



Meeting: **Overview and Scrutiny Board
Council**

Date: **8 July 2015
23 July 2015**

Wards Affected: **All Wards**

Report Title: **Provisional Revenue Outturn 2014/15 – Subject to External Audit**

Executive Lead Contact Details: **Mayor Oliver, mayor@torbay.gov.uk**

Supporting Officer Contact Details: **Martin Phillips, Chief Financial Officer,
Martin.phillips@torbay.gov.uk**

1. Purpose and Introduction

- 1.1. The revenue outturn report provides a summary of the Council's revenue income and expenditure for the financial year 2014/15 and makes recommendations with respect to any uncommitted resources.
- 1.2 A separate report will be presented to the Overview and Scrutiny Board and Council of the final capital outturn position.
- 1.3 For 2014/15 the Council's revenue budget achieved a balanced position.

2. Proposed Decision

Overview & Scrutiny Board

- 2.1 That the revenue outturn position for 2014/15 be noted.
- 2.2 That the Overview and Scrutiny Board be asked to report directly to Council on any recommendation it may have following its review of the outturn position.

Council

- 2.3 That it be recommended to the Council that:
 - (i) a sum of £0.253m is approved as carry forward into 2015/16 to the Crisis Support Fund to support vulnerable members of the community;
 - (ii) the revenue underspend of £14,000 is transferred to the Council's general fund reserve; and
 - (iii) Members to note that the transfers above in 2.3 (i) to (ii) are subject to the final audit of the Council's accounts.

3. Reason for Decision

3.1 The Council's accounts must be finalised and signed by the Chief Finance Officer before the end of June each year in accordance with statute. The 2014/15 accounts are available from the Council website:

<http://www.torbay.gov.uk/index/yourcouncil/financialservices/statementofaccounts.htm>

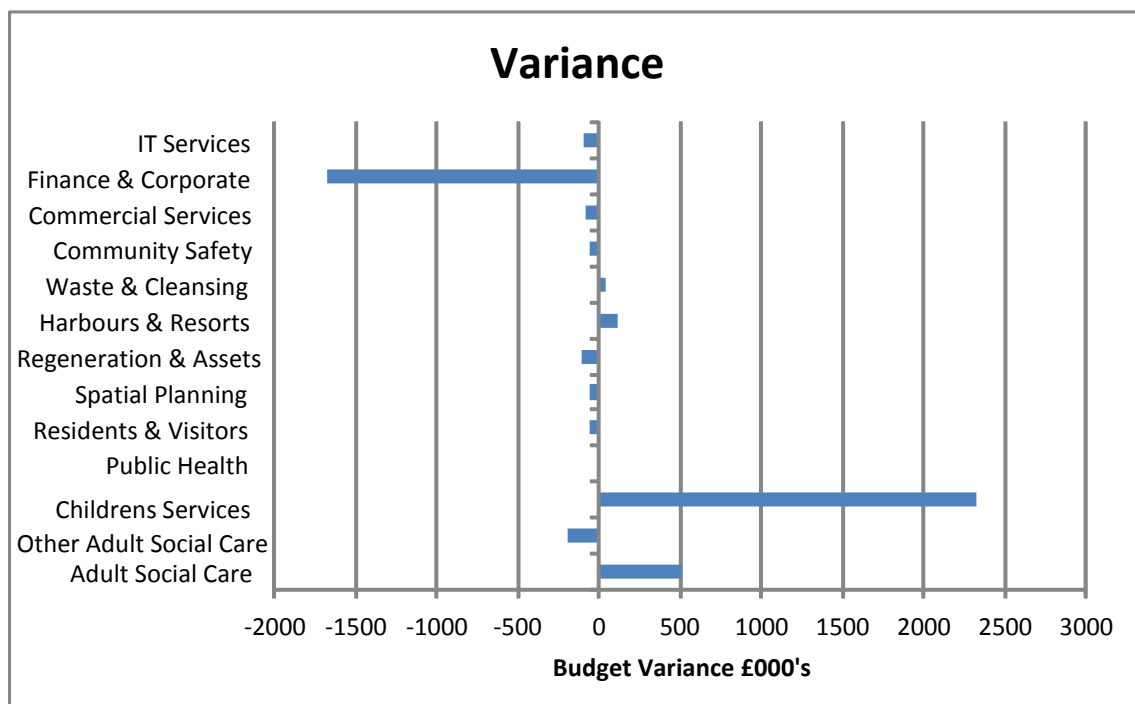
The presentation of the financial outturn report concludes the regular reporting to Council on its 2014/15 revenue expenditure and makes recommendations to Members with respect to any uncommitted budgets there may be available at year end.

3.2 Approval of the carry forward request to support vulnerable members of the community through the Crisis Support Fund will provide additional, one off, financial resources to continue this support.

Supporting Information

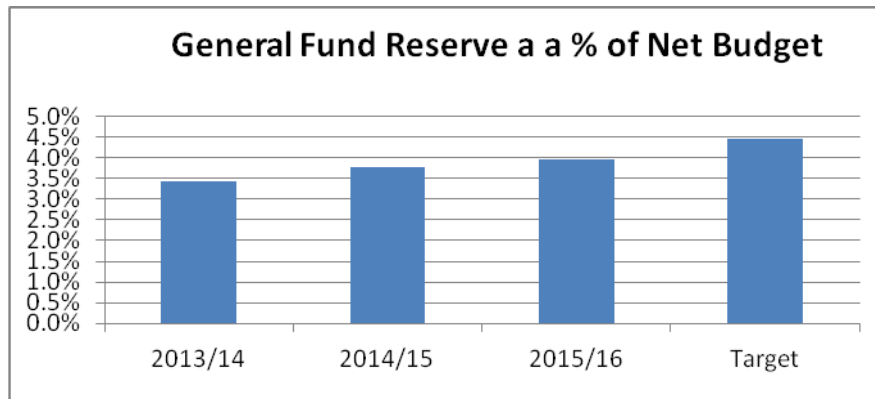
4. Position

4.1 The Council's revenue outturn for 2014/15 was a small underspend of £14,000, on a net budget of £115.8m, an improvement from the quarter three reported position. A summary of outturn compared to budget for each Executive Head area after carry forwards is as follows:



4.2 As previously reported the significant variances in year was within children's services and corporate issues. The overspend on this service, after the application of £2m contingency and £1.25m of reserves, was £2.3m.

- 4.3 This overspend in Childrens services was offset by a net underspend and/or additional income across other Council services.
- 4.4 The recommended transfer of £14,000 to the Council's general fund reserve increases that reserves' balance to £4.370m, a level equal to 4% of the Councils 2015/16 net revenue budget. The identified target level in the 2015/16 Review of Reserves report was 4.5%.



- 4.5 Approval of the carry forward request to support vulnerable members of the community through the Crisis Support Fund will provide additional, one off, financial resources to continue this support. The Crisis Support Fund reserve after the proposed transfer will be £0.604m. This is additional to the 2015/16 revenue budget for Crisis Support payments of £0.312m.
- 4.6 This report compares the revised budget position for 2014/15 to the revenue outturn position as at the end of the financial year and summarises the key variances.
- 4.7 The outturn position indicated in this report is the final position subject to the Council's external auditors, Grant Thornton, completing their annual audit of the accounts in June and July 2015. As part of any audit review, there is the possibility that changes may be made to the overall outturn position for the Council. However, should any variations to the figures be necessary these are not expected to be materially significant.
- 4.8 Carry Forwards
- 4.9 The Council's Financial Regulations states that; subject to the approval of Council when considering the end of the financial year position, any net under spends within a directly controllable revenue budget may be carried forward into the following financial year.
- 4.10 There is one carry forward which is recommended by the Chief Finance Officer for approval of £253,000 within Finance that is being referred to Council for a decision. It is recommended that the under spend in the Crisis Support Fund is carried forward and ring fenced to support the vulnerable in the community in 2015/16 and beyond. This carry forward proposal has been included within the overall outturn figures.

4.11 Net Revenue Expenditure

4.12 Net revenue expenditure after transfers to/from reserves was £116.4m. A summary of expenditure compared to outturn position for each service area is as follows:

Service	Gross expenditure £m	Gross Income £m	Net Budget (revised) £m	Outturn £ms	Variance to Budget £m	Reported to Quarter Three £m
Adult Social Care - Trust	43.4	(0.7)	42.7	43.2	0.5	0.6
Other Adult Social Care	3.2	(1.3)	1.9	1.7	(0.2)	(0.1)
Childrens Services	79.8	(54.5)	25.3	27.7	2.4	2.8
Public Health	8.1	(8.1)	0	0	0	0
Residents & Visitors	17.7	(10.4)	7.3	7.2	(0.1)	0.1
Waste & Cleansing	12.3	(0.8)	11.5	11.5	0	0
Harbours & Resorts	3.6	(3.6)	0	0.1	0.1	0
Spatial Planning	7.7	(2.2)	5.5	5.5	0	0.1
Economic Development and Assets (TDA)	6.4	(2.6)	3.8	3.7	(0.1)	(0.1)
Community Safety	4.0	(1.7)	2.3	2.2	(0.1)	(0.1)
Commercial & Business Services	6.4	(1.8)	4.6	4.5	(0.1)	0
Financial Services including Corporate	93.4	(85.8)	7.6	5.9	(1.7)	(1.4)
IT Services	4.9	(1.6)	3.3	3.2	(0.1)	(0.1)
Sub Total Net Expenditure	290.9	(175.1)	115.8	116.4	0.6	1.8
Sources of Finance	-	(115.8)	(115.8)	(116.4)	(0.6)	(0.4)
Total Net Expenditure	290.9	(290.9)	0	0	0	1.4

4.13 A brief summary of the main variances and the principal reasons for any underspends or overspends within each directorate are summarised below:

Service	Variance to Budget £m	Main Variances in 2014/15
Adult Social Care	0.5	Primarily additional spend on the Joint Equipment Store and higher client numbers than planned in adult social care.
Other Adult Social Care	(0.2)	Contractual and vacancy management savings.
Childrens Services	2.4	The projected overspend is primarily due to budget pressures within Safeguarding and Wellbeing due to the number, length of placements and cost of independent sector placements (ISP), residential placements and increased staffing costs due to the ongoing use of agency social workers within the Safeguarding and Wellbeing service.
Public Health	0	Ring fenced budget
Residents & Visitors	(0.1)	A net underspend at year end where pressures at Torre Abbey, enforcement income and sports services have been offset by administrative savings and vacancy management across Residents and Visitors service. In addition strict financial control across all services and a moratorium on spending to maintain spend within the approved budget and receipt of additional income e.g. engineering team
Waste & Cleansing	0	A balanced position at year end, where increased costs of disposals were offset from income from the EFW contract
Harbours & Resorts	0.1	Budget pressures from essential works to beaches and lower than anticipated income.
Spatial Planning	0	A balanced position at year end, where a shortfall in income was offset by lower concessionary fare costs.
Economic Development and Assets (TDA)	(0.1)	Due to a return of unspent funds for regeneration projects
Community Safety	(0.1)	Budget pressures within the Housing Options service, due to increased costs for temporary accommodation, have been offset by savings within Environmental Health and other services due to vacancy management.
Commercial & Business Services	(0.1)	A combination of salary savings and increased income in trading areas.
Financial Services including Corporate Budgets	(1.7)	Vacancy management savings within Financial Services and Exchequer and Benefits, lower external audit inspection fees and actual income and expenditure on benefits. A number of corporate budgets are “accounted for” within the Finance budget and were used in the year to offset the overspend and include the release of a council contingency. In addition savings have been identified with reduced pension costs and higher than

		budgeted for NNDR section 31 grant income.
IT Services	(0.1)	Primarily salary savings
Sources of Finance	(0.6)	Income from NNDR Pool & additional Education Support Grant
Total	0	A net £14,000 underspend for 2014/15

4.14 Schools

4.15 A balanced budget position has been declared for Schools Block Activities after making a contribution to the Dedicated Schools Grant reserve of £0.2m. This position will be reported to the Schools Forum. Members are reminded that the Dedicated Schools Grant can only be used for schools related activities.

4.16 Schools will be carrying forward balances of £2.9m (£2.8m 13/14) on their delegated funds from 2014/15 to 2015/16 – these resources are earmarked for schools related expenditure.

4.17 Public Health

4.18 A balanced budget position has been declared for Public Health services, which are funded from a ring fenced grant, after making a contribution to reserves of £0.3m. This position will be reported to the Public Health England. Public Health will be carrying forward balances in total of £1.1m from 2014/15 to 2015/16. These resources are earmarked for public health related expenditure.

4.19 Redundancy and associated costs

4.20 In 2014/15 the Council incurred £0.5m of redundancy and associated costs, mostly linked to the ongoing Council budget reductions. These have been funded from the Comprehensive Spending Review Reserve (CSR Reserve).

4.21 Reserves

4.22 A review of all Council reserves is completed on an annual basis as part of the budget setting process for the forthcoming financial year. Subject to any adjustments post external audit a summary of Council reserves as at 31st March 2015 were as follows:

Reserve	31/3/14	31/3/15 outturn	Notes:
General Fund Reserve	4.4	4.4	
CSR Reserve	3.8	3.1	Use in year to fund redundancy and associated costs
Schools Reserve	2.8	2.9	
Earmarked Reserves	27.4	24.9	
Total Reserves	38.4	35.3	

- 4.23 During 2014/15 £1.250 million was applied to mitigate the Childrens Services overspend from the PFI Sinking Fund reserve. This reserve will need to be repaid by children's services in future years as the reserve is required to fund future contract costs along with future repayment of the £3.4m of reserves identified for the Childrens Services cost recovery plan agreed by Council in October 2014.
- 4.24 As noted in the summary to this report the general fund reserve is at £4.4m a level equal to 4% of the 2015/16 net revenue budget. This is below the target level of 4.5% which reflects the level of financial risks facing the Council.
- 4.25 The CSR reserve, a reserve set up a few years ago to support the Council through the period of funding reductions is £3.1m as at year end. The reserve was primarily used in year to fund £0.5m of redundancy and associated costs. In 2015/16 the reserve will be used to fund the agreed transitional funding for a number of services in 2015/16 (£0.3m) and may need to be used to fund the 2014/15 costs of the judicial review for care home fees where the initial judgement went against the Council.
- 4.26 Financial Risks as at 31/3/15
- 4.27 There are a number of financial risks facing the Council; the key risks are identified below.

Risk	Impact	Mitigation
Achievement of £12m of approved savings for 2015/16	High	15/16 Budget monitoring and "saving tracker" monitored by senior staff.
Potential impact and costs of judicial review for care home fees	High	Balance of CSR reserve and 2015/16 social care contingency
Achievement of Childrens Services cost reduction plan	High	Regular monitoring of performance
Identification and achievement of £33m of savings for 2016/17 to 2018/19	High	Issue identified in Medium Term Resource Plan and 2016/17 budget timetable.
Additional demand for services particularly in both adults and childrens social care	High	15/16 Budget monitoring and use of service performance data.
Additional Costs associated with Deprivation of Liberty and Safeguarding (DOLS) statutory duty	High	15/16 Budget and performance monitoring in consultation with Torbay And Southern Devon NHS Provider Trust.

4.28 Revenue Grant and S106 Carry Forwards

- 4.29 Where the Council receives grant funding from central government or other funding sources, such as S106 developer contributions, which have not been spent as at year end, these are carried forward into an earmarked reserve or as a "receipt in advance". These are held on the Council's balance sheet at year end and will be brought forward into 2015/16.

4.30 Collection Fund

4.31 As a billing authority the Council is responsible for collection of, and subsequent distribution of, Council tax and Business Rates (NNDR) in the Torbay area.

4.32 There was an in year surplus of £0.7m on the Council Tax part of the Collection fund in excess of the 2015/16 budget estimate of the surplus. The Council's 84% share of this surplus will be used to support the 2016/17 budget.

4.33 There was an in year deficit of £0.1 on the NNDR part of the collection fund compared to the 2015/16 budget estimate of the position. The Council's 49% share of this deficit will be funded from the 2016/17 budget. The financial impact of the position on NNDR and the Council's share of NNDR under the Business Rate retention scheme is particularly volatile with central government changes to NNDR, the Council's membership of a Devon Wide NNDR "pool" and changes in actual NNDR collection including the impact of backdated NNDR appeals. The final NNDR position for 2014/15 including the Devon wide pool will not be finalised until September 2015, therefore the Council's revenue outturn for NNDR shows a balanced position with any variance transferred to the NNDR reserve until the 2014/15 position is finalised.

4.34 Statement of Accounts

4.35 This report deals with the Council's management accounts for 2014/15. The Council's statutory Statement of Accounts for 2014/15 was a public document in June, (available on the Council's website), and will be presented to Audit Committee for Approval in July 2015 along with the external auditors report on those accounts. The Statement of Accounts is a more detailed document, produced in line with accounting guidance and will contain more detail on the Council's 2014/15 financial position. The accounts are subject to an extensive external audit.

4.36 Capital Outturn and Treasury Management Outturn

4.37 The Council's capital outturn for 2014/15 will be presented to OSB and then Council as a "sister" report to the revenue outturn report.

4.38 The Council's Treasury Management outturn report on the Council's borrowing and investment activity in 2014/15 including the prudential indicators for capital expenditure and its financing will be presented to Audit Committee and then Council.

4.39 Subsidiaries and Associates

4.40 The Council has 100% ownership of three companies and a shareholding in three others. The financial performance (based on draft accounts) of these companies as at 31/3/15 is as follows.

Company	Council share %	Surplus/(Deficit) for year £m	Net Equity - Surplus/(Deficit) £m
Torbay Development Agency (TDA)	100	(1.5)	1.1
English Riviera Tourism Company (ERTC)	100	(0.2)	(0.3)
Oldway Mansion Management Company	100	0	0
TOR2 - provisional as at 31/3/15	19.99	0.5	n/a
TOR2 – final to year end June 2014	19.99	0.4	(1.5)
PLUSS	25	0.8	2.0
Career's South West (pre IAS19)	25	(0.1)	1.7

Note * if IAS19 pension entries are excluded the TDA position would be a deficit of £0.2m and £3.9m net equity and ERTC would be nil surplus and nil net equity.

4.41 All companies with defined benefit pension schemes had a deficit in year and reduced net equity due to changes in the discount rate used by the actuary in calculating the overall pension liability.

4.42 Debtors

4.43 The key issues with respect to debtors are:

	2013/14 in year collection rate %	2014/15 in year collection rate %	2014/15 Income Collected to date £m	Arrears/Due as at 31/3/15 £m	Write offs in 2014/15 £m
Council Tax	94.9	95.5	65.8	5.3	0.5
NNDR	97.2	95.6	35.6	0.9	0.4
Sundry Debtors	n/a	n/a	n/a	3.9	0.1

4.44 Write offs above £5,000 have been circulated to Members of the Overview and Scrutiny Board as an exempt annex to this report and are available to all other Members upon request on a confidential basis.

5. Possibilities and Options

5.1 Members could consider alternative uses for the uncommitted budgets identified within this report.

6. Fair Decision Making

6.1 Not applicable

7. Public Services (Social Value) Act 2012

7.1 Not applicable

8. Risks

8.1 There is a risk that the Council will have insufficient reserves to meet any unforeseen events. The maintenance of the general fund balances of £4.4m and the Childrens Services reserve of £3.4m will assist in ensuring the Council's reserves are sufficient to assist with its medium term financial planning and manage unforeseen events.

Appendices

None

Additional Information

Council's Officer Senior Leadership Team has reviewed the report.