

Essex Countywide Traveller Unit Joint Committee meeting 9th June 2015

Report by Sarah Broadley, ECC Finance Business Partner

Financial Report for the Essex Countywide Traveller Unit

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1. Introduction

1.1. The Essex Countywide Traveller Unit formed as a Joint Committee from 1st October 2012. In accordance with schedule 2 of the Audit Commission Act 1998, Joint Committees are required to produce an Annual Return which is subject to external audit. This report presents for approval the Annual Return inclusive of the Governance Statement for the 12 months to March 2015.

1.2. The external auditors PKF Littlejohn have been appointed by the Audit Commission and the following dates have also been set: -

Key Information for the 2015/16 reporting season	
Annual Return and supporting documents to External Auditor	22nd June 2015
Date by which Annual Return must be approved by the Joint Committee	30th June 2015
Date by which audited Annual Return must be published by the Joint Committee	30th September 2015

1.3. This report also sets out for members' consideration and approval, a proposed budget for the 2015/16 financial year together with indicative budgets for the following two financial years 2016/17 and 2017/18.

2. Decisions required

- 2.1.** To approve the Annual Return for the 2014/15 financial year and for the Annual Return to be signed by the Chair of the Committee.
 - 2.2.** To approve the proposed budget for the 2015/16 financial year
 - 2.3.** To note the indicative budgets for 2016/17 and 2017/18
 - 2.4.** To approve the proposed approach to funding of the proposed and indicative budgets
 - 2.5.** To note the ECC Internal Audit costs that have been charged
 - 2.6.** To note the estimated External Audit costs expected to arise
 - 2.7.** To confirm that, subject to no material issues being raised by the external auditor, the external audit report can be accepted, the management letter issued endorsed by the Chair of the Joint Committee and the decision to publish the accounts made without the need to reconvene the full committee before the end of September 2015.
- 3.** The annual return is a document that serves several purposes:
- to report the annual statement of accounts as approved by the Joint Committee;
 - to certify the Joint Committee has discharged its statutory duties in relation to its financial affairs; and
 - to record that the external auditor has fulfilled their statutory responsibility

- 3.1. The Annual Return for the Essex Countywide Traveller Unit is shown in Appendix One and has been prepared on an income and expenditure basis, rather than on a receipts and payments basis, that contributions received exceed the £200,000 threshold.
- 3.2. Section 1 of the Annual Return is the Statement of Accounts. These show the total income received from members of the Joint Committee and the expenditure broken down between staff costs and “other payments”.
- 3.2.1. The Final Outturn for 14/15 resulted in a net deficit £8k, mainly driven by legal fees, £14k, posted to ECTU which we are seeking reimbursement for in 2015/16 accounts.
- 3.2.2. Total receipts increased by £77k, from £217k in 2013/14 to £294k in 2014/15 due to a lower contribution from the ECC Gypsy & Traveller site management in 2013/14 (ECC made payments in advance in 12/13)
- 3.2.3. The staff costs relate to the outreach workers and management of the Unit amounting to £211k, 70% of total expenditure in 2014/15 amounting to a standard 2% increase from prior year, £206k. 2013/14 staff costs has been restated on the return from £205, 532 to £206,345 where actual staff costs were £813 higher than what was submitted in last years return.
- 3.2.4. Other Payments amounted to £91k 30% of total expenditure in 2014/15 an increase of £63k from the previous year, due to:
- 3.2.4.1. Increase in one off IT database development spend, £24k
- 3.2.4.2. Increase in ‘other hired services’ spend due to Legal fees for the Harlow Encampment and Thurrock activity, £38k
- 3.2.5. Balances and reserves at the end of year £83k in 2014/15 reflect a small decrease in reserve balance £8k. The balance carried forward at the end of 2013/14 has been restated from £92,656 to £91,843 (variance to annual return submission of £813 staff costs)

	2013/14 Actuals	2014/15 Budget	2014/15 Actuals	% Budget utilisation
Employees	£206,345	£234,151	£210,931	90%
Supplies & Services	£9,541	£2,984	£71,309	2390%
Transport & Mileage	£19,066	£18,581	£20,162	109%
Gross Expenditure	£234,952	£255,716	£302,401	
Partner Contributions	£(217,052)	£(255,716)	£(294,178)	115%
Gross Income	£(217,052)	£(255,716)	£(294,178)	
Net Expenditure (Surplus) / Deficit	£17,900	£0	£8,223	

3.3. Section 2 of the Annual Return is the Annual Governance Statement which is made up of a number of statements which provide accountability and assurance that the public money has been properly accounted for. (this section will be approved at the Joint Committee meeting on 9th June 2015).

3.3.1. The Annual Governance Statement also confirms that actions have been taken on all matters raised by either the Internal or External Auditor's reports. All issues raised in the reports relating to 2013/14 accounts were addressed completely. Any actions raised by the External Auditor relating to 2014/15 will be actioned promptly when this report is received. Comments relating to the 2014/15 Internal Audit are dealt with in section 3.5 below.

3.4. Section 3 of the Annual Return is the External Auditor's certification. This is completed following the Joint Committee's approval of the Annual Return and once completed the Joint Committee will be invited to endorse the management letter issued noting any recommendations and approve the Annual Return for publication (required no later than 30th September 2015).

It is recommended that, unless there are material issues raised by the External Auditor, rather than reconvene the whole Committee the ability to accept the External Auditor's report, endorse the management letter and approve the publication of the accounts is delegated to the Chair of the Joint Committee.

3.5. Section 4 of the Annual Return is the annual Internal Audit report. Of the 10 Control Objectives to be assessed 8 have been "Agreed", 2 are not considered applicable (in regards to Petty Cash and Assets and Investments).

3.6. The Joint Committee is invited to approve the Annual Return and the Chair of the Committee is invited to sign the approved Annual Return. The Chair and the Clerk are also invited to sign the Annual Governance Statement.

3.7. The underlying financial transactions making up the figures on the Accounting Statements are available upon request should any member of the Joint Committee require more detail on either the income or expenditure.

4. Proposed Budget for 2015/16

4.1. The preparation of the budget is a key statutory task to be undertaken by the Joint Committee. It provides the basis for monitoring progress throughout the year by comparing actual spending against the planned expenditure.

4.2. The proposed budget for 2015/16 is shown in Appendix Three and has been developed with Essex Countywide Traveller Unit Manager. The budget takes into consideration: -

- Planned activity
- 2014/15 actual costs
- Known items of additional expenditure planned for 2015/16
- Expected inflationary pressures
- The need for a degree of delegated power to prevent the need for minor overspends to be referred to the Joint Committee even when they are absorbable within the current reserves and annual funding

4.3. It is proposed that the expenditure budget for 2015/16 be agreed at £250,813, a reduction of £51,588 from 2014/15 due a reduction in legal fees and one off investment in IT costs. This allows for inflation at 2% on staff costs.

4.3.1. The majority (88%) of the budget (£250,813) is again proposed for employee costs in relation to outreach workers and management of the Unit.

4.3.2. (4%) relates to supplies and services (£9,926). This line has provision for internal and external audit costs, normal office running costs

(excluding premises costs) and IT expenditure. IT costs show a significant decrease due to one off investment spent in 2014/15.

4.3.3. Finally there is a proposed budget of £19,836 (8%) to cover employee mileage and travel costs, predominantly incurred whilst travelling between sites.

	2014/15 Budget	2014/15 Actuals	2015/16	2016/17	2017/18
Employees	£234,151	£210,931	£221,051	£225,472	£229,981
Supplies & Services	£2,984	£71,309	£9,926	£10,125	£10,327
Transport & Mileage	£18,581	£20,162	£19,836	£20,233	£20,637
Gross Expenditure	£255,716	£302,401	£250,813	£255,829	£260,946
Partner Contributions	£(255,716)	£(294,178)	£(277,783)	£(277,783)	£(277,783)
Gross Income	£(255,716)	£(294,178)	£(277,783)	£(277,783)	£(277,783)
Net Expenditure (Surplus) / Deficit	£0	£8,223	£(26,970)	£(21,953)	£(16,837)

4.4. The Income budget is set at £277,783.

4.4.1. This represents a reduction of £16,395 recognising the fact that Braintree and Epping did not in fact join the Committee as expected. Partner contributions include subscriptions from Castle Point Council, recently confirmed as a new member of the Joint Committee.

4.4.2. Breakdown of Member Subscriptions

Organisation	Current Fee	Revised	Current fee	Current fee - Total	10 % Reduction	Revised Fee	TOTAL	% contribution/ member/total
ECC	£147,181		£147,181		£14,718	£132,558	£132,558	50% / %50
Essex Fire and Rescue	£25,720		£25,720		£2,572	£23,148	£23,148	8% / 8%
Districts, Boroughs & Unitaries (9 incl Castle Point & ECC Highways)	£7,181		£50,267		£718	£6,463	£58,166	2.4% / 21%
Public Health (5 per CCG)	£14,202		£71,010		£1,420	£12,782	£63,911	4.8% / 23%
TOTAL SUBSCRIPTIONS			<u>£294,178</u>			<u>£277,783</u>		

4.4.3. Balance sheet – Reserves: Whilst, at the end of 2014/15 there was a reserve of £83,620, the proposed budget maintains levels of contribution will see this reserve rise by £26,970 to £110,590 in 2015/16 with a further possible surplus in future years of c £19k p.a.

Balance Sheet: General Balance	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>
Opening Balance (Credit)	£(109,742)	£(91,843)	£(83,620)	£(110,590)	£(132,543)
Current Year Net Expenditure (Surplus) / Deficit	£17,899	£8,223	£(26,970)	£(21,953)	£(16,837)
Closing Balance (Surplus) / Deficit	£(91,843)	£(83,620)	£(110,590)	£(132,543)	£(149,380)
Reserves % of gross Expenditure		28%	44%	52%	57%
Gross Expenditure		£302,401	£250,813	£255,829	£260,946

Balances are required to protect the Joint Committee from a significant event or events which would have a significant effect such as the loss of revenues or a sudden increase in expenditure. It is difficult to accurately predict such occurrences and given that a) there has only been a couple of full years of operation, b) risks to expenditure and income levels are considered low and c) the current reserve represents less than 5 months of average operational expenditure it is proposed: -

- That the proposed contribution levels be approved for 2015/16
- It is recommended that membership fees are reviewed again for 2016/17.

5. ECC Internal Audit costs that have been charged

5.1. £900 for 2014/15 (same charge as 2013/14)

6. Estimated External Audit costs expected to arise

6.1. £720 for 2014/15

7. To confirm that, subject to no material issues being raised by the external auditor, the external audit report can be accepted, the management letter issued endorsed by the Chair of the Joint Committee and the decision to publish the accounts made without the need to reconvene the full committee before the end of September 2015.

Appendix One

Small Bodies in England

Annual return for the financial year ended 31st March 2015

Appendix Two

ECC Internal Audit Report for the Financial year ended 31st March 2015