



Meeting: Overview and Scrutiny Board **Date:** 9 July 2014

Wards Affected: All Wards

Report Title: Provisional Outturn 2013/14 – Subject to Audit

Executive Lead Contact Details: Mayor Oliver

Supporting Officer Contact Details: Paul Looby Executive Head – Finance

1. Purpose and Introduction

- 1.1. The revenue outturn report provides a summary of the Council's expenditure for the financial year 2013/14 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.

2. Proposed Decision

- 2.1 **That the revenue outturn position for 2013/14 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, including any views on the recommendations being made by the Executive Head – Finance, namely:**
 - (i) **£0.8m of restructuring costs are funded from the available resources identified at outturn to protect the Council's Comprehensive Spending Review reserve – paragraph 4.3.**
 - (ii) **A sum of £0.350m is approved as carry forwards into 2014/15 for Crisis Support Fund and Hardship Fund - paragraph 4.15 - 4.17.**
 - (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. Reasons for the Decision

- 3.1 The approval of the outturn position and agreement as to how any unallocated budgets are used is an essential part of the financial monitoring process. In addition the Council has a statutory duty to close its annual accounts which is

assisted by the production of a provisional outturn statement which is presented to and approved by Members.

- 3.2 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 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 there may be available at year end.
- 3.3. The recommendations within the report will ensure the Council maintains an adequate level of reserves by utilising the available resources at year end to fund the costs of restructuring the Council.
- 3.4 Approval of the carry forward request, in particular ring fencing monies to support vulnerable members of the community through the Crisis Support Fund, will ensure financial resources are available to continue to operate a scheme. Members will be aware that the Coalition Government will stop funding for the Crisis Support Scheme after March 2015.

4 Summary

- 4.1 The continuing reduction to local government funding meant 2013/14 was another challenging year financially for the Council. As part of the budget setting Members acknowledged and accepted the risks and were aware of the challenges the council faced in ensuring a balanced budget was achieved due to the reductions in funding and the increasing demands and expectations from customers across a range of services.
- 4.2 As in previous years there were significant budget pressures that the Council had to manage, particularly within Safeguarding and Wellbeing (Children's Services) and achievement of the income target for Car Parking.
- 4.3 However despite these challenges the Council delivered a balanced budget at year end by delivering underspends as part of the in – year savings strategy and utilising reserves and uncommitted budgets. The declared outturn position has identified £0.8m of restructuring costs which are recommended to be funded from the 2013/14 outturn position. Members will recall that the Comprehensive Spending Review (CSR) Reserve was earmarked to fund all restructuring costs – by approving the recommendation within this report the CSR reserve will be protected and will provide contingency against any unforeseen budget pressures and future restructuring costs. A summary of the provisional outturn position is shown below:

	Council Budget	Council Outturn	Over/(under) spend
Council Expenditure	126,950	128,286	1,336
Use of Budget Pressures Contingency	0	(1,000)	(1,000)
Unallocated Grants	0	(1,136)	(1,136)
Uncommitted budgets at year end	126,950	126,150	(800)
Recommendation Allocated to: - Restructuring Costs			800
Balance			0

- 4.4 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, strict control of vacancy management (using redeployment for vacancies in preference to redundancies where possible), bringing forward 2014/15 proposed savings to deliver in year savings 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

- 4.5 Members will be aware of the important decision taken by Council with the creation of the Comprehensive Spending Review (CSR) reserve; which is the Council's uncommitted reserve set up to meet the financial challenges faced by the Council to response to the Coalition Government's austerity programme. 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.
- 4.6 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. Use of reserves should only be used where there is a planned invest to save scheme which is robustly managed and monitored and endorsed by the appropriate Director.
- 4.7 With respect to 2013/14, the Mayor agreed to allocate the budget pressures contingency reserve of £1m to support the budget pressures within Safeguarding and Wellbeing.
- 4.8 As recommended within this report, if the costs for restructuring are funded from the resources available in 2013/14, the CSR reserve will be protected and the balance on the reserve as at 1 April 2014 will be £3.8m. This will be required to fund the costs of future reorganisations and any pressures if they emerge during 2014/15.

General Fund Balance

- 4.9 The Council also holds a General Fund Balance. Due to strict financial management there has not been a call on the general fund balances since the Council became a unitary authority in 1998. However, officers and Members will be aware of the continued reduction to local government funding and the expected demand pressures in 2014/15 and beyond will place ever increasing pressures on the council's non earmarked reserves. The Council's General Fund balance is £4.4m as at 1 April 2014. This balance represents 3.8% of the council's net budget in 2014/15.
- 4.10 In these challenging financial times a number of local authorities have been increasing the level of their reserves as part of a strategy to support budgets in future years. This approach has received significant media and Department of Communities and Local Government attention i.e. questioning why a local authority holds reserves during difficult times. However a strategy of increasing reserves when grant from government has and will continue to fall is a prudent approach to sound financial management. The Institute of Fiscal Studies have already declared that the government has not yet achieved 50% of the required austerity measures across the public sector. Whilst there are no confirmed figures for future levels of local government grant it is clear the period of austerity will continue and will impact directly upon the range and scale of services that can be provided by local government until the end of the decade.
- 4.11 Therefore 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 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.

- 4.12 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 2014. For Members information, the external audit of the accounts commenced on 16 June 2014 and is expected to take approximately 2 months.
- 4.13 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 as has been the practice in recent years.
- 4.14 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 and CSR 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 including invest to save initiatives where supported by a robust business case.

Crisis Support Funding

- 4.15 The Council has been responsible for the operation of the Crisis Support Scheme since April 2013. The Coalition Government announced that funding for the scheme will end in March 2015. If the Council wants to continue to administer the same or similar scheme it will have to be funded from existing resources and will become an additional budget pressure in future years.
- 4.16 As at 31 March 2014 there was an underspend of £0.3m on the scheme. The Chief Finance Officer is recommending that this sum is carried forward in 2014/15. This money can either be used to support the fund in the current financial year or, if there is an underspend at the end of 2014/15, used to ensure the scheme can continue for at least one further year after the coalition government has cut the funding.
- 4.17 There is also an underspend within the exceptional hardship fund for council tax and it is also recommended this is also carried forward into 2014/15 and ring fenced. There are no other carry forwards that have been proposed and require Member approval.

Supporting information

A1. Introduction and history

- A1.1 The Council approved the 2013/14 budget on 13 February 2013. Financial monitoring reports have been prepared throughout the year and distributed to Members of the Overview and Scrutiny Board and presented to Council during 2013/14 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 2013/14 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 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 and propose carry forwards and these are considered by Members at Council for approval.
- A2.3 There is one carry forward which is recommended by the Chief Finance Officer for approval:
- £350,000 within Finance. It is recommended that the underspend in the Crisis Support and Exceptional Hardship Fund is carried forward and ring fenced in 2014/15 and beyond in accordance the existing schemes.

This carry forward proposal has 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 £0.110m. This position will be reported to the Schools Forum.

A2.5 Schools will be carrying forward balances of £2.8m from 2013/14 to 2014/15 – these resources are earmarked for schools related expenditure. This is an increase against the previous year. It is important to note that although balances overall have decreased in 2013/14 this is on a smaller base as schools have converted to Academies over 2013/14 are no longer included in the figures (5 schools converted to Academies in 2013/14). Members are reminded that the Dedicated Schools Grant can only be used for schools related activities.

A3. Net Expenditure

A3.1 Net expenditure after the applications of reserves and uncommitted budget was £126.950m.

Net Revenue Expenditure 2013/14

Council Services	Revised Budget	Outturn	Net Over / (Under) spend
	£'000	£'000	£'000
Adults			
- Adult Social Care	43,757	42,613	(1,144)
- Supporting People	4,418	4,310	(108)
Sub Total	48,175	46,923	(1,252)
Children, Schools & Families	28,454	31,935	3,481
Public Health			
Public Health (ring fenced budget £7.150m)	0	0	0
Community Safety	1,982	1,739	(243)
Sub Total	1,982	1,739	(243)
Place			
- Residents and Visitors	7,807	7,896	89
- Spatial Planning	5,671	5,719	48
- TDA - Clientside	2,393	2,384	(9)
- TDA - TEDC	1,677	1,650	(27)
- Torbay Harbour Authority (ring fenced budget - £4.928m)	0	0	0
- Waste and Cleaning	11,826	11,799	(27)
Sub Total	29,374	29,448	74
Operations and Finance			
- Commercial Services	3,539	3,268	(271)
- Information Services	3,516	3,445	(71)
- Business Services	1,655	1,549	(106)
- Finance	9,119	7,843	(1,276)
Sub Total	17,829	16,105	(1,724)
Total	125,814	126,150	336
Unallocated Grants	1,136	0	(1,136)
Restructuring Costs	0	800	800
Approved Budget	126,950	126,950	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

Adults

A3.3 Overall underspend £1.252m. The variations are summarised below:

<p>Adult Social Care – net underspend of £1.144m. As reported in the last monitoring report this was due to costs and commitments anticipated early in 2013 that did not materialise, overachievement of the Cost Improvement programme from all zone teams and learning disability and ordinary residency costs were below budgeted levels throughout the year.</p>

<p>Supporting People - underspend of £0.108m due to vacancy management within the service and contractual savings delivered during the year.</p>

Children, Schools & Families

A3.4 Overall overspend of £3.481m after the application of £1m from the budget pressures contingency and savings from the department's Recovery Plan and reported underspends primarily within Family Services.

A3.5 The main pressure was within Safeguarding and Wellbeing where an outturn overspend of £5.6m was declared. This was due to the numbers, costs and length of time for children in care and placements within the independent sector and continued use of agency social workers primarily as a result of cover for maternity leave and to provide additional capacity to support newly qualified social workers.

A3.6 Members will recall that as part of the 2014/15 budget an earmarked contingency was approved specifically to mitigate against budget pressures that may arise within Safeguarding and Wellbeing. Members also approved monies (which have been funded from reserves) for invest to save projects within Safeguarding and Wellbeing to reduce future costs.

A3.7 The number of looked after children at the end of March 2014 was 314 which compares to 305 at the beginning of the financial year. The number of children on Child Protection Plans for the same period is 173 compared to 180 in March 2013.

Public Health and Community Safety

A3.8 Overall underspend of £0.243m.

Public Health is funded from a specific grant of £7.150m and was only used to fund Public Health related activities. The service underspent by £0.728m. This will be carried forward into 2014/15 and ring fenced for Public Health.

Community Safety - underspend of £0.243m due to additional contract income within the Crematoria budget, vacancy management and a moratorium on expenditure.

Place

A3.9 Overall overspend of £0.074m.

Residents and Visitor Services – overspend of £0.089m. 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 £0.027m. This was a small projected underspend due to a small reduction in tonnages at year end and full year impact of various waste reduction and diversions initiatives by TOR2.

Spatial Planning - overspend of £0.048m arisen mainly due to additional costs within the Planning team arising from recently announced Planning appeals and associated costs. Members will note during the year the volatile Concessionary Fares budget reported underspends due to a reduction in the contracted payments to providers and reduced passenger numbers which helped reduced the projected outturn position.

Economic Development Company (Client side) – reported a small underspend of £0.009m.

Economic Development Company (TDA) - £0.027m underspend achieved through efficiency savings.

Operations and Finance

A3.10 Overall underspend of £1.7m. The variations are summarised below:

<p>Finance - underspend of £1.276m due to savings within treasury management primarily due to savings on interest payments due to the repayment of loans, lower audit and inspection fees, additional housing benefit administration grant, higher benefit overpayment recovery, lower than budgeted discretionary pension costs, reduced staffing costs arising from vacancy management within the business unit, early implementation of 2014/15 budget savings and an unexpected late receipt of a capitalisation grant from Department of Communities and Local Government.</p>
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<p>Commercial Services – underspend of £0.271m due to savings within the Members Allowances budget, a reduced contribution to the insurance reserve and vacancy management savings and early implementation of 2014/15 budget savings.</p>

<p>Information Services – underspend of £0.071m due to vacancy management and IT Infrastructure savings.</p>

<p>Business Services - underspend of £0.106m due to vacancy management savings, early implementation of 2014/15 budget savings and additional income for bought back services.</p>

A4. Debtors Outturn

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

Council Tax

A4.2 The 2013/14 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 £60.5m which is 94.9% of the Council Tax due in 2013/14. The collection level is down on last year's performance, reflecting the impact of the Local Council tax Support Scheme.

A4.3 The collection of arrears proved difficult due to the weakness of the local economy and introduction of the Local Council Tax Support Scheme. The total arrears outstanding at the end of the financial year were £4.9m.

A4.4 Following the introduction of the Local Council Tax Support Scheme in April 13 the Council has been monitoring closely the impact of the changes upon collection rates. The collection rate for accounts where last year there was no Council Tax liability in 2012/13 is 68.2%. The collection rate where the account was not entitled

to maximum Council Tax Benefit is 76.9% compared to 80.0% for the previous year.

A4.5 There are no Council Tax write-offs over £5,000 to report to Members of the Overview and Scrutiny Board. 332 council tax accounts with a value of £0.084m have been written off in the final quarter.

Non-Domestic Rates

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

(i) To collect 97.0% 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 £35.6m which is 97.2% of the business rates due in the year 2013/14.

A4.8 Members will recall 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. Since April 2013 the impact of the new scheme has had an impact upon the council's income as there has been a reduction in the tax base within the Bay and a number of appeals dating back to 2005 which are still outstanding. As at the 31 March 2014 the estimated value of outstanding appeals is £2.5m of which the council's share (49%) is £1.250m. Due to the new arrangements for business rates the Council has recognised the estimated cost of backdated appeals within the 2013/14 final accounts.

A4.9 NNDR write - offs above £5,000 are set out at exempt Appendix 1 for Members of the Overview and Scrutiny Board and are available to all other Members upon request. 25 NNDR accounts with a value of £0.073m have been written off in the third quarter.

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 as appendix 2 to this report.

A6 Possibilities and Options

A6.1 Members could consider alternative uses for the uncommitted budgets identified within this report.

A.7 Preferred Solution /Option

A7.1 As set out in the recommendations.

A.8 Risks

A8.1 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 reserve of £3.8m will assist in ensuring the Council's reserves are

sufficient to assist with its medium term financial planning and manage unforeseen events.

A9 Consultation

A9.1 Directors and Executive Heads and their Executive Leads have discussed and considered the outturn position.