopting new ways of working. It includes a comprehensive savings plan to support this vision which touches every part of our organisation. Details on the 2020 North Yorkshire Programme can be found at <http://nyccintranet/content/vision> and the financial summary of the plan as set out in the February 2016 approved MTFS is attached as **Appendix B**.
- 4.4 To date £116m savings have been delivered and firm plans are in place for a further £36.3m. The Council has a strong track record of delivering savings in advance and has already begun to consider ways to bridge the remaining funding gap of £14m through to 2019/20.
- 4.5 Following approval of the budget and MTFS in February 2016 proposals for further savings and income generation opportunities are being formulated - focussing on transformative ways to deliver services and grow our income, as well as further reductions the cost of back office, management and administrative functions in order to minimise the impact on frontline services. Over the coming months the key assumptions within the Council's longer term financial forecasts will also be reassessed in order to minimise the savings required. Detailed proposals to cover the remaining gap will be worked up as part of the budget proposals for 2017/18 onwards.
- 4.6 The Council has also earmarked reserves to mitigate the risk to its savings plans should these take longer to deliver or fall short of target.

## **5.0 What if the Council declines the four year settlement?**

- 5.1 The DCLG's 21 March letter to all councils advised that:-
- “Those councils that chose not to accept the offer, or do not qualify, will be subject to the existing yearly process for determining the local government finance settlement. Allocations could be subject to additional reductions dependant on the fiscal climate and the need to make further savings to reduce the deficit. At present we do not expect any further multi-year settlements to be offered over the course of this parliament “
- 5.2 It has since been clarified that councils choosing not to accept the multi-year settlement could face even steeper reductions in the eligible funding. Whilst this would not impact on RSG and Transitional Grant in 2019/20 (as these will have been phased out), the settlement could be worse in 2017/18 and / or 2018/19. The welcome increase in RSDG would also potentially be at risk.

- 5.3 In considering the multi-year funding offer the following key pros and cons should be kept in mind:

<b>Pros</b>	<b>Cons</b>
Provides a degree of certainty over funding levels for the next three years	Limited funding within the settlement offer – excludes other significant funding streams
Enables better financial planning over the period	Acceptance of reduced funding over the period
	Requirement of an 'efficiency plan' implies a level of government control over the Council's plans to bridge its funding gap
	Funding not guaranteed – government reserves the right to change the settlement due to unforeseen circumstances

## 6.0 Other Considerations

- 6.1 The Secretary of State has indicated that acceptance of the multi-year settlement must be by 14 October 2016. Acceptance of the recommendation of this report from full County Council will provide the authority to accept the settlement given that funding for 3 years is an essential component of the budget policy framework.
- 6.2 It should be recognised, however, that the EU referendum result will have far reaching political and economic ramifications which are likely to have a material impact on public sector finances and consequently the settlement for local government. At this stage it is not known if the offer will be amended or withdrawn and for that reason it is intended that the notification to the Secretary of State will not be until nearer the deadline to allow for further consideration by officers, the Executive and any subsequent full County Council should that be required. In the meantime the Chancellor of the Exchequer has indicated that there will not be an **immediate** Emergency Budget pending the appointment of the next Prime Minister.
- 6.3 Given the above it is regarded as appropriate to consider that the multi-year settlement remains on the table in the interim. If the settlement is withdrawn as part of some further changes in public sector funding then the offer is certain to be withdrawn nationally and the Council will simply have to comply with whatever new arrangements are brought in.

## 7.0 Conclusion

- 7.1 There is little compelling case for accepting the multi-year settlement if the funding offered is viewed in isolation of wider economic and policy factors, particularly given that two of the three funding areas are set to be zero in 2019/20. However, it is considered highly unlikely that non-acceptance would lead to additional funding and there remains a real risk of further funding reductions in the short-term should the Council decide not to take up the government's offer. The likelihood of this happening in the short-term is now regarded as higher following the EU referendum result and the immediate reaction from markets. It is therefore proposed that, subject to no significant changes being, the offer of a multi-year settlement from government is accepted.

- 7.2 The Council's savings plan is well embedded and subject to continuous review and as such is considered appropriate to meet the requirements of the 'efficiency plan'. There remains a gap between expected funding and Council spending through to 2019/20 but plans are being formulated to bridge this gap and the plan will be updated as part of the budget round for 2017/18.

**8.0 Recommendation**

- 8.1 It is recommended that the Executive recommends to County Council that the government's offer of a multi-year settlement for 2017/18 to 2019/20 is accepted.





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10 March 2016

*Dear Colleagues*

## **MULTI-YEAR SETTLEMENTS AND EFFICIENCY PLANS**

On 17 December I announced a historic opportunity for councils to achieve greater certainty and confidence from a 4-year budget. I see this as a key step to supporting you to strengthen your financial management, at the same time as working collaboratively with your local partners and reforming the way services are provided.

The settlement consultation process showed great support for this approach and identified a number of queries about what the offer includes and the requirements for applying to accept this offer. I have therefore set out some further details in the attached annex. But I want to reiterate that I want this offer, and the production of an efficiency plan, to be as simple and straightforward as possible, and reassure you that this is not about creating additional bureaucracy.

If you wish to apply to accept the offer you simply need to send an email or letter to [MultiYearSettlements@communities.gsi.gov.uk](mailto:MultiYearSettlements@communities.gsi.gov.uk) by **5pm on Friday 14<sup>th</sup> October** and include a link to your published efficiency plan.

I do not intend to provide further guidance on what efficiency plans should contain – they should be locally owned and locally driven. But it is important that they show how this greater certainty can bring about opportunities for further savings. They should cover the full 4-year period and be open and transparent about the benefits this will bring to both your council and your community. You should collaborate with your local neighbours and public sector partners and link into devolution deals where appropriate.

Of course this offer is entirely optional. It is open to any council to continue to work on a year-by-year basis, but I cannot guarantee future levels of funding to those who prefer not to have a four year settlement.

I have been delighted by the response of councils all over the country to the offer of four year budgets and I look forward to hearing from you if you would like to avail yourself of it.

For any further queries, please contact officials at the above address.

*Yours sincerely*

**THE RT HON GREG CLARK MP**

## **Annex**

### **Conditions of the multi-year settlement**

The Government will offer any council that wishes to take it up a four-year funding settlement to 2019-20. This includes:

- Common Council of the City of London
- London borough councils
- district councils
- county councils
- Council of the Isles of Scilly
- Greater London Authority
- metropolitan county fire and rescue authorities
- combined fire and rescue authorities.

The Government is making a clear commitment to provide minimum allocations for each year of the Spending Review period, should councils choose to accept the offer and if they have published an efficiency plan.

#### **What the offer includes**

On 9 February we provided summaries and breakdown figures for each year to your s151 Officer. From those figures the relevant lines that are included in the multi-year settlement offer, where appropriate, are:

- Revenue Support Grant;
- Transitional Grant; and
- Rural Services Delivery Grant allocations.

In addition, tariffs and top-ups in 2017-18, 2018-19 and 2019-20 will not be altered for reasons related to the relative needs of local authorities, and in the final year may be subject to the implementation of 100% business rates retention.

The Government is committed to local government retaining 100% of its business rate revenues by the end of this Parliament. This will give them control over an additional £13 billion of tax that they collect.

To ensure that the reforms are fiscally neutral local government will need to take on extra responsibilities and functions. DCLG and the Local Government Association will soon be publishing a series of discussion papers which will inform this and other areas of the reform debate.

The new burdens doctrine operates outside the settlement, so accepting this offer will not impact on any new burden payments agreed over the course of the four years.

The Government will also need to take account of future events such as the transfer of functions to local government, transfers of responsibility for functions between local authorities, mergers between authorities and any other unforeseen events. However, barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement, the Government expects these to be the amounts presented to Parliament each year.

## **Process for applying for the offer**

Interest in accepting this offer will only be considered if a link to a published efficiency plan is received by 5pm Friday 14<sup>th</sup> October. We will provide confirmation of the offer shortly after the deadline.

## **Efficiency Plans**

Efficiency plans do not need to be a separate document. They can be combined with Medium Term Financial Strategies or the strategy set out in the guidance (<https://www.gov.uk/government/publications/guidance-on-flexible-use-of-capital-receipts>) on how you intend to make the most of the capital receipt flexibilities if appropriate.

The Home Office will provide guidance on the criteria and sign off process for efficiency plans for single purpose Fire and Rescue authorities. All Fire and Rescue authorities, including those which are county councils, should set out clearly in their efficiency plans how they will collaborate with the police and other partners to improve their efficiency.

## **Process for those who do not take up the offer**

Those councils that chose not to accept the offer, or do not qualify, will be subject to the existing yearly process for determining the local government finance settlement.

Allocations could be subject to additional reductions dependant on the fiscal climate and the need to make further savings to reduce the deficit.

At present we do not expect any further multi-year settlements to be offered over the course of this parliament

NORTH YORKSHIRE COUNTY COUNCIL  
MEDIUM TERM FINANCIAL STRATEGY (MTFS)  
2015/16 to 2019/20

EXECUTIVE SUMMARY

	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's
<b>A Starting Position</b>	<b>372,999</b>	<b>363,510</b>	<b>360,570</b>	<b>353,591</b>	<b>352,653</b>
<b>B Increased Spending / Growth Requirements</b>					
<b><u>Inflation</u></b>					
Pay Awards	1,843	1,446	1,464	2,468	2,518
Waste Strategy PIP	700	-	-	-	-
NI Contracted Out Change	-	2,556	-	-	-
Other Inflationary Costs	4,472	6,307	5,250	5,300	5,300
Living Wage - Internal Impact	-	35	259	389	1,919
Living Wage - External Impact	-	1,000	3,500	3,500	3,500
<b><u>Additional Spending Requirements / Movement</u></b>					
<b>BES</b>					
Roads	(5,000)	-	-	-	-
Flood - loss of grant	-	136	-	-	-
<b>Central</b>					
Customer Service Centre	-	150	-	-	-
Appropriation to Reserve - C Tax surplus	-	3,479	(3,479)	-	-
Appropriation from Reserve - BR deficit	-	(1,045)	1,045	-	-
Corporate Contingency - Dom Care	-	1,050	(1,050)	-	-
2020 North Yorkshire	-	1,000	(1,000)	-	-
<b>Corporate</b>					
Pension Fund Provisions	(1,665)	-	1,700	-	-
Treasury Management	(829)	(1,231)	(305)	(1,309)	(350)
Corporate Property	2,000	(2,000)	-	-	-
Superfast North Yorkshire (Broadband)	4,000	(1,000)	(3,000)	-	-
Customer Service Centre	200	-	-	-	-
Yorwaste Dividend Shortfall	410	-	-	-	-
County Council Election	(79)	-	750	(750)	-
Other Corporate Items	13	(2)	(6)	3	-
Apprenticeship Levy	-	700	-	-	-
Property	-	3,200	(3,200)	-	-
<b>HAS</b>					
Adult Care	3,000	3,000	3,000	3,000	3,000
Care Act (loss of grant)	-	2,700	-	-	-
<b><u>Additional One-Off Spend from GWB</u></b>					
<b>BES</b>					
Highways	7,000	(5,000)	-	-	-
Major Schemes	210	(210)	-	-	-
Flooding Schemes	500	(500)	-	-	-
<b>Corporate</b>					
SFNY	-	470	(470)	-	-
<b>CYPS</b>					
Universal Youth	100	-	(100)	-	-
<b>HAS</b>					
Assessment Team & Welfare	367	(287)	(80)	-	-
	<b>17,242</b>	<b>15,954</b>	<b>4,278</b>	<b>12,601</b>	<b>15,887</b>
<b>C Cost Reduction / Savings Requirements</b>					
<b>Corporate</b>					
2020 Budget Savings	(21,650)	(10,719)	(12,657)	(8,843)	(4,056)
<b>HAS</b>					
Savings Package from 13/14	(800)	-	-	-	-
Budget 2	(1,600)	(80)	-	-	-
Delayed Savings	520	(520)	-	-	-
FACS Charging	100	-	-	-	-
	<b>(23,430)</b>	<b>(11,319)</b>	<b>(12,657)</b>	<b>(8,843)</b>	<b>(4,056)</b>
<b>D Adjustments to Funding</b>					
<b>Corporate</b>					
Education Services Grant	2,100	1,300	5,200	1,400	200
Local Welfare Reform	947	-	-	-	-
New Homes Bonus	(407)	(500)	(18)	1,167	109
Business Rates Relief Compensation	(1,000)	-	-	-	-
Business Rates 2% cap Grant	(256)	-	-	-	-
Contribution to GWB 14/15	1,322	-	-	-	-
Rural Services Delivery Grant	-	(6,600)	1,600	1,500	(1,500)
<b>HAS</b>					
Better Care	(5,000)	-	-	(5,300)	(5,700)
Public Health	-	500	600	600	600
	<b>(2,294)</b>	<b>(5,300)</b>	<b>7,382</b>	<b>(633)</b>	<b>(6,291)</b>
<b>E Use of General Working Balances (GWB)</b>					
MTFS Balance/(Shortfall)	7,170	(7,803)	(6,632)	(4,063)	(2,634)
Additional One-Off Spend to Directorates (see section B)	(8,177)	5,527	650	-	-
	<b>(1,007)</b>	<b>(2,276)</b>	<b>(5,982)</b>	<b>(4,063)</b>	<b>(2,634)</b>
<b>F Total Net Budget Requirement</b>	<b>363,510</b>	<b>360,570</b>	<b>353,591</b>	<b>352,653</b>	<b>355,559</b>
<b>G Funding Sources</b>					
Revenue Support Grant	(59,218)	(37,370)	(19,120)	(7,560)	-
Business Rates Top Up	(42,588)	(42,943)	(44,745)	(45,866)	(47,014)
Business Rates District Councils 9%	(18,871)	(18,331)	(18,697)	(19,070)	(19,451)
Business Rates Collection Fund Deficit	1,687	1,045	-	-	-
Council Tax District Councils Collection Fund	(2,726)	(3,479)	-	-	-
Business Rates Top-Up Adjustment	-	-	-	-	3,696
Transitional Grant	-	(2,992)	(2,962)	-	-
	<b>(121,716)</b>	<b>(104,070)</b>	<b>(85,524)</b>	<b>(72,496)</b>	<b>(62,769)</b>
<b>H Balance Required from Council Tax</b>	<b>241,794</b>	<b>256,500</b>	<b>268,067</b>	<b>280,157</b>	<b>292,790</b>
<b>I District Council Tax Base (Band D equivalents)</b>	219,816.84	224,240.30	225,361.00	226,488.00	227,620.00
<b>J Basic Amount of Council Tax (Band D)</b>	<b>1,099.98</b>	<b>1,143.86</b>	<b>1,189.50</b>	<b>1,236.96</b>	<b>1,286.31</b>
Annual % Increase (£1,078.52 in 2014/15)	1.99%	3.99%	3.99%	3.99%	3.99%
General Working Balances - one-off spend	(8,177)	(2,650)	(2,000)	(2,000)	(2,000)
General Working Balances - savings	7,170	(633)	(7,264)	(11,327)	(13,961)
Total	(1,007)	(3,283)	(9,264)	(13,327)	(15,961)

**North Yorkshire County Council**

**Executive**

**5 July 2016**

**Corporate Tax Evasion**

**Report of the Corporate Director – Strategic Resources**

**1.0 Purpose of the Report**

- 1.1 To inform the Executive on the detail of a response to the Notice of Motion - County Council 24 February 2016 – Corporate Tax Evasion

**2.0 Background**

- 2.1 A motion presented to Council on the 24<sup>th</sup> of February 2016 regarding Corporate Tax Evasion called for procurement procedures to be amended to all companies bidding for service and works contracts at levels to be decided by the executive to self-certify that they are fully tax compliant in line with central government practice using the standards in Procurement Policy Note 03/14 applying to contracts of the size to be determined by the Executive.
- 2.2 The motion was moved by County Councillor David Billing and seconded by County Councillor John Ritchie and stated:

*"North Yorkshire County Council notes that:*

*Corporate tax evasion and avoidance are having a damaging impact on the world's poorest countries, to such a level that it is costing them far more than they receive in aid this is costing the UK as much as £30bn a year this practice also has a negative effect on small and medium-sized companies who pay more tax proportionately.*

*North Yorkshire County Council further notes that the UK Government has taken steps to tackle the issue of tax avoidance and evasion by issuing Procurement Policy Note 03/14 (PPN 03/14). This applies to all central government contracts worth more than £5m.*

*North Yorkshire County Council also notes the existence of voluntary schemes promoting tax compliance such as the Fair Tax Mark, which can serve as an independent means of verification.*

*In early 2015 new regulations required public bodies, including councils, to ask*

*procurement qualification questions of all companies for tenders of over £173000 for service contracts and £4m for works contracts. However these questions are not as detailed as the PPN 03/14.*

*This Council believes that bidders for council contracts should be asked to account for their past tax record using the standards in PPN 03/14, rather than the lower standards in the recent regulations.*

*This Council therefore calls for procurement procedures to be amended to all companies bidding for service and works contracts at levels to be decided by the executive to self-certify that they are fully tax compliant in line with central government practice using the standards in PPN 03/14 applying to contracts of the size to be determined by the executive.*

*The Council asks the Executive to publicise the policy and to report on its implementation annually.”*

- 2.3 The matter is therefore referred to the Executive for consideration and the outcome will be reported back to County Council 20 July 2016.

### **3.0 Relevant Procurement Considerations**

- 3.1 Procurement Policy Note PPN 03/14 – Measures to Promote Tax Compliance sets out the scope and background of the policy requiring all suppliers bidding for central government contracts over £5m from April 2013 to self-certify their tax compliance.
- 3.2 Since this policy note was published, there have been changes to the Public Contract Regulations. These came into force in February 2015. Section 107.1 of these regulations states that all *Contracting Authorities shall have regard to any guidance issued by the Minister for the Cabinet Office in relation to the qualitative selection of economic operators.*
- 3.3 The Cabinet Office, through Crown Commercial Service, have since provided a Standardised Pre-Qualification Questionnaire (PQQ) which contains the recommended position regarding tax as set out in PPN 03/14. This was adopted for use by the Council on 27<sup>th</sup> November 2015.
- 3.4 Tax Compliance is covered in both the Mandatory and Discretionary sections of the PQQ. As a mandatory point, we are required to always ask the following (Section 2 – Question 2.2) for all above OJEU contracts:

*Non-payment of taxes*

*Has it been established by a judicial or administrative decision having final and binding effect in accordance with the legal provisions of any part of the United Kingdom or the legal provisions of the country in which your organisation is established (if outside the UK), that your organisation is in breach of obligations related to the payment of tax or social security contributions?*

*If you have answered Yes to this question, please use a separate Appendix to provide further details. Please also use this Appendix to confirm whether you*

*have paid, or have entered into a binding arrangement with a view to paying, including, where applicable, any accrued interest and/or fines?*

- 3.5 Tax Compliance is also covered in Discretionary Grounds for Exclusion – Part 2. This applies to Central Government only. However, in line with Cabinet Office guidance, Local Government and the wider public sector may choose to apply these measures. We have taken the decision to apply these measures to contracts of £5m and over, where appropriate.
- 3.6 The Council are obliged to use this national standard PQQ, and we are already going above mandatory requirements in applying Discretionary Grounds for Exclusion – Part 2 in our PQQ to contracts of £5m and over, where appropriate. A copy of this PQQ is attached as **Appendix 1**.

#### **4.0 Consultation**

- 4.1 Advice has been sought from the EU/International Procurement Policy Team at Crown Commercial Service on when a new Procurement Policy Note will be published. The following response was provided:

*‘PPN 03/14 will be replaced later in the year to reflect updated policy. However the particular questions it covers on tax will be incorporated into the ESPD (England) which aligns the European Single Procurement Document (ESPD) with the standard supplier selection questions.*

*The ESPD (England) is nearing the final stages of internal clearance and should be released shortly. It will replace the standard PQQ when it is published.*

*In the meantime our advice is for contracting authorities to continue to use the standard PQQ and policy in PPN 03/14 until the ESPD (England) is published.’*

#### **5.0 Conclusions**

- 5.1 Including optional or additional questions in the PQQ is straightforward, however verifying the answers about tax compliance is not. The questions are asked on the basis of suppliers self-certifying, and therefore could be viewed as meaningless. CIPFA have advised that we include a statement in our tender documentation outlining that if a supplier deliberately falsifies the declaration they could be banned from tendering for up to 3 years. We are currently reviewing the legal position on being able to ban a supplier in line with this. This would add a further degree of protection to the Authority, as we currently ask suppliers to sign a declaration confirming the information provided is accurate and true.
- 5.2 Procurement for wider public sector bodies, such as local government, health and education, is subject to the Public Contracts Regulations. These regulations provide modernised rules for the procurement of goods, services and works above certain financial thresholds. The Public Contract Regulations 2015 promote a self-certification approach in order to streamline and simplify the process for suppliers. These Regulations and subsequent Crown Commercial Service guidance advise public sector bodies to only seek evidence from the winning contractor. In relation to the self-certification questions, including those



on tax, public sector bodies can request supporting evidence at the point of PQQ, however this must be based on a proportionate approach taking account of the subject matter.

- 5.3 From a legal point of view if the Council were to award a contract, or about to award a contract, and received a challenge based on the fact that the suppliers self-certification on the tax questions is incorrect then we would be adding a further, albeit small, risk to the procurement process. As outlined above all suppliers are required to sign a declaration - however as an Authority we have a responsibility to carry out due diligence on questions we ask suppliers.
- 5.4 The additional burden in collating the information will be considerable, for little or no protection or benefit. The current approach is such that the Council is working in line with the latest policy direction in the areas of tax compliance and supplier past performance.
- 5.5 On the 24<sup>th</sup> June 2016 it was confirmed that the UK had voted to leave the EU. This creates some longer term uncertainty around the future of public sector procurement rules and regulations, as currently they are derived from EU Directives. It is likely broadly similar rules will apply once the UK exit from the EU is completed. The UK's membership of certain treaties (for example the Agreement on Government Procurement under the World Trade Organisation) will require it to continue to regulate public procurement effectively through some form of legislation.
- 5.6 However, until exit negotiations are complete we cannot be certain what public sector procurement rules and regulations will look like in the longer term. For the immediate future nothing will change and the EU has already made it clear that it expects the UK to be compliant with EU law during the course of the exit strategy, likely the next several years. Therefore, the recommendations contained in this report are currently sound, but will need to be reviewed as future policy guidance becomes available in this area from Government.

## **6.0 Recommendation**

It is recommended that:-

- 6.1 the County Council retains its current position, which is in line with the latest procurement policy guidance.
- 6.2 the County Council reviews its position in line with the European Single Procurement Document, the future UK exit from the EU, and when any associated updated procurement policy notes are published by Crown Commercial Service.
- 6.3 the Executive endorse these recommendations for approval by County Council 20 July 2016.

Corporate Director – Gary Fielding Corporate Director Strategic Resources

COUNTY HALL  
NORTHALLERTON  
*(Insert date)*

Author of report – Kevin Draisey – Head of Procurement & Contract Management

<i>Please indicate your answer by marking 'X' in the relevant box.</i>		<b>Yes</b>	<b>No</b>
<b>From 1 April 2013 onwards, have any of your company's tax returns submitted on or after 1 October 2012; (Please indicate your answer by marking 'X' in the relevant box).</b>			
<b>44.1</b>	<i>Given rise to a criminal conviction for tax related offences which is unspent, or to a civil penalty for fraud or evasion;</i>	<input type="checkbox"/>	<input type="checkbox"/>
<b>44.2</b>	<i>Been found to be incorrect as a result of:</i> <ul style="list-style-type: none"> <li>▪ <i>HMRC successfully challenging it under the General Anti-Abuse Rule (GAAR) or the "Halifax" abuse principle; or</i></li> <li>▪ <i>A Tax Authority in a jurisdiction in which the legal entity is established successfully challenging it under any tax rules or legislation that have an effect equivalent or similar to the GAAR or the "Halifax" abuse principle; or</i></li> <li>▪ <i>the failure of an avoidance scheme which the Supplier was involved in and which was, or should have been, notified under the Disclosure of Tax Avoidance Scheme (DOTAS) or any equivalent or similar regime in a jurisdiction in which the Supplier is established.</i></li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
<b>44.3</b>	<p><i>If answering "Yes" to either 4.1 or 4.2 above, the Supplier may provide details of any mitigating factors that it considers relevant and that it wishes the authority to take into consideration. This could include, for example:</i></p> <ul style="list-style-type: none"> <li>• <i>Corrective action undertaken by the Supplier to date;</i></li> <li>• <i>Planned corrective action to be taken;</i></li> <li>• <i>Changes in personnel or ownership since the Occasion of Non-Compliance (OONC); or</i></li> <li>• <i>Changes in financial, accounting, audit or management procedures since the OONC.</i></li> </ul> <p><i>In order that the authority can consider any factors raised by the Supplier, the following information should be provided:</i></p> <ul style="list-style-type: none"> <li>• <i>A brief description of the occasion, the tax to which it applied, and the type of "non-compliance" e.g. whether HMRC or the foreign Tax Authority has challenged pursuant to the GAAR, the "Halifax" abuse principle etc.</i></li> <li>• <i>Where the OONC relates to a DOTAS, the number of the relevant scheme.</i></li> <li>• <i>The date of the original "non-compliance" and the date of any judgement against the Supplier, or date when the return was amended.</i></li> <li>• <i>The level of any penalty or criminal conviction applied.</i></li> </ul>		
<b>Answer</b>			