



Meeting: **Overview and Scrutiny Board**

Date: **15th June 2016**

Wards Affected: **All Wards**

Report Title: **Provisional Outturn 2015/16 – Subject to External Audit**

Is the decision a key decision? **No**

When does the decision need to be implemented? **n/a**

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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 2015/16 and makes recommendations with respect to any uncommitted resources and funding of any overspends.
- 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 2015/16 the Council's revenue budget had an overspend of £1.7m which will be funded, as planned, from an allocation of funds within the Council's approved 2016/17 budget.

2. Proposed Decision

It is proposed that the following recommendations will be made to the Council at its meeting on 21 July 2016:

- 2.1 That a sum of £0.120m be approved as a carry forward into 2016/17 as a budget contingency to ensure the success of the Torbay Air Show in June 2016 with any underspend on this contingency to be transferred to the Comprehensive Spending Review Reserve.
- 2.2 That it be noted that, as per the 2016/17 budget, the 2015/16 overspend of £1.7m will be temporarily funded from earmarked reserves, to be repaid in 2016/17 from an approved budget of £2.5m with the balance of the 2016/2017 budget of £0.8m being held as a contingency for social care in 2016/17.

The Overview and Scrutiny Board is asked to report directly to Council on any recommendations it may have following its review of the outturn position.

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 2015/16 accounts are available from the Council website:

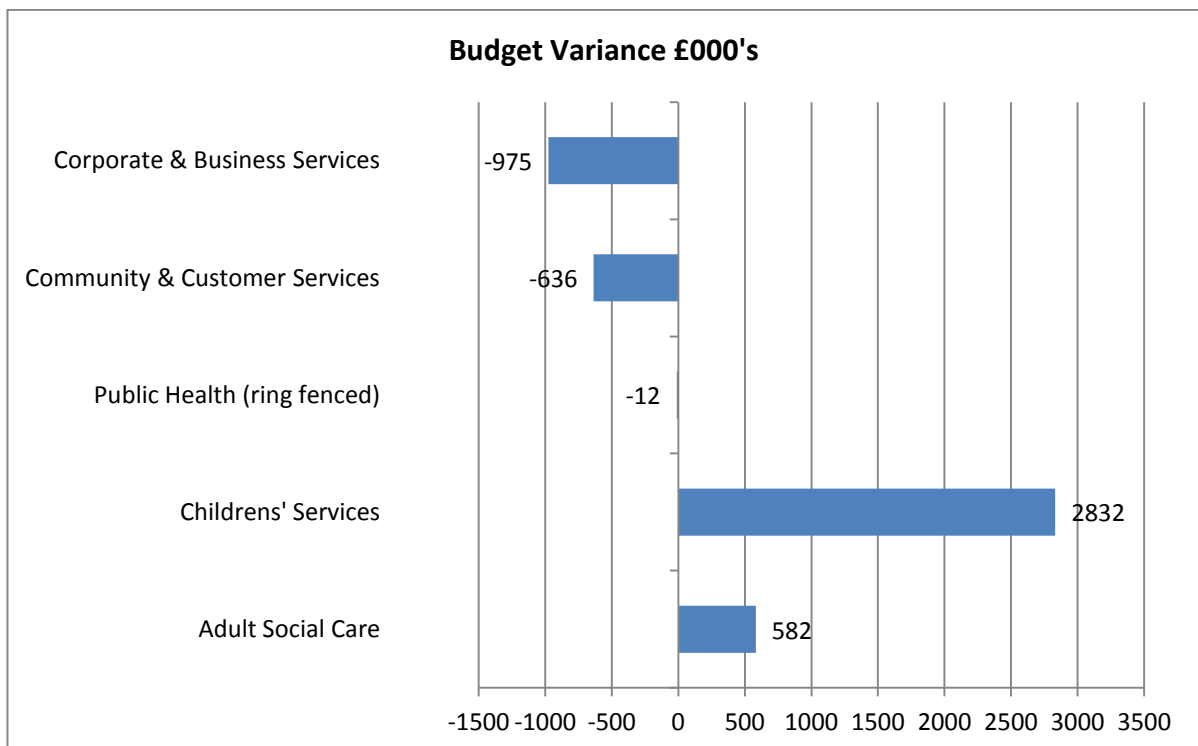
<http://www.torbay.gov.uk/index/yourcouncil/financialservices/statementofaccounts.htm>

The presentation of the financial outturn report concludes the regular reporting to Council on its 2015/16 revenue income and expenditure and makes recommendations to Members with respect to any uncommitted budgets there may be available at year end.

Supporting Information

4. Position

- 4.1 The Council's revenue outturn for 2015/16 was an overspend of £1.7m or 1.5%, on a net budget of £110.9m, 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 social care both childrens and adults services. The overspend on childrens was, after the application of £2.3m of (repayable) reserves, £2.8m, the overspend on adult social care was £0.6m.
- 4.3 This overspend in social care was partly offset by a net underspend and/or additional income across other Council services.

4.4 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 2016. 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.

4.5 Carry Forwards

4.6 There is one carry forward which is recommended by the Chief Finance Officer for approval of £120,000 within Finance that is being referred to Council for a decision. This is a request to establish a contingency to ensure the success of the Torbay Air Show in June 2016. Any underspend on this contingency to be transferred to the Comprehensive Spending Review Reserve. This carry forward proposal has been included within the overall outturn figures.

4.7 Net Revenue Expenditure

4.8 Net revenue expenditure after transfers to/from reserves was £112.7m. A summary of expenditure compared to outturn position for each service area is as follows:

Service	2015/16 Budget- revised			Forecast Full Year Variance as at Qtr 4 £000's	Direction of Travel (Qtr 4 to Qtr 3)
	Expenditure £000s	Income £000's	Net £000's		
Adult Social Care	42,598	-802	41,796	582	G
Children's Services	83,496	-54,751	28,745	2,832	G
Public Health	9,751	-9,664	87	-12	G
Joint Commissioning	135,845	-65,217	70,628	3,402	G
Community Services	32,262	-7,193	25,069	-260	G
Customer Services	73,922	-69,567	4,355	-376	G
AD Community & Customer Services	106,184	-76,760	29,424	-636	G
Commercial Services	6,269	-2,011	4,258	-366	G
Finance	21,152	-15,352	5,800	-288	R
Business Services	5,972	-10,117	-4,145	-256	G
Regeneration & assets	7,016	-2,420	4,596	-247	G
Spatial Planning	1,184	-825	359	182	R
AD Corporate & Business Services	41,593	-30,725	10,868	-975	G
Total Expenditure	283,622	-172,702	110,920	1,791	
Sources of Funding	-	-110,920	-110,920	-99	R
Net Expenditure	283,622	-283,622	0	1,692	G

4.9 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 2015/16
Adult Social Care	0.6	Primarily additional spend on the Joint Equipment Store and higher client numbers than planned in adult social care.
Childrens Services	2.8	The 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 high staffing costs due to the ongoing use of agency social workers within the Safeguarding and Wellbeing service.
Public Health	0	Ring fenced budget
Community Services	(0.2)	<p>Primarily an underspend on the Waste function based on actual performance of the new Energy From Waste Facility in Plymouth which has been operation since April 2015.</p> <p>Elsewhere in the service overspends on CCTV, Licensing, Housing Options, Torre Abbey, theatres and sport were offset by senior management salary savings, additional income, other vacancy management and a moratorium on spend.</p>
Customer Services	(0.4)	<p>A combination of lower than planned salary costs, higher than estimated DWP Administration Grant and recovery of council tax benefit overpayments from previous years.</p> <p>In this service the 2015/16 underspend on the Crisis Fund of £0.1m has been transferred to the Crisis Fund Reserve to support future year expenditure.</p>
Commercial Services	(0.4)	A combination of a one off grant in relation to Land Charges income, higher than previously forecast income levels across the service and lower than planned salary costs.
Finance (& Corporate)	(0.3)	<p>Previously reported saving on "corporate" pension payments, and both savings and increased income in treasury management activities pension and treasury. Within financial services there was a lower spend than forecast from both income and salary savings.</p> <p>The £120,000 proposed carry forward for the Air Show has been included.</p>
Business Services	(0.3)	Primarily a better than forecast level of car parking income.
Economic Development and Assets (TDA)	(0.2)	A combination of the impact of backdated rent reviews, lower than forecast utility costs and an underspend on the centralised repair & maintenance budget.
Spatial Planning	0.2	Lower than forecast level of planning application fee income.
Sources of Finance	(0.1)	Additional Education Support Grant linked to timing of Academy

		school transfers
Total	1.7	

4.10 Schools

4.11 A £130k underspend has been declared for Schools Block Activities (DSG), this position will be reported and discussed with the Schools Forum. Members are reminded that the Dedicated Schools Grant can only be used for schools related activities.

4.12 Schools will be carrying forward balances of £2.4m (£2.9m 14/15) of their delegated funds from 2015/16 to 2016/17 – these resources are earmarked for schools related expenditure. The balance on this reserve will continue to reduce as schools continue to convert to Academies.

4.13 Public Health

4.14 A balanced budget position has been declared for Public Health services, which are funded from a ring fenced grant, after drawing on reserves of £0.1m. This position will be reported to the Public Health England. Public Health will be carrying forward balances in total of £1.2m from 2015/16 to 2016/17. These resources are earmarked for public health related expenditure.

4.15 Exit Packages

4.16 In 2015/16 the Council incurred £0.4m of costs associated with exit packages for staff, mostly linked to the ongoing Council budget reductions.

4.17 Judicial Review Care Homes

4.18 In 2015/16 the Council made a £2.2m payment to fund Care Homes Fees as a result of the judicial review on the two issues the Council has conceded on. The Council's appeal on a final issue is due to be heard in the autumn of 2016.

4.19 Significant Contingent Liabilities

4.20 During 2015/16 the legal proceedings have been undertaken against the Council in relation to the Council's development agreement with a developer in relation to Oldway Mansion. The legal proceedings are continuing.

4.21 Integrated Care Organisation

4.22 Due to the overall funding financial position of both the CCG and ICO there has been a protracted delay in agreeing the financial contribution of the two commissioning partners to the ICO Risk Share Agreement for 2016/17. This will result in additional costs to the Council in 2016/17. To mitigate this risk the balance of the £2.5m within the 2015/17 budget, to fund the 2015/16 total overspend of £1.7m, will be earmarked for this issue.

4.23 Reserves

As an earmarked reserve will be used to temporarily fund the 2015/16 overspend there is no movement in the Council's general fund reserve. The balance remains at £4.4m, a level equal to 4% of the Council's 2016/17 net revenue budget. The identified target level in the 2016/17 Review of Reserves report was 4.2%.

4.24 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 2016 were as follows:

Reserve	31/3/15	31/3/16	Notes:
General Fund Reserve	4.4	4.4	Equal to 4% of 2016/17 net budget
CSR Reserve	3.1	3.7	Use in year to fund exit packages and 2015/16 transitional support for some services. Review of Reserves 2016/17 transferred funds to this reserve.
Schools Reserve	2.9	2.4	Ring Fenced for school use
Earmarked Reserves	24.9	19.2	Includes use of £2.3m for childrens services and £1.7m for 15/16 overspend.
Total Reserves	35.3	29.7	

4.25 During 2015/16, as planned, £2.3 million was applied to mitigate the Childrens Services overspend from reserves. (A further £1.1m is planned to be used for 2016/17). In addition, in 2014/15, childrens services used £1.2m from the PFI reserve. This reserve will need to be repaid by children's services in future years as the reserve is required to fund future PFI contract costs along with future repayment of the £3.4m of reserves identified in the Childrens Services cost recovery plan agreed by Council in October 2014.

4.26 As noted in the summary to this report the general fund reserve is at £4.4m a level equal to 4% of the 2016/17 net revenue budget. This is close to the target level of 4.2% which reflects the level of financial risks facing the Council.

4.27 The CSR reserve, a reserve set up a few years ago to support the Council through the period of funding reductions is £3.7m as at year end. The reserve was primarily used in year to fund £0.3m of transitional revenue funding support for services and to part fund backdated care home payments made in 2015/16 following the judicial review and legal judgement. In 2016/17 the reserve may need to be used to fund any further costs of the judicial review after the Council appeal is heard in autumn 2016. The balance of the reserve was increased as a result of the 2016/17 Review of Reserves.

4.28 Financial Risks as at 31/3/16

4.29 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 & repayment of reserves.	High	Regular monitoring of performance
Identification and achievement of £19m of savings for 2017/18 to 2019/20	High	Issue identified in Medium Term Resource Plan and 2017/18 budget timetable. In September 2016 an Efficiency Plan is due to be approved by Council linked to the Council accepting a four year funding settlement for Revenue Support Grant.
Additional demand for services particularly in both adults and childrens social care	High	16/17 Budget monitoring and use of service performance data.
Agreement of Annual Strategic Agreement and financial contributions with ICO partners	High	Creation of a contingency for adult social care in 2016/17
Volatility of NNDR Income	High	Provision for NNDR appeals and use of NNDR reserve to smooth variations between years.

4.30 Revenue Grant and S106 Carry Forwards

4.31 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 2016/17.

4.32 Collection Fund

4.33 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.

4.34 There was an in year surplus of £0.5m on the Council Tax part of the Collection fund in excess of the 2016/17 budget estimate of the surplus. The Council's 84% share of this surplus will be used to support the 2017/18 budget.

4.35 There was an in year deficit of £0.5m on the NNDR part of the collection fund compared to the 2016/17 budget estimate of the position. The Council's 49% share of this deficit will be funded from the 2017/18 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. This arises from 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 2015/16 including the Devon wide pool will not be finalised until September 2016, therefore the Council's revenue outturn for NNDR shows a balanced position with any variance transferred to the NNDR reserve until the 2015/16 position is finalised.

4.36 Statement of Accounts

4.37 This report deals with the Council's management accounts for 2015/16. The Council's statutory Statement of Accounts for 2015/16 was a public document in June, (available on the Council's website), and will be presented to Audit Committee for Approval in July 2016 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 2015/16 financial position. The accounts are subject to an extensive external audit.

4.38 Capital Outturn and Treasury Management Outturn

4.39 The Council's capital outturn for 2015/16 will be presented to OSB and then Council as a "sister" report to the revenue outturn report.

4.40 The Council's Treasury Management outturn report on the Council's borrowing and investment activity in 2015/16 including the prudential indicators for capital expenditure and its financing will be presented to Audit Committee and Council.

4.41 Subsidiaries and Associates

4.42 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 31/3/16 is as follows.

Company	Council share	Surplus/(Deficit) for year	Net Equity - Surplus/(Deficit)
	%	£m	£m
Torbay Development Agency (TDA)	100	1.2	2.3
English Riviera Tourism Company (ERTC)	100	0.1	(0.2)
Oldway Mansion Management Company	100	0	0
<i>TOR2 – (year end June 2015)</i>	<i>19.99</i>	<i>0.5</i>	<i>(1.0)</i>
Career's South West (pre IAS19)	25	0.1	1.6

4.43 All companies with defined benefit pension schemes had a gain in year with an increased net equity due to changes in the discount rate used by the actuary in calculating the overall pension liability.

4.44 In 2015/16 The Torbay Public Services Trust was set up as a Company Limited by Guarantee with Torbay Council one of six owners. The company did not trade in 2015/16.

4.45 Debtors

4.46 The key issues with respect to debtors are:

	2014/15 in year collection rate %	2015/16 in year collection rate %	2015/16 Income Collected £m	Arrears/Due as at 31/3/16 £m	Write offs in 2015/16 £m
Council Tax	95.5	95.7	67.3	6.1 *	0.5
NNDR	95.6	95.7	36.6	1.9 *	0.5
Sundry Debtors	n/a	n/a	n/a	5.5	0.2

Note * - total due not Torbay share.

4.47 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. Risks

5.1 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 Comprehensive Spending Review Reserve at a minimum balance of £1m will assist in ensuring the Council's reserves are sufficient to assist with its medium term financial planning and manage unforeseen events.

Appendices

Appendix 1 – Write Offs Quarter Four 2015/16 (Exempt) (To be considered by the Overview and Scrutiny Board only)