

SPECIAL CABINET – 23RD JULY 2013

SUBJECT: PROVISIONAL OUTTURN FOR 2012/13

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & S151 OFFICER

1. PURPOSE OF REPORT

- 1.1 This report informs Members of the provisional outturn for the Authority for the financial year 2012/13. The summary outturn position is attached as a table in Appendix A. The movement on General Fund balances is shown in Appendix B. This information is provisional at this stage, as it is still subject to an annual audit by the Authority's External Auditors PricewaterhouseCoopers.

2. SUMMARY

- 2.1 In advance of the Statement of Accounts being audited and presented to Council in late September, this report provides an overview of the Council's performance against the budget for the year. Members receive detailed budget monitoring reports as part of the Scrutiny process during the financial year.

3. LINKS TO STRATEGY

- 3.1 The Provisional Outturn Report encompasses all the resources used by the Council to achieve its strategies.

4 THE REPORT

- 4.1 The outturn position is attached as Appendix A and is summarised below: -

	£000's
Service Directorate underspends	2,964
Miscellaneous Finance underspend	1,630
Council Tax surplus	1,505
Housing Revenue Account (HRA) underspend	880
Schools underspend	480
Total: -	7,459

- 4.2 The Service Directorate underspend of £2.964m is a variance of 1.09% on net Directorate budgets. After adjusting for earmarked reserves, 50% of these underspends are carried forward by Directorates and are available to meet the requirements of these service areas; the remaining balance is transferred to the General Fund. Overspends would normally be funded from future Directorate budgets or balances brought forward from previous years.
- 4.3 Whilst the 2012/13 provisional outturn position is very positive, Members need to be mindful of the medium-term financial outlook. As reported to Cabinet on the 18th June 2013 there is a potential cumulative savings requirement of up to £21m for the period 2014/15 to 2016/17.

Service reserves held by Directorates can be used to fund one-off cost pressures or to pump-prime service reconfiguration but they cannot be relied upon to deliver balanced budgets on a recurring basis. Work will continue over the coming months to present Members with a range of savings options to deliver a sustainable Medium-Term Financial Plan.

- 4.4 The table in Appendix B shows the movements on the General Fund balances from 31st March 2012 to 31st March 2013. The forecast year-end balance for 2012/13 as reported to Council on 27th February 2013 was £10.597m. The actual position for 2012/13 is a closing balance of £14.272m, a variance of £3.675m to forecast. The variations to forecast are as follows: -

	£000's
Increased contribution from service areas (including Miscellaneous Finance)	1,836
Council Tax surplus higher than projected £1m	505
Cwmcarn High School asbestos	(648)
Insurance Fund evaluation	1,982
Total Increase: -	3,675

- 4.5 To support the 50% matched funding requirement of Phase 1 of secondary school rationalisation, Cabinet is asked to consider and recommend to Council that £4m should be transferred from General Fund balances to the 21st Century Schools Programme. This would reduce the General Fund balance to £10.272m, which is 3.04% of net revenue budget spend.
- 4.6 Cabinet is also asked to consider and recommend to Council that the following sums are transferred into a 21st Century Schools capital earmarked reserve in relation to the matched funding requirement for Phase 1 of secondary school rationalisation: -

	£000's
Ifor Bach reclamation clawback	730
Education service reserves	600
Release of provision for Assembly Learning Grant	135
Total: -	1,465

- 4.7 The following paragraphs comment on the 2012/13 underspends as detailed in Appendix A.

Education and Lifelong Learning (£2,001k underspend)

- 4.8 Overall the Education & Lifelong Learning Directorate is reporting an underspend of £2,001k, which includes an underspend of £480k for Schools and £364k on Home to School / College Transport. The Transport budget is managed by the Engineering Division, Directorate of Environment (with variances ring fenced to Education).
- 4.9 The Directorate's position excluding Schools is an underspend of £1,521k. This represents an underspend in all 3 Service Areas, Planning & Strategy £635k, Learning Education & Inclusion £494k and Lifelong Learning £392k.

4.10 In summary, the most significant variances are as follows: -

	£000's
Early Retirement Pension Costs - School Based Staff	190
Social Inclusion	105
SEN Out-of-County Recoupment	250
Music Service	194
Early Years Central Team	158
Library Service	204
Home to School / College Transport	364

4.11 On the whole these variances were forecast and reported to Scrutiny during the financial year.

Social Services – (£21k underspend)

4.12 The outturn position for the Social Services Directorate for 2012/13 was an underspend of £170k. However, the Integrated Transport Unit reported an overspend of £149k in respect of social care transport provision giving a net underspend of £21k. This equates to less than 0.03% of the combined budgets of Social Services and social care transport.

4.13 Within the Social Services Directorate, the Adult Services Division overspent by £21k or 0.04% of its budget, the Business Support Function underspent by £11k or 0.4% of its budget and Children's Services delivered an underspend of £180k or 0.9% of its budget. Much of the Children's Services underspend had been planned from an early stage in response to the anticipated overspend on social care transport.

Environment Directorate – (£635k underspend)

4.14 The overall position after approved use of Directorate service reserves is an under spend of £635k. This underspend does not include ring-fenced underspend of £364k in relation to Home to School Transport and an overspend of £149k for Social Services Transport. These variations are included within the Education and Lifelong Learning and Social Services Directorate outturn positions.

4.15 The Regeneration and Planning Division is reporting an overall underspend of £405k which is mainly due to staff vacancies, reduced operational costs and increased income generation, particularly in relation to some of the Visitor centres, which have all improved their trading positions in 2012/13.

4.16 The Engineering Division is reporting an overspend of £195k which primarily relates to road maintenance and winter maintenance where there are ongoing pressures accentuated by wear and tear resulting from more severe winter conditions in recent years.

4.17 The Public Protection Division is reporting an overall underspend of £158k most of which relates to staff vacancies in CCTV, Community Safety and Environmental Health, one-off savings in pension strain costs and other operational cost savings.

4.18 The Community & Leisure Division has reported a net overall under spend of £77k.

4.19 The Direct Labour and Direct Service (DLO/DSO) operations have overall reported healthy cash profits of £314k.

4.20 There is £124k of unallocated vacancy management savings for the Directorate, which are reported as an overspend.

Corporate Services – (£787k underspend)

- 4.21 The final outturn position for the Directorate of Corporate Services was a slightly higher underspend than previously forecast due to unavoidable delays in filling vacancies together with delays in procuring software changes.
- 4.22 The most significant underspends were in Corporate Finance (£383k), IT (£176k) and Performance & Property (£160k).

Miscellaneous Finance - (£1,630k underspend)

- 4.23 The Miscellaneous Finance underspend of £1.630m consists of the following: -
- The Authority has used internal resources to part-fund its capital programme which has resulted in an underspend of £331k on debt charges.
 - Returns on investments were better than anticipated resulting in an additional £142k of investment income.
 - The Authority has received an additional £316k in settlement of liabilities in relation to schemes transferred from the former Mid Glamorgan County Council.
 - Due to legislative changes, the Authority set up a budget head for National Non-Domestic Rate (NDR) charges in respect of empty properties. A number of properties have now been demolished or have become operational resulting in an underspend of £198k on this budget for 2012/13. Members will recall that on the 18th June 2013 Cabinet agreed to vire £202k of this budget to Social Services in 2013/14 to partly meet cost pressures arising from the review of Care Home fees.
 - In the budget strategy the Authority makes provision for the statutory increase in the landfill tax. Due to increased recycling and a reduction in the level of tonnage sent to landfill sites there has been an underspend of £276k in 2012/13.
 - There have been savings of £178k in respect of changes in Pupil Demographics across the Authority.
 - There are a number of smaller underspends in Miscellaneous Finance that total £189k.

Council Tax Collection – (£1,505k surplus)

- 4.24 This represents an increase from the previous year of £249k and continues to reverse the trend that has seen surpluses reducing in value in recent years during the recession. Council Tax surpluses were as low as £574k in 2008/09.
- 4.25 Members are advised that this positive trend could be significantly affected by the likely future reduction in Welsh Government funding for the Council Tax Reduction Scheme.

Housing Revenue Account (£880k underspend)

- 4.26 The majority of the underspend for the HRA is attributable to salary savings of some £790k. This was anticipated throughout the year due to vacant posts and unfilled vacancies. The majority of vacant posts will be deleted from the structure in 2013/14 so that the savings can be directed towards achieving the Welsh Housing Quality Standard (WHQS) as agreed within the Business Plan.
- 4.27 HRA Working Balances stand at £4.6m at the end of 2012/13. The balances are in the main committed towards achieving future programmes of work for the WHQS.

HRA Capital

- 4.28 The HRA Capital programme spent £14.3m in 2012/13.
- 4.29 There were 12 Right to Buy sales during the year resulting in a useable capital receipt of £313k. Total capital receipt useable balances as at 31/03/13 are £1.3m and these will be set-

aside for the achievement of the Welsh Housing Quality Standard (WHQS).

General Fund Capital Programme

- 4.30 The capital programme for 2012/13 resulted in targeted spend available of £62.6m after including all in-year grant allocations and S106 monies.
- 4.31 An amount of £22.7m remains unspent at financial year-end; the majority of this represents slippage in key schemes, which will be carried forward to 2013/14. The most significant area of slippage relates to Education and the 21st Century Schools schemes. Meetings will be held with Heads of Service during July and August 2013 to identify slippage and underspends for all capital schemes.
- 4.32 The detailed analysis of the spend and slippage will be presented to the Capital Strategy Group in September 2013 and 2013/14 capital budget monitoring reports will subsequently be presented to the Policy & Resources Scrutiny Committee on a quarterly basis.

Head of Paid Service Provision

- 4.33 The 2012/13 Draft Statement of Accounts includes a provision of £183k in relation to the ongoing suspension of the Head of Paid Service. Clearly, the timescale for the suspension cannot be determined as investigations are continuing. Consequently, the £183k provision is based on the Head of Paid Service salary (plus on-costs) for the period 1st April 2013 to 31st March 2014.
- 4.34 The recent suspension of the Acting Chief Executive Officer will require a further provision to be included in the 2012/13 Accounts. This totals £131k and covers the period 2nd July 2013 to 31st March 2014.
- 4.35 Following a review of available funding Cabinet is asked to approve the inclusion of a provision totalling £314k in the 2012/13 Accounts, to be funded from former Performance Incentive Grant monies which are no longer required.

Improving Governance Agenda

- 4.36 Cabinet are also requested to approve a transfer of £50k from Corporate Services reserves to establish a fund for any additional costs arising from the improving governance agenda.

5. EQUALITIES IMPLICATIONS

- 5.1 There are no direct equalities implications to this report in terms of the financial information being presented for 2012/2013. Full Equality Impact Assessments will be undertaken on savings options proposed as part of the Medium-Term Financial Plan.

6. FINANCIAL IMPLICATIONS

- 6.1 As detailed throughout the report.

7. PERSONNEL IMPLICATIONS

- 7.1 There are no personnel implications.

8. CONSULTATIONS

- 8.1 There are no consultation responses which have not been reflected in this report.

9. RECOMMENDATIONS

9.1 It is recommended that Cabinet: -

- Notes the provisional 2012/13 outturn position.
- Supports the recommendation to Council that £4m should be transferred from General Fund balances to support the 50% matched funding requirement of Phase 1 of secondary school rationalisation.
- Supports the recommendation to Council that further funding totalling £1.465m as identified in paragraph 4.6 of this report should also be transferred into a 21st Century Schools capital earmarked reserve in relation to the matched funding requirement for Phase 1 of secondary school rationalisation.
- Approves a provision of £314k in the 2012/13 Accounts in relation to the suspensions of the Head of Paid Service and the Acting Chief Executive Officer, to be funded from former Performance Incentive Grant monies that are no longer required.
- Approves a transfer of £50k from Corporate Services reserves to establish a fund for any additional costs arising from the improving governance agenda.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To ensure that Cabinet Members are made aware of the provisional final outturn for 2012/13.
- 10.2 To endorse recommendations to Council in relation to matched funding requirements for Phase 1 of secondary school rationalisation.
- 10.3 To ensure that the 2012/13 accounts include an appropriate provision in relation to the ongoing suspensions of the Head of Paid Service and the Acting Chief Executive Officer.
- 10.4 To ensure that sufficient funding is made available to support the improving governance agenda.

11. STATUTORY POWER

11.1 Local Government Act 1972.

Author: Stephen Harris, Acting Head of Corporate Finance
Tel: 01443 863022, Email: harrisr@caerphilly.gov.uk

Consultees: Corporate Management Team
Nicole Scammell, Acting Director of Corporate Services & S151 Officer
Cllr K Reynolds, Deputy Leader/Cabinet Member for Corporate Services
Mike Eedy, Finance Manager
Andrew Southcombe, Finance Manager
Jane Southcombe, Group Accountant
Mike Jones, Group Accountant
Gail Williams, Monitoring Officer
David A. Thomas, Senior Policy Officer (Equalities and Welsh Language)

Background Papers:

S. Harris Ext. 3022 – Final Accounts working papers for 2012/13

Appendices:

Appendix A - Provisional Outturn Summary 2012/13

Appendix B - Movement on General Fund