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**Date: 23rd September 2014**

Dear Sir/Madam,

A **Special** meeting of **Council** will be held in the **Council Chamber - Penallta House, Tredomen, Ystrad Mynach** on **Monday, 29th September, 2014** at **5.00 pm** to consider the matters contained in the following agenda.

Yours faithfully,

A handwritten signature in black ink that reads 'Chris Burns'.

**Chris Burns**  
INTERIM CHIEF EXECUTIVE

## A G E N D A

- 1 To receive apologies for absence.
- 2 Declarations of interest.  
Councillors and Officers are reminded of their personal responsibility to declare any personal and/or prejudicial interest(s) in respect of any item of business on this agenda in accordance with the Local Government Act 2000, the Council's Constitution and the Code of Conduct for both Councillors and Officers.

To receive and consider the following reports: -

- 3 Reforming Local Government - Welsh Government Response to "Williams Commission Report" and the Invitation for Voluntary Mergers.
- 4 Provisional Outturn for 2013/14.
- 5 Financial Accounts 2013/14 - to follow.

A greener place Man gwyrddach



**Circulation:**

All Members And Appropriate Officers



## **SPECIAL MEETING OF COUNCIL – 29TH SEPTEMBER 2014**

**SUBJECT: REFORMING LOCAL GOVERNMENT – WELSH GOVERNMENT  
RESPONSE TO "WILLIAMS COMMISSION REPORT" AND THE  
INVITATION FOR VOLUNTARY MERGERS**

**REPORT BY: INTERIM CHIEF EXECUTIVE**

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### **1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to advise Members of the recently published Welsh Government response to the Williams Commission report (Commission on Public Service Governance and Delivery) and the recently issued invitation to submit expressions of interest for voluntary mergers, and to provide an opportunity for Members to consider how the Council wishes to respond.

### **2. SUMMARY**

- 2.1 The Welsh Government (WG) had recently published two separate but parallel documents setting out their response to the Williams Commission report. One of these reports is in the form of a white paper specifically relating to local government issues and there is an opportunity for the Council to offer comment on this by 1st October 2014.
- 2.2 Alongside this the WLGA also recently published a related discussion paper regarding the possible creation of four combined authorities for Wales to provide regional services.
- 2.3 In the past week or so Welsh Government has also published a prospectus inviting authorities to consider applying to undertake voluntary mergers two years ahead of the previously published schedule, so that the new councils would come into being in April 2018. Some of the issues raised in the prospectus are summarised below, and a full copy can be found in the Members library.
- 2.4 This report highlights the key issues that arise from these documents and seeks views as to how they should now be taken forward.

### **3. LINKS TO STRATEGY**

- 3.1 This report sets out the issues raised in external publications. As such there is no direct link to Council strategies. However, the proposals arising from the Williams Commission will, if taken forward, have far-reaching and significant implications for the future configuration of local authorities and the way in which services are provided.

## 4. THE REPORT

### Background

- 4.1 Members will recall that the Williams Commission report (Commission on Public Service Governance and Delivery) was published in January 2014. It covered a wide range of issues re public services (complexity, scale and capability, governance, leadership and performance management etc.) but the core issue from a local authority perspective was the proposed merger of local authorities. In our context the proposal was for a merger of Caerphilly, Blaenau Gwent and Torfaen Councils.
- 4.2 At Council on 11th March 2014 Members received a presentation that summarised the key issues arising from the Williams Commission report and particularly highlighted some of the key issues/concerns in respect of the proposed merger of local authorities.
- 4.3 Subsequent to this there has been no formal opportunity for the Council to comment. Whilst it has been discussed in political forums (and at WLGA Conference) the issue has effectively been on hold pending the WG response to the Williams Commission report.

### Welsh Government Response To Williams Commission Report

- 4.4 In early July two associated documents were published by Welsh Government, i.e.
- a) Improving Public Services for People in Wales
  - b) Reforming Local Government (White Paper)

Copies of these documents are available in the Members library.

- 4.5 The "Reforming Local Government" white paper sets out specific proposals for local authorities and seeks comments by 1st October.
- 4.6 With regard to the proposal for local authority mergers the white paper effectively endorses the Williams Commission proposals including the proposal for this Council to merge with Blaenau Gwent and Torfaen.

### Consultation Response

- 4.7 The white paper deals with a wide range of issues which are the subject of ongoing discussion. However, given the importance of the merger issue it is considered that the emphasis of any Council response at the present time should concentrate on the merger proposal.
- 4.8 At a Council seminar in March 2014 the general view of Members seemed overwhelmingly that they would wish to press the case for Caerphilly CBC remaining a stand-alone authority. The matter was discussed further at Cabinet on the 3rd September and this view was reiterated and referred to Council for approval.
- 4.9 For a number of reasons, set out below, Cabinet members reaffirmed the view that Caerphilly CBC should remain as a stand-alone authority:-
- a) General Concerns re Local Authority Mergers

There is no robust business case for the proposed mergers (including realistic costs, benefits and funding proposals); there is considerable uncertainty as to what might be the cost of a wholesale reorganisation, and the likely savings which might result.

There are great difficulties in attempting a restructure of this nature at the same time as Councils are trying to deal with the extreme consequences of financial austerity.

The reorganisation would seemingly not happen until 2020, but the financial challenge facing local authorities is already with us.

There would be a significant reduction in the number of Councillors and this could affect political legitimacy and the support available to residents to deal with their problems.

b) Specific Concerns re the Merger Proposals for Caerphilly

The underlying factor behind the Williams Commission proposals (in terms of merger) is that some Authorities are too small to effectively manage and deliver the full range of services. In the case of Caerphilly CBC, the council is not one of the smaller authorities and has a proven track record in service delivery. Other authorities of a similar size to Caerphilly are set to remain. There appear to be few, if any, tangible benefits to the residents of the borough.

The majority of the residents of Caerphilly CBC will have no affinity with the enlarged local authority area i.e. it has no natural community identity.

The differential in Council Tax levels between the three authorities is considerable with the inevitable fear that Caerphilly CBC council tax levels will increase without any improvement in service. The current levels are shown in Table 1 below:-

**Table 1: Council Tax Band D precepts for 2014/15 (excluding Police and Community Council Precepts)**

Local Authority	Band D Precept	% by which exceeds CCBC band D precept
Caerphilly CBC	£954.78	
Blaenau Gwent CBC	£1,370.65	43.56%
Torfaen CB	£1,047.69	9.73%

Caerphilly has already implemented Single Status (Job Evaluation) but this was an extremely time-consuming, complex and costly exercise. A new authority would have to undertake a harmonisation exercise for all of its staff. To now have to rerun this harmonisation exercise across three local authorities would be complex and could involve significant additional cost.

This Council has subsequently implemented the living wage and applying this to all three authorities may not be straightforward.

There are major differences in the way the three authorities provide some key services. A new authority would either have to harmonise the way services are provided, or accept inequity between different parts of the new authority's area. For example, Caerphilly is the only authority of the three that has retained its own housing stock, which makes harmonisation and equity in this key service area extremely difficult. There are also other significant differences of approach to service issues. For example, both of the other authorities have adopted a Trust deliver model for the provision of leisure services.

Other harmonisation issues would include the need to integrate school funding formulas, and this would be likely to create a situation where some schools benefit and others lose out.

IT systems across the three authorities are not consistent and a considerable investment of time, and potentially money, would be needed to integrate the three authority's systems.

- 4.10 On the basis of the above factors, Cabinet were of the view that Caerphilly CBC should state that it does not agree with the proposal to merge the three authorities.

#### **WLGA Discussion Paper – Combined Authorities**

- 4.11 As part of their contribution to the debate on local government reorganisation, the WLGA has recently published a paper which discusses the creation of four combined authorities for Wales to undertake regional services as an alternative to local government mergers.

- 4.12 The paper suggests that the problems identified by the Williams Commission could be more easily and more effectively remedied by legislating to ensure consistent delivery of regional services rather than legislating to achieve fewer local authorities.

- 4.13 Examples of proposed services that could be subject to this arrangement are set out in the paper and include:-

- Regional transport planning and delivery
- Regional strategic land use planning
- Regional economic planning and promotion
- Regional tourism promotion
- Regional school improvement services
- Regional commissioning of health and social care
- Regional procurement of waste processing facilities
- Regional or national provision of back office services

- 4.14 The WLGA itself recognises that its proposal is purely for discussion and debate at the current time and that to take the proposal forward will require much more detailed work and need agreement from councils to explore deeper options.

- 4.15 The prospect of a combined authority for certain services (e.g. planning and transportation) may be appropriate but the wider scale approach (particularly as an alternative to the white paper proposals) needs considerable thought and debate before a definitive view can be offered.

- 4.16 At their meeting of the 3rd September, Cabinet Members welcomed the WLGA paper as a meaningful contribution to the broader debate on local authority mergers but felt that Council could not offer a meaningful view on the proposal at this time without more information and clarity. It is hoped that more information will become available over the coming weeks and if that is the case then it will be incorporated into the Council report.

#### **Prospectus For Authorities To Submit Proposals For Voluntary Merger**

- 4.17 On the 18th September Welsh Government issued a Prospectus inviting authorities to submit proposals for voluntary merger two years ahead of the schedule for reorganisation in 2020.

- 4.18 The current intention (where there are no voluntary mergers) is that councils will hold their elections as normal in 2017 as presently constituted, and continue in existence until 2020. Elections for the new authorities – in our case for a new council embracing Caerphilly, Blaenau Gwent and Torfaen – will be held in 2019. Following a ‘shadow’ year, the new councils would then formally commence in 2020, and Caerphilly CBC would cease from that date.

- 4.19 However, where councils agree voluntary merger and if supported by Welsh Government, there would be just one set of elections to the new authority in May 2018, and the new authority would come into being two years ahead of schedule on the 1st April 2018. For one year prior to this the three councils would act jointly in a shadow capacity to affect the required steps to appoint staff, establish budgets, set the council tax, agree service configurations and create the necessary structures to administer the new council.

- 4.20 One of the perceived advantages of voluntary merger is that the savings arising from merger can be realised two years early. These savings are principally expected to result from reduced senior management costs, less 'democratic process' costs (i.e. a reduction in the number of councillors) and service realignments and rationalisation. Of course, the costs of merger (such as redundancy costs) would also arise two years earlier than planned. While it is envisaged that there will be reduced costs into the long term, in the first year these would most likely be outweighed by the costs of reorganisation. Estimates from the Welsh Local Government Association are that these costs across the whole of Wales would be around £200million. It is assumed that for the new Caerphilly / Blaenau Gwent / Torfaen Council these set up and reorganisation costs could therefore be in the region of £15 - 20 million. Much more work will be needed to establish this figure with any accuracy however. Moreover, some of the costs dealt with earlier in this report – such as the cost of repeating a job evaluation exercise – are believed to be in addition to these estimates.
- 4.21 There will be targeted support from Welsh Government for authorities that agree to a voluntary merger. However, it seems that this will be of an advisory / technical nature, rather than financial. The prospectus states that '*...it is unrealistic to expect the Welsh Government to provide large injections of cash to support a process or mergers. The object must be for Authorities to come forward with proposals to minimise the costs and maximise the early realisation of benefits.*' It is to be assumed, therefore, that the reorganisation / merger costs would need to be met by the authorities themselves. Members will appreciate that this council does not have any provision for meeting such costs given that the authority has to make budget savings of up to £30 million over the next two years to achieve a balanced budget. Meeting this further cost of reorganisation would be very difficult.
- 4.22 The prospectus does open the door to voluntary mergers on boundaries other than those proposed in the Williams review. Caerphilly CBC could, therefore, seek to reach agreement with one or more neighbouring authorities for an alternative to the proposed merger with Blaenau Gwent and Torfaen. Such proposals could only include the entirety of a local authority area, and not parts thereof. If proposals were put forward which crossed other partner organisation boundaries – such as Local Health Boards or Police force areas – then the authorities that promote such mergers would need to demonstrate the support of these partner bodies. Any alternative proposals should also not jeopardise the availability of European Financial Assistance to the new authority area.
- 4.23 Expressions of Interest have to be lodged with the Welsh Government by the 28th November. These expressions of interest have to give an outline of the 'vision' for the new authority, setting out ambitions for community leadership and improving services. The expression has to deal with capacity and accountability issues, any transition issues, opportunities for sharing services, an assessment of what support would be needed to help with the process and evidence of engagement with the public, local communities, community councils and partner organisations. The expression also needs to give consideration to the name of the new authority. This is obviously a considerable challenge to achieve in just two months, especially where three local authorities are involved.
- 4.24 Welsh Government aim to give a response by the 5th January 2015. If the merger were given the 'go-ahead' to move to the next stage then a full merger proposal would need to be put together for submission by the 30th June 2015.

## **5. EQUALITIES IMPLICATIONS**

- 5.1 There are no equality implications arising directly from this report. Equalities issues in relation to reforming local government will be included as part of future wider consultation and based on the Welsh Government's own equalities impact assessment at a national level.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 There are no financial implications arising directly from this report, though the implications of the proposed merger of local authorities would be far reaching.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 There are no personnel implications arising directly from this report, but the report does set out some of the significant implications that would follow from the merger of three local authorities.

## **8. CONSULTATIONS**

- 8.1 Due to timescales the opportunity for consultation has been limited (consultees listed).

## **9. RECOMMENDATIONS**

It is **recommended** that:-

- 9.1 Members confirm the recommendation of Cabinet, as expressed in their meeting of the 3rd September 2014, that Caerphilly County Borough Council does not support the idea of a merged authority covering Caerphilly, Blaenau Gwent and Torfaen, for the reasons outlined in this report.
- 9.2 Members note the invitation to submit bids for voluntary mergers.
- 9.3 Members note receipt of the WLGA discussion paper on options regarding regionalisation of some services.

## **10. REASONS FOR THE RECOMMENDATIONS**

- 10.1 To enable the authority to respond to the Welsh Government consultation on the Williams review, and the invitation to consider voluntary mergers.

Author: Chris Burns, Interim Chief Executive  
Consultees: Corporate Management Team  
Cabinet Members  
Gail Williams, Interim Head of Legal Services & Monitoring Officer

Background Papers:

WG - Improving Public Services For People In Wales

WG - White Paper – Reforming Local Government

WG – Invitation to Principal Local Authorities to Submit Proposals for Voluntary Merger

WLGA – An Alternative Approach to the Williams Report (The Creation of Four Combined Authorities for Wales)



## **SPECIAL MEETING OF COUNCIL – 29TH SEPTEMBER 2014**

**SUBJECT: PROVISIONAL OUTTURN FOR 2013/14**

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & S151 OFFICER**

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1. The attached report was considered by Cabinet on 30th July 2014.
2. The report provided details of the provisional outturn for the 2013/14 financial year prior to the annual audit by the Authority's External Auditors PricewaterhouseCoopers.
3. The report also sought approval for the use of General Fund Balances to meet costs of £300k in relation to remedial works arising from the closure of the A469, and £735k in respect of the remaining matched funding requirement for the £52m 21st Century School Programme.
4. Following consideration and discussion, it was moved and seconded that the recommendations in the report be approved. By a show of hands this was unanimously agreed.
5. Cabinet recommended to Council that: -
  1. The provisional 2013/14 outturn position be noted.
  2. Funding of £1.035m be utilised from the General Fund, to meet the requirements set out in paragraph 4.7 of the report.

Author: C. Evans, Committee Services Officer - Ext. 4210

Appendices:

Appendix 1 Report and appendices to Cabinet dated 30th July 2014

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## CABINET – 30TH JULY 2014

**SUBJECT: PROVISIONAL OUTTURN FOR 2013/14**

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & S151 OFFICER**

### 1. PURPOSE OF REPORT

- 1.1 To provide Cabinet with details of the provisional outturn for the 2013/14 financial year prior to the annual audit by the Authority's External Auditors PricewaterhouseCoopers.
- 1.2 To seek Cabinet endorsement of a recommendation to Council to approve the use of General Fund balances to meet costs of £300k in relation to remedial works arising from the closure of the A469 and £735k in respect of the remaining matched funding requirement for the £52m 21<sup>st</sup> Century Schools Programme.

### 2. SUMMARY

- 2.1 In advance of the Statement of Accounts being audited and presented to Council on the 29<sup>th</sup> September 2014, this report provides an overview of the Council's performance against the budget for the 2013/14 financial year. Members receive detailed budget monitoring reports as part of the Scrutiny process throughout the financial year.

### 3. LINKS TO STRATEGY

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

### 4 THE REPORT

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

	<b>£000's</b>
Service Directorate underspends	4,853
Miscellaneous Finance underspend	3,598
Council Tax surplus	1,268
Housing Revenue Account (HRA) underspend	8,437
Schools overspend	(1,985)
<b>Total: -</b>	<b>16,171</b>

- 4.2 The Service Directorate underspend of £4.853m is a variance of 1.72% on net Directorate budgets. During the year Officers have been mindful of the anticipated significant cuts in funding for future years and expenditure has been curtailed in a number of areas to support the Council's Medium-Term Financial Plan savings requirements. This prudent approach has

resulted in underspends being higher than would normally be the case.

- 4.3 After adjusting for earmarked reserves, 50% of underspends are carried forward by Directorates and are available to meet the requirements of these service areas; the remaining balance is transferred to the General Fund. Overspends are normally funded from future Directorate budgets or balances brought forward from previous years. Service reserves held by Directorates can be used to fund one-off cost pressures or to pump-prime service reconfiguration but they cannot be relied upon to deliver balanced budgets on a recurring basis.
- 4.4 As reported to Cabinet on the 16<sup>th</sup> July 2014 there is a potential worst-case scenario cumulative savings requirement of up to £30.1m for the period 2015/16 to 2016/17. Work will continue over the coming months to present Members with a range of savings options to deliver a sustainable Medium-Term Financial Plan.
- 4.5 The table in Appendix B shows the movements on the General Fund balances from 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2014 and current agreed commitments for 2014/15. The forecast year-end balance for 2013/14 as reported to Council on 26<sup>th</sup> February 2014 was £14.499m. The actual position for 2013/14 is a closing balance of £16.027m, a variance of £1.528m to forecast. The variations to forecast are as follows: -

	£000's
Increased contribution from service areas (including Miscellaneous Finance)	1,147
Council Tax surplus higher than projected £1.2m	68
CEO/Deputy CEO suspension provision not required as funded from in-year underspends	183
Release of Icelandic impairment 2013/14	130
<b>Total Increase: -</b>	<b>1,528</b>

- 4.6 The 2014/15 Budget Report agreed by Council in February 2014 included a proposal to utilise £1.2m of the 2013/14 projected Council Tax surplus to support 2014/15 budget savings along with a proposal to set-aside £800k in the General Fund to meet shortfalls arising from the part-year impact of agreed savings. These commitments reduce the General Fund balance to £14.027m.
- 4.7 The 2014/15 Budget Report also identified £2.499m of General Fund balances for potential one-off capital expenditure as cost avoidance or Invest to Save schemes. Council agreed a recommendation that bids for this funding would be considered on a case-by-case basis by Cabinet. Since the Budget Report was agreed there are new funding requirements as summarised in the table below and Cabinet is asked to recommend to Council that these be met from the set-aside funding of £2.499m.

	£000's
A469 Closure Remedial Works	300
Remaining Matched Funding Requirement for £52m 21 <sup>st</sup> Century Schools Programme	735
<b>Total: -</b>	<b>1,035</b>

- 4.8 These additional commitments reduce the General Fund balance to £12.992m. In light of the likely further significant cuts in Welsh Government funding recently announced by the Minister for Local Government & Government Business it would be prudent to retain the balance at this level to provide some headroom to support the delivery of the Medium-Term Financial Plan in future years. Members should also note that there is currently a proposal for a Waste

Transfer Station at Ty Duffryn which is being consulted upon and this may require funding of £850k to help meet the capital cost of the scheme.

4.9 The following paragraphs comment on the 2013/14 underspends as detailed in Appendix A.

**Education and Lifelong Learning (£662k overspend)**

4.10 Overall the Directorate (including Schools) is reporting an overspend of £662k. This includes an overspend of £1,985k by Schools, which will be funded from brought forward School balances, and an underspend on central Education & Lifelong Learning of £1,323k. The Transport budget, which is managed by the Engineering Division, Directorate of Environment (with variances ring-fenced to Education), has reported a £109k overspend on its core budget. This overspend will be funded from the Transport Equalisation Account set up at the end of 2012-13 (recognising the variance in the number of school days that fall in the financial year due to the timing of the Easter Holidays – 195 days in Academic Year).

4.11 The Directorate’s position excluding Schools is an underspend of £1,323k. This represents an underspend in all 3 Service Areas - Planning & Strategy (P&S) £311k, Learning Education & Inclusion (LEI) £533k and Lifelong Learning (LLL) £479k.

4.12 In summary, the most significant variances (over £100k) were as follows: -

	(Over)/ Under £000
Relief/Supply Cover	221
Additional Support (Primary & Secondary)	(314)
SEN Out-of-County Recoupment	590
Early Years Central Team	213
Community Education (Includes £83k one off Genesis II)	168

4.13 The Relief/Supply Cover budget funds the school costs of sickness in the Special Resource Bases and maternity leave. The nature of this budget means that there is always a level of uncertainty year-on-year.

4.14 The variance on Additional Support (Primary & Secondary) is closely linked to an increase in Statements around ASD (Autistic Spectrum Disorder), which is a national trend.

4.15 The underspend on the Recoupment budget (Special Educational Needs and Looked After Children), is significant. These placements are expensive and whilst the level of spend on the additional support budget has increased, this cost is significantly less than the cost of a child placed in an Out-of-County School on either a daily or residential placement.

4.16 In 2013/14 a significant element of staff time with the Authority’s Early Years Team has been directed towards the priorities of the Flying Start agenda. This intervention will have a positive impact on the transition for children from Early Years provision into Schools.

4.17 The principal variance, within Community Education, relates to a one-off variance of £83k in relation to the Genesis II Project, which ran from October 2008 to September 2013. This follows clarification from Welsh Government around the eligibility of match-funding expenditure included in previous claims. This saving offsets an overspend position in 2012-13.

4.18 Additional income received in-year and savings linked to the Directorate’s Medium-Term Financial Plan also contributed significantly to the overall underspend for the Directorate.

4.19 During the 2013/14 financial year LMS Contingency funding of £317k was used to purchase computers for schools. This will be repaid by the schools over a period of 4 years and

represents better value for money than using external leasing arrangements.

- 4.20 The Education Achievement Service (EAS) has reported a provisional 2013/14 underspend of £550k across the constituent Authorities (Caerphilly CBC's share £168k). It has been agreed by the Joint Education Group that this underspend will be reinvested in the EAS in 2014/15 to help deliver the National Model.

#### **Social Services – (£1,909k underspend)**

- 4.21 The outturn position for the Social Services Directorate for 2013/14 was an underspend of £1,973k. However, the Integrated Transport Unit reported an overspend of £64k in respect of social care transport provision resulting in a net underspend of £1,909k.
- 4.22 Circa £900k of this underspend can be attributed to vacancy savings across the Management, Fieldwork & Administration staffing structure with many posts held vacant in anticipation of savings requirements for the 2014/15 financial year.
- 4.23 Non-recurring underspends occurred as a result of a pay back of £88k from the Youth Offending Service retained surplus and the write-off of a £63k bad debt provision in respect of a doubtful debt for which payment has now been received in full.
- 4.24 An underspend of £98k occurred as a result of a review of the provision of respite care for children within the Blackwood Resource Centre being brought in-house. The recurring element of this saving has been recognised within the Directorate's 2014/15 budget strategy.
- 4.25 An underspend of £569k occurred against childcare placements. Members will be aware of the volatility of this budget area and will recognise that an underspend of this size could be easily eradicated by a small change in the number of placements. A further underspend of £136k arose from the delay in the implementation of a revised policy for the payment of allowances in respect of Special Guardianship Orders and Residence Orders.
- 4.26 An underspend across the entire Gwent Frailty Programme meant that Caerphilly's contribution towards the Programme was £114k less than the budgeted level.
- 4.27 Total spending on packages of care for adults was largely in line with budget provision other than an underspend of £268k within the in-house Home Care service and £70k against contracts with voluntary organisations. Much of these underspends relate to savings made in advance of the 2014/15 budget strategy. These underspends were partially offset by overspends of £107k in respect of costs associated with the opening of the North Resource Centre and £290k in respect of costs associated with the termination of leases for buildings previously occupied by Social Services.

#### **Environment Directorate – (£589k underspend)**

- 4.28 The overall position after approved use of Directorate service reserves is an underspend of £589k. This underspend does not include ring-fenced overspend of £64k in relation to Social Services Transport. This variation is included in the Social Services Directorate outturn position.
- 4.29 The Regeneration and Planning Division is reporting an overall underspend of £808k which is mainly due to staff vacancies, reduced operational costs and increased income generation, particularly in relation to some of the Tourism Visitor centres and industrial properties. This is partly offset by overspends in relation to un-budgeted corporate events such as the Proms in the Park and a shortfall in Planning application and Building Control fee income. Whilst this level of underspend is a high value, it needs to be noted that the Regeneration & Planning Division have been subject to 2014/15 budget cuts of £715k towards MTFP savings and a large element of the 2013/14 underspend relates to savings achieved in advance.

- 4.30 The Engineering Division is reporting an overspend of £611k which primarily relates to road maintenance, flood & drainage works and road landslip problems due to adverse winter conditions. Also, there was a requirement to finance winter vehicle acquisition costs of £303k as a RCCO (revenue contribution to capital outlay).
- 4.31 The Public Protection Division is reporting an overall underspend of £115k, including under spends in relation to Trading Standards & Licensing £39k, Environmental Health £34k and Catering £42k. These underspends are mainly due to a combination of staff vacancies, reduced operational costs and income generation in schools catering, partly offset by an overspend in relation to pollution control issues.
- 4.32 The Community & Leisure Division has reported a net overall under spend of £255k. This includes a £36k under spend in relation to waste & cleaning due to staff vacancies which were savings in advance of 2014/15, offset by over spend in relation to gully waste charges, CA site costs and reduced Sustainable Waste Management Grant. There is a £343k under spend in relation to Parks, cemeteries and outdoor facilities, primarily in relation to cemeteries (£297k) which is ring-fenced for future investment in Council cemeteries provision. There is also a £124k over spend for Leisure services primarily due to reduced income in relation to swimming and staffing costs.
- 4.33 The Direct Labour and Direct Service (DLO/DSO) operations have overall reported healthy cash profits of £215k.
- 4.34 There is £193k of unallocated vacancy management savings for the Directorate, which are reported as an overspend.

**Corporate Services – (£1,032k underspend)**

- 4.35 The final outturn position for the Directorate of Corporate Services was a slightly higher underspend than previously forecast due to unavoidable delays in filling vacancies together with MTFP savings in advance. The most significant underspends were the following: -
- Corporate Finance is reporting an overall underspend of £680k. This in the main relates to delays in appointing to vacant posts. A number of these posts have been put forward as proposed savings for the 2014/15 MTFP. A proportion of the underspend also relates to increased court income on “Council Tax and NNDR” and one-off grant income from European Projects.
  - Legal & Governance is reporting an underspend of £60k. This underspend was generated from increased income for the year and grant funding.
  - Information and Citizens Engagement is reporting a net overspend of some £21k due in the main to one off charges being incurred on ITrent and Wi-Fi projects.
  - Procurement is reporting an underspend of some £28k due in the main to delays in appointing to vacant posts and one off extra income generated in the year.
  - Performance & Property is reporting a net underspend of £345k. The main underspends were on Corporate Buildings, due to the vacation of Enterprise House, a reduction in maintenance spend and savings on energy costs.
  - A net overspend of £60k is reported on other Corporate Services budgets.

**Miscellaneous Finance - (£3,598k underspend)**

- 4.36 Budgets in Miscellaneous Finance underspent by £3.598m. The most significant variations are as follows: -
- The Authority has used internal resources to part-fund its Capital Programme which has resulted in an under spend of £705k on debt charges.
  - Returns on investments were better than anticipated resulting in an additional £103k of investment income.
  - Net release of the impairment from Icelandic Banks sale of debt of £1,392k.

- MTFP savings in advance of some £703k.

### **Council Tax Collection – (£1,268k surplus)**

- 4.37 This represents an increase of £68k above the assumed level for the 2013/14 financial year.

### **Housing Revenue Account (£8.437m underspend)**

- 4.38 The majority of the underspend for the HRA is attributable to unrequired revenue contributions to the WHQS capital programme. This was anticipated throughout the year as it became apparent during the surveys that a high level of previously achieved works had already been carried out (40% of the programme) and 5% of properties refused the work. £520k savings were as a result of salary savings, mainly from turnover of staff and £793k of savings arose from the non-pay elements of the HRA budget such as IT systems and equipment (£188k), bad debt provision (£213k), and college fees & training (£45k). An underspend of £1.9m was also identified from the Building Maintenance budget, in particular the non-DLO budget, which was not fully utilised due to the in-house response team having priority over some of the works allocated. Additional income of some £800k was as a result of an additional weeks rent being collected due to the week 53 that occurs every few years.
- 4.39 HRA Working Balances stand at £4.6m at the end of 2012/13. The 2013/14 underspend of £8.4m increases this balance to £13m. The majority of this funding is earmarked for the WHQS programme.

### **HRA Capital**

- 4.40 Total expenditure on the WHQS Capital Programme for 2013/14 was £14.6m, which consisted primarily of internal works carried out by the in-house workforce to 845 properties.
- 4.41 There were 16 Right to Buy sales during the year resulting in a useable capital receipt of £384k.

### **General Fund Capital Programme**

- 4.42 The General Fund Capital Programme for 2013/14 resulted in targeted spend available of £65.9m after including all in-year grant allocations and Section 106 monies. An amount of £27.4m remains unspent at financial year-end; the majority of this represents slippage in key schemes, which will be carried forward to 2014/15. The most significant area of slippage relates to Education and the 21<sup>st</sup> Century Schools schemes (£15.5m), schemes relating to the Engineering Division (£4.4m) and Community and Leisure Services related schemes (£2.3m).
- 4.43 The detailed analysis of capital spend and slippage was presented to the Capital Strategy Group on the 13<sup>th</sup> June 2014, and a subsequent update will be provided later in the year.

## **5. EQUALITIES IMPLICATIONS**

- 5.1 There are no direct equalities implications to this report in terms of the financial information being presented for 2013/2014.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 As detailed throughout the report.

## **7. PERSONNEL IMPLICATIONS**

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

## 8. CONSULTATIONS

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

## 9. RECOMMENDATIONS

9.1 It is recommended that Cabinet: -

- i) Notes the provisional 2013/14 outturn position.
- ii) Supports a recommendation to Council to utilise funding of £1.035m from the General Fund to meet the requirements set out in paragraph 4.7 of the report.

## 10. REASONS FOR THE RECOMMENDATIONS

10.1 To ensure that Cabinet Members are made aware of the provisional outturn for 2013/14.

## 11. STATUTORY POWER

11.1 Local Government Act 1972.

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Consultees: Corporate Management Team  
Nicole Scammell, Acting Director of Corporate Services & S151 Officer  
Cllr Keith Reynolds, Leader  
Mike Eedy, Finance Manager  
Andrew Southcombe, Finance Manager  
Jane Southcombe, Group Accountant  
Mike Jones, Group Accountant  
Gail Williams, Interim Head of Legal Services & Monitoring Officer

Background Papers:  
Stephen Harris Ext. 3022 – Final Accounts working papers for 2013/14

Appendices:  
Appendix A - Provisional Outturn Summary 2013/14  
Appendix B - Movement on General Fund

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## PROVISIONAL OUTTURN 2013/14

## SUMMARY

DIRECTORATE	UNDERSPEND (OVERSPEND) £'000'S	TAKE TO GENERAL FUND £'000'S
Education & Lifelong Learning	1,323	662
Social Services	1,909	955
Environment	589	0
Corporate Services	1,032	497
Miscellaneous Finance	3,598	3,598
Council Tax Surplus	1,268	1,268
<b>TOTALS</b>	<b>9,719</b>	<b>6,980</b>

OTHER	UNDERSPEND (OVERSPEND) £'000'S	TAKE TO GENERAL FUND £'000'S
Housing Revenue Account (HRA)	8,437	N/A
Schools	(1,985)	N/A
<b>OVERALL TOTAL SURPLUS</b>	<b>16,171</b>	<b>6,980</b>

Service area surpluses are subject to a 50% take to General Fund balances after specific agreed earmarking of funds. Miscellaneous Finance and Council Tax surpluses are transferred in total to General Fund balances.

School and HRA balances must be ringfenced to those service areas.

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**MOVEMENT ON GENERAL FUND**

	£000's	£000's
<b>Opening Balance 01/04/2013</b>		<b>14,272</b>
<b>Use of Funds as Previously Agreed by Council: -</b>		
21 <sup>st</sup> Century Schools Contribution 2013/14	(4,000)	
Pension Deficit 2013/14 (Estimated)	(500)	
Living Wage Backdating to November 2013	(50)	
Provision in Respect of 2014/15 Shortfall on 3 Senior Officer Suspensions	(175)	
<b>Total Funds Taken In-Year</b>		<b>(4,725)</b>
<b>Funds Transferred into General Fund: -</b>		
Education & Lifelong Learning – 50% of 2013/14 Underspend	662	
Social Services – 50% of 2013/14 Underspend	955	
Environment – No contribution 2013/14	0	
Corporate Services – 50% of 2013/14 Underspend	497	
Miscellaneous Finance – 100% of 2013/14 Underspend	1,706	
Release of Icelandic Impairment 2013/14 (Net of Agreed Commitments to Date)	1,392	
Council Tax Surplus 2013/14	1,268	
<b>Total General Fund Contribution 2013/14</b>		<b>6,480</b>
<b>Total In-Year Movement</b>		<b>1,755</b>
<b>Closing Balance 31/03/2014</b>		<b>16,027</b>
<b>2014/15 Commitments Previously Agreed by Council: -</b>		
2013/14 Council Tax Surplus to Support 2014/15 Budget Savings	(1,200)	
Part-Year Impact of Agreed 2014/15 Savings Proposals	(800)	
		<b>(2,000)</b>
<b>Closing Balance 31/03/2015</b>		<b>14,027</b>

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