

CABINET

13 JULY 2015

SUBJECT	REVENUE OUT-TURN 2014/15
WARD/S AFFECTED	ALL
REPORT OF	ACTING SECTION 151 OFFICER
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

- 1.1 This report informs Cabinet of the Revenue Out-turn for 2014/15 including details of the level of general Fund balances and reserves at 31 March 2015.

2.0 BACKGROUND AND KEY ISSUES**MONITORING 2014/15**

- 2.1 The Budget 2014/15 was agreed by Council on 25 February 2014 with any increase in the Budget agreed by full Council. Changes to the Budget since it was set are summarised in Table 1 and comprise: variations approved by Cabinet / Council including approved virements; budget realignments reflecting changes to the Directorate structure and responsibilities; the allocation of savings to Directorates; any technical adjustments.

Table 1: 2014/15 Original & Revised Net Budget by Directorate (£000)

	Original Net Budget	Budget Changes	Revised Net Budget
	£000	£000	£000
Chief Executive	10,035	-6,364	3,671
FWB - Adult Social Services	74,667	-759	73,908
FWB - Children & Young People, Schools & Safeguarding	82,877	1,510	84,387
FWB – Sports and Recreation	8,502	-1,019	7,483
Regeneration and Environment	95,190	1,430	96,620
Transformation & Resources	20,199	-1,342	18,857
Corporate Growth & Savings	-15,813	6,544	-9,269
Net Cost of Services	275,657	0	275,657

- 2.2 Throughout the financial year Cabinet have received updates in respect of Revenue Monitoring with these reports having been submitted monthly. After the significant changes the Council went through during 2012/13 and 2013/14, 2014/15 has seen an increasingly stable and positive position being reported.

- 2.3 The last monitoring report, for Month 10, considered by Cabinet on 12 March 2015, projected a General Fund overspend of £0.8 million. The overspending was principally due to slippage or non-delivery of in-year savings and demand pressures in particular services. It was mitigated by underspending in certain Directorates and the implementation of a number of management actions and mitigation to help compensate and limit the adverse variances.
- 2.4 The actual Out-turn was an underspend of £0.5 million and Table 2 compares this with the position as at Month 10 with the improvement essentially due to the underspends with Regeneration & Environment, in respect of staffing and increased income, and Transformation & Resources, with further savings identified from treasury management activities. These more than offset the slippage on the delivery of the Re-modelling savings which were initially to be met from the Re-modelling Reserve.

Table 2: 2014/15 Projected / Actual Variations by Directorate (£000)

	Month 10 (Under) Over	Actual (Under) Over
Chief Executive	(194)	(386)
FWB - Adult Social Services	2,745	2,457
FWB – Children & YP, Schools & Safeguarding	196	349
FWB – Sports and Recreation	259	0
Regeneration and Environment	(1,475)	(3,349)
Transformation & Resources	(759)	(2,537)
Corporate Growth & Savings	0	2,956
Net Cost of Services	772	(510)

- 2.5 Within the Budget for 2014/15 was £36.2 million of efficiencies. The Revenue Monitoring reports throughout the year highlighted the potential overspending areas which included slippage in the delivery of some of the savings to be delivered. This reflected timing delays in implementation mainly within Families & Wellbeing – Adult Social Services. Table 3 provides details of the variations by Directorate.

Table 3 : Analysis of the Directorate Variations

Directorate	Description	Over £m	Under £m
Chief Executives	Employees and use of provision		0.4
FWB - Adult Social Services	Additional Care including packages	5.4	
	Employees and other costs		1.3
	Additional Income and funding		1.7
FWB – Children & YP, Schools & Safeguarding	Additional Residential Care costs	0.8	
	Transport overspend	0.4	
	Connexions Service		0.3
	Reduced staffing & retirement costs		0.5

Directorate	Description	Over £m	Under £m
Regeneration and Environment	Increased income and reduced staffing in various areas		2.1
	Supporting People Programme (early delivery of savings and efficiencies)		1.0
	Additional grant support and match funding not utilised		0.5
	Floral Pavilion	0.3	
Transformation and Resources	Treasury Management including Capital Financing		2.0
	Reduced staffing expenditure and increased income in various areas		0.5
Corporate Growth and Savings	Slippage on Remodelling saving due to longer than anticipated timescale for consultation	2.9	

- 2.6 The net underspend of £0.5 million at the year-end has been transferred to General Fund Balances.

LEVEL OF GENERAL FUND BALANCES

- 2.7 The level of balances is locally determined using a risk-based assessment which takes into account the strategic, operational and financial risks facing the Council. The approach was adopted during 2014/15 and Cabinet 12 February 2014 agreed to the level of balances being set at, or above, the locally determined figure.
- 2.8 When setting the Budget 2014/15 the projected balances were £17.3 million with £0.3 million used to support the Budget 2014/15 leaving balances of £17 million. In setting the Budget 2015/16 the projected balances were to be maintained at £17.3 million for 2014/15 and £17.4 million for 2015/16.
- 2.9 The out-turn shows the final figure to be £18.7 million which is above the target figure for General Fund balances of £17.4 million for 2015/16.

Table 4: Summary of the General Fund balances

Details	£m	£m
Balance at 31 March 2014		17.3
Less: Contribution to 2014/15 Budget		-0.3
Add : Additional New Homes Bonus		+0.2
Add : Release of Insurance Fund Reserve		+1.2
Add : Outturn 2014/15 Underspend		+0.5
Actual Balance 31 March 2015		18.7

COLLECTION FUND

- 2.10 A number of significant changes implemented from April 2013 continue to impact upon the Collection Fund. These include the business rates retention scheme and the abolition of the Council Tax Benefit System and replacement with Local Council Tax Support. Business Rates Retention replaced the pooling arrangement with guaranteed central pool income with a system which involves increased risk, partially mitigated with a Government ‘top up’ payment for authorities such as Wirral with a low business rates tax base.
- 2.11 The Collection Fund comprises Council Tax and Business Rates balances which are apportioned separately in accordance with the relevant legislation for each income source. Whilst Council Tax generated a surplus there was a deficit within Business Rates due to the requirement to set aside increased provision for potential future business rates appeals. This deficit is shared with Government. Wirral’s share of the Fund equates to a surplus of £2.6 million.

Table 5 : Collection Fund Balance As At 31 March 2015

	£000
Council Tax	4,947
Business Rates (NNDR)	-2,307
Net Surplus	2,640

- 2.12 In accord with accounting requirements, the Wirral share of the surplus is shown in the Council accounts. As agreed by Cabinet on 15 January 2015 during 2015/16 Wirral will receive £3.7 million from the Fund relating to the projected surplus for Council Tax. Depending upon performance in 2015/16 a further amount may be available for distribution in 2016/17.

PROVISIONS FOR BAD DEBTS

- 2.13 Details of the performance for 2014/15 are contained in the Collection Summary 2014/15 which details the collection performance, the level of debts at the year-end and debts written-off in the year.

Table 6 : Provision For Potential Bad Debts

	At 31 Mar 2014	At 31 Mar 2015
	£000	£000
General Fund		
Sundry Debtors	7,208	7,943
Summons Costs	506	621
Housing Benefit	7,837	8,997
Collection Fund		
Business Rates	1,761	1,715
Council Tax	9,527	11,258

RESERVES

- 2.14 Details of the current level of the reserves and the movements during 2014/15 are shown in the Annex. The earmarked reserves increased from £84 million at 31 March 2014 to £87 million at 31 March 2015. The categories of earmarked reserves are as follows:

Category and Description
<p>TO SUPPORT SERVICE ACTIVITIES AND PROJECTS Includes Government Grant funded schemes where the grant is received and spend incurred in the following year such as Public Health and Family Intervention and where the sums held are earmarked for the completion of programmes such as Community Asset Transfer and IT Development.</p>
<p>TO SUPPORT THE COUNCILS RE-MODELLING PROGRAMME Support future Council operational changes including the costs of investments to deliver future savings and one-off workforce reduction costs.</p>
<p>MITIGATION OF FUTURE RISKS:INSURANCE AND TAXATION Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates appeals, etc.</p>
<p>SCHOOLS RELATED Balances and sums for school-related services which can only be used by schools and not available to pay for Council services</p>

- 2.15 Careful consideration has been given to any proposals which increase earmarked reserves with additional verification required as part of the 2014/15 closure of accounts process. The increase in reserves for the year reflects the establishment of the Waste Development Fund, £6.7 million, and the increase of £4.6 million under Business Rates. The year saw the use of a number of reserves including £3 million from IT Development and £4 million from Remodelling. An in-year review of reserves saw the transfer of a number of reserve balances that were no longer required, totalling £2.7 million, to the Remodelling Reserve to enable the maintenance of a fund to support the remodelling of Council services in future years.
- 2.16 Under the Education Reform Act 1988 all primary, secondary, special and nursery schools manage delegated budgets. At 31 March 2015 the balances held by schools totalled £ 10.7 million (£11.7 million at 31 March 2014) and these can only be used for schools' purposes.
- 2.17 The Insurance Fund reserves was £10.2 million at 31 March 2015. The Fund increased due to the transfer of funding from the insurance provision following an actuarial review of the future liabilities and claims. This reflected the required funding level indicated and saw a reduction in provisions for known claims management outcomes (see Audit & Risk Management Committee 8 June 2015 Insurance Fund Annual Report 2014/15).

3.0 RELEVANT RISKS

3.1 There are none associated with this report which provides a summary of the Council's financial affairs for 2014/15 and the balances at 31 March 2015.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options were considered. There is a legal requirement to publish the Statement of Accounts by 30 September 2015.

5.0 CONSULTATION

5.1 This is an end of year report. Consultation takes place as part of the planning and implementation of specific schemes within the Council Budget.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 This report provides the end of year financial report which incorporates the actions agreed as part of the Revenue Monitoring reports presented to Cabinet throughout the 2014/15 financial year.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising directly from this report. These would be considered when planning and implementing specific schemes or projects.

8.0 RESOURCE IMPLICATIONS

8.1 The financial headlines are:-

- a) The Revenue Out-turn for 2014/15 showed an underspend of £0.5 million which compares with the £0.8 million overspend projected at Month 10. This is set out in sections 2.4 and 2.5.
- b) The Balances at 31 March 2015 were £18.7 million which is above the level forecast when the Budget 2014/15 was agreed.
- c) The Earmarked Reserves at 31 March 2015 were £87.4 million. These are held for a number of specific purposes.

8.2 There are no staffing, IT or asset implications arising directly from this report.

9.0 LEGAL IMPLICATIONS

9.1 Local authorities have to produce an Annual Statement of Accounts which demonstrates the financial performance of the Council for the year and the financial position at the end of the period. The Accounts must apply with the Code of Practice on Local Authority Accounting. There is a legal requirement to publish the Statement of Accounts each year.

10.0 EQUALITIES IMPLICATIONS

10.1 There are no implications arising directly from this report being a report on the overall financial affairs for the financial year just completed.

11.0 CARBON REDUCTION IMPLICATIONS

11.1 There are no implications arising directly from this report. These are included in reports to Cabinet on individual schemes and in the Carbon Budget report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are no implications arising directly from this report.

13.0 RECOMMENDATIONS

- 13.1 a) The Revenue Out-turn for 2014/15 which showed an underspend of £0.5 million be noted.
b) The transfer of the underspend to General Fund Balances be confirmed.
c) The Reserves as detailed in the Annex be confirmed.

14.0 REASONS FOR RECOMMENDATIONS

14.1 Local authorities have to produce an Annual Statement of Accounts which demonstrates the financial performance of the Council for the year and the financial position at the end of the period. The full Statement is approved by Audit & Risk Management Committee on behalf of the Council. This report informs Cabinet of the key elements.

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ANNEX

Earmarked Reserves Statement 2014/15

REFERENCE MATERIAL

CIPFA Code Of Practice On Local Authority Accounting In The UK 2014/15.
Local Government Act 2003 and subsequent amendments.
Local Government (Capital Finance and Accounting) Regulations 2008.
Accounts and Audit (England) Regulations 2011.

SUBJECT HISTORY

Council Meeting	Date
Cabinet – Out-turn 2012/13	13 June 2013
Cabinet – Out-turn 2013/14	7 July 2014
Cabinet – Budget 2014/17	12 February 2014
Council – Budget 2014/17	25 February 2014
Cabinet – Budget 2015/18	10 February 2015
Council – Budget 2015/18	24 February 2015
Cabinet – Revenue Monitoring 2014/15	Monthly reports

EARMARKED RESERVES STATEMENT 2014/15

Earmarked Reserves	Balance 31 Mar 14	Movement 2014/15	Balance 31 Mar 15
	£000	£000	£000
Remodelling	14,156	(1,307)	12,849
Schools Balances	11,682	(958)	10,724
Insurance Fund	9,151	1,055	10,206
Business Rates Equalisation	3,259	4,621	7,880
Waste Development Fund	-	6,502	6,502
Housing Benefit	6,888	(954)	5,934
Families & Well Being Budget Stabilisation	3,431	-	3,431
Dedicated Schools Grant	1,402	656	2,058
Public Health Outcomes	1,953	(90)	1,863
One Stop Shop/Libraries IT Networks	1,878	(137)	1,741
Efficiency Investment Rolling Fund	1,289	250	1,539
Community Asset Transfer	1,531	(213)	1,318
Support and Assistance to Public in Need	626	577	1,203
Intensive Family Intervention Project	914	104	1,018
Business Rates Appeals	1,000	-	1,000
IT Development	3,792	(2,855)	937
Stay, Work, Learn Wise	908	-	908
Supporting People Programme	905	-	905
Property Development Framework	-	700	700
School Harmonisation	1,077	(416)	661
Schools Capital Schemes	750	(116)	634
Public Health - Information and Performance	564	-	564
Early Years - 2 Year Olds Funding	-	510	510
Waste Efficiencies Fund	-	500	500
Major Infrastructure Project Development	-	500	500
Home Adaptations	495	-	495
Flood Prevention	284	201	485
Schools Contingency	368	-	368
Children's Workforce Development Council	469	(146)	323
Business Improvement Grant	328	-	328
Children Centre Nurseries	322	-	322
Parks & Countryside	311	-	311
Local Pay Review	296	-	296
Schools Service IT	294	-	294
Homeless Prevention	271	-	271
Champs Innovation Fund	186	81	267
New Homes Bonus	145	120	265
Budget Equalisation	1,860	(1,860)	-
Schools - PFI Affordability Gap	600	(600)	-
Child Poverty	250	(250)	-
Other Reserves	9,995	(2,720)	7,275
	83,630	3,755	87,385

Summary of Earmarked Reserves

Generic Purpose of Earmarked Reserves	Balance 31 Mar 2014 £ million	Balance 31 Mar 2015 £ million
To Support Service Activities and Projects	26.5	31.8
To Support the Councils Remodelling Programme	19.3	15.4
Mitigation of Future Risks: Insurance and Taxation	20.3	25.1
Schools Related	17.5	15.1
Total Earmarked Reserves	83.6	87.4