



## 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: -

	<b>(Over)/ Under £000</b>
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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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