



CABINET – 5TH JULY 2017

SUBJECT: PROVISIONAL OUTTURN FOR 2016/17

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 2016/17 financial year prior to the annual audit by the Authority's External Auditor, Grant Thornton.

2. SUMMARY

- 2.1 In advance of the Statement of Accounts being audited and presented to Council on the 31st July 2017, this report provides an overview of the Council's performance against the budget for the 2016/17 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.
- 3.2 Effective financial planning and maintaining expenditure within approved budgets support 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.

4. THE REPORT

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

	£m
Service Directorate Underspends	3.808
Miscellaneous Finance Underspends	3.474
Council Tax Surplus	1.642
Housing Revenue Account (HRA) Underspend	3.977
Schools Overspend	(0.555)
Total: -	12.346

- 4.2 The Service Directorate underspend of £3.808m represents 2.18% of net Directorate budgets. During the year Officers have continued to be mindful of the continuing programme of austerity 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 balance from the 1st April 2016 to the 31st March 2017 along with agreed commitments for 2017/18. The forecast General Fund balance as reported to Council on 22nd February 2017 was £13.910m. The updated position is a projected balance £15.964m, an increase of £2.054m. The variations to the forecast are as follows: -

	£m
Increased Contribution from Service Areas (including Miscellaneous Finance)	2.469
2016/17 Council Tax Surplus	0.242
Reduced Contribution to Back-Dated Additional Holiday Pay	0.075
Additional Provision for Senior Officer Investigation (Council 07/03/17)	(0.263)
Additional Provision for Senior Officer Investigation (Council 13/06/17)	(0.469)
Net Increase: -	2.054

- 4.5 The Acting Director of Corporate Services & Section 151 Officer normally recommends a minimum General Fund balance of £10m (circa 3% of the net revenue budget). However, the funding outlook for Local Government remains uncertain for future years for both core funding and specific grants and with this in mind it is recommended that the balance on the General Fund should be held at £13.910m as agreed by Council on the 22nd February 2017. This will mean that the additional take to the General Fund of £2.054m is available for other purposes and it is recommended that this should be transferred to a Capital Earmarked Reserve. Proposals on the use of available Capital Earmarked Reserves will be presented to Cabinet for consideration later this year.
- 4.6 The following paragraphs comment on the 2016/17 underspends as detailed in Appendix A.

EDUCATION AND LIFELONG LEARNING (£164K UNDERSPEND)

- 4.7 Overall the Directorate (including schools) is reporting an underspend of £164k. This includes an overspend of £555k for schools, which necessitated a take from earmarked school balances, and a net underspend for Central Education & Lifelong Learning of £719k.
- 4.8 The most significant variances (over £100k) against budgets are as follows: -

	(Over)/ Under £000's
Prior-Year Accruals	347
Home to School/College Transport	(130)
Relief Supply Cover (Sickness SRB's & Maternity)	(123)
Planning & Strategy – Central Costs	190
Visually Impaired Service	126
EOTAS (Education Other Than At School)	(429)
Music Service	(146)

Education Achievement Service (EAS)	152
Community Education (Adult & Youth)	197
Libraries	179

- 4.9 The £347k release of prior-year accruals arises from a review of balances and the identification of sums that no longer need to be held to meet anticipated financial commitments. This is a one-off saving for 2016/17 only.
- 4.10 The Home to School/College Transport budget, which is managed by the Engineering Division in the Environment Directorate (with variances ring-fenced to Education), has reported an overspend of £130k. This variance relates in part to the 3 additional school days in the 2016/17 financial year due to the timing of the Easter Holidays. Other factors contributing to the overspend include increased demand arising from Additional & Special Educational Needs and EOTAS (Education Other Than At School).
- 4.11 Expenditure against the Relief Supply Cover budget for schools is unpredictable due to varying sickness levels in Special Resource Bases and maternity absences across all schools. An overspend of £123k has occurred for the 2016/17 financial year and due to the volatility and uncertain nature of this spend the position will need to be closely monitored during 2017/18.
- 4.12 The underspend of £190k in relation to Planning & Strategy – Central Costs relates to a vacant post that has now been removed as part of the approved savings for 2017/18, two lengthy in-year vacancies and some changes during the year to staff contracts.
- 4.13 In recent years the Visually Impaired Service has consistently reported an underspend and this has continued for 2016/17. The budget has now been adjusted as part of the approved savings for 2017/18.
- 4.14 EOTAS (Education Other Than At School) accommodates learners who are unable to attend and learn through mainstream school and the service continues to receive an increasing number of referrals for children with challenging behaviour. During 2016/17 the service has invested, as part of a 2 year pilot, in the development of three Learning Pathway Centres on three High School sites. This has resulted in some additional costs in year, but in the longer term the expectation is that this could reduce the number of pupils in placements with external providers. This pilot is being re-evaluated mid-term.
- 4.15 The approved budget for the 2016/17 financial year included a further reduction of £100k in the budget for the Authority's Music Service. A Working Group has been reviewing delivery options to achieve this saving and whilst the saving has not been achieved in 2016/17, savings have been identified to reduce this overspend in 2017/18.
- 4.16 In 2016/17 the main contract charge from the Education Achievement Service (EAS) was less than the current budget provision. In addition, a reduction in the Regional Education Improvement Grant (EIG) has led to a reduction of £60k in the match funding requirement from the Authority.
- 4.17 The underspend of £197k within the Community Education (Adult & Youth) budget relates to a number of variances across the service. The most notable relate to in-year staff savings, a saving on premises costs and additional income generation (including grant income). The approved budget for 2017/18 includes savings of £93k for this service area.
- 4.18 The Library Service underspend of £179k relates primarily to in-year staff savings, a one-off saving on energy costs and transport savings. The approved budget for 2017/18 includes savings of £120k for the Library Service.

Social Services (£265k Underspend)

- 4.19 The overall outturn position in respect of Social Services for 2016/17 is an underspend of £265k. £27k 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 £238k relates to budgets managed solely within the Directorate of Social Services.
- 4.20 Budgetary growth of £2.5m was allocated to the Social Services budget in 2016/17 in response to demographic pressures and the impact of the National Living Wage. However, demand for services grew significantly throughout the financial year, resulting in an overspend on care packages of £1.072m for Children's Services, £708k for Adult Services and an overspend of £147k for Supporting People Services. This increasing demand due to demographics, coupled with further implications of the National Living Wage has prompted further budgetary growth of £3.5m for the Social Services budget in 2017/18.
- 4.21 The increasing demand for social care packages was identified at an early stage in the financial year. This enabled the Senior Management Team to take mitigating action against these rising costs by adopting a prudent approach to vacancy management across the Directorate. This approach contributed towards underspends of £971k against management, social work and administrative staff budgets and £620k against in-house residential and day care budgets.
- 4.22 Further examples of prudent budget management in response to increasing demands and other cost pressures resulted in underspends of £73k in respect of Children's Services contracts with third sector organisations and £109k in respect of Adult Services contracts with third sector organisations.
- 4.23 Reimbursements of £84k from the Gwent Frailty Partnership and £101k from the Gwent-Wide Integrated Community Equipment Service (GWICES) further mitigated the potential overspend caused by the increasing demand for social care packages. These services are provided in partnership with other stakeholders and the Directorate's financial contribution towards these services is strongly influenced by the actions of those stakeholders.
- 4.24 During 2016/17 the Directorate received £175k more than was budgeted in respect of service users' financial contributions towards the cost of their care provided within residential homes for older people owned by the Authority. These contributions are determined from an assessment of the income and assets of those service users and therefore the level of income received can fluctuate quite significantly, depending on the relative wealth of the cohort of service users that are resident at any time.
- 4.25 Other minor underspends totalling £32k further contributed to the net underspend for the Directorate of £238k.

Environment (£1.342m Underspend)

- 4.26 The overall outturn position for the Environment Directorate after the approved use of reserves is an underspend of £1.342m. This underspend does not include a ring-fenced under spend of £27k in relation to Social Services Transport and a ring-fenced overspend of £130k in relation to Home to School Transport. These variations are included in the Social Services and Education & Lifelong Learning Directorates outturn positions respectively.
- 4.27 The Regeneration & Planning Division is reporting an overall underspend of £419k. Regeneration has reported an underspend of £513k where some of the more significant variations relate to vacant posts (£179k), reductions in marketing, promotion and subscription costs in Business Support and Tourism (£50k), increased income and reduced running costs for industrial properties (£90k), increased income at tourism events (£33k) and additional income in relation to Town Centre Management (£18k). Community Regeneration generated additional staff recharge income of £66k through supporting the grant funded Communities

First programme. The Community Regeneration Fund underspent by £115k due to the number and value of bids received being less than the budget and there was also an underspend in other community project based budgets within Community Regeneration of £18k. These underspends were partly offset by an overspend of £125k in relation to Bargoed Unit Shops due to a shortfall in income arising from under occupancy. Planning has reported an overspend of £94k, primarily due to a shortfall in Building Control fees and Planning Application fees, partly offset by underspends in staffing due to vacant posts.

- 4.28 The Engineering Division is reporting a net underspend of £261k (excluding the underspend noted above in relation to Social Services Transport (£27k) and overspend in relation to Home to School Transport (£130k)). An overspend of £132k in relation to Highway Operations general road maintenance and associated I.T and consultancy costs is partly offset by underspends in relation to Winter Maintenance (£38k) and Street Lighting (£33k). In addition, there are underspends in Transport Engineering (£28k) and Engineering Projects Group (£135k) due to a combination of vacant posts and additional fee income. There is a small overspend of £21k in relation to passenger transport and Network Contract Services (NCS) has reported a net surplus of £180k.
- 4.29 The Public Protection Division is reporting an overall underspend of £497k. The most significant underspends are in Trading Standards, Licensing and Community Safety (£93k), Environmental Health (£148k) and Catering (£256k). The underspends in Trading Standards, Licensing and Community Safety and Environmental Health were primarily due to vacant posts and maternity leave. The underspend in Catering was mainly due to higher than budgeted income from schools as a result of the high take-up of school meals, no school closures for severe winter weather and some reductions in operational costs.
- 4.30 The Community & Leisure Division has reported a net overall underspend of £165k. Waste Management and Street Cleansing has overspent by £207k. This includes an overspend of £285k in relation to dry recycling treatment due to a combination of increased treatment costs per tonne, increased waste tonnages and additional costs of treating materials that cannot be recycled. It should be noted that the Community & Leisure Division's budget received additional one-off funding of £800k for 2016/17 from a corporately held waste management contingency to assist in the funding of increased dry recycling treatment costs. The reported overspend of £285k is inclusive of this additional funding. There were also overspends in relation to Civic Amenity Site waste treatment (£297k) and residual waste treatment (£68k) due to increased tonnage of waste being processed, an overspend on vehicle running costs (£485k) and a shortfall in commercial waste income (£127k). These overspends were partly offset by underspends in relation to organics waste treatment (£97k) due to revised contract prices associated with the source separating of food and green waste, waste management and street cleansing staffing costs (£302k) due to vacant posts, reduced/delayed vehicle and plant acquisitions (£475k) and reduced spend on replacement waste bins (£90k).
- 4.31 Parks & Cemeteries services reported an underspend of £123k and Leisure & Sports Development Services underspent by £220k. The frontline trading operations of Building Cleaning and Vehicle Maintenance & Fleet Management reported a net surplus of £29k.

Corporate Services – (£1.482m Underspend)

- 4.32 The final outturn position for the Directorate of Corporate Services is an underspend of £1.482m, the most significant elements of which are the following: -
- Corporate Finance is reporting an overall underspend of £421k. This relates in the main to delays in appointing to vacant posts, vacancies that have been held to support MTFP savings requirements and additional one-off grant funding.
 - Procurement & Customer Services are reporting an underspend of £169k which is due in the main to vacancies that have been held to support MTFP savings requirements.
 - Legal & Governance is reporting an underspend of £144k due to delays in filling posts and withholding vacancies.

- Corporate Policy is reporting an underspend of £51k due in the main to a £50k underspend in the Voluntary Sector Budget, an underspend of £28k in Community Safety and an underspend of £27k in the Performance Management Unit. These underspends have been partially offset by increased costs in respect of complying with the Welsh Language Standards.
- Housing Services is reporting a £59k underspend. This consists of an underspend of £24k for General Fund Housing and an underspend of £35k in Private Housing.
- Information Technology is reporting an underspend of £400k due in the main to vacancies being held to support MTFP savings requirements moving forward.
- Performance & Property is reporting a net overspend of £39k. The main variances are overspends of £35k on Corporate Buildings and £23k on Corporate Property which are partially offset by additional fee income in Asset Management and Building Consultancy.
- For Human Resources, Communications and Health & Safety there is a combined underspend of £239k. This consists of a £198k underspend in Human Resources due in the main to vacancies being held to support the MTFP, an overspend in Communications of £27k largely due to reduced income levels and a £68k underspend in the Health & Safety budget due to additional income from the Service Level Agreement with Cardiff City Council and delays in filling vacant posts.
- Other budgets within Corporate Services are showing a net underspend of £38k.

Miscellaneous Finance - (£3.474m Underspend)

4.33 Budgets in Miscellaneous Finance underspent by £3.474m, the most significant elements of which are:-

- An underspend of £2.458m on Capital Financing budgets mainly due to the following: -
 - 2015/16 and 2016/17 supported borrowing has been deferred to future years as there are cash balances that can be utilised in the short term.
 - Improved returns on investments in accordance with the revised Treasury Management Strategy.
- Prudential Borrowing for Islwyn West being delayed - £188k underspend.
- Pension Contributions for former Authorities - £91k underspend.
- External Audit fees - £86k underspend.
- Additional one-off income of £375k.
- Net underspend on other budgets in Miscellaneous Finance of £276k.

Council Tax Collection – (£1.642m Surplus)

4.34 This represents an increase of £242k above the assumed level of £1.4m for the 2016/17 financial year.

Housing Revenue Account (£3.977m Underspend)

- 4.35 £1.9m of the Housing Revenue Account (HRA) underspend is in 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. A further underspend of £1.6m is reported on non-pay budgets including Housing Response, Bad Debt Provision and various departmental projects.
- 4.36 £360k of the HRA underspend is in Capital Financing Recharges and a further £180k of the underspend is due to salary savings, mainly from the turnover of staff.
- 4.37 The HRA allowed for some £15.7m of revenue contributions towards the Welsh Housing Quality Standard (WHQS) Programme during the 2016/17 financial year and this was fully allocated. A further £8.4m was required from HRA working balances.
- 4.38 HRA Working Balances stand at £15.6m at the end of 2016/17 (subject to external audit). The majority of this funding is earmarked for the WHQS Programme.

Housing Revenue Account (HRA) Capital

- 4.39 Total expenditure on the WHQS Capital Programme for 2016/17 was £31.4m. This expenditure was funded from the £7.4m Major Repairs Allowance (MRA) received from the Welsh Government (WG) and revenue contributions from the HRA of £24m. No borrowing has been undertaken as yet for the WHQS Programme. A further £914k of capital expenditure was incurred on the WG Vibrant and Viable Places programme that encompassed both HRA and Non-HRA capital works. This expenditure was funded from a WG grant.
- 4.40 There were 23 Right to Buy sales during the year resulting in a useable capital receipt of £520k.

General Fund Capital Programme

- 4.41 The General Fund Capital Programme for 2016/17 resulted in targeted spend available of £55.5m after including all in-year grant allocations and Section 106 monies. An amount of £20.5m remains unspent at the financial year-end, the majority of which represents slippage that will be carried forward into the 2017/18 financial year. The most significant areas of slippage relate to the Engineering Division (£4.3m, of which £1.9m is Section 106 monies); Social Services (£3.2m); Education (£2.7m, of which £1.5m is related to the 21st Century Schools Programme); Community & Leisure Services related schemes (£2.1m); Land Reclamation (£2.1m); Property Services (£2.1m) and Private Housing (£1.8m).
- 4.42 The 2016/17 Capital Outturn Report will be presented to the Policy & Resources Scrutiny Committee on the 3rd October 2017.

General Usable Service Reserves

- 4.43 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 after taking account of the approved use of reserves in 2016/17 and the current approved use of reserves for 2017/18: -

Service Area	Opening Balance (01/04/16) £m	In-Year Movement 2016/17 £m	Closing Balance (31/03/17) £m	Approved Use Of Reserves £m	Projected Balance (31/03/18) £m
Education & LL	2.459	(1.090)	1.369	0	1.369
Social Services	3.129	(0.256)	2.873	0	2.873
Environment	0.480	(0.092)	0.388	(0.073)	0.315
Corporate Services	2.197	(0.560)	1.637	0	1.637
Totals: -	8.265	(1.998)	6.267	(0.073)	6.194

- 4.44 The Policy & Resources Scrutiny Committee receives an annual report on usable reserves and the next report has been scheduled for the 14th November 2017.

5. WELL-BEING OF FUTURE GENERATIONS

- 5.1 Effective financial planning and the management of expenditure within approved budgets are key elements in ensuring that the Well-being Goals within the Well-being of Future Generations Act (Wales) 2015 are met.

6. EQUALITIES IMPLICATIONS

- 6.1 There are no direct equalities implications to this report in terms of the financial information being presented for 2016/2017.

7. FINANCIAL IMPLICATIONS

- 7.1 As detailed throughout the report.

8. PERSONNEL IMPLICATIONS

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

9. CONSULTATIONS

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

10. RECOMMENDATIONS

- 10.1 It is recommended that Cabinet: -

10.1.1 Notes the provisional 2016/17 outturn position.

10.1.2 Approves the transfer of £2.054m into a Capital Earmarked Reserve as outlined in paragraph 4.5 of this report.

11. REASONS FOR THE RECOMMENDATIONS

- 11.1 To ensure that Cabinet Members are aware of the provisional outturn for the 2016/17 financial year.

12. STATUTORY POWER

- 12.1 Local Government Act 1972.

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Consultees: Corporate Management Team
Cllr D Poole, Leader
Cllr Barbara Jones, Deputy Leader & Cabinet Member for Finance, Performance and Governance
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 2016/17.

Appendices: -

Appendix A - Provisional Outturn Summary 2016/17

Appendix B - Movement on General Fund

PROVISIONAL OUTTURN 2016-17

SUMMARY

SERVICE AREA	UNDERSPEND (OVERSPEND) £m	TAKE TO GENERAL FUND £m
Education & Lifelong Learning	0.719	0.359
Social Services	0.265	0.133
Environment	1.342	0.586
Corporate Services	1.482	0.741
Miscellaneous Finance	3.474	3.474
Council Tax Surplus	1.642	1.642
TOTALS	8.924	6.935

OTHER	UNDERSPEND (OVERSPEND) £m	TAKE TO GENERAL FUND £m
Housing Revenue Account (HRA)	3.977	N/A
Schools	(0.555)	N/A
OVERALL TOTAL SURPLUS	12.346	6.935

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.

MOVEMENT ON GENERAL FUND

	£m	£m
Opening Balance 01/04/2016		12.615
Use of Funds as Previously Agreed by Cabinet/Council: -		
2015/16 Council Tax surplus to support 2016/17 budget	(1.400)	
Back-dated additional holiday pay	(0.425)	
Senior officer investigation additional financial provisions	(0.413)	
2016/17 City Deal Partnership revenue contribution.	(0.060)	
Total Funds Taken In-Year		(2.298)
Funds Transferred into General Fund: -		
Education & Lifelong Learning – 50% of 2016/17 underspend	0.359	
Social Services – 50% of 2016/17 underspend	0.133	
Environment – 50% of 2016/17 underspend	0.586	
Corporate Services – 50% of 2016/17 underspend	0.741	
Miscellaneous Finance – 100% of 2016/17 underspend	3.474	
Council Tax surplus 2016/17	1.642	
Total General Fund Contribution 2016/17		6.935
Earmarked Reserves Transferred into Working Balances		0.581
Total In-Year Movement		5.218
Closing Balance 31/03/2017		17.833
2017/18 Commitments Previously Agreed by Council :-		
2016/17 Council Tax surplus to support 2017/18 budget	(1.400)	
Senior officer investigation additional financial provisions	(0.469)	
		(1.869)
Anticipated Closing Balance 31/03/2018		15.964