

Pecyn Dogfennau Cyhoeddus



The following reports are Information Items for the Policy and Resources Scrutiny Committee.

- 1) Dileu Dyledion (01/04/19 i 30/09/19).
- 2) Adroddiad Monitro Gwario Cyfalaf 2019/20 (Cyfnod 7).
- 3) Adroddiad Strategaeth Cyfalaf 2020/21.
- 4) Gwasanaethau Corfforaethol a Chyllid Amrywiol – Adroddiad Monitro Cyllideb 2019/20 (Cyfnod 7).
- 5) Adroddiad Monitro Cyllideb Refeniw'r Awdurdod Cyfan 2019/20.



POLICY AND RESOURCES SCRUTINY COMMITTEE – FOR INFORMATION

SUBJECT: WRITE-OFF OF DEBTS – 01/04/19 – 30/09/19

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION & CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 To provide Members with a summary of outstanding debts which have been written-off during the first six months of the 2019/20 financial year.

2. SUMMARY

- 2.1 The report provides details of debts written-off for Council Tax, Business Rates, Council House Rents, Sundry Debtors and Housing Benefits overpayments.

3. RECOMMENDATIONS

- 3.1 Members are asked to note the contents of this report.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that Members are informed of the sums written-off during the first six months of the 2019/20 financial year.

5. THE REPORT

- 5.1 The Council collects very large sums of money from residents and local businesses each year and inevitably there are instances of non-payment. A 'firm but fair' approach has always been adopted and all legal means are pursued to recover monies owed.
- 5.2 The regular writing-off of uncollectable debts is an important financial discipline. The Council would be criticised by External Audit if debts remained in the accounts when there is little likelihood of recovery. The table below provides a summary of debts written-off for the period 01/04/19 to 30/09/19.

	Total Amounts Written Off In Period	Total Budgeted Income/Grant 2019/20	% of Total Income/Grant Written-off In Period	% of Total Income/Grant Written-off 2018/19 (Full Year)
	(£m)	(£m)	(%)	(%)
Council Tax	0.088	75.2	0.12	0.25
Business Rates	0.158	39.9	0.40	0.85
Council House Rents	0.215	56.0	0.38	0.50
Sundry Debtors	0.147	31.3	0.47	0.52

5.3 Whilst the sums shown above are significant it is important to put them into context. The column entitled "% of Total Income/Grant Written-off in period" shows the write-offs expressed as a percentage of the "Total Budgeted Income/Grant 2019/20", i.e. monies due to the Council. For comparison purposes the full-year percentages for 2018/19 are also included in the table.

5.4 In addition to the table in paragraph 5.2, £10,197.53 has also been written-off in the period 01.04.19 to 30.09.19 in relation to the invoices raised for overpayments of Housing Benefits (total invoices raised during the period £466,530.86).

6. ASSUMPTIONS

6.1 There are no assumptions associated with this report.

7. LINKS TO RELEVANT COUNCIL POLICIES

7.1 To comply with Financial Regulations.

7.2 The writing-off of unrecoverable debts is an important element of prudent financial management. Effective financial management contributes to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015:-

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A Wales of vibrant culture and thriving Welsh language
- A globally responsible Wales

8. WELL-BEING OF FUTURE GENERATIONS

8.1 Effective financial management is a key element in ensuring that the Well-being Goals in the Well-being of Future Generations Act (Wales) 2015 are met. The process of writing-off unrecoverable debts ensures that financial liabilities are recognised as they occur and are not deferred as potential future liabilities.

9. EQUALITIES IMPLICATIONS

9.1 This report is for information purposes, so the Council's Equalities Impact Assessment (EqIA) process does not need to be applied.

10. FINANCIAL IMPLICATIONS

10.1 As detailed in the report.

11. PERSONNEL IMPLICATIONS

11.1 There are no direct personnel implications arising from this report.

12. CONSULTATIONS

12.1 All consultation responses are reflected in the report

13. STATUTORY POWER

13.1 Local Government Act 1972 and 2000.

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Consultees: Cllr Barbara Jones, Deputy Leader & Cabinet Member for Finance, Performance & Governance
Cllr J Pritchard, Chair Policy & Resources Scrutiny Committee
Cllr G Kirby, Vice-Chair Policy & Resources Scrutiny Committee
Richard Edmunds, Corporate Director for Education & Corporate Services
John Carpenter, Finance Manager (Revenues)
Sandra Isaacs, Rents Manager
Amanda Main, Housing & Council Tax Benefits Manager
Craig Verrier, Senior Sundry Debtor Officer



POLICY AND RESOURCES SCRUTINIY COMMITTEE – FOR INFORMATION

**SUBJECT: 2019/20 CAPITAL EXPENDITURE MONITORING REPORT
(PERIOD 7)**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE
SERVICES**

1. PURPOSE OF REPORT

1.1 To inform Members of projected capital expenditure for the 2019/20 financial year.

2. SUMMARY

2.1 The report provides details of actual and projected capital expenditure based on information available as at month 7 of the 2019/20 financial year.

3. RECOMMENDATIONS

3.1 Members are asked to note the contents of this report.

4. REASONS FOR THE RECOMMENDATIONS

4.1 To ensure that Members are advised of projected spend for the 2019/20 Capital Programme.

5. THE REPORT

5.1 The approved Capital Programme for the 2019/20 financial year totalled £71.15m, consisting of £14.53m for the General Fund and £56.62m for the Housing Revenue Account (HRA). Appendix 1 provides details of the 2019/20 approved budget, the 2018/19 slippage carried forward and additional in-year funding for 2019/20 as at period 7.

5.2 Actual expenditure as at period 7 has been reviewed and budget holders have provided updates on anticipated spend for the remainder of the financial year. Schemes totalling £54.58m have been identified that are unlikely to be delivered in 2019/20. Consequently, these schemes will be carried forward as slippage into the 2020/21 financial year. Members will note from the table below that the majority of the slippage relates to Corporate Projects (31%); Education (16%); Infrastructure schemes (11%); Social Services (6%) and the HRA WHQS programme (18%).

Service Area	Scheme	£'000	%
Corporate Services	Various Corporate Services	108	0.2%
Corporate Services	Corporate Projects	16,798	30.8%
Education	Basic Needs Accommodation	229	0.4%
Education	Education Capital Maintenance Grant	2,308	4.2%
Education	Asset Management	462	0.8%
Education	Various Education Schemes	560	1.0%
Education	21st Century Schools- Band B Match	4,940	9.1%
Environment - Community & Leisure Services	Ty Duffryn Waste Transfer Station	769	1.4%
Environment - Community & Leisure Services	Playground Reinstatement (S106)	321	0.6%
Environment - Community & Leisure Services	Various CLS Schemes	75	0.1%
Environment -Economic Development & Regeneration	Regeneration Projects Board	675	1.2%
Environment -Economic Development & Regeneration	Various Economic Regeneration Schemes	281	0.5%
Environment- Infrastructure	Passenger Transport Capital	350	0.6%
Environment- Infrastructure	Caerphilly Basin Strategic Highway (S106)	1,168	2.1%
Environment- Infrastructure	General s106 Balances	752	1.4%
Environment- Infrastructure	Various Highways Liabilities	1,045	1.9%
Environment- Infrastructure	Infrastructure Retaining Walls	200	0.4%
Environment- Infrastructure	Ystrad Mynach Park & Ride	170	0.3%
Environment- Infrastructure	Major Highway Reconstruction	250	0.5%
Environment- Infrastructure	Bridge Strengthening	250	0.5%
Environment- Infrastructure	Various Infrastructure Schemes	506	0.9%
Environment- Infrastructure	Corporate Maintenance Tips, Mines & Spoils	621	1.1%
Environment- Infrastructure	Llanbradach Park & Ride	171	0.3%
Environment- Infrastructure	Monmouth & Brecon Canal	400	0.7%
Environment- Land Reclamation/Engineers	Land Reclamation Grant	238	0.4%
Environment- Land Reclamation/Engineers	Unfunded Liabilities Former Land Reclamation	1,907	3.5%
Environment- Public Protection	Carbon Reduction Vehicle Charge Point	111	0.2%
Environment- Public Protection	Various Public Protection Schemes	112	0.2%
Environment - Urban Renewal	Risca S106	362	0.7%
Environment - Urban Renewal	ERDF Ty Du Nelson	151	0.3%
Environment - Urban Renewal	Various Urban Renewal Schemes	447	0.8%

Environment - Urban Renewal	ERDF Lawns Industrial Estate Rhymney	586	1.1%
Private Housing	Various Private Housing Grant Breaches	373	0.7%
Private Housing	Disabled Facility Grants	530	1.0%
Private Housing	Home Improvement Loans	1,061	1.9%
Private Housing	Miscellaneous & Renewal Area	116	0.2%
Private Housing	Home Repair Grant	701	1.3%
Property Services	Demolition Pontllanfraith School	754	1.4%
Property Services	Penallta House Car Park Extension	142	0.3%
Property Services	Former Meals On Wheels Pengam	172	0.3%
Property Services	Newbridge Leisure Centre Refurbishment	540	1.0%
Social Services	Children's Centre Complex Needs	3,069	5.6%
HRA	HRA WHQS	9,803	18.0%
Total: -		54,584	100%

5.3 Members are asked to note the following reasons for the cause of large capital budgets that are forecasted to slip into 2020/21 financial year:

- £16.798m on Corporate Projects to is yet to be allocated to specific schemes. A report will be prepared during the spring outlining proposals to utilise this sum for investments in the Council's 'place shaping' agenda. This report will also include additional sums that have been identified for release as a consequence of the annual review of reserves and will be presented to the Policy & Resources Scrutiny Committee prior to consideration by Cabinet and Council.
- £2.308m Education capital maintenance grant that was received late in March 2019 is to be carried forward. Works have been identified but not undertaken in 2019/20 due to a lack of resources, and the impact of the works on school operational times. Works will now be scheduled for the summer holidays in 2020.
- £4.940m 21st Century Schools Band B match-funding - The Band B programme commenced in 2019/20 and the service area is putting together business cases to access WG funding to commence two specific schemes.
- £769k held against Ty Duffryn relates to funding that was initially set aside for a potential Waste Transfer Station. However the capital scheme is no longer progressing. The funding is to remain ring-fenced pending a decision on the proposal to expand Penallta Household Waste Recycling Centre into the adjacent Parks Depot, which is deemed to be an alternative waste capital scheme and anticipated to cost circa £690k. A report will be presented to Cabinet in due course.
- £675k Regeneration Project Board funding – Budget remaining that has not been allocated to specific projects. The Regeneration Project Board meets regularly to consider new capital projects.

- £1.168m held against Caerphilly Basin Strategic Highway (S106) – Section 106 funding to be carried forward for capital infrastructure works in the Caerphilly Basin area.
- £1.045m held against various Highways liabilities - Funding to be carried forward to address liabilities (Part 1 claims) against historical capital projects. A number of liabilities remain unresolved at present.
- £621k held against Corporate Maintenance Tips, Mines & Spoils – Works at Fochriw land reclamation site are to be retendered as the initial tender resulted in higher than expected costs. Retendering exercise to be undertaken in late spring/ early summer 2020.
- £1.907m held against Unfunded Liabilities at Former Land Reclamation sites – This is to be reviewed and the sum will be returned to corporate balances if it is determined that there is no longer a risk of grant clawbacks.
- £1.061m Home Improvement Loans funding - This is repayable WG funding that is forecasted to be carried forward.
- £701k held against Home Repair Grant scheme - £200k is to be carried forward to fund the Arbed scheme in Lansbury Park; £100k relates to grant funding recovered from grant breaches and is to be carried forward; and £400k relates to new grant applications.
- £754k held against the demolition Pontllanfraith School – This budget is currently earmarked in the event of demolition being approved.
- £3.069m for the Children’s Centre for Complex Needs – This is currently at design phase. The capital budget has been requested to be carried forward as slippage into 2020/21 financial year.

5.4 The £9.803m slippage on the WHQS programme could potentially be greater at the end of the financial year due to ongoing issues relating to procurement, condition surveys and asbestos. This slippage will be ring-fenced to the WHQS.

5.5 The table below summarises identified projected underspends totalling £1.31m: -

Service Area	Scheme	£'000
Corporate Finance	Unallocated Underspends	374
Corporate Finance	Schemes Not Progressing	936
Environment- Public Protection	Coed Top Closed Landfill Drainage	2
Total: -		1,312

5.6 The underspends identified in the table above will be monitored throughout the year and will be made available to support the Capital Programme in future years.

5.7 As at 31st October 2019 overspends against schemes to the value of £269k were identified: -

Service Area	Scheme	£'000	Comments
Environment-Infrastructure	Salix Street Lighting	(269)	Overspend to be carried forward into 2020/21 and to be funded from a planned drawdown on a Salix loan facility.
Total: -		(269)	

5.8 As indicated above, the projected overspends totalling £269k will be carried forward into the 2020/21 financial year.

6. ASSUMPTIONS

6.1 The details set out in the report are based on actual expenditure between 1st April 2019 and 31st October 2019 and projected expenditure to 31st March 2020.

7. LINKS TO RELEVANT COUNCIL POLICIES

7.1 The contents of this report are in accordance with the Budget Strategy agreed by Council at its meeting on the 21st February 2019.

7.2 Prudent financial management contributes to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015:-

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

8. WELL-BEING OF FUTURE GENERATIONS

8.1 Effective financial management is a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

9. EQUALITIES IMPLICATIONS

9.1 This report is for information purposes, so the Council's Equalities Impact Assessment (EqIA) process does not need to be applied.

10. FINANCIAL IMPLICATIONS

10.1 As detailed throughout the report.

11. PERSONNEL IMPLICATIONS

11.1 There are no personnel implications arising from this report.

12. CONSULTATIONS

12.1 There are no consultation responses that have not been reflected in this report.

13. STATUTORY POWER

13.1 Local Government Acts 1972 and 2003.

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Consultees:
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S. Harris - Interim Head of Business Improvement Services & Acting S151 Officer
A. Southcombe – Finance Manager, Corporate Finance
Cllr E. Stenner – Cabinet Member for Finance, Performance & Planning

Appendices:

Appendix 1 – 2019/20 Financial Summary.

Background Papers:

Council (21/02/19) - Budget Proposals for 2019/20 and Medium-Term Financial Plan 2019/20 to 2023/24.

Appendix 1

Capital Monitoring 2019/20- Period 7

Service Area	B/f Funding	B/f Funding Adjustments	Revised B/f Funding	Approved Budget 2019-20	Virements	Additional In Year Funding 2019-20	Total Available Funding 2019-20	Expenditure to 31.10.2019	Projected Expenditure to 31 March 2020	Slippage (committed & non-committed)
Corporate Finance	3,078	-668	2,410	0	0	0	2,410	0	1,100	0
Corporate Services	11,105	0	11,105	6,386	-402	2,948	20,037	38	3,131	16,906
Education & Lifelong Learning	4,200	0	4,200	1,423	0	7,596	13,219	2,365	4,720	8,498
Environment- Community and Leisure Services	2,102	0	2,102	258	0	96	2,456	636	1,292	1,164
Environment- Economic Regeneration	45	668	713	98	-650	1,835	1,996	25	1,040	956
Environment- Infrastructure	6,178	0	6,178	2,581	520	4,165	13,444	3,554	7,831	5,883
Environment- Land Reclamation	2,145	0	2,145	0	0	0	2,145	0	0	2,145
Environment- Urban Renewal	1,363	0	1,363	89	532	1,103	3,087	855	1,540	1,547
Environment- Public Protection	225	0	225	493	0	124	842	284	616	224
Private Housing	2,723	0	2,723	2,167	0	357	5,247	1,057	2,465	2,782
Property Services	1,810	0	1,810	690	0	229	2,729	829	1,121	1,607
Social Services	3,184	0	3,184	345	0	1,826	5,354	329	2,286	3,069
General Fund Total	38,158	0	38,158	14,530	0	20,279	72,966	9,972	27,142	44,781
			0							
HRA	3,953	0	3,953	56,618	0	576	61,148	22,959	51,345	9,803
Total	42,111	0	42,111	71,148	0	20,855	134,114	32,931	78,487	54,584

**Projected
Outturn
Variance
Underspend
(+); Overspend**

(-)

1,310

0

-0

0

0

-269

0

0

2

0

0

-0

1,043

0

1,043



POLICY AND RESOURCES SCRUTINIY COMMITTEE – FOR INFORMATION

SUBJECT: CAPITAL STRATEGY REPORT 2020/2021

REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 To submit prior to its presentation to Council the Authority's Capital Strategy report for 2020/21 financial year in accordance with the Prudential Code that was introduced by the Local Government Act 2003.
- 1.2 The report cross-references to the report by the Corporate Director of Education and Corporate Services on Revenue and Capital Budgets ["the budget report"]; and the Treasury Management Annual Strategy, Capital Finance Prudential Indicators and Minimum Revenue Provision Policy for 2020/2021.

2. SUMMARY

- 2.1 The Capital Strategy outlines the principles and framework at the very high level that shape the Authority's capital investment proposals. The principal aim is to deliver an affordable programme of capital consistent with the financial strategy that contributes to the achievement of the Council's priorities and objectives as set out in the Authority's Corporate Plan; consider associated risks; recognise financial constraints over the longer term; and represent value for money.
- 2.2 The Strategy defines at the highest level how the capital programme decision making identifies the issues and options that influence capital spending, and sets out how the resources and capital programme will be managed. In addition the Capital Strategy should comply with the Prudential Code for local authority capital investment introduced through the Local Government Act 2003. The key objectives of the Code are to ensure that capital investment plans are affordable, prudent and sustainable.
- 2.3 The Capital Strategy sets out the framework for capital investment decisions. The strategy for funding this investment is underpinned by the Prudential Code for Local Authority investment, which was introduced by The Local Government Act 2003. The Prudential Code has the following key objectives:
 - That capital investment plans are affordable, prudent and sustainable;

- That treasury management decisions are taken in accordance with good professional practice;
- That local strategic planning, asset management and proper option appraisal are supported.

3. RECOMMENDATIONS

- 3.1 That the annual Capital Strategy Report be noted by the Policy and Resources Scrutiny Committee prior to Council approval.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 The Annual Capital Strategy report is a requirement of the CIPFA's Prudential Code (2017 edition).
- 4.2 The Prudential Code was first introduced through the Local Government Act 2003. Authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003.

5. THE REPORT

5.1 Corporate Priorities

- 5.1.1 Underlying the capital strategy is the recognition that the financial resources available to meet corporate and departmental priorities are constrained in the current economic climate. Therefore the Authority must rely more on internal resources and seek ways in which investment decisions can be no less than self-sustaining or generate positive returns both in terms of meeting corporate objectives and producing revenue savings.
- 5.1.2 The Authority's corporate priorities and well-being objectives are set out in its Corporate Plan, which is published on the Council's website:

https://www.caerphilly.gov.uk/CaerphillyDocs/Council-and-democracy/Corporate_Plan_2018-2023.aspx

5.2 Capital Expenditure and Financing

- 5.2.1 Capital expenditure is defined as costs incurred by the Authority in acquiring new property, plant and equipment (PPE); or costs incurred by enhancing the existing PPE asset base. Capital expenditure can also be incurred in instances where the asset is owned by a third party but the Authority has provided the third party with a loan or grant. In such instances the expenditure is recorded as if incurred directly by the Authority.
- 5.2.2 In accordance with accounting definitions, expenditure can be capitalised when it relates to:
- The acquisition or creation of a new fixed asset - capitalisation will depend on the creation of rights to future economic benefits controlled by the Authority;

- The enhancement of an existing fixed asset - capitalisation will depend on the works substantially increasing the value of the asset, extending its useful life or increasing its use in service provision.

5.2.3 The Authority has a de-minimus limit for capital expenditure of £10,000. Capital expenditure that is below this de-minimus limit, irrespective of meeting the definition set out in paragraph 5.2.2, is charged to a revenue budget.

5.2.4 The Authority's core capital programme is approved by Council annually as part of the Budget Report, and is funded from the General Capital Grant and Supported Borrowing Approvals. Both of these funding streams are confirmed annually by Welsh government as part of the Local Government Finance Settlement.

5.2.5 The Authority's three year core capital programme from 2020/21 is summarised below:

	2019/20 Approved Budget	2020/21 budget	2021/22 budget	2022/23 budget
	£000s	£000s	£000s	£000s
Council Fund	14,530	11,363	9,846	9,726
Housing Revenue Account	56,618	36,000	45,000	20,000
TOTAL	71,148	47,363	54,846	29,726

Table 1: Prudential Indicator: Estimates of Capital Expenditure

5.2.6 Further details of the 2020/21 – 2022/23 core capital programme and the funding of the programme can be found in the Budget Report.

5.2.7 In addition to the core capital budget that is approved by Full Council, the Authority's capital programme is also funded from slippage (previous years unspent capital budget that is carried forward); external grants and contributions; section 106 funding; and virement of revenue budgets (revenue contribution to capital outlay {RCCO}).

5.2.8 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not get subsidised, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately, and includes the renovation of existing council stock to a Welsh Housing Quality Standard by December 2020. The HRA capital programme also includes the Affordable Homes programme which is expected to commence in December 2020 subject to Member approval.

5.2.9 **Governance:** the core capital budget is approved annually by Full Council as part of the revenue budget setting process. All other capital projects / capital works that do not form part of the core capital programme will require a cabinet report prior to commencement of the capital scheme. Capital projects / works that require to be funded by prudential borrowing will need a decision by full Council. The Cabinet report will need to include the following:

- A link to Corporate Priorities and how the capital project would seek to fulfil such priorities;
- Full option appraisal of the project to demonstrate value for money;
- That capital investment plans are affordable, prudent and sustainable;
- Where prudential borrowing is considered that treasury management decisions are taken in accordance with good professional practice;
- That local strategic planning and asset management plans are supported.

- 5.2.10 All capital expenditure must be financed, either from external sources (government grants and other contributions); the Authority's own resources (revenue contribution, reserves and capital receipts); or debt (borrowing {supported and unsupported}; leasing; and Private Finance Initiative).
- 5.2.11 Debt (including leases) is a source of finance that can be used to fund a capital scheme. However, debt is repayable over time. The Authority sets aside a Minimum Revenue Provision (MRP) every year for the repayment of existing debt. MRP forms part of the debt management budget and is monitored by Corporate Finance. As part of the annual Treasury Management Strategy, which is approved by Full Council in February (along with the Revenue Budget and the Capital Programme), a MRP statement is presented as an appendix to the Strategy annually, and sets out the MRP Policy that is to be adopted by the Authority at the start of the new financial year. The full MRP statement is set out in Appendix 8 of the Treasury Management Annual Strategy.
- 5.2.12 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The Authority's estimated CFR is set out in Appendix 6 of the Treasury Management Annual Strategy.

5.3 Asset management

5.3.1 Asset management is about using assets (property, plant & equipment) to deliver value and achieve the organisation's business objectives. To ensure that capital assets continue to be of long-term use, the Authority has an asset management strategy in place.

5.3.2 The Authority's asset management strategy can be found on its website:

<https://www.caerphilly.gov.uk/My-Council/Strategies,-plans-and-policies/Corporate-strategies,-plans-and-policies/Corporate-Asset-Management-Strategy>

5.3.3 As at 31st March 2019 the Authority's fixed assets (property, plant and equipment) had a net book value of £1,169m. The net book valuation is an accounting valuation, which does not translate to market value. Further details can be found in Note 23 to the Authority's 2018/19 Statement of Accounts:

<https://www.caerphilly.gov.uk/CaerphillyDocs/Council-and-democracy/StatementofAccounts-31-03-19.aspx>

5.3.4 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on acquiring new assets; enhancing the existing asset base; or to repay debt.

5.3.5 Whilst the Authority is intending to dispose of land and building in the future, a change in the law means that any future sale proceeds will need to take in to affect a drainage assessment. This has arisen as a result of the Welsh Minister for Environment signing off a Commencement Order that brings Schedule 3 of the Flood and Water Management Act 2010 into force in Wales.

5.3.6 Since 7th January 2019, all proposed new developments in Wales must include Sustainable Drainage Systems (SuDS). These must comply with the Welsh Ministers' Standards and signed off by the SuDS Approving Body (SAB). The current voluntary standards will become mandatory at the same time. SuDS aim to manage rainfall in a way similar to natural processes, making use of the landscape and natural vegetation to control the flow and volume of surface water. SuDS can deliver multiple benefits including:

- flood risk reduction;
- improved water quality;
- opportunities for habitat creation;
- enhanced biodiversity;
- supporting well-being through bringing people closer to green and blue community spaces.

5.3.7 Each site could have a different SuDS solution, which depends on the site specifics and topography. Each scheme would need to be considered by the authority at the planning stage and for the SuDS to be approved and adopted. Since the SuDS are site specific it is not possible to forecast a receipt with any degree of accuracy.

5.3.8 **Capital receipts:** As of 1st April 2018, Welsh Government issued a capitalisation directive that allows Welsh Authorities to use capital receipts to fund revenue expenditure incurred as a result of transforming service delivery; cutting back services to generate savings; or investing in economic growth projects that are designed to reduce revenue costs or pressures over time. The use of capital receipts to fund such expenditure is permitted until 31 March 2022.

5.3.9 A summary of the Capitalisation Directive issued by the Welsh Government that the Authority can adopt for the Flexible Use of Capital Receipts is detailed in Appendix 1. At present there are no plans to utilise the current capital receipts reserve to fund transformation expenditure.

5.3.10 **Governance:** If in the future the Authority decided to utilise the Capital Receipts Directive to fund revenue expenditure a Cabinet decision will be required. The cabinet report will need to demonstrate:

- A robust business case with a full option appraisal;
- Identification of actual capital receipts received that are uncommitted;
- An analysis of what the capital receipt could have been used for;
- Value for money.

5.4 Treasury Management

5.4.1 The Chartered Institute of Public Finance & Accountancy defines treasury management as “The management of the organisation’s borrowing; investments and cash flows; its banking; money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

5.4.2 Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. Investment balances tend to be high at the start of the financial year as revenue income is received before it is spent, but reduce in the long-term as capital expenditure is incurred before being financed.

5.4.3 Due to decisions taken in the past, the Authority currently has £279.4m nominal debt outstanding as at 31 March 2019, at an average interest rate of 4.64% and £85.9m nominal treasury investments at an average rate of 1.09%.

5.4.4 The Annual Treasury Management Strategy is approved by Full Council every February, and sets out the Authority’s Borrowing Strategy; Investment Strategy; and respective prudential indicators.

5.5 Investments for Service Purposes

- 5.5.1 The Authority provides capital grants to local businesses for the purpose of economic regeneration (Commercial and Industrial Grant - 2019/20 capital budget of £50k). Such grants are awarded on application and criteria basis. On a separate basis, Community Regeneration Fund (CRF) capital grants are also awarded to the voluntary sector (2019/20 capital budget of £98k). The CRF grants are awarded by a grants panel that meets at least three times a year.
- 5.5.2 **Governance:** Decisions to award local businesses and the voluntary sector capital grants are undertaken by the relevant service manager in consultation with the Head of Service. The Community Regeneration Fund grant applications are assessed by the Community Regeneration Fund Panel that includes the Cabinet Member for Regeneration. The final decision to award is undertaken by the Head of Regeneration and Planning. In either case the award decision is posted on the intranet.
- 5.5.3 The decision to make a loan or to purchase share capital will be referred to the Head of Finance, who will in turn make a recommendation to Cabinet and Full Council once an appraisal exercise has been undertaken. The decision to award will need to be funded from the capital programme and will be subject to a robust business case in the first instance.

5.6 Commercial Activities

- 5.6.1 A number of local authorities in England are investing in commercial property, either via a fund manager or direct purchase of property in order to generate enhanced treasury returns above the rate of inflation. The returns generated from this type of investments are supporting revenue budgets in an environment when central government revenue support funding is declining year on year.
- 5.6.2 At present the Authority does not invest in commercial property either directly (through property acquisitions) or indirectly (through a fund manager). Due to the uncertainty around austerity and Brexit, this type of investment is considered to be significantly risky. However, the Authority would like to keep its options open for future investment in property and other commercial investments.
- 5.6.3 In the event of the Authority purchasing a commercial investment, the Authority may seek to finance the purchase through prudential borrowing. In any such case the Authority will prepare a detail report for Council that includes a full option appraisal and risk assessment of the investment. The report will highlight the rationale for the commercial investment.
- 5.6.4 With financial return being the main objective, the Authority accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include a decline in the property market; volatility in the capital value of property; capital being tied up in the medium/long-term horizon and active management of properties when purchased directly rather than purchasing the property through a fund manager.
- 5.6.5 In recognition of the risks stipulated in the above paragraph, the Authority will adopt a policy whereby 50% of the annual income generated will be ring fenced in an earmarked reserve to offset in any fall in capital values or capital income; or fund any other associated cost. The remaining 50% of the annual income generated will be made available to the Authority to support frontline services and enabling the Authority to achieve a balanced budget. Periodic reviews will take place at least once a year to review this policy. The Head of Corporate Finance would recommend changes to the policy, if appropriate, at any time by way of a report to Cabinet.

- 5.6.6 **Governance:** Treasury management decisions on commercial investments are made in accordance with the approved Treasury management Strategy. Non treasury investments will be referred to the Head of Finance and the Corporate Management Team to consider with further referral to Cabinet and Full Council for the final decision. Monitoring of the commercial investments (treasury management related) will be included within the treasury management monitoring reports (or other Council reports) that are presented to the Policy and Resources Committee. Non-treasury management commercial investments will be reported separately by the Head of Corporate Finance.
- 5.6.7 The Authority will seek expert independent and external advice whenever a commercial investment opportunity arises prior to investing. Legal advice will also be sought from within the Authority, and where necessary externally.

5.7 **Revenue Budget Implications**

- 5.7.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP repayments are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.
- 5.7.2 Further details on the revenue implications of capital expenditure are set in Appendix 6 of the Treasury Management Annual Strategy, Capital Finance Prudential Indicators and Minimum Revenue Provision Policy for 2020/2021 report.

5.8 **Knowledge and Skills**

- 5.8.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.
- 5.8.2 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Authority currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.
- 5.8.3 The Council will employ, where necessary, consultants and other professional experts to advise upon technical issues relating to non-treasury management commercial investments.
- 5.8.4 **Training:** Key relevant staff will undertake training as and when opportunities arise or whenever there are changes in regulations. The contract for Treasury Consultancy Services includes requirements for Member and Officer training to be provided during any year. Officers will look to schedule treasury management training for Members for autumn 2020. Further Member training will be undertaken as and when required.

6. **ASSUMPTIONS**

- 6.1 The details set out in the report are based on information collected from Heads of Service for the delivery of capital works.
- 6.2 It has been assumed that the Authority will fund a proportion of its capital programme through supported borrowing.

6.3 It has been assumed that the HRA's borrowing needs are based on the current Business Plan at the time of writing this report.

7. LINKS TO STRATEGY

7.1 The report has links to the strategic themes of the Authority, taking into account cross-cutting issues where relevant. It has specific links to the following documents:

a) Medium Term Financial Plan

The Capital Strategy is closely linked to the Medium Term Financial Plan (MTFP), primarily with respect to the affordability of the capital programme.

b) Treasury Management Strategy

The Treasury Management Strategy links to the Capital Strategy in determining the Authority's approach to borrowing and investments, including borrowing to fund capital expenditure. The Treasury Management Strategy is closely related to the Prudential Code and Prudential Indicators.

The Authority has an integrated Treasury Management Strategy, and has adopted the CIPFA Code of Practice for Treasury Management in Public Services. The Treasury Management Strategy deals with borrowing and investment arising as a consequence of all the financial transactions of the authority, not exclusively those arising from capital spending.

c) Statement of Accounts

Capital expenditure incurred during the year is reflected in the Balance Sheet of the Statement of Accounts ensuring stewardship of assets is demonstrated. The accurate monitoring and recording of capital expenditure ensures that this document is free from material error. The Statement of Accounts is externally audited at the end of each financial year to certify that it presents a true and fair view of the financial position of the Authority.

d) Regulatory Framework of Capital Spend

The Procurement Strategy, along with the Contract Standing Orders and Financial Regulations, looks at who can be used to supply goods and services to the Authority, and how these goods and services should best be obtained to secure value for money.

7.2 Prudent financial management contributes to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015:-

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

8. WELL-BEING OF FUTURE GENERATIONS

- 8.1 The establishment of a capital strategy is a key element of effective financial management and risk management of the Authority's resources, which assists the achievement of the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015.

9. EQUALITIES IMPLICATIONS

- 9.1 There are no potential equalities implications of this report and its recommendations on groups or individuals who fall under the categories identified in the Council's Strategic Equality Plan. There is no requirement for an Equalities Impact Assessment Questionnaire to be completed for this report.

17. FINANCIAL IMPLICATIONS

- 10.1 There are no financial implications arising from this report.

11. PERSONNEL IMPLICATIONS

- 11.1 There are no personnel implications.

12. CONSULTATION

- 12.1 No external consultation is required for the purposes of the report. However, advice has been sought from the Authority's current Treasury Management Adviser.

13. STATUTORY POWER

- 13.1 Local Government Act 1972

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Consultees: Corporate Management Team (CMT)
Stephen Harris - Interim Head of Business Improvement Services & Deputy S151 Officer
Andrew Southcombe – Finance Manager, Corporate Finance
Robert Tranter- Head of Legal Services & monitoring Officer
Cllr E. Stenner – Cabinet Member for Finance, Performance & Planning

Appendix 1: Flexible Use of Capital Receipts Policy

Appendix 1: Flexible Use of Capital Receipts Policy

Legislation

- The Local Government Act 2003 (“the Act”), section 15(1) requires a local authority “...to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify...”. and section 24 of the Act states “In its application to Wales, ...for any reference to the Secretary of State there were substituted a reference to the Welsh Ministers.”
- In December 2017, the Secretary of State announced, the continuation of the capital receipts flexibility programme for a further three years, to give local authorities in England the continued freedom to use capital receipts from the sale of their own asset (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings. These powers have been exercised under sections 16(2)(b) and 20 of the Local Government Act 2003 (the Act). This will cover expenditure incurred from 1st April 2016 up to 31 March 2022, and relates to expenditure incurred as a result of service transformation that reduces costs and generate savings.
- In Further exercise of Welsh Minister’s powers under section 20 of the Act, the continuation of the capital receipts flexibility programme will also be extended to Welsh local authorities within the meaning of section 9 of the Act and regulations made under that section (part 3 SI 2003/3239{W319}).

Application

- The direction makes it clear that local authorities cannot borrow to finance the revenue costs of service reform. Local authorities can only use capital receipts from the disposal of property plant and equipment assets received in the years in which this flexibility is offered.
- Capital receipts generated from the sale of Council houses Right to Buy scheme are excluded.
- Welsh Ministers believe that individual authorities and groups of authorities are best placed to decide which projects will be most effective for their areas. The key criterion to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings or reduce revenue costs or pressures over the longer term to an authority, or several authorities, and/or to another public body.
- The Capitalisation Directive for the Flexible Use of Capital receipts applies from 1st April 2016 to 31st March 2022.

Accountability & Transparency

- A disclosure note will be included in the Statement of Accounts in the relevant year detailing the individual projects that have been funded or part funded through capital receipts flexibility.

- As a minimum, the disclosure note should list each project that made use of the capital receipts flexibility, ensuring that it details the split of up-front funding for each project between capital receipts and other sources, and that on a project-by-project basis, setting out the expected savings and/or benefits of investment.

Qualifying Expenditure

- Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in a way that reduces costs or demand for services in future years for the Authority or any of the delivery partners. This includes investment which supports economic growth projects which are also designed to reduce revenue costs or pressures over the longer term.
- The set up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

Examples of Qualifying Expenditure

- There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:
 - Preparatory work necessary to support local authority mergers as part of the programme to reform local government in Wales;
 - Sharing back-office and administrative services with one or more other council or public sector body;
 - Investment in service reform feasibility work, e.g. setting up pilot schemes;
 - Collaboration between local authorities and central government to free up land for economic use;
 - Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
 - Sharing Chief Executives, management teams or staffing structures;
 - Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
 - Aggregating procurement on common goods and services where possible, either as part of local arrangements or using the National Procurement Service, Crown Commercial Services or other central purchasing bodies which operate in accordance with the Wales Procurement Policy Statement;
 - Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
 - Setting up alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and
 - Integrating public facing services across two or more public sector bodies (for example children’s social care, trading standards) to generate savings or to transform service delivery.
 - Investment which supports economic growth projects which are also designed to reduce revenue costs or pressures over the longer term, across one or more local authorities and/or other public sector bodies.



POLICY & RESOURCES SCRUTINY COMMITTEE – FOR INFORMATION

**SUBJECT: CORPORATE SERVICES & MISCELLANEOUS FINANCE 2019/20
BUDGET MONITORING REPORT (PERIOD 7)**

REPORT BY: DIRECTOR OF EDUCATION & CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 To inform Members of projected revenue expenditure for the Directorate of Corporate Services and Miscellaneous Finance for the 2019/20 financial year.

2. SUMMARY

- 2.1 The report projects the anticipated final outturn for the Directorate of Corporate Services and Miscellaneous Finance based upon expenditure and income trends for the first seven months of the financial year.

3. RECOMMENDATIONS

- 3.1 Members are requested to note the contents of the report.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 To ensure that Members are informed of the projected financial position for the Directorate of Corporate Services and Miscellaneous Finance.

5. THE REPORT

5.1 Corporate Services

- 5.1.1 The Directorate of Corporate Services is currently forecasting an underspend of £1,806k for the 2019/20 financial year, full details of which are provided in Appendix 1.
- 5.1.2 Members are advised that the projected outturn for Education & Lifelong Learning is a net overspend of £207k, consequently overall the projected outturn position for Education and Corporate Services is an underspend of £1,599k. Cabinet on 13th November 2019 agreed to fund £228k adjustments to the formula funding to YG Cwm Rhymni from the projected underspends. This will result in a revised projected outturn position of £1,371k. The full details with regards to the Education & Lifelong Learning position will be reported to Education for Life Scrutiny Committee on 13th January 2020.
- 5.1.3 There is an anticipated underspend on Chief Executive and Director of Education & Corporate Services of £49k. This is due in the main to an underspend on the budget currently held to fund an additional payment in respect of the role of Deputy Chief Executive. At its meeting on 19th November 2019 Council approved a recommendation that this budget should be removed

with effect from the 1st April 2020.

5.1.4 The anticipated net underspend of £292k in Corporate Finance relates in the main to delays in appointing to vacant posts together with savings from maternity leave after taking into account the funding from reserves for an apprentice.

5.1.5 There is an anticipated net underspend of £784k in Digital Services, after taking into account the agreed use of reserves. This consists of:-

- A projected underspend of £36k on Procurement which relates in the main to vacancies still to be filled pending a revised structure being developed, offset by reduced levels of income.
- Customer First – a net £160k underspend, after agreed use of reserves for Thoughtonomy and apprentices. This is due in the main to vacancies still to be filled pending a revised structure.
- IT Services - £546k underspend which is due in the main to vacancies still to be filled pending a revised structure.
- Central Services - £42k underspend due in the main to vacancies still to be filled pending a revised structure.
- Once the various restructures within Digital Services have been finalised the outturn forecast will be reviewed and updates will be provided in future budget monitoring reports.

5.1.6 Legal & Governance is projecting a net underspend of £149k after allowing for the following to be ring-fenced and transferred to earmarked reserves: -

- Projected underspend on Members related expenditure of £14k. This is due in the main to underspend on Members related Allowances which is partly off-set by increased costs on Members' superannuation costs and anticipated upgraded IT equipment.
- Projected underspend of £46k on Electoral Services. The Electoral Services underspends in non-election years are ring-fenced to fund overspends in election years.
- Agreed funding from reserves to fund an apprentice for a fixed term.

The net underspend of £149k for Legal & Governance is due in the main to delays in filling vacant posts some of which will be used to support the 2020/21 Medium Term Financial Plan savings, offset by the additional costs of the part time scrutiny officer which was agreed by Council.

5.1.7 There is an anticipated underspend of £23k in Business Improvement Services consisting of the following:-

- Management – Projected net underspend of £11k after taking into account the agreed use of reserves for leadership training for a number of staff.
- Projected overspend of £15k in the Policy Team due to the cost of unbudgeted whole authority VAWDASV training.
- Projected underspend of £31k in the Equalities and Welsh Language Team due in the main to delays in appointing to Translator posts and reduced external translation costs.
- Projected net overspend of £4k in the Performance Management Unit.
- The budget responsibilities of the Community Safety Partnership budget has transferred to Public Protection.

5.1.8 There is a projected net underspend of £310k for People Services mainly consisting of:-

- Human Resources projected net underspend of £108k due in the main to staff on maternity and career break offset with reduced income levels and the cost of a unbudgeted whole authority DBS system license. The net underspend is after taking into account the agreed use of reserves for a member of staff.

- CMT Support underspend of £14k due in the main to staff not being at the top of their grades after a revised grading structure was agreed.
- Communications Unit is projecting a net underspend of £28k, due in the main to anticipated increased levels of income, after taking into account the agreed use of reserves for an apprentice. Income levels will be closely monitored in year.
- A projected net underspend of £160k for Health & Safety, which includes:-
 - Occupational Health underspend of £52k due in the main to salary savings due to delays in recruitment to the revised structure.
 - Health & Safety £108k due in the main to salary savings due to delays in recruitment to the revised structure after taking into account the agreed use of reserves for fire officers and an apprentice. There is also a forecast saving on food audits, which are managed by procurement, together with potential vehicle hire savings.

5.1.9 For Property Services (who report to the Communities Director) there is a net projected underspend of £140k, consisting of the following: -

- Management - £5k overspend due to various non salary related items.
- Energy - £5k underspend due mainly to a temporary reduction in hours of a member of staff.
- Estates - £28k overspend due mainly to a reduction in the anticipated level of fee income, which has been partially offset by staff vacancies/reduced hours. This is after taking into account the agreed use of reserves for a member of staff. The income levels will be monitored closely in year to try to mitigate the anticipated overspend.
- Non – operational Properties - £15k underspend mainly due to reduced utility costs being incurred.
- Corporate Facilities - £54k underspend mainly due to savings on NNDR, utilities, cleaning and additional income, partially offset by additional maintenance costs. The additional income relates to MTFP savings in advance for 2020-21
- Maintenance – Projected £11k underspend mainly due to delays in filling vacant posts and increased fee income, partially offset by additional maintenance costs. These additional maintenance costs will be monitored closely in year to try to mitigate the anticipated overspend. Many of these costs are one offs and once the maintenance backlog is cleared the rate of expenditure should reduce significantly.
- Building Consultancy – Projected £88k underspend due in the main to delays in filling vacant posts together with increased fee income. These will be monitored closely in year.

5.1.10 There is a projected underspend of £58k on Housing Services which consists of the following:-

- General Fund Housing is expected to show a £4k overspend at this stage, although there are some offsetting over and underspends contributing to this position, which includes an increase in Bed & Breakfast accommodation offset by staff turnover.
- This service area includes a statutory duty for Temporary Accommodation and reducing homelessness which is demand led and difficult to predict. Currently there is an increase on the demand for this service which appears to be a national trend, with B&B placements continuing to increase and clients staying longer.
- The service, however, has received growth in the Revenue Support Grant (RSG) settlement of £560k during 2017/18 & 2018/19 as a driver from Welsh Government to prevent homelessness. However, circa £220k (40%) of this growth is committed to pay Housing Benefits charges where some of our temporary accommodation does not meet full Housing Benefit eligibility unlike other housing providers. However, we are currently in discussions with the Department of Works and Pensions (DWP) to review the eligibility criteria with the aim of redirecting this funding back into the budget to assist in preventing homelessness. The remaining allocation will be utilised throughout the year as resources are identified to meet our statutory duty. Any underspend will be requested to be carried forward and retained for this service although MTFP requirements could affect this. Any

significant increase on this service can in the short term be met from current revenue balances.

- The temporary accommodation for families at Ty Fesen is assumed to be fully financed but this includes a £20k renewal fund that will be transferred to earmarked balances at year end. A renewal fund for Ty Croeso also exists for future repairs and maintenance.
- Private Sector Housing is expected to show a £62k underspend at this stage. The main concern for this budget is the Agency Income Fee which has under-recovered in previous years. The fee income has historically been generated from the private housing capital programme which has reduced substantially over the years. This has recently been supplemented by additional fee income from the allocation of Welsh Housing Quality Standard (WHQS) works to leasehold properties, but this is only received on completion of the works, and is unlikely to be sustainable once the WHQS has been achieved in 2020. Furthermore, a recent review of Home Repair Grants and the newly introduced loan scheme has showed a slow take up last year which could mean a further reduction on this fee income this year if the pattern remains the same. Again this is an area that is difficult to predict, although it is anticipated that access to the scheme will increase as it becomes more widely known. There is a projected underspend in salaries which will offset this overspend due to long term sickness and a Housing Revenue Account (HRA) contribution for WHQS work. Any under-recovery in fee income can be met from current revenue balances in the short term.

5.1.11 The following table provides a summary of progress in delivering agreed 2019/20 savings for the Directorate of Corporate Services :-

Section	Agreed MTFP Savings £'000	Progress against Savings £'000	Variance £'000
<u>Corporate Services.</u>			
Corporate Finance	193.00	193.00	0.00
Corporate Policy	190.00	190.00	0.00
Health and Safety	83.00	83.00	0.00
Human Resources and Communications	120.00	120.00	0.00
Information Technology	358.00	349.50	8.50
Procurement and Customer Services	134.00	65.50	68.50
	1,078.00	1,001.00	77.00
<u>Non-Corporate Services.</u>			
Housing Services	133.00	133.00	0.00
Property Services	855.00	752.00	103.00
	988.00	885.00	103.00
Grand Total	2,066.00	1,886.00	180.00

5.1.12 The variance of £8.5k for Information Technology is due to a proposed reduction in rented vans and agenda distribution to members not being achieved. This shortfall will be met by other in-year savings within Digital Services.

5.1.13 The variance of £68.5k for Procurement & Customer Services is due to these savings not being achieved in year. Savings were found within the rest of Digital Services where workforce planning could be utilised.

5.1.14 The variance of £103k for Property Services, is due in the main to the temporary saving on the one-off reduction in maintenance not being achieved and the income for Ty Duffryn

being slightly lower than anticipated. These shortfalls will be met by other in-year savings in the service area.

5.2 Miscellaneous Finance

5.2.1 There is an overall projected underspend of £445k in Miscellaneous Finance.

5.2.2 There is a projected net underspend of £406k on Capital Financing budgets which is due to the following:-

- £456k underspend due to assumed General Fund borrowing in 2019/20 being deferred to 2020/21, this includes the 21st Century Schools LGBI and prudential borrowing; and £20m of supported borrowing allocations.
- £50k overspend due to temporary loans raised in 2019-20 to cover cashflow as a result of deferring the borrowing.

5.2.3 There is a projected overspend of £382k on the IT replacement strategy. This is due in the main to the transition to Microsoft Office 365 and will be funded from the IT replacement reserve.

5.2.4 There is a projected overspend of £61k on the Trade Union budget. We are currently in discussions with Trade Union colleagues to review and update our Facilities Agreement to ensure that equitable support arrangements are in place.

5.2.5 The remaining projected overspend in Miscellaneous Finance consist of the following:-

- £9k on the Class 1A NI savings, this is due in the main to a reduced take-up of the Tusker GASS car scheme.
- £8k on Coroner levy payments due to additional costs of the service.
- £16k on General Fund Discretionary Housing Payments (DHP) due to a high demand in cases.

5.2.6 The remaining projected underspend for Miscellaneous Finance consists of the following: -

- Subscriptions - £9k
- Carbon Management Scheme - £3.8k
- Miscellaneous Items - £120k – in the main due to a rebate from the “Cremation Services Joint Committee”.

5.2.7 The following table provides a summary of progress in delivering agreed 2019/20 savings for Miscellaneous Finance:-

Section	Agreed MTFP Savings £'000	Progress against Savings £'000	Variance £'000
Miscellaneous Finance	1,027.00	889.00	138.00
Grand Total	1,027.00	889.00	138.00

5.2.8 The variance of £138k is due to the following:-

- £9k due to a reduced take-up of GASS cars.
- £129k on the IT replacement Strategy – This will be funded by the IT replacement reserve.

6. ASSUMPTIONS

- 6.1 Assumptions linked to this report were detailed in the budget report to Council on 21st February 2019.
- 6.2 The projected outturn position is based on actual income and expenditure details to the end of July 2019, together with data used to forecast future income and expenditure, following discussions with Managers.

7. RELEVANT LINKS TO COUNCIL POLICIES

- 7.1 The contents of this report are in accordance with the Budget Strategy agreed by Council at its meeting on 21st February 2019.
- 7.2 Effective financial planning and financial control contribute to the following Well-being Goals within the Well-being of Future Generations (Wales) Act 2015: -
- A prosperous Wales.
 - A resilient Wales.
 - A healthier Wales.
 - A more equal Wales.
 - A Wales of cohesive communities.
 - A Wales of vibrant culture and thriving Welsh Language.
 - A globally responsible Wales.

8 WELL-BEING OF FUTURE GENERATIONS

- 8.1 Effective financial management including the effective utilisation of external grant funding is a key element in ensuring that the Well-being Goals within the Well-Being of Future Generations (Wales) Act 2015 are met.

9. EQUALITIES IMPLICATIONS

- 9.1 This report is for information purposes, so the Council's Equalities Impact Assessment (EqIA) process does not need to be applied.

10. FINANCIAL IMPLICATIONS

- 10.1 As detailed throughout the report.

11. PERSONNEL IMPLICATIONS

- 11.1 There are no direct personnel implications arising from this report.

12. CONSULTATIONS

- 12.1 There are no consultation responses that have not been reflected in this report.

13. STATUTORY POWER.

13.1 Local Government Acts 1972 and 2003 and the Council's Financial Regulations.

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Lesley Allen, Principal Accountant, Housing.
Shaun Couzens, Chief Housing Officer.
D Street, Corporate Director Social Services
Mark S Williams, Interim Corporate Director Communities
Mark Williams, Interim Head of Property
A. Southcombe, Finance Manager Corporate Services.
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Cllr B. Jones, Deputy Leader/Cabinet Member for Finance, Performance & Governance.
Cllr C. Gordon, Cabinet Member for Corporate Services.
Cllr L. Phipps, Cabinet Member for Homes & Places.
Cllr J Pritchard, Chair of P&R Scrutiny.
Cllr G Kirby, Vice Chair of P&R Scrutiny.

Appendices:

Appendix 1 Corporate Services & Miscellaneous Finance 2019/20 Budget Monitoring Report (Period 7).

CORPORATE SERVICES DIRECTORATE	Original Estimate 2019-20	Revised Estimate 2019-20	Anticipated Outturn 2019-20	Anticipated Variance 2019-20
SUMMARY				
CHIEF EXECUTIVE	202,343	202,343	198,638	3,705
DEPUTY CHIEF EXECUTIVE/DIRECTOR CORPORATE SERVICES & EDUCATION	168,129	168,129	126,757	41,372
Approved Use of Reserves - Leadership	0	0	(4,286)	4,286
CHIEF EXECUTIVE & DIRECTOR OF EDUCATION & CORPORATE SERVICES	370,472	370,472	321,109	49,363
CORPORATE FINANCE				
Financial services & Internal Audit	2,079,893	2,079,893	1,786,966	292,927
Approved Use of Reserves - Apprentice	(27,728)	(27,728)	(26,509)	(1,219)
	2,052,165	2,052,165	1,760,457	291,708
DIGITAL SERVICES				
IT Services	3,786,891	3,786,891	3,241,089	545,802
Central Services	382,239	382,239	340,033	42,206
Procurement	289,665	289,665	253,810	35,855
Customer First	1,263,132	1,263,132	1,199,577	63,555
Approved Use of Reserves - Apprentices	(62,994)	(62,994)	(59,792)	(3,202)
Agreed Use of Reserves for Customer First			(100,000)	100,000
	5,658,933	5,658,933	4,874,717	784,216
LEGAL & GOVERNANCE SUPPORT				
Legal & Democratic Services	1,140,124	1,140,124	962,899	177,225
Approved Use of Reserves - Apprentice	(27,728)	(27,728)	0	(27,728)
Members Allowances	1,724,937	1,724,937	1,710,591	14,346
Ringfenced to Earmarked Reserves		0	14,346	(14,346)
Electoral Services	333,543	333,543	287,158	46,385
Ringfenced to Earmarked Reserves			46,385	(46,385)
	3,170,876	3,170,876	3,021,379	149,497
BUSINESS IMPROVEMENT SERVICES				
Management	127,611	127,611	133,035	(5,424)
Approved Use of Reserves - Leadership	0	0	(17,380)	17,380
Policy	558,024	558,024	573,205	(15,181)
Equalities	413,128	413,128	382,586	30,542
PMU	221,127	221,127	287,399	(66,272)
Approved Use of Reserves - Transformation Management	0	0	(62,280)	62,280
Community Safety Partnership	45,653	0	0	0
	1,365,543	1,319,890	1,296,565	23,325
PEOPLES SERVICES				
Human Resources	1,471,511	1,471,511	1,363,235	108,276
Approved Use of Reserves - Managing Attendance Officer	(31,225)	(31,225)	(31,225)	0
Health & Safety	945,331	945,331	779,384	165,947
Approved Use of Reserves - Apprentice/Fire Officer	(90,668)	(90,668)	(84,680)	(5,988)
Communications Unit	360,572	360,572	330,845	29,727
Approved Use of Reserves - Apprentice	(24,138)	(24,138)	(22,303)	(1,835)
CMT Support	131,823	131,823	117,655	14,168
	2,763,206	2,763,206	2,452,911	310,295
TOTAL CORPORATE SERVICES	15,381,195	15,335,542	13,727,138	1,608,404
PROPERTY SERVICES				
Management	320,073	363,293	368,195	(4,902)
Energy	140,325	140,325	135,277	5,048
Estates	133,058	133,058	145,269	(12,211)
Approved Use of Reserves - Asset Manager	(29,749)	(29,749)	(13,560)	(16,189)
Non Operational Properties	114,856	114,856	99,160	15,696
Facilities	2,263,151	2,250,551	2,196,383	54,168
Maintenance	1,984,349	1,956,862	1,946,154	10,708
Building Consultancy	(198,506)	(201,639)	(289,142)	87,503
	4,727,557	4,727,557	4,587,736	139,821
HOUSING SERVICES				
General Fund Housing	1,289,212	1,289,212	1,292,962	(3,750)
Private Housing	323,376	323,376	261,153	62,223
	1,612,588	1,612,588	1,554,115	58,473
TOTAL NON-CORPORATE SERVICES	6,340,145	6,340,145	6,141,851	198,294
TOTAL SERVICES	21,721,340	21,675,687	19,868,989	1,806,698

MISCELLANEOUS FINANCE	Original Estimate 2019-20	Revised Estimate 2019-20	Anticipated Outturn 2019-20	Anticipated Variance 2019-20
MISCELLANEOUS FINANCE				
Staff Related Costs				
Pension Contribution - Former Authorities Ongoing	1,155,689	1,155,689	1,155,689	0
Recharge to Education - Former Authorities	(179,629)	(179,629)	(179,629)	0
	976,060	976,060	976,060	0
Statutory Benefit Schemes				
Council Tax RS	14,746,611	14,746,611	14,395,000	351,611
Ringfenced to Earmarked Reserves	0	0	351,611	(351,611)
DHP Rent allowances	49,301	49,301	65,301	(16,000)
DHP Rent Rebates	443,711	443,711	443,711	0
DHP Income	(493,012)	(493,012)	(493,012)	0
General Rent Allowances	23,156,581	23,156,581	23,702,226	(545,645)
Rent Rebates	27,279,064	27,279,064	27,542,526	(263,462)
Rent Allowance War Widow Concessions	25,000	25,000	25,000	0
Housing Benefit Subsidy	(50,435,645)	(50,435,645)	(51,244,752)	809,107
	14,771,611	14,771,611	14,787,611	(16,000)
Levies Upon the Council				
Coroner	236,487	236,487	244,477	(7,990)
Archives	209,092	209,092	209,092	0
Fire Service Authority	8,882,264	8,882,264	8,882,264	0
	9,327,843	9,327,843	9,335,833	(7,990)
Capital Financing				
Debt Charges (Principal Repaid)	2,492,141	2,492,141	2,492,141	0
Debt Charges (Interest Payments)	8,342,451	8,342,451	7,936,616	405,835
Debt Charges (Debt Management Exp's)	45,563	45,563	45,563	0
Income from External Investments:	(800,000)	(800,000)	(800,000)	0
Rescheduling Discounts	0	0	0	0
Earmarked for specific funds/balances	734,912	734,912	734,912	0
CERA (Capital Expenditure funded from Revenue Account)	3,330,436	3,330,436	3,330,436	0
	14,145,503	14,145,503	13,739,668	405,835
Corporate and Democratic Core Costs				
Bank Charges	194,251	194,251	194,251	0
Income from HRA	(32,673)	(32,673)	(32,673)	0
Income from DLO/DSO	(13,947)	(13,947)	(13,947)	0
External Audit Fees	429,903	429,903	429,903	0
Income from HRA	(72,308)	(72,308)	(72,308)	0
Income from DLO/DSO	(30,866)	(30,866)	(30,866)	0
Subscriptions	110,736	110,736	101,520	9,216
	585,096	585,096	575,880	9,216
Grants to Voluntary sector				
Assistance to Voluntary sector	183,637	183,637	183,637	0
	183,637	183,637	183,637	0
Private Finance Initiative				
PFI Schools	2,293,465	2,293,465	2,293,465	0
PFI SEW	3,805,550	3,805,550	3,805,550	0
	6,099,015	6,099,015	6,099,015	0
Other				
NNDR - Authority Empty Properties	0	0	0	0
Welsh Language	0	0	0	0
Free School Meal Grant	302,409	302,409	302,409	0
Counsel Fees	314,720	314,720	314,720	0
Careline	15,900	15,900	15,900	0
Carbon Management Scheme	3,846	3,846	0	3,846
Carbon Energy Tax	239,711	239,711	239,711	0
IT Replacement Strategy	6,006	6,006	387,785	(381,779)
IT Replacement Reserve	0	0	(381,779)	381,779
PV Panel Maintenance	2,048	2,048	2,048	0
PV Panels Income	(57,600)	(57,600)	(57,600)	0
Risk Management Contribution	(456,511)	(456,511)	(456,505)	(6)
Class 1A NI	(100,000)	(100,000)	(90,840)	(9,160)
City Deal	306,200	306,200	306,200	0
Matched Funding for Community Schemes	15,000	15,000	15,000	0
Targeted Rate Relief Scheme	221,425	221,425	221,425	0
Miscellaneous Items	6,208	6,208	(113,850)	120,058
Trade Union Facilities	27,728	27,728	88,294	(60,566)
	847,090	847,090	792,918	54,172
TOTAL MISCELLANEOUS FINANCE	46,935,855	46,935,855	46,490,622	445,233
EXPENDITURE TO DIRECTORATE SUMMARY	68,657,195	68,611,542	66,359,611	2,251,931



POLICY & RESOURCES SCRUTINY COMMITTEE – FOR INFORMATION

**SUBJECT: WHOLE AUTHORITY REVENUE BUDGET MONITORING REPORT
 2019/20**

**REPORT BY: CORPORATE DIRECTOR FOR EDUCATION AND CORPORATE
 SERVICES**

1. PURPOSE OF REPORT

- 1.1 To provide details of projected whole-authority revenue budget expenditure for the 2019/20 financial year.
- 1.2 To provide an update on progress in delivering approved savings for 2019/20.

2. SUMMARY

- 2.1 This report provides information on the position of the whole-authority in respect of revenue budget monitoring for 2019/20. Detailed budget monitoring reports are prepared for Scrutiny Committees throughout the financial year. Consideration has been given to actual expenditure and income trends and projections have been made of the likely year-end outturn position. Where variations from budget have been identified these are commented upon throughout the report.
- 2.2 The report also provides details of progress in delivering approved revenue budget savings for the 2019/20 financial year and highlights those areas where savings are not currently progressing as originally planned.

3. RECOMMENDATIONS

- 3.1 It is recommended that Members continue to request Directors and Heads of Service to review expenditure and income levels in order to ensure that annual budgets and in-year savings are achieved.

4. REASONS FOR THE RECOMMENDATIONS

- 4.1 The Council budget is based upon the achievement of both expenditure targets and income targets. In order to ensure these are met and that the Council's financial integrity is maintained, Members are required to review expenditure and income trends included in budget monitoring reports.

5. THE REPORT

- 5.1 Members will be aware of the ongoing challenging financial outlook for Local Government and the need to identify significant savings to support the Council's Medium-Term Financial Plan (MTFP). Officers have been mindful of this and consequently expenditure has been curtailed in a number of areas in recent years with the aim of identifying savings in advance to support the MTFP. This prudent approach has resulted in a trend of reported year-end underspends for all Directorates.
- 5.2 The table below makes a comparison between the original 2019/20 estimate, a revised estimate (where approved changes have been made in year) and the projected outturn. The total projected revenue budget underspend for the Authority for 2019/20 is £2,111k. This does not include the Housing Revenue Account (HRA), details of which are provided separately in paragraphs 5.8.1 to 5.8.8.

	Original Estimate 2019/20 £000's	Revised Estimate 2019/20 £000's	Projected Outturn 2019/20 £000's	Projected (Overspend) /Underspend £000's
Education & Lifelong Learning	130,205	130,396	130,603	(207)
Social Services & Housing	91,946	91,755	91,190	565
Communities	48,549	48,595	49,035	(440)
Corporate Services	20,109	20,063	18,315	1,748
Miscellaneous Finance	46,936	46,936	46,491	445
Totals: -	337,745	337,745	335,634	2,111

5.3 Education & Lifelong Learning (Projected Overspend of £207k)

- 5.3.1 A net overspend of £207k is currently projected for Education & Lifelong Learning. The main variances in excess of £40k relate to the following: -

Budget Area	Under/ (Over) £000's
Relief Supply Cover (SRB's / Maternity)	(50)
Early Years (Rising 3's)	(43)
Management & Support Services	(42)
Education Welfare Service	50
Safeguarding	66
Language Support Primary	45
EOTAS, Addn Support & Out of County	(657)
Early Years Central Team	205
School Improvement	(59)
Music Service	89
Net Other (Details in Appendix 1)	189
Total: -	(207)

- 5.3.2 Due to the unpredictability of sickness in our Special Resource Bases and maternity absences across all school sectors, the relief supply cover spend on school based staff is always very closely monitored. Whilst it is very difficult to be able to forecast an outturn position, current data identifies a predicted overspend of £50k for the year.
- 5.3.3 The spend on Early Years – Rising 3's is very much demand led, as it is driven by the number of age 3 pupils who access nursery provision in the term following their 3rd birthday. This can

vary from year to year, with spend based on the birth rate and parental choice with regards to accessing this “early” provision. Current spend and projections indicate an increase in uptake in 2019/20, consequently based on recent trends the current projection is a projected overspend of £43k.

- 5.3.4 Management & Support Service costs are showing a projected net overspend of £42k.
- 5.3.5 The projected underspend in the Education Welfare Service relates to a recent restructure, which is contributing £28k to on-going savings for the Directorate, plus a one-off in year vacancy gap saving. Similarly the variance within the Language Support Team links largely to an in year vacancy (£33k), which is part of savings proposals for future years.
- 5.3.6 The significant cost pressure within the Directorate continues to be in relation to the EOTAS (Education Other Than at School) provision. The provision accommodates learners who are unable to attend and learn in a mainstream school setting. In reviewing the continuum of additional support provided to pupils, our alternative EOTAS provision and Out of County Placements, the projected overspend against this budget heading, for our most vulnerable learners, is currently estimated at £657k. A review of demand, costs and structures is on-going. This area of service has been a significant budget pressure in recent years and this was recognised as part of the Authority’s Budget Strategy for 2019/20 with budgetary growth of £800k. Despite this budgetary growth the current projection indicates an on-going budgetary pressure. In 2018/19, this area of the budget reported an overspend of £1.2m.
- 5.3.7 The projected underspend against the Early Years Central Team is due to the success of the team in accessing specific grant funding to support staff related costs. This grant funding relates to a number of Welsh Government grants (Flying Start / Early Implementer Childcare / Childcare & Healthy Schools). At this point the continuation of some of this grant funding remains uncertain for future years.
- 5.3.8 The projected overspend in school improvement relates to targeted English & Mathematics support (in Secondary Schools) which ended at the end of academic year 2018/19.
- 5.3.9 The projected underspend against the Music Service budget relates primarily to vacant posts, which form part of future MTFP savings proposals.
- 5.3.10 There is a projected net underspend of £189k for all other budgets within Education & Lifelong Learning.

Progress Made Against the 2019/20 Revenue Budget Savings Targets

- 5.3.11 The 2019/20 revenue budget settlement for Education and Lifelong Learning included a specific savings target of £3,354k (including Schools). Excluding specific direct savings against the Schools formula budget, the target for the Directorate was circa £1,007k.
- 5.3.12 Managers have progressed implementation of the targets set and whilst there are a few concerns linked to a £29k income target; an increased pressure in year against the budget for Rising 3’s provision; a short term pressure linked to a school improvement initiative and a £50k staff related saving linked to the Library Service staffing model there are currently no significant issues causing concern. The impact of all these budget pressures has been referenced in the narrative of this report and the projected outturn position for 2019/20.

5.4 Social Services and Housing (Projected Underspend of £516k)

- 5.4.1 A net underspend of £516k is currently projected as summarised in the following table: -

Service Area	2019/20 Revised Budget £000's	2019/20 Projection/ Commitment £000's	Projected (Overspend)/ Underspend £000's
Social Services: -			
- Children's Services	23,502	24,585	(1,083)
- Adult Services	64,531	62,972	1,559
- Service Strategy/Business Support	2,109	2,078	31
Social Services Sub-Total: -	90,142	89,635	507
Transport Costs	1,434	1,484	(50)
Housing Services	1,613	1,554	59
Total: -	93,189	92,673	516

Children's Services

- 5.4.2 The Children's Services Division is currently projected to overspend its budget by £1,083k as summarised in the following table: -

	Revised Budget (£000's)	Projection/ Commitment (£000's)	(Over)/Under Spend (£000's)
Management, Fieldwork & Administration	8,727	8,466	261
Residential Care Including Secure Accommodation	4,671	6,130	(1,459)
Fostering & Adoption	8,313	8,125	188
Youth Offending	395	395	0
Families First	47	4	43
After Care Support	658	778	(120)
Other Costs	691	687	4
Totals: -	23,502	24,585	(1,083)

Management, Fieldwork and Administration

- 5.4.3 Social Worker vacancies that were experienced early in the year have now been filled but many of these appointments have been made towards the bottom end of the grade resulting in a projected underspend in respect of these post. This has been compounded by delays in backfilling secondments to fixed term, grant aided posts, increasing the potential underspend in respect of management, fieldwork and administrative posts within the Children's Services Division to £261k.

Residential Care Including Secure Accommodation

- 5.4.4 The Children's Services Division has achieved a saving of around £250k in respect of residential placements for children since the month 3 position was reported to the Social Services Scrutiny Committee. This has been through a combination of a net reduction in placements by 1 child, delays in appointing staff at the Ty Isaf Residential Home and identifying a more cost effective placement for 1 other child. Unfortunately, these savings have been largely offset by an increase of around £243k due to a net increase of 2 parent and baby placements. As a result, the forecasted overspend in this area remains similar to the position reported in month 3, at £1,459k.

Fostering and Adoption

- 5.4.5 The Division has continued to experience an increase in demand for foster care placements. However, with the success of the ongoing foster care recruitment campaign it has been possible to accommodate a greater proportion of these placements with Caerphilly's in-house foster carers. These placements are less expensive than placements made through independent fostering agencies and as a result an underspend of £188k is forecast, despite the overall increase in services provided.

Families First

- 5.4.6 Following a cut in specific grant funding in 2018/19, the Children's Services budget has been used to underwrite a funding shortfall of £47k across the Families First Programme. However, a number of projects have reported potential underspends at the end of the first quarter of 2019/20 so it is expected that only £4k will need to be underwritten by Children's Services. The resultant underspend of £43k would not reduce the amount of Welsh Government grant funding claimable.

Aftercare

- 5.4.7 Three more care leavers currently receive support to live independently than when the month 3 position was reported to the Social Services Scrutiny Committee in September 2019. These additional arrangements are expected to cost over £200k within the current financial year resulting in a projected overspend of £120k.

Adult Services

- 5.4.8 The Adult Services Division is currently projected to underspend its budget by £1,559k as summarised in the following table: -

	Revised Budget (£000's)	Projection/ Commitment (£000's)	(Over)/Under Spend (£000's)
Management, Fieldwork & Administration	8,130	8,185	(55)
Own Residential Care and Supported Living	6,594	6,142	452
Own Day Care	3,996	3,946	50
Supported Employment	69	69	0
Aid and Adaptations	772	783	(11)
Gwent Frailty Programme	2,367	2,283	84
Supporting People (net of grant funding)	0	0	0
External Residential Care	15,432	14,835	597
External Day Care	1,409	1,497	(88)
Home Care (In-House and Independent Sector)	11,428	11,034	394
Other Domiciliary Care	13,149	12,901	248
Resettlement	(1,020)	(1,020)	0
Services for Children with Disabilities	1,312	1,384	(72)
Other Costs	893	933	(40)
Totals: -	64,531	62,972	1,559

Management, Fieldwork and Administration

- 5.4.9 The Adult Services budget for 2019/20 included a savings target of £550k to be achieved through a review of staffing across the Division. As of 30th June 2019, 7.69 full time equivalent posts had been removed from the Division delivering savings of £349k. Since then a further 6.17 full time posts have been earmarked for deletion which will ensure the full savings target will be achieved in preparation for the 2020/21 financial year. However as these savings will only be achieved in part during the current financial year, a net overspend of around £55k is projected in 2019/20 in respect of management, fieldwork and administrative posts.

Own Residential Care and Supported Living

- 5.4.10 An underspend of £452k is projected within this service area. This can largely be attributed to an increase in income received from service users. The level of this income is subject to individual financial assessments of each service user which can be significantly influenced by the value of property owned by the service users accommodated within our care homes at any point in time. As a result this forecast can fluctuate significantly over time depending on

the relative wealth of service users at the time that forecasts are made.

Own Day Care

- 5.4.11 The underspend of £50k forecast against our own day care services assumes staffing vacancy levels and replacement costs will be maintained at existing levels throughout the financial year

Aids and Adaptations

- 5.4.12 Forecasts provided by the Gwent Wide Integrated Community Equipment Service (GWICES) suggest that Caerphilly CBC could overspend by around £11k during 2019/20 based on demand for aids to daily living experienced between April and August 2019.

Gwent Frailty Programme

- 5.4.13 The underspend of £84k in respect of the Gwent Frailty Programme is attributable to a combination of Reablement Support Worker vacancies within Caerphilly and centrally held pooled budget underspends.

Supporting People

- 5.4.14 A review of supporting people contracts has been undertaken since the month 3 position identified a potential overspend of £96k. Following that review it is anticipated that Supporting People Services will be delivered within budget during 2019/20.

External Residential Care

- 5.4.15 The Adult Services Division has experienced a large drop-off in demand for residential care since the budget for 2019/20 was set. This has resulted in a potential underspend of £597k for all adult residential and nursing care provision.

External Day Care

- 5.4.16 The Adult Services budget for 2019/20 included a savings target of £205k to be achieved through a review of external day care provision. An overspend of £88k is currently forecast in this service area which would indicate that savings of £117k have been achieved to date. Work is ongoing to identify more cost effective services for a number of existing service users that could deliver the savings target in full by the end of the financial year.

Home Care (In-House and Independent Sector)

- 5.4.17 Actual costs incurred in the first 5 months of the financial year suggest a reduction of around 300 hours per week paid to in-house carers, contributing to a projected underspend of £342k in respect of the in-house service. This reduction of 300 paid hours per week equates to around 240 hours of contact with service users.

- 5.4.18 The reduction in in-house contact hours has been more than offset by an increase of around 325 hours per week in domiciliary care commissioned through the independent sector at a cost of £270k. This increase in hours has been coupled with an increase in the rates charged by independent providers following a re-tendering of contracts with effect from 1st October 2019 at a cost of £282k. Around £266k of Welsh Government Grant funding had been earmarked in preparation for the impact of the re-tendering exercise resulting in a projected net overspend of £286k in respect of independent sector domiciliary care provision.

- 5.4.19 Welsh Government grant funding had also been earmarked to partially fund an increase in demand for residential care for people with learning disabilities and for the MyST fostering service. However, as underspends are forecast for these services in 2019/20, £338k of Welsh Government Grant will be re-directed to fund the increased demand for independent sector

domiciliary care for older people and adults with disabilities.

5.4.20 The overall impact is a net projected underspend of £394k in respect of home care services.

Other Domiciliary Care

5.4.21 The underspend of £248k projected in respect of other domiciliary care costs can largely be attributed to a combination of reduced take up of direct payments and refunds from direct payment recipients following audits of recipients' accounts.

Children with Disabilities

5.4.22 An overspend of £31k in respect of staff cover at Ty Hapus Resource Centre coupled with an increase in foster care provision for children with disabilities, has resulted in a potential overspend of £72k in this service area.

Other Costs

5.4.23 A net overspend of £40k has been forecast in respect of Other Costs for Adult Services. This includes an overspend of £14k due to an under-provision for unsocial hours enhancements within the Telecare budget and £11k in respect of mental health capacity assessments. The remainder of the overspend is attributable to shared care respite services. The Social Services budget for 2019/20 included a £50k savings target to be achieved through a retendering of the contract for this respite service. Unfortunately, the revised contract did not take effect until 1st October 2019 and therefore, the savings will not be achieved in full within the current financial year. However, the full year impact of the revised contract is expected to achieve the full £50k savings target.

Service Strategy and Business Support

5.4.24 The service area is currently projected to underspend by £31k as summarised in the following table: -

	Revised Budget (£000's)	Projection/ Commitment (£000's)	Over/(Under) Spend (£000's)
Management and Administration	888	889	(1)
Office Accommodation	218	214	4
Office Expenses	169	154	15
Other Costs	834	821	13
Totals: -	2,109	2,078	31

5.4.25 The underspend of £31k in respect of Business Support is attributable to a combination of reduced printing costs, insurance premiums frozen at 2018/19 prices and the end of the national "Making the Connections" project to which the Directorate has previously subscribed.

Transport

5.4.26 The costs of transport for Social Services service users is funded through a budget held by the Integrated Transport Unit within the Directorate of Communities. This budget for transport costs amounts to £1,434,468 and is forecast to be overspent by around £50k. This is due to a Medium Term Financial Plan savings target included in the 2019/20 budget which is unlikely to be delivered in 2019/20.

Housing Services

5.4.27 There is a projected underspend of £58k on Housing Services which consists of the following:-

- General Fund Housing is expected to show a £4k overspend at this stage, although there are some offsetting over and underspends contributing to this position, which includes an increase in Bed & Breakfast accommodation offset by staff turnover.
- This service area includes a statutory duty for Temporary Accommodation and reducing homelessness which is demand led and difficult to predict. Currently there is an increase on the demand for this service which appears to be a national trend, with B&B placements continuing to increase and clients staying longer.
- The service, however, has received growth in the Revenue Support Grant (RSG) settlement of £560k during 2017/18 & 2018/19 as a driver from Welsh Government to prevent homelessness. However, circa £220k (40%) of this growth is committed to pay Housing Benefits charges where some of our temporary accommodation does not meet full Housing Benefit eligibility unlike other housing providers. However, we are currently in discussions with the Department of Works and Pensions (DWP) to review the eligibility criteria with the aim of redirecting this funding back into the budget to assist in preventing homelessness. The remaining allocation will be utilised throughout the year as resources are identified to meet our statutory duty. Any underspend will be requested to be carried forward and retained for this service although MTFP requirements could affect this. Any significant increase on this service can in the short-term be met from current revenue balances.
- The temporary accommodation for families at Ty Fesen is assumed to be fully financed but this includes a £20k renewal fund that will be transferred to earmarked balances at year end. A renewal fund for Ty Croeso also exists for future repairs and maintenance.
- Private Sector Housing is expected to show a £62k underspend at this stage. The main concern for this budget is the Agency Income Fee which has under-recovered in previous years. The fee income has historically been generated from the private housing capital programme which has reduced substantially over the years. This has recently been supplemented by additional fee income from the allocation of Welsh Housing Quality Standard (WHQS) works to leasehold properties, but this is only received on completion of the works, and is unlikely to be sustainable once the WHQS has been achieved in 2020. Furthermore, a recent review of Home Repair Grants and the newly introduced loan scheme has showed a slow take up last year which could mean a further reduction on this fee income this year if the pattern remains the same. Again this is an area that is difficult to predict, although it is anticipated that access to the scheme will increase as it becomes more widely known. There is a projected underspend in salaries which will offset this overspend due to long term sickness and a Housing Revenue Account (HRA) contribution for WHQS work. Any under-recovery in fee income can be met from current revenue balances in the short term.

Progress Made Against the 2019/20 Revenue Budget Savings Targets

- 5.4.28 The 2019/20 budget for Social Services included a savings target of £2,261k. As of 30th June 2019, actions had been implemented which would deliver around 84% of this target. Since that position was reported to the Social Services Scrutiny Committee in September, further actions have been implemented which will deliver a further 12% of the target. Work is ongoing to deliver the remaining 4% (£88k) of the targeted savings to ensure that the £2,261k target will be achieved in full in time for the start of the 2020/21 financial year.
- 5.4.29 The 2019/20 budget for Social Services Transport which is managed by the Integrated Transport Unit within the Directorate of Communities included a further savings target of £50k. No savings have been identified to date and it is possible that any efficiency savings that can be achieved will be negated by increasing demand. Therefore, a comprehensive review of the situation has commenced to determine whether this saving is deliverable.

5.5 Communities (Projected Overspend of £439k)

- 5.5.1 The projected outturn for the Communities Directorate is an overspend of £439k. After adjusting for the previously approved transfer of projected underspends/overspends to ring fenced reserves the net overspend to the Directorate reserve increases to £695k. However £500k of the overspend relates to winter maintenance which, as outlined below, will be funded

from the existing winter maintenance reserve, thus reducing the Directorate overspend to a net figure of £195k.

Service Area	2019/2020 Revised Budget £000	2019/2020 Projection/ Commitment £000	Projected (Overspend)/ Underspend £000
Regeneration & Planning	2,246	2,380	(134)
Infrastructure	17,937	18,504	(567)
Public Protection	7,286	6,888	398
Community & Leisure	20,953	21,097	(144)
Directorate General	173	165	8
Total	48,595	49,034	(439)
Transfer of Home to School Transport projected overspend to Education & Lifelong Learning			(13)
Transfer of Social Services Transport projected overspend to Social Services			(50)
Transfer of Cemeteries projected underspend to Earmarked Reserve			51
Transfer of Environmental Health projected underspend to Earmarked Reserve			268
Winter Maintenance overspend funded from Winter Maintenance Reserve			(500)
Total			(195)

Regeneration & Planning

- 5.5.2 Overall, the Regeneration & Planning Division is reporting a projected overspend of £134k.
- 5.5.3 Development Control has a projected overspend of £77k due to a shortfall in planning application fee income, partly offset by underspends in staffing costs due to the delayed filling of a vacant post. Building Control is reporting an overspend of £65k due to a shortfall in building regulation fee income.
- 5.5.4 Strategic Planning is projecting a £55k underspend due to the delayed filling of a vacant post and staff on reduced hours. Planning administrative and technical support is underspent by £44k also due to the delayed filling of two vacant posts. These underspends are partly offset by an overspend in the Land charge service of £23k due to a shortfall in search fee income.
- 5.5.5 Business Support has a projected underspend of £69k due to delays in filling vacant posts and reductions in some operational costs. Urban Renewal is reporting an underspend of £28k due to additional income generated from staff project fees. These underspends are partly offset by an overspend in relation to Bargoed Unit Shops of £10k, due to under occupancy. Town Centre Management is underspent by £21k due to delayed filling of the vacant Town Centre Manager post (the post is now filled).
- 5.5.6 There is projected £230k overspend in Industrial Properties partly due to a £160k shortfall in property rents from units being unoccupied, albeit rental income is projected to be £2.1million and a £75k overspend in relation to building maintenance works.
- 5.5.7 Overall Tourism Venues are reporting a combined underspend of £5k. Llancaiach Fawr is reporting a projected overspend of £51k due to a shortfall in income offset by reduction in staffing, Cwmcarn Forest Drive is reporting an overspend of £33k due to the need to fund invest to save costs associated with the new Lodges installed. The Winding House has a projected underspend of £40k due to vacant posts partly offset by some essential building maintenance works. Caerphilly Visitor Centre is reporting an underspend of £2k and

Blackwood Miners Institute is projecting an underspend of £43k primarily due to some vacant posts.

- 5.5.8 Tourism events is projecting an underspend of £19k, primarily due to underspend of £20k in relation to the Big Cheese where good weather and changes to the event delivery offer helped increase income generation and reduce operating costs.

Infrastructure Services

- 5.5.9 The Infrastructure Division is currently projecting an overspend of £567k on a £17.937m budget. However, after excluding budgets in relation to Home to School Transport (£13k overspend) and Social Services Transport (£50k overspend), which are ring fenced and appropriated back to the Service Directorates, there is a net projected overspend of £504k.
- 5.5.10 Highway Operations is reporting a projected overspend of £598k. However, £500k of this relates to winter maintenance where there was a one-off MTFP saving in 2019/20 with the option of utilising the existing winter maintenance ring-fenced reserve if expenditure on winter maintenance exceeds the temporarily reduced budget. There is £30k underspend in street lighting energy resulting from the street lighting LED investment initiative. Work in relation to sustainable drainage systems (SUDS) presently has a projected under-recovery of costs of £45k. The income generated finances the staffing and other technical costs associated with CCBC's role as a Suds Approving Body (SAB). At present the £3.1million highway maintenance budget is predicted to overspend by £68k, albeit the expected amount of reactive maintenance required is difficult to predict.
- 5.5.11 EPG (Engineering Projects Group) is reporting an anticipated underspend of £28k with reduced fee income offset by reduced staffing costs from delayed filing of posts
- 5.5.12 Public Transport is projecting an underspend of £82k, due to the delayed filling of posts (£45k), MTFP savings in advance and additional grant income.
- 5.5.13 Network Contracting Services (NCS) is anticipating a surplus of £11k with an underachievement in the income target of £230k being more than offset by reduced operating costs including vacant posts.
- 5.5.14 Home to School Transport is presently projecting an overspend of £13k on a £7.1m budget. This is mainly due to mini retendering for contracts in-year incurring increased costs. This overspend is recharged to the Directorate of Education & Lifelong Learning.
- 5.5.15 Social Services Transport is projecting an overspend of £50k on a £1.4m budget. This is mainly due to an approved saving for 2019/20 not yet being achieved. This overspend is recharged to the Directorate of Social Services.

Public Protection

- 5.5.16 Public Protection is presently projecting an underspend of £398k on an overall revenue budget of £7.286m.
- 5.5.17 Environmental Health is projecting a net underspend of £324k due to a £154k underspend in salaries from staff on reduced hours, delayed filling of vacant posts and vehicle costs. There will also be additional funding of £131k from WG to finance staff time associated with the Hafodyrynys air pollution issues. Cabinet on 16th October 2019 approved ring fencing £268k of Environmental Health projected revenue underspend to support the anticipated shortfall in funding expected from Welsh Government to finance the acquisition of properties at Hafodyrynys.
- 5.5.18 Trading Standards, Licensing, Registrars and CCTV have a projected net underspend of £28k with underspend in staffing costs (£68k) from delayed filling of vacant posts partly offset by agency staff cover. There are also anticipated additional costs of £40k in relation to an animal

welfare investigation. Registrars income is projected to exceed the £246k budget by £11k and licensing fee income is anticipated to be £7k less than the £320k budget.

- 5.5.19 Catering Services are projecting an overall underspend of £46k on a £3.612million budget. This includes a projected underspend in Comprehensive schools (£105k) due to staffing and over achievement in income, and a projected overspend in Primary schools of £5.5k where overspends in staffing are offset by underspends in operating costs. Income generation in the schools will be monitored closely as it can vary depending on pupil take up, school disruptions due to poor weather etc. There are also projected overspends in relation to the staff restaurant & meals direct services based at Ty Penallta of £23.6k and HQ costs of £28.5k.

Community & Leisure Services

- 5.5.20 The Community & Leisure Division is presently projecting an overall net overspend of £144k on a budget of £20.953 million.
- 5.5.21 Waste Management & Cleansing Services is reporting a £261k underspend on a budget of £13.507 million. Anticipated overspends in waste collection costs (£555k) due to additional agency cover, sickness absence cover and vehicle running costs are partly offset by a projected underspend in waste treatment costs (£494k) due to reduced tonnage of waste in relation to organic, dry recyclables and CA sites (due to proof of residency checks). There is a projected overspend in commercial waste due to a shortfall in income of £96k. There is a projected underspend in street cleaning of £289k due to vacant posts, staff covering waste collection rounds and vehicle running costs and also a £91k underspend in the revenue contribution to capital outlay (RCCO) budget.
- 5.5.22 A net overspend of £7k is projected for Parks & Countryside, Outdoor Facilities and Cemeteries. Cemeteries is reporting a £43k underspend due to income in excess of budget and reductions in maintenance expenditure. Any underspend in relation to cemeteries is ring fenced for future investment in cemetery infrastructure. Parks & Countryside combined is reporting an overspend of £50k primarily due to works at Penallta depot and expenditure on replacement equipment and machinery.
- 5.5.23 Leisure Centres are reporting a net projected overspend of £244k, due to a shortfall in income targets of £303k and increases in some operational costs (energy and water) offset by underspends in staffing and tutor pay costs. The Leisure Centres income budget is £3.6million in total but income can vary depending on operational closures due to adverse weather, maintenance & refurbishments and general variations in consumer demand. There is also an anticipated underspend in Leisure HQ of £24k primarily due to a vacant post.
- 5.5.24 Community Centres are at present projecting an underspend of £4.4k on a £364k budget due to reductions in operating costs. Caerphilly Adventures is reporting a large overspend of £147k linked to increased staffing costs and operating costs involved in delivering courses, particularly those linked to Education based alternative curriculum. The service is presently reviewing the pricing structure as there have been no increases in charges to clients for 10 years, which has impacted on the overall financial position.
- 5.5.25 Vehicle Maintenance & Fleet Management is projecting an overspend of £56k but the final outturn position will be dependent on the value of work through the workshop. Building Cleaning is reporting a projected underspend of £21k, due to income greater than budgeted offset by additional staffing hours to cover sickness and holidays, an increase in the living wage and some required equipment investments.

5.6 Corporate Services (Projected Underspend of £1,748k)

- 5.6.1 The Directorate of Corporate Services is currently forecasting an underspend of £1,748k for the 2019/20 financial year.
- 5.6.2 There is an anticipated underspend on Chief Executive and Director of Education & Corporate

Services of £49k. This is due in the main to an underspend on the budget currently held to fund an additional payment in respect of the role of Deputy Chief Executive. At its meeting on 19th November 2019 Council approved a recommendation that this budget should be removed with effect from the 1st April 2020.

- 5.6.3 There is a projected underspend of £292k in Corporate Finance which relates in the main to delays in appointing to vacant posts together with savings from maternity leave after taking into account the funding from reserves for an apprentice.
- 5.6.4 There is an anticipated net underspend of £784k in Digital Services, after taking into account the agreed use of reserves. This consists of:-
- A projected underspend of £36k on Procurement which relates in the main to vacancies still to be filled pending a revised structure being developed, offset by reduced levels of income.
 - Customer First – a net £160k underspend, after agreed use of reserves for Thoughtonomy and apprentices. This is due in the main to vacancies still to be filled pending a revised structure.
 - IT Services - £546k underspend which is due in the main to vacancies still to be filled pending a revised structure.
 - Central Services - £42k underspend due in the main to vacancies still to be filled pending a revised structure.
 - Once the various restructures within Digital Services have been finalised the outturn forecast will be reviewed and updates will be provided in future budget monitoring reports.

- 5.6.5 Legal & Governance is projecting a net underspend of £149k after allowing for the following to be ring-fenced and transferred to earmarked reserves: -

- Projected underspend on Members related expenditure of £14k. This is due in the main to underspend on Members related Allowances which is partly off-set by increased costs on Members' superannuation costs and anticipated upgraded IT equipment.
- Projected underspend of £46k on Electoral Services. The Electoral Services underspends in non-election years are ring-fenced to fund overspends in election years.
- Agreed funding from reserves to fund an apprentice for a fixed term.

The net underspend of £149k for Legal & Governance is due in the main to delays in filling vacant posts some of which will be used to support the 2020/21 Medium Term Financial Plan savings, offset by the additional costs of the part time scrutiny officer which was agreed by Council.

- 5.6.6 There is an anticipated underspend of £23k in Business Improvement Services consisting of the following:-

- Management – Projected net underspend of £11k after taking into account the agreed use of reserves for leadership training for a number of staff.
- Projected overspend of £15k in the Policy Team due to the cost of unbudgeted whole authority VAWDASV training.
- Projected underspend of £31k in the Equalities and Welsh Language Team due in the main to delays in appointing to Translator posts and reduced external translation costs.
- Projected net overspend of £4k in the Performance Management Unit.

- 5.6.7 There is a projected net underspend of £310k for People Services mainly consisting of:-

- Human Resources projected net underspend of £108k due in the main to staff on maternity and career break offset with reduced income levels and the cost of an unbudgeted whole authority DBS system license. The net underspend is after taking into account the agreed use of reserves for a member of staff.
- CMT Support underspend of £14k due in the main to staff not being at the top of their grades after a revised grading structure was agreed.

- The Communications Unit is projecting a net underspend of £28k, due in the main to anticipated increased levels of income, after taking into account the agreed use of reserves for an apprentice. Income levels will be closely monitored in year.
- A projected net underspend of £160k for Health & Safety, which includes:-
 - Occupational Health underspend of £52k due in the main to salary savings due to delays in recruitment to the revised structure.
 - Health & Safety £108k due in the main to salary savings due to delays in recruitment to the revised structure after taking into account the agreed use of reserves for fire officers and an apprentice. There is also a forecast saving on food audits, which are managed by procurement, together with potential vehicle hire savings.

5.6.8 For Property Services there is a net projected underspend of £140k, consisting of the following: -

- Management - £5k overspend due to various non salary related items.
- Energy - £5k underspend due mainly to a temporary reduction in hours of a member of staff.
- Estates - £28k overspend due mainly to a reduction in the anticipated level of fee income, which has been partially offset by staff vacancies/reduced hours. This is after taking into account the agreed use of reserves for a member of staff. The income levels will be monitored closely in year to try to mitigate the anticipated overspend.
- Non – operational Properties - £15k underspend mainly due to reduced utility costs being incurred.
- Corporate Facilities - £54k underspend mainly due to savings on NNDR, utilities, cleaning and additional income, partially offset by additional maintenance costs. The additional income relates to MTFP savings in advance for 2020-21.
- Maintenance – Projected £11k underspend mainly due to delays in filling vacant posts and increased fee income, partially offset by additional maintenance costs. These additional maintenance costs will be monitored closely in year to try to mitigate the anticipated overspend. Many of these costs are one offs and once the maintenance backlog is cleared the rate of expenditure should reduce significantly.
- Building Consultancy – Projected £88k underspend due in the main to delays in filling vacant posts together with increased fee income. These will be monitored closely in year.

5.6.9 The following table provides a summary of progress in delivering agreed 2019/20 savings for the Directorate of Corporate Services: -

Section	Agreed MTFP Savings £'000	Progress against Savings £'000	Variance £'000
<u>Corporate Services.</u>			
Corporate Finance	193.00	193.00	0.00
Corporate Policy	190.00	190.00	0.00
Health and Safety	83.00	83.00	0.00
Human Resources and Communications	120.00	120.00	0.00
Information Technology	358.00	349.50	8.50
Procurement and Customer Services	134.00	65.50	68.50
Property Services	855.00	752.00	103.00
Grand Total	1,933.00	1,753.00	180.00

5.6.10 The variance of £8.5k for Information Technology is due to a proposed reduction in rented

vans and agenda distribution to members not being achieved. This shortfall will be met by other in-year savings within Digital Services.

5.6.11 The variance of £68.5k for Procurement & Customer Services is due to these savings not being achieved in year. Savings were found within the rest of Digital Services where workforce planning could be utilised.

5.6.12 The variance of £103k for Property Services, is due in the main to the temporary saving on the one-off reduction in maintenance not being achieved and the income for Ty Duffryn being slightly lower than anticipated. These shortfalls will be met by other in-year savings in the service area.

5.7 Miscellaneous Finance (Projected Underspend of £445k)

5.7.1 There is an overall projected underspend of £445k in Miscellaneous Finance.

5.7.2 There is a projected net underspend of £406k on Capital Financing budgets which is due to the following:-

- £456k underspend due to assumed General Fund borrowing in 2019/20 being deferred to 2020/21, this includes the 21st Century Schools LGBI and prudential borrowing; and £20m of supported borrowing allocations.
- £50k overspend due to temporary loans raised in 2019/20 to cover cashflow as a result of deferring the borrowing.

5.7.3 There is a projected overspend of £382k on the IT replacement strategy. This is due in the main to the transition to Microsoft Office 365 and will be funded from the IT replacement reserve.

5.7.4 There is a projected overspend of £61k on the Trade Union budget. We are currently in discussions with Trade Union colleagues to review and update our Facilities Agreement to ensure that equitable support arrangements are in place.

5.7.5 The remaining projected overspend in Miscellaneous Finance consist of the following:-

- £9k on the Class 1A NI savings, this is due in the main to a reduced take-up of the Tusker GASS car scheme.
- £8k on Coroner levy payments due to additional costs of the service.
- £16k on General Fund Discretionary Housing Payments (DHP) due to a high demand in cases.

5.7.6 The remaining projected underspend for Miscellaneous Finance consists of the following: -

- Subscriptions - £9k
- Carbon Management Scheme - £3.8k
- Miscellaneous Items - £120k – in the main due to a rebate from the “Cremation Services Joint Committee”.

5.7.7 The following table provides a summary of progress in delivering agreed 2019/20 savings for Miscellaneous Finance:-

Section	Agreed MTFP Savings £'000	Progress against Savings £'000	Variance £'000
Miscellaneous Finance	1,027.00	889.00	138.00
Grand Total	1,027.00	889.00	138.00

5.7.8 The variance of £138k is due to the following:-

- £9k due to a reduced take-up of GASS cars.
- £129k on the IT replacement Strategy – This will be funded by the IT replacement reserve.

5.8 Housing Revenue Account (Projected underspend of £3.4m)

5.8.1 The HRA is currently projecting a £3.4m underspend, which represents about 6% of the total HRA budget. The main variances are summarised below.

Salaries & Mileage (£550k underspend)

5.8.2 Salaries and associated costs within the HRA are currently expected to underspend by some £550k against a £12m budget. There are some offsetting over and underspends in this area given the volume of staff which includes sickness cover, request for reduced hours and timing for filling vacant posts.

Non-Pay related (£485k underspend)

5.8.3 The main area of underspend is associated with office related costs of £285k such as stationery, photocopying, postage, office equipment, maintenance and cleaning. A further £200k underspend is attributable to budgets that are service specific such as void security, shop management, and catering & utility charges within our sheltered schemes

5.8.4 Typically there are some budget areas within this category that tend to be quite volatile and therefore could generate further savings throughout the year, such as bad debt provisions, various housing projects and other office costs.

Capital Finance Charges (£1m underspend)

5.8.5 There is a Capital Finance Charges budget of £9.5m which consists of historical debt, debt taken up in 2015 as part of the Buy Out of the Housing Revenue Account Subsidy (HRAS) and more recently borrowing approvals to part fund the WHQS Programme. There is currently a projected underspend of £1m for 2019/20 which is due to the timing of drawing down loans in relation to the WHQS

Building Maintenance (£545k underspend)

5.8.6 This area is currently projecting an underspend of some £545k. This is made up of £835k underspend in cyclical and revenue projects which includes damp proofing, non – DLO works, sheltered & infrastructure projects, gas & electrical servicing, and safety works, offset by a £290k overspend in Response Repairs which includes transport costs and sub contractors.

Income (£155k underspend)

5.8.7 Based on quarter 2 projections the HRA income is likely to increase slightly. Income varies throughout the year especially on rental and service charges due to void fluctuations.

Revenue Contribution to Capital (RCCO) (£625k underspend)

5.8.8 The HRA allows for some £17m of revenue contributions towards the WHQS Programme and an underspend of £624k is currently anticipated for 2019/20.

6. ASSUMPTIONS

6.1 Consideration has been given to actual expenditure and income trends and projections have

been made of the likely year-end outturn position based on a range of assumptions.

6.2 Where variations from budget have been identified these have been commented upon throughout the report.

7. LINKS TO RELEVANT COUNCIL POLICIES

7.1 The Council has a number of corporate strategies and this report deals with the use of resources in the achievement of those strategies.

7.2 Effective financial planning and financial control contribute to the following Well-being Goals within the Well-being of Future Generations Act (Wales) 2015: -

- A prosperous Wales.
- A resilient Wales.
- A healthier Wales.
- A more equal Wales.
- A Wales of cohesive communities.
- A Wales of vibrant culture and thriving Welsh Language.
- A globally responsible Wales.

8. WELL-BEING OF FUTURE GENERATIONS

8.1 Effective financial management is a key element in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

9. EQUALITIES IMPLICATIONS

9.1 This report is for information purposes, so the Council's Equalities Impact Assessment (EqLA) process does not need to be applied.

10. FINANCIAL IMPLICATIONS

10.1 As detailed throughout the report.

11. PERSONNEL IMPLICATIONS

11.1 The personnel implications of agreed savings are carefully managed and staff are fully supported to identify redeployment opportunities wherever possible.

12. CONSULTATIONS

12.1 There are no consultation responses that have not been reflected in this report.

13. STATUTORY POWER

13.1 Local Government Act 1972 and 2000.

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Background Papers:

Council (21/02/19) - Budget Proposals for 2019/20 and Medium-Term Financial Plan 2019/20 to 2023/24.