



CABINET – 29TH JULY 2015

SUBJECT: PROVISIONAL OUTTURN FOR 2014/15

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 2014/15 financial year prior to the annual audit by the Authority's External Auditors PricewaterhouseCoopers.
- 1.2 To seek Cabinet approval of recommendations for the use of service reserves for specific purposes as set out in the report.

2. SUMMARY

- 2.1 In advance of the Statement of Accounts being audited and presented to Council on the 29th September 2015, this report provides an overview of the Council's performance against the budget for the 2014/15 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:-

	£'000
Service Directorate Underspends	6,578
Miscellaneous Finance Underspend	1,707
Partial Release of Equal Pay Provision	1,234
Council Tax Surplus	1,414
Housing Revenue Account (HRA) Underspend	6,814
Schools Underspend	312
Total: -	18,059

- 4.2 The Service Directorate underspend of £6.578m represents 3.71% of 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 Medium-Term Financial Plan (MTFP). This prudent approach has resulted in a number of savings being achieved in advance and 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 The table in Appendix B shows the movements on the General Fund balances from 1st April 2014 to 31st March 2015 and current agreed commitments for 2015/16. The forecast General Fund balance as reported to Council on 25th February 2015 was £10.078m. The updated position is a projected balance as at 31/03/16 of £13.126m, a variance of £3.048m. The variations to forecast are as follows: -

	£,000
Increased contribution from Service areas (including Miscellaneous Finance).	1,642
2014/15 Council Tax surplus higher than the projected £1.2m.	214
Partial release of Equal Pay provision.	1,234
Release of other earmarked reserves and provisions higher than anticipated.	65
A469 Closure Remedial Works - Costs lower than anticipated.	168
Industrial Action Clawback - Lower than anticipated.	(3)
Adjustments to provision for Senior Officer Suspension costs.	(272)
Total Increase: -	3,048

- 4.5 In light of the significant financial challenges that lie ahead it would be prudent to retain the General Fund balance at the projected level of £13.126m. This will provide some headroom to support the delivery of the Medium-Term Financial Plan in future years in respect of pump-priming and Invest to Save schemes. Once the provisional financial settlement and indicative allocations have been announced by the Welsh Government in October 2015, this situation could be revisited but at the present time there is uncertainty in respect of the Revenue Support Grant (RSG) and other grant funding for 2016/17 and future years.
- 4.6 The following paragraphs comment on the 2014/15 underspends as detailed in Appendix A.

Education and Lifelong Learning (£1.211m Underspend)

- 4.7 Overall the Directorate (including Schools) is reporting an underspend of £1.211m. This includes an underspend of £312k for Schools, which will be taken to earmarked balances, and an underspend on central Education & Lifelong Learning of £899k. The most significant variances (over £100k) are as follows: -

	(Over)/Under £000
Home to School/College Transport	(167)
Behaviour Support	(115)
Relief/Supply Cover	109
Additional Support (Primary & Secondary)	(162)
SEN Out-of-County Recoupment	1,043
Grant Clawback (Ynys Hywel)	(104)

- 4.8 The Transport budget is managed by the Engineering Division (Environment Directorate), with variances ring-fenced to Education. An overspend of £167k has been reported, which is due to increased demand, primarily in relation to ALN (Additional Learning Needs) and SEN (Special Educational Needs) transport and a lack of capacity from taxi and minibus providers to compete for contracts. The transport protocol for Inclusion is currently being reviewed.
- 4.9 The overspend on the Behaviour Support budget is due in the main to a planned investment in Behaviour Support training across Primary and Secondary Schools. To date, an amount of £62k has been spent to address behavioural issues that are giving rise to increasing cost pressures across Additional Support, EOTAS (Education Other Than at Schools) and an increase in potential Tribunal cases. This one-off investment which will run into 2015/16 is essential to assist in Medium-Term Financial Plan savings targets moving forward.
- 4.10 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.
- 4.11 The overspend on Additional Support (Primary & Secondary) is closely linked to an increase in Statements around ASD (Autistic Spectrum Disorder), which is a national trend.
- 4.12 The underspend on the Recoupment budget (Special Educational Needs and Looked after Children) includes a one-off saving arising from the release of £611k of Out-of-County accruals from previous financial years. The in-year underspend of £432k should be considered alongside the Additional Support budget. Whilst the Additional Support budget is overspent, this cost is significantly less than the cost of an Out-of-County placement.
- 4.13 During the 2014/15 financial year a payment £104k was made to the Big Lottery Fund following a breach of grant terms and conditions in relation to Ynys Hywel Outdoor Education facility. The breach related to the disposal (sale) of this asset, for which grant funding had been received dating back to project commencement in 2003 and final claim completion in 2007. Funding of £348k had been received from the Big Lottery and the asset retention period was 20 years.
- 4.14 Additional income received in-year, vacancies and savings linked to the Directorate's Medium-Term Financial Plan have also contributed significantly to the overall underspend for the Directorate.
- 4.15 During the 2014/15 financial year LMS Contingency funding of £150k was used to purchase IT equipment for Schools. This will be repaid by Schools over a period of 5 years and represents better value for money than using external leasing arrangements.
- 4.16 Cabinet will be aware that the Welsh Government has supported a £1.5m bid for a permanent extension to Islwyn High School to accommodate 5 additional classrooms, additional toilet facilities and an extended dining hall. This approval is part of CCBC's 21st Century Schools funding (Band A programme) and as such CCBC is required to match fund with WG on a 50/50 basis. It is proposed that the 50% CCBC share (£750k) is funded from accumulated Education & Lifelong Learning service reserves.
- 4.17 Caerphilly CBC officers are currently working with Torfaen CBC (Lead Sponsor) and other Partners to secure European Social Fund (ESF) funding for the continuation of Bridges into Work (BIW) and Working Skills for Adults (WSFA). BIW (non Communities First Areas) will work with participants aged 25 years and older who have been unemployed for at least 3 years or economically inactive. The project aim is to support residents to achieve qualifications, access volunteering opportunities and gain paid employment (anticipated participants of 520 over 3 years). The WSFA project aims to upskill working people aged 16 years and over to gain accredited qualifications. These will include essential skills, ICT and relevant vocational qualifications (anticipated participants of 240 over 3 years).

- 4.18 The 2 projects will attract ESF funding of circa £1.5m for Caerphilly CBC covering a three-year period and the funding offers will need to be accepted in early August 2015. However, to receive this funding Caerphilly CBC has to provide total cash-backed matched funding of up to £543k over the three-year period. Cabinet is requested to approve the use of Education & Lifelong Learning service reserves to fund the matched-funding requirement of up to £543k.

Social Services (£3.754m Underspend)

- 4.19 The overall outturn position in respect of Social Services for 2014/15 is an underspend of £3.754m. £32k of this underspend relates to the Integrated Transport Unit (ITU) within the Environment Directorate and arises from more efficient practices in respect of the transport of looked after children. The remaining underspend of £3.722m relates to budgets managed solely within the Directorate of Social Services.
- 4.20 £392k of the underspend can be attributed to posts held vacant in anticipation of savings requirements for the 2015/16 financial year. £967k of the underspend has also enabled the Directorate to minimise the impact of savings requirements for the 2015/16 financial year by allowing budgets to be realigned to actual spending and demand levels experienced in 2014/15.
- 4.21 A further £1m of the underspend will help the Directorate to absorb the additional demographic pressures anticipated in 2015/16 without the need for additional corporate funding. As a result, the £1m demographic growth for Social Services that had been earmarked in earlier approved drafts of the Medium-Term Financial Plan was removed from the final 2015/16 budget.
- 4.22 Of the remaining £1,363k underspend, £786k related to Children's Services, £324k related to Adult Services and £253k related to Business Support Services.
- 4.23 The underspend in Children's Services includes one off savings of £178k resulting from a refund of contributions from the Blaenau Gwent and Caerphilly Youth Offending Service and additional vacancy savings achieved while appointing to revised structures that were agreed as part of the 2014/15 budget settlement. The remaining underspend of £608k can be attributed to the success of strategies to manage demand for child placements but with some placements costing in excess of £200k per year this budget area is extremely volatile.
- 4.24 After adjusting for the implications of the 2015/16 budget strategy, the remaining underspend of £324k in Adult Services amounts to just 0.6% of the Adult Services budget.
- 4.25 The underspend within Business Support Services is largely due to one-off savings resulting from favourable settlements in respect of the construction costs of the Rhymney Integrated Resource Centre and service charge refunds in respect of the former lease of Hawtin Park.
- 4.26 As a result of the underspend in 2014/15, the Directorate's accumulated service reserves will increase to £3.4m. However, after the 2015/16 Social Services budget was approved in February 2015, Welsh Government announced a significant reduction in Caerphilly's Supporting People Grant allocation. This late announcement has left no time to plan and it is therefore proposed to transfer an amount of £474k from service reserves into a earmarked reserve to mitigate the financial impact for 2015/16 while a sustainable solution is developed for the longer-term.
- 4.27 It is also proposed to transfer an amount of £400k from accumulated service reserves in order to create an earmarked reserve for Caerphilly CBC's liability in respect of future repayments of the Welsh Government Invest to Save loan awarded to the Gwent Frailty Partnership. Initially it had been anticipated that the Partnership would deliver recurring savings for the Directorate, which could be used to fund the loan repayments. However, any savings that have been achieved have been more than offset by additional demand on Frailty services. Therefore, the creation of this reserve will avoid the need to create an additional revenue budget to fund repayments due through to the 2020/21 financial year.

Environment Directorate (£981k Underspend)

- 4.28 The overall outturn position for the Environment Directorate after the approved use of service reserves is an underspend of £981k. This underspend does not include ring-fenced underspend of £32k in relation to Social Services Transport and ring-fenced overspend of £167k in relation to Home to School Transport. These variations are included in the Social Services and Education & Lifelong Learning Directorates' outturn positions respectively.
- 4.29 The Regeneration and Planning Division is reporting an overall underspend of £522k. This is mainly due to staff vacancies in Business Enterprise Support, Urban Renewal and Planning Development Control, reduced operational costs and increased income generation (particularly in relation to some of the Tourism Visitor Centres and Industrial Properties). These underspends are partly offset by overspends in relation to a shortfall in fee income in Planning Development Control and Building Control and also costs associated with the wind down of the GO 2 Initiative and costs associated with voluntary severances for staff at Blackwood Miners Institute. Whilst the level of underspend is significant, it needs to be noted that the Regeneration & Planning Division have been subject to 2015/16 budget cuts of £622k towards MTFP savings and a large element of the 2014/15 underspend relates to savings achieved in advance.
- 4.30 The Engineering Division is reporting an underspend of £104k (excluding the underspend noted above in relation to Social Services Transport (£32k) and the overspend in relation to Home to School Transport (£167k)). An overspend of £590k in relation to Highway General Road Maintenance and Flood & Drainage Works is offset by an underspend in relation to Winter Maintenance and underspends in Transport Engineering, Traffic Management, Engineering Projects Group and Concessionary Fares income.
- 4.31 The Head of Engineering Services has submitted a proposal to establish a ring-fenced Winter Maintenance reserve to help deal with instances of severe winter weather. The proposal is to ring-fence underspends on the Winter Maintenance budget and set these aside in a reserve with a maximum cumulative value of £500k. This proposal has been considered by the Acting Director of Corporate Services & S151 Officer and the Interim Head of Corporate Finance and it is recommended that the full Winter Maintenance underspend should be ring-fenced to a reserve on an annual basis (subject to the £500k cap) where other budgets within the Engineering Division are reporting a net underspend. In financial years where a net overspend is reported on other Engineering Services budgets any transfer into the ring-fenced Winter Maintenance reserve would be adjusted to take account of the overspend.
- 4.32 For the 2014/15 financial year the Winter Maintenance budget has underspent by £383k. However, other budgets within the Engineering Services Division are reporting an overspend of £279k resulting in a net overall underspend of £104k. Due to the timing of this report £52k of this net underspend has already been transferred to the General Fund. Cabinet is therefore asked to approve the transfer of the remaining £52k into a ring-fenced Winter Maintenance reserve.
- 4.33 The Public Protection Division is reporting an overall underspend of £218k, the most significant elements of which are underspends in relation to Trading Standards & Licensing £97k, Environmental Health £50k and Catering £71k. These underspends are mainly due to a combination of staff vacancies (£43k of which is due to posts not being filled to support Medium-Term Financial Plan savings for 2015/16), reduced operational costs and increased income generation primarily in relation to Pest Control and Schools Catering. These underspends are partly offset by overspends mainly in relation to Pollution Control issues.
- 4.34 The Community & Leisure Division has reported a net overall underspend of £128k. However this includes a £216k overspend in Waste Management & Cleaning Services, primarily due to ongoing increases in dry recycling treatment costs and costs associated with dealing with increased recyclable waste at Civic Amenity sites. There is a £480k underspend in relation to Cemeteries, which is ring-fenced for future investment in Council cemeteries provision.

- 4.35 The Direct Labour and Direct Service operations (Building Cleaning, NCS and Vehicle Fleet Management) have overall reported healthy cash profits of £206k.
- 4.36 There is £197k of unallocated vacancy management savings for the Directorate, which are reported as an overspend. This unallocated saving is being addressed through new savings proposals as part of the ongoing work on the Directorate's Medium-Term Financial Plan.

Corporate Services – (£944k Underspend)

- 4.37 The final outturn position for the Directorate of Corporate Services is an underspend of £944k, the most significant elements of which are the following:-
- Corporate Finance is reporting an overall underspend of £531k. This relates in the main to delays in appointing to vacant posts together with vacancies that have been held to support Medium-Term Financial Plan savings requirements for the 2015/16 financial year. A proportion of the underspend also relates to one-off grant funding of £133k.
 - Legal & Governance is reporting an underspend of £164k. This underspend was generated due to a delay in the backfilling of posts following the appointment of the Interim Head of Legal Services, vacancy management and additional one-off income.
 - Information and Citizens Engagement is reporting a net underspend of £130k due in the main to vacant posts being held to support the Medium-Term Financial Plan savings requirement for 2015/16.
 - Procurement is reporting an underspend of £59k due in the main to delays in appointing to vacant posts and one-off additional income generated in-year.
 - Health & Safety is reporting an underspend of £26k due to increased income.
 - Performance & Property is reporting a net underspend of £118k. The main underspends were on Corporate Buildings (due to energy savings) and reduced planned maintenance spend. Building Consultancy also reported an underspend of £22k due to extra fee income.
 - Private Housing reported an overspend of £58k which was attributable to the reduction of agency fee income as a consequence of a reduction in the Private Housing capital programme over recent years
 - General Fund Housing which includes Housing Advice and Homelessness underspent by £15k.
 - A net overspend of £41k is reported on other Corporate Services budgets.

Miscellaneous Finance - (£1.707m Underspend)

- 4.38 Budgets in Miscellaneous Finance underspent by £1.707m, the most significant elements of which are the following: -
- The Authority has utilised internal borrowing to part-fund its Capital Programme. This, along with a planned delay in borrowing at preferential rates has resulted in an underspend of £1.715m on debt charges. Savings that are recurring have been incorporated into the budget for 2015/16.
 - Returns on investments were better than anticipated resulting in an additional £244k of investment income. The 2015/16 budget assumes an increase in investment income.
 - A number of budget heads were identified as Medium-Term Financial Plan savings in advance contributing £452k to the 2014/15 underspend.
 - The reported underspends have been partially offset by setting aside funding to meet a potential WDA clawback in relation to the Oakdale Land Reclamation scheme. This was referred to in a report on Islwyn West Secondary School presented to Cabinet on the 17th June 2015.

Partial Release of Equal Pay Provision (£1.234m)

- 4.39 As part of the regular review of earmarked reserves and provisions, due to the number of claims being settled the Equal Pay provision has been reduced resulting in £1.234m being released to working balances.

Council Tax Collection – (£1.414m Surplus)

- 4.40 This represents an increase of £214k above the assumed level of £1.2m for the 2014/15 financial year.

Housing Revenue Account (£6,814m Underspend)

- 4.41 Over half of the underspend for the HRA is attributable to unrequired revenue contributions to the WHQS Capital Programme (£3.8m). This was anticipated throughout the year as it became apparent during surveys that a high level of previously achieved works had already been carried out (36% of the Programme). There were also delays in awarding internal works contracts and issues with small lots contracts.
- 4.42 £340k of the underspend was due to salary savings, mainly from turnover of staff. £1.3m of savings also arose on the Housing Subsidy and Capital Financing Recharges due to the guideline rent given by WG, and interest rates being lower than estimated. An underspend of £1.6m 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 undertaking more work directly rather than needing support from external contractors.
- 4.43 Members are asked to note and endorse an appropriation arising from Ty Croeso (which generated a surplus on its lease of £50k) intended for future repairs and maintenance of the building and investment into preventing homelessness. The scheme was recently refurbished at a cost of £500k funded from Housing General Fund balances; therefore any lease surplus will be appropriated to Housing General Fund. It is intended to transfer this asset to General Fund Housing as the scheme meets the needs of homelessness which is a Council function.
- 4.44 HRA Working Balances stand at £21m at the end of 2014/15. The majority of this funding is earmarked for the WHQS programme.

HRA Capital

- 4.45 Total expenditure on the WHQS Capital Programme for 2014/15 was £15.3m, which consisted primarily of internal works and resulted in some 700 properties being completed. The Programme underspent against its budget by some £13.5m which was predicted early in the year as high levels of previously achieved works became evident along with issues with internal works contracts and resources. To address the underspend and maintain the workflow for the in-house Team, the 2015/16 Programme has been revised to reflect the slippage coming forward.
- 4.46 There were 24 Right to Buy sales during the year resulting in a useable capital receipt of £420k.

General Fund Capital Programme

- 4.47 The General Fund Capital Programme for 2014/15 resulted in targeted spend available of £55.4m after including all in-year grant allocations and Section 106 monies. An amount of £27.6m remains unspent at financial year-end, the majority of which represents slippage that will be carried forward into the 2015/16 financial year. The most significant areas of slippage relate to Education and the 21st Century Schools Programme (£13.4m), Urban Renewal (£4m), the Engineering Division (£3.6m), Property Services (£2.4m) and Community and Leisure Services related schemes (£2.1m).

- 4.48 A detailed analysis of capital expenditure and slippage was presented to the Capital Strategy Group on the 22nd June 2015 and a report will be presented to the P&R Scrutiny Committee on the 30th September 2015.

Usable Service Reserves

- 4.49 As outlined in paragraph 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 in subsequent financial years. The table below provides a summary of the reserves arising from cumulative Directorate underspends along with projected balances assuming that recommendations within this report are agreed by Cabinet: -

Service Area	Opening Balance (01/04/14) £000's	In-Year Movement £000's	Closing Balance (31/03/15) £000's	Proposed Use Of Reserves £000's	Projected Balance (31/03/16) £000's
Education & LL	1,552	326	1,878	(1,293)	585
Social Services	1,717	1,675	3,392	(874)	2,518
Environment	419	205	624	(52)	572
Corporate Services	874	494	1,368	0	1,368
Totals: -	4,562	2,700	7,262	(2,219)	5,043

- 4.50 A reserves strategy is currently in the process of being drafted and this will be presented to Cabinet during the Autumn.

5. EQUALITIES IMPLICATIONS

- 5.1 There are no direct equalities implications to this report in terms of the financial information being presented for 2014/2015.

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 that have not been reflected in this report.

9. RECOMMENDATIONS

- 9.1 It is recommended that Cabinet: -
i) Notes the provisional 2014/15 outturn position.

- ii) Approves the recommendation to utilise £750k of Education & Lifelong Learning service reserves to match-fund the cost of the permanent extension at Islwyn High School (paragraph 4.16).
- iii) Approves the recommendation to utilise up to £543k of Education & Lifelong Learning service reserves to match-fund the ESF funding for the Bridges into Work and Working Skills for Adults projects (paragraphs 4.17 and 4.18).
- iv) Approves the use £474k of funding from Social Services accumulated reserves to mitigate the 2015/16 financial impact of the cut in Supporting People grant while a sustainable solution is developed for the longer-term (paragraph 4.26).
- v) Agrees to the transfer of £400k from accumulated service reserves to an earmarked reserve to fund Caerphilly CBC's liability in respect of future Welsh Government Invest to Save loan repayments for the Gwent Frailty Programme (paragraph 4.27).
- vi) Approves the establishment of a ring-fenced Winter Maintenance reserve with a cumulative maximum value of £500k and the transfer of £52k into this reserve in respect of the 2014/15 financial year (paragraphs 4.31 and 4.32).
- vii) Notes and endorses the £50k appropriation for future repairs and maintenance at Ty Croeso (paragraph 4.43).
- viii) Approves the transfer of Ty Croeso from a Housing Revenue Account (HRA) asset to a General Fund asset (paragraph 4.43).

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To ensure that Cabinet Members are aware of the provisional outturn for the 2014/15 financial year.
- 10.2 To secure Cabinet approval of proposals for the utilisation of service reserves.

11. STATUTORY POWER

- 11.1 Local Government Act 1972.

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Consultees: Corporate Management Team
 Cllr Keith Reynolds, Leader
 Cllr Barbara Jones, Deputy Leader & Cabinet Member for Corporate Services
 Mike Eedy, Finance Manager, Environment
 Andrew Southcombe, Finance Manager, Corporate Finance
 Jane Southcombe, Financial Services Manager, Education & Lifelong Learning
 Mike Jones, Interim Financial Services Manager, Social Services
 Lesley Allen, Principal Accountant, Housing
 Gail Williams, Interim Head of Legal Services & Monitoring Officer

Background Papers: -

Stephen Harris Ext. 3022 – Final Accounts working papers for 2014/15

Appendices:-

Appendix A - Provisional Outturn Summary 2014/15

Appendix B - Movements on General Fund