

REVENUE OUT-TURN 2015/16

REPORT SUMMARY

This Appendix informs Cabinet of the Revenue Out-turn for 2015/16 including details of the level of general Fund balances and reserves at 31 March 2016.

RECOMMENDATIONS

- a) The Revenue Out-turn for 2015/16 which showed an underspend of £1.3 million be noted.
- b) The transfer of the underspend to General Fund Balances be confirmed.
- c) The General Fund Balances at 31 March 2016 of £22.2 million, with £9.7 million agreed to be used in the Budget 2016/17, be noted.
- d) The Earmarked Reserves totalling £73.9 million as detailed in the Annex be confirmed.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 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 Appendix highlights the key elements.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 No other options were considered. There is a legal requirement to publish the Statement of Accounts by 30 September 2016.

3.0 BACKGROUND INFORMATION

MONITORING 2015/16

- 3.1 The Budget 2015/16 was agreed by Council on 24 February 2015 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: 2015/16 Original & Revised Net Budget by Directorate

	Original Net Budget	Budget Changes	Revised Net Budget
	£000	£000	£000
FWB - Adult Social Services	68,305	2,761	71,066
FWB - Children & Young People	67,964	4,494	72,458
FWB - Schools, Leisure, etc	7,956	1,450	9,406
Regeneration and Environment	90,287	-826	89,461
Transformation & Resources	31,947	-907	31,040
Corporate Growth, Savings and Grant	-7,267	2,628	-4,639
Net Cost of Services	259,192	9,600	268,792

- 3.2 Throughout the financial year Cabinet received Revenue Monitoring reports for each quarter. In setting the Budget for 2015/16 it was acknowledged that the savings programme was ambitious and included within the Balances was £7.2 million being an assessment of the risk of slippage / non-delivery of savings. At the end of Quarter 1 it was recognised that £28 million of savings would be achieved with a potential shortfall of £9.6 million. Cabinet recommended to Council that the savings be re-profiled to 2016/17 and that this shortfall be met from Reserves (£5.4 million) and £4.2 million from Balances in 2015/16. This was confirmed on 12 October 2015 and the Budget revised accordingly.
- 3.3 The last monitoring report, for Quarter 3 (Cabinet 22 February 2016) projected a General Fund overspend of £0.1 million. Whilst overspending was principally due to demand pressures within Adult and Children Care Services this was mitigated by underspending within Regeneration & Environment and Transformation & Resources (Treasury Management).
- 3.4 The actual Out-turn was an underspend of £1.3 million and Table 2 compares this with the position as at Quarter 3 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.

Table 2: 2015/16 Projected / Actual Variations by Directorate

	Quarter 3	Actual
	£m	£m
FWB - Adult Social Services	2.4	2.9
FWB - Children & Young People	2.7	2.9
FWB - Schools, Leisure, etc	0.4	0.2
Regeneration and Environment	(1.8)	(2.3)
Transformation & Resources	(3.5)	(4.9)
Corporate Growth, Savings and Grant	(0.1)	(0.1)
Net Cost of Services	0.1	(1.3)

- 3.5 The Financial Monitoring reports identified the progress made by Directorates and services throughout the year. Table 3 provides details of the variations by Directorate which are based upon the Budgets adjusted to reflect the re-allocation of savings from 2015/16 to 2016/17.

Table 3 : Analysis of the Directorate Variations

Directorate	Description	Over £m	Under £m
FWB - Adult Social Services	Additional Care costs due to increasing demand for services	2.9	
FWB – Children & Young People	Additional Care costs from increasing numbers of Looked After Children	2.8	
	Additional employee costs including through agency placements	1.4	
	Underspends within Childrens Centres and Early Help		0.4
	Underspend Schools Support services		0.4
	One-off from Reserves and Provisions		0.3
FWB – Schools, Leisure, etc	Leisure Centres being delayed delivery of savings	0.2	
Regeneration and Environment	Increased income from various areas		0.8
	Supporting People Programme (early delivery of savings and efficiencies)		0.8
	Employee savings from vacant posts		0.6
Transformation and Resources	Treasury Management including Capital Financing		4.0
	Reduced staffing expenditure and increased income in various areas		1.1
	Assets overspend due to slippage in delivery of savings	0.5	

Note : The Revenue Budget Contingency in the Budget 2016/17 includes sums to reflect the potential ongoing overspends within the areas of Adult Social Care and Children’s Social Care.

- 3.6 The net underspend of £1.3 million at the year-end has been transferred to General Fund Balances.

LEVEL OF GENERAL FUND BALANCES

- 3.7 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 2015/16 and Cabinet 10 February 2015 agreed to the level of balances being set at, or above, the locally determined figure.

- 3.8 When setting the Budget 2015/16 the projected balances were £17.4 million. The main change in the calculation of the level of balances for 2016/17 was the exclusion of an element for the risk associated with the deliverability of savings due to the introduction of a detailed risk assessment of savings. For 2015/16 there was a general assessment of savings that lead to a generic amount included in the balances calculation. As a consequence in setting the Budget 2016/17 the projected balances are to be maintained at £11.5 million.
- 3.9 The out-turn shows the final figure to be £22.2 million. The Budget 2016/17 involved the commitment of £9.7 million to fund the Revenue Budget Contingency established to cover identified financial risks. This commitment leaves £12.5 million uncommitted which is above the target figure for General Fund balances of £11.5 million for 2016/17.

Table 4: Summary of the General Fund balances

Details	£m	£m
Balance at 31 March 2015		18.8
Less: Contribution to 2015/16 Budget		-4.2
Add : Outturn 2015/16 Underpend		+1.3
Add : Transfer from Earmarked Reserves		+6.3
Actual Balance 31 March 2016		22.2
Less: 2016/17 Commitment to Support Budget Delivery		-9.7
Available Balance 31 March 2016		12.5

COLLECTION FUND

- 3.10 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.
- 3.11 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 £2.1 million.

Table 5 : Collection Fund Balance As At 31 March 2016

	£000
Council Tax	4,286
Business Rates (NNDR)	-2,184
Net Surplus	2,102

- 3.12 In accord with accounting requirements, the Wirral share of the surplus is shown in the Council accounts. As agreed by Executive Member Decision on 17 January 2016 during 2016/17 Wirral will receive £0.4 million from the Fund. Based upon the actual year-end position for 2015/16, which improved through the additional assessments received from the Valuation Office Agency at 31 March 2016, and depending upon performance in 2016/17 a further amount should be available for distribution in 2017/18.

PROVISIONS FOR BAD DEBTS

- 3.13 Details of the performance for 2015/16 are contained in the Collection Summary 2015/16 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 2015	At 31 Mar 2016
	£000	£000
General Fund		
Sundry Debtors	7,943	8,519
Summons Costs	621	636
Housing Benefit	8,997	10,144
Collection Fund		
Business Rates	1,715	1,624
Council Tax	11,258	11,720

RESERVES

- 3.14 The current level of reserves and movements during 2015/16 are shown in the Annex. Earmarked Reserves decreased from £87 million at 31 March 2015 to £74 million at 31 March 2016. The categories are as follows:-:

Category and Purpose
INSURANCE AND TAXATION Assessed liabilities including potential cost of meeting outstanding Insurance Fund claims, Business Rates appeals, etc.
RE-MODELLING / TRANSFORMATION Support the development and transformation of the Council which includes investment to deliver future savings and one-off workforce reduction costs.
SCHOOLS RELATED Balances and sums for school-related services which can only be used by schools and not available to pay for Council services.
SUPPORT SERVICE ACTIVITIES AND PROJECTS Includes Government Grant funded schemes when the grant is received and spend incurred in the following year and sums held that are earmarked for the completion of programmes such as Community Asset Transfer, planned maintenance and parks improvements.

- 3.15 As in previous years all Reserves, which are sums set-aside for specific purposes, were reviewed and those no longer required returned to General Fund balances. This released £6.3 million. The other significant movement was due to the re-allocation of savings from 2015/16 to 2016/17. This saw £5.4 million allocated from the Families & Wellbeing Budget Stabilisation Reserve and the Transformation Fund (formerly Remodelling) Reserve.
- 3.16 Under the Education Reform Act 1988 all primary, secondary, special and nursery schools manage delegated budgets. At 31 March 2016 the balances held by schools totalled £11.7 million (£10.7 million at 31 March 2015) and these can only be used for schools' purposes. A number of other reserves also relate to Schools.
- 3.17 The Insurance Fund reserve was £10.8 million at 31 March 2016. The Fund increased due to the transfer of funding from the insurance provision following the annual review of future liabilities and claims. The Fund also released £0.4 million to General Fund balances in 2015/16 (see Audit & Risk Management Committee 13 June 2016 Insurance Fund Annual Report 2015/16).

4.0 FINANCIAL IMPLICATIONS

- 4.1 The Revenue Out-turn for 2015/16 showed an underspend of £1.3 million. The General Fund Balances at 31 March 2016 were £22.2 million (of which £9.7 million was allocated in the Budget 2016/17). The Earmarked Reserves at 31 March 2016 totalled £73.9 million.

5.0 LEGAL IMPLICATIONS

- 5.1 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 comply with the Code Of Practice on Local Authority Accounting. There is a legal requirement to publish the Statement of Accounts each year.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

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

7.0 RELEVANT RISKS

- 7.1 There are none associated with this report which provides a summary of the Council's financial affairs for 2015/16 and the balances at 31 March 2016.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITIES IMPLICATIONS

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

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APPENDICES

Annex Earmarked Reserves

REFERENCE MATERIAL

CIPFA Code Of Practice On Local Authority Accounting In The UK 2015/16.
Local Government Act 2003 and subsequent amendments.
Local Government (Capital Finance and Accounting) Regulations 2008.
Accounts and Audit Regulations 2015.

SUBJECT HISTORY

Council Meeting	Date
Cabinet – Collection Summary	7 July 2014
Cabinet - Out-turn 2013/14	7 July 2014
Cabinet - Out-turn 2014/15	13 July 2015
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 – Budget 2016/17	22 February 2016
Council – Budget 2016/17	3 March 2016
Cabinet – Revenue Monitoring 2015/16	Quarterly reports

EARMARKED RESERVES STATEMENT 2015/16

Earmarked Reserves	Balance 31 Mar 15	Movement 2015/16	Balance 31 Mar 16
	£000	£000	£000
Schools Balances	10,724	1,014	11,738
Transformation Fund	12,849	(1,876)	10,973
Insurance Fund	10,206	661	10,867
Business Rates Equalisation	7,880	2,424	10,304
Waste Development Fund	6,502	(484)	6,018
Housing Benefit	5,934	(730)	5,204
One Stop Shop, Libraries IT Networks	1,741	(258)	1,483
Dedicated Schools Grant	2,058	(786)	1,272
Community Asset Transfer	1,318	(482)	836
Support and Assistance to Public in Need	1,203	(433)	770
Property Development Framework	700	0	700
IT Development	937	(256)	681
Stay, Work, Learn Wise	908	(232)	676
Schools Harmonisation	661	(5)	656
Major Infrastructure Project Development	500	152	652
Flood Prevention	485	70	555
Intensive Family Intervention Project	1,018	(469)	549
Selective Licencing	167	370	537
Early Years - 2 Year Olds Funding	510	(49)	461
Human Resources	0	410	410
CHAMPS Innovation Fund	267	113	380
Future School Redundancy Costs	109	253	367
Schools Capital Schemes	634	(270)	364
Public Health 15-16 Allocations	34	314	348
Parks and Countryside	311	0	311
Home Improvements	169	140	309
Discretionary Housing Payments	0	297	297
Home Adaptations	495	(200)	295
Public Health Outcomes	1,863	(1,616)	247
Childrens Workforce Development Council	323	(101)	222
Public Health – Information and Performance	564	(380)	184
Families & Wellbeing Budget Stabilisation	3,431	(3,431)	0
Efficiency Investment Rolling Fund	1,539	(1,539)	0
Business Rates Appeals	1,000	(1,000)	0
Supporting People Programme	905	(9050)	0
Waste Efficiencies Fund	500	(500)	0
Schools Contingency	368	(3680)	0
Business Improvement Grant	328	(328)	0
Childrens Centre Nurseries	322	(322)	0
Local Pay Review	296	(296)	0

Earmarked Reserves	Balance 31 Mar 15	Movement 2015/16	Balance 31 Mar 16
	£000	£000	£000
Schools Service IT	294	(294)	0
Homeless Prevention	271	(271)	0
New Homes Bonus	265	(265)	0
Other Reserves	6,797	(1,547)	5,250
Total	87,386	(13,470)	73,916

SUMMARY OF EARMARKED RESERVES

Generic Purpose of Earmarked Reserves	Balance 31 Mar 2015 £ million	Balance 31 Mar 2016 £ million
To Support Service Activities and Projects	31.8	20.8
To Support the Councils Transformation Programme	15.4	11.6
Mitigation of Future Risks: Insurance and Taxation	25.1	26.4
Schools Related	15.1	15.1
Total Earmarked Reserves	87.4	73.9