



Meeting: Overview and Scrutiny Board **Date:** 19 June 2013

Wards Affected: All Wards

Report Title: Revenue Budget 2013/2014 – Provisional Outturn (Subject to audit)

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1. Purpose and Introduction

- 1.1. The revenue outturn report provides a summary of the Council's expenditure throughout the financial year 2012/13 and makes recommendations with respect to any uncommitted resources.
- 1.2 A separate report will be presented to Members of the final capital outturn position.

2. Proposed Decision

- 2.1 That the revenue outturn position for 2012/13 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.
- 2.3 That it be recommended to the Council that:
 - (i) £0.4m is earmarked to be transferred to the Council's General Fund Balance (paragraph 4.6);
 - (ii) £0.7m is transferred to the Growth Fund (paragraph 4.12) be approved;
 - (iii) £0.7m of capital resources earmarked to fund the Growth Fund is released and made available to support the existing capital plan (paragraph 4.12);

- (iv) **£0.200m be transferred to support the Community Development Trust (paragraph 4.14);**
- (v) **£0.150m is approved as carry forwards into 2013/14 (paragraph A.23);**
- (vi) **It be noted that the transfers above in 2.3 (i) to (v) are subject to the final audit of the Council's accounts.**

3. Reasons for the Decision

- 3.1 The Council has a statutory duty to close its annual accounts and part of this process requires a provisional outturn position is presented to Members. The accounts must be finalised and signed by the Chief Finance Officer before the end of June each year. The presentation of the financial outturn report concludes the regular reporting to Council on its revenue expenditure and makes recommendations to Members with respect to any uncommitted budgets that may be available at year end.
- 3.2. The recommendations within the report will ensure the Council maintains an adequate level for its General Fund Balance and the allocation of uncommitted budgets to support regeneration supports the Mayor's priority of supporting the economy within the Bay through regeneration.

4 Summary

- 4.1 As expected 2012/13 was another challenging year financially for the Council. As in previous year's there were significant budget pressures that the Council had to manage particularly within Children's Services as well as pressures within Adult Social Care, and across some income budgets e.g. car parking.
- 4.2 Due to these pressures that were identified within the year, the Council had to use reserves and uncommitted budgets to ensure a balanced budget could be declared at year end. After taking these transfers into account it has been possible to recommend a small contribution is made to the General Fund Reserve, funding is made available to support the Community Development Trust and funding provided to support the Growth Fund. A summary of the provisional outturn position is shown overleaf:

	Council Budget	Council Outturn	Over/(under) spend
	£'000	£'000	£'000
Council Expenditure	123,746	126,121	2,375
Use of Reserves (including Budget pressures Reserves)	0	(1,606)	(1,606)
Unallocated Grants		(2,061)	(2,061)
Uncommitted budgets at year end	123,746	122,454	(1,292)
Recommendation			
Allocated to:			
- General Fund Balance			392
- Community Development Trust			200
- Growth Fund			700
Balance			0

- 4.3 It is important to note that without the application of reserves, uncommitted budgets and approved management action of strict financial control throughout the year the council would have declared an overspend at year end. The action taken in year included a moratorium on non-essential expenditure, a vacancy freeze for all non-front line posts (using redeployment for vacancies in preference to redundancies where possible), and the non committal of un ring-fenced grants. These measures were supported by careful monitoring of budgets and performance by the Mayor, Executive Leads, Overview and Scrutiny Board and the Senior Leadership Team. A summary of the key variances within departments are outlined within this report.

Reserves

- 4.4 The Comprehensive Spending Review (CSR) reserve is the Council's uncommitted reserve which was set up to meet the financial challenges it faces over the next few years. These challenges include:
- any unforeseen events or pressures that emerge during the year;
 - invest to save initiatives where demonstrable savings can be delivered in future years;
 - making provision for any costs of restructuring Council services.

The Chief Finance Officer has advised Members that where possible reserves should only be used to support one off initiatives as it is not sustainable to use reserves to support ongoing commitments.

- 4.5 The Mayor agreed to release some monies from reserves during 2012/13 and these have been reported to Members as part of the regular budget monitoring reports. In addition the Council has released £1.6m to fund the costs arising from reorganisations and restructures which were required to deliver the approved savings for the 2013/14 budget. As a result of these movements the balance on the CSR as at 1 April 2013 is £3.1m. This will be required to fund the costs of future reorganisations and any pressures if they emerge during 2013/14.

General Fund Balance

- 4.6 The Council also holds a General Fund Balance. Despite the ongoing financial pressures faced by the council in 2012/13 there has not been a call on the general fund balances and no call upon this reserve since the Council became a unitary authority in 1998. With the recommendation to transfer £0.4m of the uncommitted budget to the general fund balance, the overall balance will increase to £4.4m.
- 4.7 This balance represents 3.5% of the council's net budget in 2013/14. In these challenging financial times there has been media attention as to the level of reserves held by Council's. It should be recognised that the general fund balance is uncommitted (unlike other earmarked reserves) and provides funds that would only be used for any unforeseen or unexpected expenditure that could not be managed within service budgets or earmarked reserves. With this in mind and in light of the difficult financial climate faced by the Council and reduction to the Council's net budget, I believe that a cash balance of £4.4m is a prudent and sustainable level to protect the Council from the increased risks it faces with respect to the ongoing grant reductions from Government and increased demand for some services. In addition the Council's external auditors will have a view as to the level of the Council's General Fund Balance.
- 4.8 The Council needs to consider the reserves position before the compilation of the statutory annual accounts and the audit of those accounts. As set out in the Accounts and Audit Regulations, the statutory accounts will be presented to Members of the Audit Committee for formal approval in September 2013. This allows Members to consider and approve the accounts after the statutory audit has been completed and reported to Members in September 2013. For Members information, the external audit of the accounts will commence on 1 July 2013 and is expected to take approximately 2 months.
- 4.9 As in previous years, there will be a review of all earmarked reserves. This will be undertaken as part of the budget preparation process and is reported to Members at least once a year usually in the autumn, as has been the practice in recent years.
- 4.10 Once this review has been completed, where applicable any surplus monies can be recycled as part of the budget setting process for the following year or support any other funding requirements. Members will be aware that these reserves are earmarked for specific purposes with the exception of the General Fund Reserve which remains the only fund the Council holds to meet emergency costs. With media attention focusing in the level of Council reserves it should be noted that any

release of monies from reserves should only be used for one off purposes and cannot be used to sustain ongoing expenditure. However, due to the expected challenges the Council will face with ongoing reductions to its grant, all earmarked reserves will continue to be closely scrutinised and considered as part of the Council's overall resources available to deliver services to local residents.

Growth Fund and Regeneration

- 4.11 Council approved the creation of a Growth Fund in 2012. The Growth Fund will be used to support businesses and employment creation within the Bay and supports the Mayor's number one priority of economic growth and regeneration within the Bay.
- 4.12 The original proposal was to use capital and revenue resources for the Growth Fund of which £0.7m were capital resources recommended to be funded from the New Growth Points grant. As there are uncommitted revenue budgets at year end it is recommended that the £0.7m capital resources are switched for revenue so the Fund is 100% funded from revenue. This will make the administration of the Growth Fund simpler and ensure successful applicants will have freedom to use the grant awarded for any type of expenditure and not be limited to capital expenditure.
- 4.13 In addition by switching this funding there is £0.7m available to support the existing capital plan which is under pressure due to the reduction in government funding and increasing demands.
- 4.14 After the transfer of resources to the General Fund Balance and Growth Fund are made there is still a balance of £0.200m. Members approved at Council on 15 May 2013 the creation of a Community Development Trust and financial support of up to £0.3m over three years. The 2013/14 resources have been funded from a carry forward (see paragraph A2.3) and it is recommended that years 2 and 3 are funded from the balance on uncommitted budgets.

Supporting information

A1. Introduction and history

- A1.1 The Council approved the 2012/13 budget on 8 February 2012. Financial monitoring reports have been prepared throughout the year and distributed to Members of the Overview and Scrutiny Board and presented to Council during 2012/13 which ensured there was effective public monitoring and scrutiny of the revenue budget throughout the financial year. These reports summarised and identified the issues faced by Business Units within the Council and where appropriate, the action officers took to ensure the Council spent within the agreed budget set for the year.
- A1.2 This report compares the revised budget position for 2012/13 to the revenue outturn position as at the end of the financial year and summaries the key variances.

A1.3 The outturn position indicated in this report is the final position subject to the Council's (new) external auditors – Grant Thornton - completing their annual audit of the accounts. 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.

A2. Carry Forwards

A2.1 The Council's Financial Regulations states that, subject to the approval of Council when considering the end of the financial year position, any overall net underspend within a directly controllable revenue budget may be carried forward into the following financial year.

A2.2 Under the terms of the Constitution, Directors and Executive Members discuss any proposed carry forwards and agreed those that should be recommended for approval.

A2.3 There are two carry forwards which require Council approval:

- £50,000 within Supporting People. Funding for one off projects for Mental Health Personalisation and Transition. This work was delayed in 2012/13 due to other priorities and will enable the reconfiguration of services by working with clients and providers to realise cost savings.
- £100,000 to support the Council's commitment to the creation of a Community Development Trust.

Both of these carry forward proposals have been included within the overall outturn figures.

Schools Service

A2.4 A balanced budget position has been declared for Schools Block Activities after making a contribution to reserves of £0.126m. This position will be reported to the Schools Forum.

A2.5 Schools will be carrying forward balances of £3.5m from 2012/13 to 2013/14 – these resources are earmarked for schools related expenditure. This is an increase against the previous year. It is important to note that although balances have increased in 2012/13 this is on a smaller base as schools that have converted to Academies over 2012/13 are no longer included in the figures (5 schools converted to Academies in 2012/13).

A3. Net Expenditure

A3.1 Before the application of reserves and uncommitted grants net expenditure for 2012/13 was £126.121m. After the application of £3.667m of reserves (including the Budget Pressures Reserve) and unallocated grants the council has uncommitted budgets of £1.292m. The main variations are summarised in the table below.

Net Revenue Expenditure 2012/13

Council Services	Revised Budget	Outturn	Net Over /(Under) spend
	£'000	£'000	£'000
Place and Resources			
Residents and Visitors	9,034	9,158	124
Waste and Cleaning	11,142	10,833	(309)
Spatial Planning	5,310	5,508	198
TDA - Clientside	2,639	2,597	(42)
TDA - TEDC	1,721	1,722	1
Torbay Harbour Authority	0	0	0
Business Services	1,986	1,706	(280)
Finance	10,290	9,108	(1,182)
Sub Total	42,122	40,632	(1,490)
Children, Schools & Families	20,456	22,922	2,466
Sub Total	20,456	22,922	2,466
Public Health			
Public Health	0	0	0
Community Safety	2,628	2,455	(173)
Sub Total	2,628	2,455	(173)
Adults and Resources			
Adult Social Care	42,905	43,324	419
Information Services	3,863	3,839	(24)
Commercial Services	3,798	3,708	(90)
Supporting People	5,913	5,574	(339)
Sub Total	56,479	56,445	(34)
Operational budget - Overspend	121,685	122,454	769
Unallocated Grants	2,061	0	(2,061)
Uncommitted Budgets	0	1,292	1,292
Approved Budget	123,746	123,746	0

A3.2 A brief summary of the main variances and the principal reasons for any underspends or overspends within each directorate are explained below

Place and Resources

A3.3 Overall underspend of £1.491m.

Residents and Visitor Services – overspend of £0.124m. This was primarily due to a shortfall in car parking income during the year which was offset by the implementation of a moratorium on all discretionary spending resulting in service reductions across this business unit.

Waste and Cleaning - underspend of £0.309m. This was due, in part, to the introduction of various waste reduction and diversions initiatives by TOR2 which has generated savings in landfill tax and transportation costs.

Spatial Planning - overspend of £0.198m after the application of £0.225m from the Budget Pressures Reserve. This overspend has arisen mainly due to increased costs for Concessionary Fares and a reduction in planning fee income and no charging for rubble at the civic amenity site.

Economic Development Company (Client side) - underspend of £0.041. This was primarily due to savings within the central repair and maintenance budget arising from the freeze of discretionary spending.

Finance - underspend of £1.183m primarily due to in year management and savings within treasury management due to higher than budgeted cash balances (linked to the profile of spend within the capital programme) combined with higher investment rates than budgeted leading to better investment returns, lower audit and inspection fees, additional housing benefit administration grant, higher benefit overpayment recovery, lower than budgeted discretionary pension costs and reduced staffing costs arising from vacancy management within the business unit.

Business Services - underspend of £0.280m due to savings within the recruitment budget due to the freeze on recruitment within most of the Council, receipt of additional income for services to schools and administrative and staffing savings within the business unit.

A3.4 **Communities and Local Democracy** Overall underspend of £0.173m.

Community Safety - underspend of £0.173m after the application of the proposed carry forward due additional contract income derived from the Cemeteries and Crematorium Service and vacancy management savings and a moratorium on spend within the Business Unit.

Children, Schools & Families

A3.5 Overall overspend of £2.466m after the application of £0.275m from the budget pressures reserve to fund the costs of the recruitment and retention initiative to reduce social care agency costs after a further £1.106m from the CSR reserve to fund the increased costs within Residential Care.

As reported during the year the overspend was within Safeguarding and Wellbeing due to the increased numbers and the costs for children in care and placements within the independent sector plus the continued use and costs associated with the appointment of agency social workers within the Children in Need service. The overspend within Safeguarding and Wellbeing was partly offset by savings across other services within the Business Unit.

A3.6 The number of looked after children at the end of March was 301, an increase of 92 since 31st March 2011 (252). The number of children on Child Protection Plans for the same period is 180 compared to 290 in March 2012.

Adults and Operations

A3.7 Overall underspend £0.034m. The variations are summarised below:

Adult Social Care – net overspend of £0.419m which includes the use of section 256 monies. As reported throughout the year the overspend was due to the number of ordinary residency cases within the Bay. This is a volatile area resulting in increased cost pressures for the Council. The full year effect of these additional costs has been recognised within the approved 2013/14 budget for Adult Social Care.

Commercial Services – underspend of £0.090 due to savings within the Governance budget, the Coroner’s budget and vacancy and administrative savings across the business unit.

Information Services – underspend of £0.024m due to administration, licences and salary savings across the Business Unit.

Supporting People - underspend of £0.339m after the application of the proposed carry forward due to contractual savings and effective commissioning due to contractual negotiations with service providers and in year service savings.

A4. Debtors Outturn

A4.1 The key issues with respect to debtors are:

Council Tax

A4.2 The 2012/13 targets for collection of Council Tax were:

- (i) collect 96.5% of the Council Tax due within the financial year; and
- (ii) collect 50% of the arrears brought forward from previous years.

At the end of the financial year the Council collected £58.3m which is 97.2% of the Council Tax due in 2012/13. This is in line with last year's performance.

A4.3 The collection of arrears proved difficult due to the weakness of the local economy. The arrears outstanding at the end of the financial year were £3.6m.

A4.4 With the introduction of the Local Council Tax Support Scheme from April 2013 and other changes in welfare benefit regulations, there will be an impact upon a number of residents' disposable income. This, combined with the challenges faced within the local economy, will place pressure on collection performance during the next 12 months. The position will continue to be monitored and reported to Members on a quarterly basis.

A4.5 There are no Council Tax write-offs over £5,000 to report to Members of the Overview and Scrutiny Board.

Non-Domestic Rates

A4.6 The targets for the collection of NNDR (business rates) were:

- (i) To collect 98.0% of the business rates due in the financial year; and
- (ii) To collect 50% of the arrears brought forward from previous years.

A4.7 At the end of the fourth quarter, the Council collected £36.1m which is 96.5% of the business rates due in the year 2012/13.

A4.8 Due to the economic conditions, businesses are facing difficult trading conditions which may impact upon collections rates in 2013/14.

A4.9 It should be noted that from April 2013 with the introduction of the NNDR retention scheme the Council is now liable for 49% of all income and costs associated with NNDR including any costs relating to pre April 2013 such as write offs and successful revaluation appeals.

A4.10 NNDR write- offs are set out at exempt Appendix 1.

A5. Financial Performance of External Companies

A5.1 For completeness a summary of the financial performance of the companies that Torbay Council has an interest in is included. Attached as Appendix 2 is a list of those companies which summarises their outturn position.

A6. Conclusion

A6.1 The quarterly monitoring reports presented to Members during the year identified the main budget pressures and action taken to address these pressures. During 2012/13 there were significant budget pressures within Safeguarding and Wellbeing within Children's and strict financial management and control, the use of reserves and uncommitted budgets ensured the Council declared a balanced position at year end. The outturn position allows for a contribution to be made to the general fund balance and to support regeneration across the Bay.

A6.2 The Council will be building upon the detailed service review of all activities undertaken last year and will be looking at options to address the ongoing pressures it faces including the Waste Agenda, increasing demands made upon Social Care for Adults and Children's as well as the volatility in income collection and continued likely reduction of government grant.

A6.3 A culture of strict financial management and control must continue across all services with Executive Lead Members and officers managing their budgets robustly in 2013/14 and making it a priority that all service expenditure is contained within the approved budget allocation.

A6.4 As in previous years, it is worth reminding Members and officers that any new proposals and service issues should not be considered or brought forward unless clear and achievable funding sources (or savings) are identified, and that these are priority projects for the Council are not driven simply because some external funding has become available.

A6.5 In addition as soon as there is evidence of a variance against the approved budget, officers must identify the anticipated size of the variance, the cause of the variance and the remedial action to bring the budget back into balance. This will be supported through the regular budget monitoring to Executive Lead Members, Overview and Scrutiny and the Senior Leadership Team.

A6.5 The Council continues to have some uncommitted reserves in 2013/14 to assist in addressing any unforeseen events and which will also assist the Council in managing a reduction in service provision over the next few years, however these are significantly lower than previous years.

A7 Possibilities and Options

A7.1 Members could consider alternative uses for the uncommitted budgets identified within this report.

A.8 Preferred Solution /Option

A8.1 As set out in the recommendations.

A.9 Risks

A9.1 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 CSR of £3.1m will assist in ensuring the Council's reserves are sufficient to assist with its medium term financial planning and manage unforeseen events.

A10 Consultation

A10.1 Directors and Executive Heads and their Executive Leads have discussed and agreed the outturn position.