



Meeting: Council

Date: 22 June 2017

Wards Affected: All Wards

Report Title: Provisional Outturn 2016/2017 – 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 2016/17.
- 1.2. A separate report will be presented to Council of the final capital outturn position.
- 1.3. For 2016/17 the Council's revenue budget had an overspend of £2.1m which will be funded, as planned in the 2017/18 Review of Reserves, from the Comprehensive Spending Review Reserve.

2. Proposed Decision

- 2.1. That the revenue outturn position for 2016/17 be noted.

3. Reason for Report

- 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 2016/17 accounts are available from the Council website:

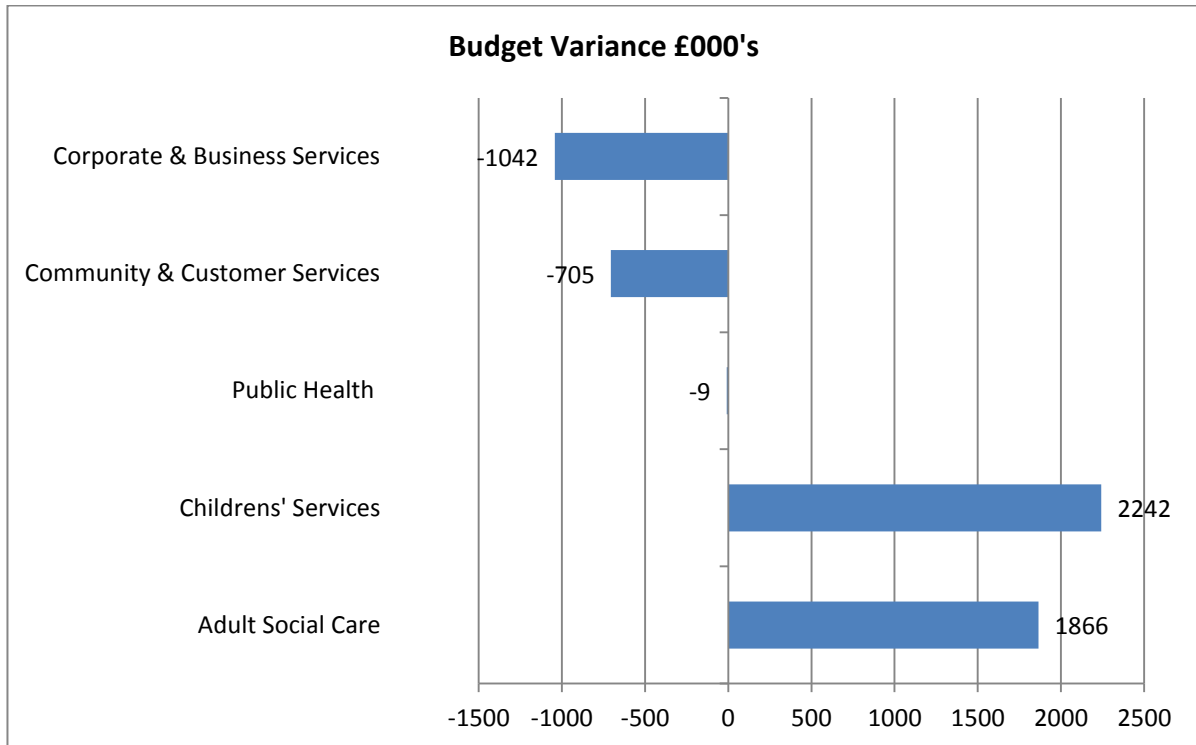
<http://www.torbay.gov.uk/index/yourcouncil/financialservices/statementofaccounts.htm>

The presentation of the financial outturn report concludes the regular reporting to Council on its 2016/17 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 2016/17 was an overspend of £2.1m or 1.9%, on a net budget of £112.2m, 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 £1.1m of reserves, £2.2m and the overspend on adult social care was £1.9m.
- 4.3 This overspend in social care was partly offset by a net underspend and/or additional income across other Council services including the impact of the MRP Review during the year.
- 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 2017. 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 are no carry forwards being reported for approval by members. As approved by Council in April 2017 the underspend on the 2016/17 transformation budget (of £0.350m) has been rolled forward and an allocation will be made to support the

transformation projects for town centre regeneration through a specific reserve for the staffing required to achieve pace and scale on the schemes.

4.7 Net Revenue Expenditure

4.8 Net revenue expenditure after transfers to/from reserves was £114.5m. A summary of expenditure compared to outturn position for each service area is as follows:

Service	2016/17 Budget- revised			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	41,631	(1,583)	40,048	1,866	R
Children's Services	77,995	(49,040)	28,955	2,242	R
Public Health	11,184	(1,292)	9,892	(9)	G
Joint Commissioning	130,810	(51,915)	78,895	4,099	R
Community Services	30,603	(6,484)	24,119	(301)	G
Customer Services	73,511	(69,694)	3,817	(404)	G
AD Community & Customer Services	104,114	(76,178)	27,936	(705)	G
Commercial Services	6,611	(1,555)	5,056	(87)	R
Finance	19,342	(19,074)	268	(641)	G
Business Services	8,687	(12,995)	(4,308)	(325)	G
Regeneration & assets	6,356	(2,050)	4,306	11	R
AD Corporate & Business Services	40,996	(35,674)	5,322	(1,042)	G
Total Expenditure	275,920	(163,767)	112,153	2,352	
Sources of Funding	-	(112,153)	(112,153)	(255)	G
Net Expenditure	275,920	(275,920)	0	2,097	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 2016/17
Adult Social Care	1.9	<p>From 1st October 2015 the Integrated Care Organisation started. The Council has a 9% risk share agreement from that date based on the total financial position of the Torbay and South Devon Healthcare Foundation Trust (SDH) – a share of a total budget of approximately £400m. Financial performance of SDH is reported to its board – minutes are available on the link below:</p> <p>http://www.torbayandsouthdevon.nhs.uk/about-us/board-meetings/</p> <p>The overspend for the Council's share of the ICO overspend is £1.7m (Qtr 3:£1.7m). This is in addition to the additional funds the Council provided as part of the Annual Strategic Agreement agreed by Council in July 2016.</p> <p>In other adult social care budgets there is a continuation of the prior year pressures on the Joint Equipment Store of £0.1m. The ICO have agreed to fund 1/3rd of the overspend on this service which has reduced the impact on the Council.</p>
Childrens Services	2.2	The overspend is a combination of delays in the planned reduction in staffing levels and higher than forecast placement expenditure. In addition there are increased cost pressures on special guardianships, short term breaks and section 17 grant allocations.
Public Health	0	Ring fenced budget
Community Services and Customer Services	(0.7)	Projected overspends on Housing are offset by a projected saving from the 'Energy from Waste' plant, salary savings across a number of services, the moratorium on spend, additional grant funding and recovery of Housing Benefit overpayments.
Commercial and Business Services	(1.0)	Projected savings on audit fees, grant income, "corporate" pension payments, the change in the MRP policy approved by Council in September 2016 and salary savings across a number of services, offset by a budget pressure on treasury management arising from lower rates on investments and a delay in implementing changes to some staff terms and conditions.
Sources of Finance	(0.3)	Additional Education Support Grant linked to timing of Academy school transfers
Total	2.1	

4.10 Schools

4.11 An overspend has been declared for Schools Block Activities (DSG) primarily linked to the costs of supporting pupils with high needs, 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 £1.9m (£2.4m 15/16) of their delegated funds from 2016/17 to 2017/18 – 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 of £9.8m has been declared for Public Health services, which are funded from a ring fenced grant, after drawing on reserves of £0.027m. This position will be reported to the Public Health England. Public Health will be carrying forward balances in total of £1.2m from 2016/17 to 2017/18. These resources are earmarked for public health related expenditure.

4.15 Exit Packages

4.16 In 2016/17 the Council incurred £0.5m of costs associated with exit packages for staff, mostly linked to the ongoing Council budget reductions and some costs relating to school based staff.

4.23 Reserves

As an earmarked reserve will be used to fund the 2016/17 overspend there is no movement in the Council's general fund reserve. The balance remains at £4.6m, a level equal to 4.2% of the Councils 2017/18 net revenue budget. The identified target level in the 2017/18 Review of Reserves report was 5%.

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 2017 were as follows:

Reserve	31/3/16	31/3/17	Notes:
General Fund Reserve	4.4	4.6	Equal to 4.2% of 2017/18 net budget
CSR Reserve	3.7	4.4	Review of Reserves 2016/17 transferred funds to this reserve, of which £2.1m was used to fund 2016/17 overspend
Schools Reserve	2.4	1.9	Ring Fenced for school use
Public Health Reserve	1.2	1.2	Ring Fenced for Public Health use
Earmarked Reserves	19.2	15.5	
Total Reserves	29.7	27.6	

4.25 During 2016/17, as planned, £1.1 million was applied to support Childrens Services from reserves.

- 4.26 As noted in the summary to this report the general fund reserve is at £4.6m a level equal to 4.2% of the 2017/18 net revenue budget. This is below the target level of 5% 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 £4.4m as at year end. The balance of the reserve was increased as a result of the 2017/18 Review of Reserves by £2m. The reserve was primarily used in year to fund £2.1m of the 2016/17 overspend and a number of specific issues such as transitional funding of £0.2m for the tourism company. In 2017/18 the reserve may need to be used to fund any further costs of the judicial review on care homes dating back to 2014/15 after the Council appeal is heard in June 2017.
- 4.28 Financial Risks as at 31/3/17
- 4.29 There are a number of financial risks facing the Council; the key risks are identified below.

Risk	Impact	Mitigation
Achievement of approved savings for 2017/18	High	17/18 Budget monitoring and "saving tracker" monitored by senior staff.
Potential cost impact of the Council's 9% risk share of total ICO performance	High	Monthly information is being provided by the ICO to Council supported by "contract" meetings
Potential impact and costs of judicial review for care home fees	High	Balance of CSR reserve and 2017/18 social care contingency to fund if required.
Future of ASC contract following ICO notice to terminate current risk share arrangement from January 2018	High	High priority issue for Councils senior leadership team and close working with ICO colleagues to resolve issues
Achievement of Childrens' Services cost reduction plan	High	Regular monitoring of performance and recovery plan.
Identification, and achievement, of £17.4m of savings for 2018/19 to 2020/21	High	Issue identified in Medium Term Resource Plan. Four year Efficiency Plan now available which was presented to Council in September and forwarded to DCLG in October. Transformation Team set up to coordinate the implementation of potential transformation savings.
Additional demand for services particularly in childrens' social care	High	17/18 Budget monitoring, use of service performance data and recovery plan.

Ability of ICO to deliver a balanced budget in 2017/18 and to prevent further increases in expenditure in year.	High	Regular monitoring of performance and financial performance with challenge to ICO on cost improvements. Use of £3.8m additional adult social care grant.
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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 of CIL 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 2017/18.

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 The actual Council Tax surplus of the Collection fund was in line with the 2017/18 budget estimate of the surplus. (Torbay share 84%).

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 2018/19 budget. The financial impact of the position on NNDR and the Council's share of NNDR under the Business Rate retention scheme are 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 2016/17 including the Devon wide pool will not be finalised until September 2017, therefore the Council's revenue outturn for NNDR shows a balanced position with any variance transferred to the NNDR reserve until the 2016/17 position is finalised.

4.36 Statement of Accounts

4.37 This report deals with the Council's management accounts for 2016/17. The Council's statutory Statement of Accounts for 2016/17 will be a public document in June, (available on the Council's website), and will be presented to Audit Committee for Approval in July 2017 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 2016/17 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 2016/17 will be presented to 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 2016/17 including the prudential indicators for capital expenditure and its financing is 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 31/3/17 is as follows.

Company	Council share	Surplus/(Deficit) for year	Net Equity - Surplus/(Deficit)
	%	£m	£m
Torbay Development Agency (TDA)	100	(1.8)	(0.2)
English Riviera Tourism Company (ERTC)	100	0.2	0
Oldway Mansion Management Company	100	0	0
<i>TOR2 – (year end June 2016)</i>	<i>19.99</i>	<i>0.5</i>	<i>(1.0)</i>
Career's South West (pre IAS19)	25	To follow	To follow

4.43 All companies with defined benefit pension schemes had a loss in year with a decreased 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. In 2016/17 Complete Facilities Management Services limited was set up as a subsidiary to the TDA. In 2016/17 neither company was trading.

4.45 Debtors

4.46 The key issues with respect to debtors are:

	2015/16 in year collection rate %	2016/17 in year collection rate %	2016/17 Income Collected £m	Arrears/Due as at 31/3/17 £m	Write offs in 2016/17 £m
Council Tax *	95.7	95.5	72.7	5.8	0.6
NNDR *	95.7	96.6	37.8	1.8	0.6
Sundry Debtors	n/a	n/a	n/a	3.7	0.1

Note * - total due, not Torbay share.

5. Possibilities and Options

5.1 Not applicable as report to note.

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 £4.6m and the (future target) of the Comprehensive Spending Review Reserve at a minimum balance of £2m will assist in ensuring the Council's reserves are sufficient to assist with its medium term financial planning and manage unforeseen events.