

## **CABINET**

**7 JUNE 2016**

### **REVENUE AND CAPITAL OUTTURN 2015/16**

Portfolio Holder: Councillor Alan Jarrett, Leader  
Report from: Phil Watts, Chief Finance Officer  
Author: John Chance, Head of Finance Strategy

#### **Summary**

This report details the final revenue and capital outturn position for the financial year ended 31 March 2016. These figures will form part of the Council's draft statement of accounts which will be seen by the Audit Committee on 30 June and be subject to the external audit during July and August.

#### **1. Budget and Policy Framework**

- 1.1 Whilst approval of the Statement of Accounts is a matter for the Audit Committee, this report provides the Cabinet with details of the revenue and capital outturn position for 2015/16.
- 1.2 Cabinet are requested to note the final position.

#### **2. Background**

- 2.1 Budget managers had been asked to produce forecasts throughout 2015/16 taking account of 2014/15 outturn, actual income and expenditure for 2015/16 and most importantly, their knowledge of commitments and income trends.
- 2.2 In spite of the quarter 3 forecasts indicating a £3.2m pressure, the final outturn for the year was close to breakeven, representing a modest underspend of £125k. The final position for each directorate is summarised in Table 1 below:

**Table 1 – Revenue Outturn**

<b>Revenue Account 2015/16 Final Outturn</b>	<b>Round 3 Variance</b>	<b>Actual Spend</b>	<b>Budget</b>	<b>Variation</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Budget requirement:</b>				
Children & Adults				
- Children's	3,229	37,503	33,744	3,759
- Adults	1,462	65,772	65,023	749
- Inclusion & Schools related budgets	872	145,009	144,427	582
Regeneration Community & Culture	223	80,405	80,984	(579)
Business Support	(234)	6,727	8,994	(2,267)
Public Health	0	12,112	12,663	(551)
Interest & Financing	(3,915)	(29,189)	(25,734)	(3,455)
Levies	58	1,090	1,039	51
Better for Less	350	0	(450)	450
Medway Norse	80	(124)	(263)	139
Category Management Savings	1,025	0	(1,070)	1,070
<b>Total General Fund</b>	<b>3,150</b>	<b>319,305</b>	<b>319,357</b>	<b>(52)</b>
<b>Funded by:</b>				
Contribution from Reserves	0	(1,150)	(1,150)	0
RSG	0	(38,784)	(38,784)	0
NNDR	0	(45,866)	(45,866)	0
Council Tax	0	(95,250)	(95,250)	0
DSG	0	(107,877)	(107,877)	0
Other School Grants	0	(6,004)	(6,004)	0
Specific Grants	0	(186)	(186)	0
Education Support Grant	0	(2,326)	(2,236)	(90)
New Homes Bonus	0	(6,225)	(6,242)	17
Public Health Grant	0	(15,762)	(15,762)	0
<b>Total Funding</b>	<b>0</b>	<b>(319,430)</b>	<b>(319,357)</b>	<b>(73)</b>
<b>Total funding and expenditure variance</b>	<b>0</b>	<b>(125)</b>	<b>0</b>	<b>(125)</b>

### 3. Directorate major variances

#### 3.1 Children and Adults

3.1.1 **Children's Social care (£3,759k overspend)** – Client related spend accounts for the major element of this overspend where the numbers of looked after children have continued to rise throughout the year. The original budget for 2015/16 was constructed with the expectation that LAC numbers would reach 430 by the end of 2015/16, whereas in February there were 451 receiving a service. External placements

represent £2.2m of the pressure realised, whilst internal pressures account for £0.5m. Independent foster agency placement costs are the main driver.

In recent months the service has seen an increase in the cost of legal charges due to the commissioning of expert assessments, counsel fees and court fees (final overspend of £866k).

**3.1.2 Deputy Director (£749k over-spend)** – The chief cost drivers remain the intense pressure on residential and nursing care services mainly for clients with disabilities and also, to a lesser degree, with mental health needs. Whilst there were a number of areas spending within budget, the placement activity remains the biggest pressure area. There was, in the event, a reduced outturn from that reported at round three, i.e. £1.4m over; this is mainly due to the effect of the moratorium and management action.

**3.1.3 Inclusion, Commissioning & Schools related budgets (£582k overspend)** - The SEN transport budget represents a major part of the net service pressure, with an over-spend of £1.053m due largely to increased numbers, challenge in holding down taxi costs and the fact 'savings' made have been taken out of this budget and allocated in a different budget line. The budget for school staff redundancies overspent by £323k due to increased historic retirement costs. Although the policy has been changed to ensure any future redundancies can be charged to schools, unfortunately the historic costs remain the responsibility of the Council. Many of the budgets within this area are funded from a ring-fenced DSG grant with clear and prescribed allocations.

The total overspend was offset by underspends elsewhere in this budget area.

## **3.2 Regeneration, Community and Culture**

**3.2.1** The Directorate delivered an outturn underspend of £580k. A forecast overspend of £253k was reported at round 3 after management action. The major outturn variances are outlined below:

- Frontline Services returned an underspend of £1.28m. Significant planned savings were made by capitalising expenditure to the Local Growth Fund projects and also by ceasing maintenance works as part of the Council-wide moratorium.
- Leisure & Culture overspent by £393k. A number of privately run low-cost gyms have recently opened and this has led to an under-achievement of income of £230k in Leisure & Sports against an income target of £4.5m. Deangate Golf Course overspent by £150k due to poor 'pay & play' usage. Arts, Theatres & Events overspent by £190k due to poor bar takings at the Corn Exchange (£67K off target) and staffing costs at the Theatres (£57K off target).
- Housing & Regeneration reported an unfavourable variance of £297k. Markets under-achieved their income targets by £100k and Housing overspent by £144k. Development Management reported an overspend of £96k due to an underachievement of Planning Fees income.
- The Directorate has a collective vacancy factor of £272k which is reported as an overspend against service spend at outturn.

**3.3 Public Health (£551k under-spend)** – There has been a clear policy direction in Medway to embed Public Health activities across the whole Council in order to deliver public health outcomes. The underspend reported can be accounted for across a number of other pressure areas, within other directorates, covering public health related functions.

### 3.4 Other Budgets

- 3.4.1 **Business Support (£2,267k underspend)** – The under spend across business support services is represented by a debtor in respect of housing benefit overpayments, various underspends due to staff vacancies which is offset by pressure on legal and organisational services budgets.
- 3.4.2 **Interest and Financing (£3,455k underspend)** - A review of the council's asset life has reduced the Minimum Revenue Provision budget by £2.9m while the change of policy on our debt repayment results in an underspend of £0.6m.
- 3.4.3 **Levies (£51k overspend)** - The transfer of coroners officers from the police to the council have created more financial pressure than was originally anticipated; this is resulting in the £51k overspend.
- 3.4.4 **Better for Less (£450k overspend)** – The focus on developing the new online transactions that will facilitate the release of savings have ultimately lead to the under delivery of savings in this area. These delays are mainly due to essential development work to the ICT infrastructure.
- 3.4.5 **Medway NORSE (£139k overspend)** – The final profit share delivered by the partner company was not as high as budgeted. There are two reasons for this, firstly, profits across the last two financial years were approximately £70k less than expected, and secondly, emerging costs relevant to the early implementation of the national minimum wage account for a £70k adverse variance.
- 3.4.6 **Category Management (£1,070k overspend)** - Category management realised only £730k (41%) of £1.8m baseline savings target. Therefore the overspend reported represents the shortfall of unrealised savings.

### 4. Housing Revenue Account (£404k shortfall on budgeted surplus)

- 4.1 The Housing Revenue Account (HRA), separately reported from the general fund budget, has an expenditure budget of £13.6m and an income budget of £14.6m. The HRA is showing a final outturn surplus of £582k which is an adverse position of £404k when compared to the approved budgeted surplus of £986k. The main reason for the adverse position is adjustments made in respect of capital financing decisions.

### 5. Planned Use of Reserves

- 5.1 The final outturn utilised £1.15m to fund various revenue and capital projects agreed at the council meeting in February 2015. £1.0m was funded from the South Medway Development Fund and the other £100k from the Public Health Reserve. The free Christmas parking concession was again funded from reserves at £50k.

## 6. Capital

6.1 The capital programme year end position is shown below. A carry forward budget of £86.1m is available for use within 2016/17 and beyond.

<b>Service Area</b>	<b>Actual Spend</b>	<b>Budget</b>	<b>Budget carried forward</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Business Support	2,529	5,892	(3,363)
Members Priorities	101	402	(301)
Regeneration, Communities & Culture	21,586	66,400	(44,814)
Children and Adult Services	10,800	34,613	(23,813)
Housing Revenue Account	6,784	20,590	(13,806)
Public Health	296	296	0
<b>Total</b>	<b>42,096</b>	<b>128,193</b>	<b>(86,097)</b>

## 7. Conclusions

7.1 This report is for information only and will form part a draft Statement of Accounts, which will include the 2015/16 outturn within the explanatory foreword and be reported to the Audit Committee on 30 June. The final audited Statement of Accounts goes to Audit Committee on 29 September.

## 8. Financial, legal and risk management implications

8.1 The financial implications are set out in the body of the report. There are no specific legal or risk management implications within this report.

## 9. Recommendations

9.1 Cabinet are requested to note the

- (i) out-turn position and;
- (ii) submission of the draft Statement of Accounts to the Audit Committee on 30 June 2016 and the final Statement of Accounts to the Audit Committee on 29 September 2016.

## 10. Suggested reasons for decision

10.1 The Cabinet is the body charged with the executive management of the council's budget. Therefore, it is important that the final outturn is reported to Cabinet.

### Lead officer contact

John Chance, Head of Finance Strategy, Gun Wharf, (01634) 332151;

[john.chance@medway.gov.uk](mailto:john.chance@medway.gov.uk)

Revenue budget approved by Council 26 February 2015;

Regular monitoring returns submitted by budget managers and reflected within the following reports:

## **Appendices**

None

## **Background Papers**

Revenue Budget Monitoring 2015/16 – Round 1

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=28101>

Revenue Budget Monitoring 2015/16 – Round 2

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=28942>

Revenue Budget Monitoring 2015/16 – Round 3

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=29731>