

## Report of the Cabinet Member for Finance and Resources

Cabinet - 29 July 2014

### REVENUE FINANCIAL OUTTURN 2013/14

<b>Purpose:</b>	To report on the detailed financial outturn for 2013/14
<b>Policy Framework:</b>	Budget Plan 2013/14
<b>Reason for Decision:</b>	This report is presented to Cabinet in accordance with Financial Procedure Rules.
<b>Consultation:</b>	Cabinet Members, Executive Board, Legal and Access to Services.
<b>Recommendation:</b>	It is recommended that the comments and variations in this report be noted, and that the proposed reserve transfers detailed in Section 6.4 are approved
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#### 1. Introduction

- 1.1 This report details net expenditure for 2013/14 and highlights variances from the approved budget.

#### 2. Summary

- 2.1 Overall expenditure for 2012/13 was £134,000 less than the approved budget as follows:

	<b>£m</b>
Net Expenditure on Services per appendix 'A' (including 2013/14 ER/VR costs)	2,769
Capital charges	94
One off VAT reclaim/corporate costs	-440
Inflation provision	-1,186
Other net underspends including Council Tax collection	-1,371
<b>Overall net underspend</b>	<b>-134</b>

Appendix 'A' summarises the changes between budget and outturn. The outturn as presented excludes items charged directly to the Contingency Fund – see Section 4/Appendix B.

### **3. Net expenditure on Services**

- 3.1 Net expenditure on services was £2.769m more than the approved budget. This comprises savings in net expenditure in respect of agreed Directorate Budgets of -£0.635m (representing -0.2% of overall approved Directorate budgets) and ER/VR costs funded from the contingency fund of £3.404m – see paragraphs 4.1 to 4.3.
- 3.2 This saving on net Directorate budgets of -£0.6m compares to a forecast overspend on Directorate Budgets of £1.7m as per the third quarter report considered by Cabinet on 11<sup>th</sup> February 2014.

This represents an overall improvement on the reported 3<sup>rd</sup> quarter position which reflects ongoing Management Action in progressing agreed cost reductions in respect of the approved Revenue Budget for 2014/15 approved by Council on 18<sup>th</sup> February 2014, together with a number of one off savings which are difficult to forecast until year end including:-

- Social Services Income relating to past charges placed on Client properties in respect of care services.
- Savings arising from complex year end subsidy claims – mainly Housing benefits – which cannot be calculated until total spend for the year is established.
- Other streams calculated at year end relating to costs recovery.

3.3 Details of Directorate over/underspends for the year are as follows:-

#### **3.4 Corporate Services Directorate**

The overall budget for the year was underspent by £2,090,000 as follows:

	<u>£</u>	<u>% of Net Budget</u>
Employee related savings / vacant posts	-1,235,000	
Audit fees	-129,000	
Additional Rent allowance subsidy	-276,000	
Additional Income including costs	-297,000	
Other net underspends	-153,000	
<b>Net underspend</b>	<b>-2,090,000</b>	<b>-4.5</b>

The key issue to note is that where savings have occurred they have already largely been incorporated into the 2014/15 budget proposals with the exception of income relating to Rent Allowance Subsidy and Costs which will be re-evaluated during 2014/15.

#### **Director comments:-**

The Directorate set a target to underspend by £1m during 2013/14 as a contribution to offsetting budget pressures in other service areas. This was achieved and exceeded by tight vacancy management, reducing discretionary spend and other efficiencies. The final outturn position of £2m also includes Rent Allowances and housing benefits income, which typically come in as the end of year adjustments. Work is taking place to estimate areas of recurring underspend in 2014/15, but this will be less significant given the levels of budget reductions already made.

### **3.5 People Directorate - Education**

The overall budget for the year was overspent by £1,657,000 as follows:

	<u>£</u>	<u>% of Net Budget</u>
Regional translation service	91,000	
Delay in achieving savings in the Music Service - joint working arrangements	246,000	
Non delegated Home to School Transport	538,000	
Education Other Than At School/Home Tuition and one to one support	306,000	
Employment Training	645,000	
Other net savings/costs	20,000	
Special education out of county/recoupment	13,000	
	<hr/> 1,859,000	
<i>Less:</i>		
Savings in volatile Other Access to Learning budgets (excluding Eotas and Recoupment)	-202,000	
<b>Net overspend</b>	<b>1,657,000</b>	<b>1.0</b>

### 3.6 People Directorate – Social Services

The overall budget for the year was overspent by £992,000 as follows:

	<u>£</u>	<u>% of Net Budget</u>
<i>Child and Family</i>		
Out Of County placements	502,000	
Fostering	374,000	
Leaving Care /Direct payments	340,000	
Family & Friends fostering	259,000	
Adoptions	229,000	
Special Guardianship Orders	201,000	
<i>Adult Services</i>		
Home/Domiciliary Care Older People & Direct Payments	403,000	
LHB income shortfall	124,000	
Mental Health/Learning Disability placement costs	514,000	
Overspends	2,946,000	
<i>Less:</i>		
Residential Care Older People	-295,000	
Domiciliary Care Disabled & Direct Payments	-122,000	
One off recovery of past contributions	-945,000	
Additional Grant Income	-141,000	
Other Child & Family net reductions - primarily staff related	-159,000	
Other Adult Services net reductions	-237,000	
Directorate net reductions	-55,000	
Underspends	-1,954,000	
<b>Net overspend</b>	<b>992,000</b>	<b>0.9</b>
<b>Overall net Overspend – People Directorate</b>	<b>2,649,000</b>	<b>1.0</b>

The forecast position for the Directorate as at quarter 3 was a net overspend of £3.0m. The variations as reported largely reflect the third quarter position with the following exceptions:-

	<u>£</u>
One off recovery of past care costs (SS)	-945,000
Increase in net expenditure on Employment Training	+645,000

In terms of outturn and the quarter 3 outturn position it was recognised that within both the Social Services and Education Budgets there were base budget issues which needed to be addressed as part of the 2014/15 budget process.

Accordingly, the 2014/15 budget proposals included an additional £3m across both services as an addition to base budget. This was based on the known and forecast position and effectively negates those base budget issues within the current financial year.

The outcomes within Social Services reflect a stability in terms of budget forecasting and delivery which reflect the intensive work being undertaken in terms of Looked After Children costs and the ongoing reduction in costs in this area.

#### **Director Comments:-**

In relation to Social Services the main issue to highlight is the performance in Child and Family Services. At the start of the financial year 2013/14 the service was profiling a potential overspend of £2.5m at year end. So whilst this area has overspent in total, as part of our safe LAC reduction strategy managers worked to reduce demand to bring costs down to the year end figure of an £.08m overspend. The main issue for adult services is the decrease in external residential placements for older people, together with an increase in home care. The establishment of the re-ablement service has facilitated such an increase.

In Education the overspend on home to school transport arose largely from increases in contract process. The procurement exercise undertaken during the year generated a saving reducing the overspend somewhat.

This budget is historically overspent and the 2014/15 budget has been adjusted accordingly.

Education other than at School, Home tuition and one to one support budgets are normally considered together, as they are demand led and impact on one another. The overspends in these areas are partially offset by underspends in other access to learning budgets which is the practice historically.

Employment training worked hard to bring pressures into line during 2013/14 with more than 30 posts lost in year. Unfortunately there was an overspend identified at year end that is subject to investigation.

With the exception of employment training all variances are in line with the reported position at quarters 1 to 3.

### **3.7 Place Directorate**

The overall budget for the year was underspent by £1,082,000 as follows:

	<u>£</u>	<u>% of Net Budget</u>
Net overspend on recharges	50,000	
Planning Legal provisions	450,000	
Net increased cost Leisure Centres provision	220,000	
Other culture and tourism overspends	175,000	
Waste staffing overspends	450,000	
Other waste overspends (net)	90,000	
Contribution to Waste Capital Schemes	180,000	
LAWDC final costs	180,000	
Property – preventive maintenance	450,000	
	2,245,000	
<i>Less:</i>		
Housing and Public Protection additional income and staff savings	-630,000	
Additional planning fees and other section cost savings	-400,000	
transport support underspends on new initiatives, bus costs, extra recharges and staff vacancies	-470,000	
traffic management underspends on new initiatives, extra fee income and staff vacancies	-360,000	
Savings on landfill tax	-130,000	
Additional rate refunds achieved	-470,000	
CBPS trading surplus/depot costs	-140,000	
Estate rental incomes	-340,000	
Commuted sums received	-216,000	
Members Environmental improvements underspend	-131,000	
Other net underspends	-40,000	
<b>Net underspend</b>	<b>-1,082,000</b>	<b>-1.8</b>

The above net underspend represents an improvement on the quarter 3 forecast position (-£0.5m).

#### **Director Comments:-**

The increase in net underspend of £0.5m includes the under spends detailed above relating to Commuted Sums and Members Environmental improvement schemes both of which have been carried forward into 2015/15. More specific detail is as follows:

**Property – preventive maintenance** 450,000

Variance and risks reported at P&FM and covered within service budget. Spend link to high level of maintenance costs and action plan linked to forward asset reduction programme to bring back within budget.

**CB&PS trading surplus/depot costs** -140,000

Variance reported at P&FM and used to offset overspend on preventative maintenance. Increased income due to increased workload, improved systems and reduced overheads. Budget amended for 14/15

**Additional rate refunds achieved** -470,000

This invest to save initiative relates to rebates achieved as a result of successfully appealed rating assessments. Any final figures and timing of rebates are down to the position of the District Valuer so there is little control over the final output other than we push for maximum benefit. Overachievement is obviously a very good result.

**Estate rental incomes** -340,000

Improved income and monitored and reported via P&FM but final position often isn't known until close to year end due to the mechanisms of some of the "side by side" agreements i.e. those based on actual rent recovery by our head tenants.

### **Waste**

- The staff overspend relates to increased agency costs, primarily utilised to provide labour to improve the Baling Plant and HWRCs to meet environmental permit requirements, and to undertake internal sorting of residual waste to improve recycling performance.
- The Other Waste overspend is symptomatic of the need to realign budgets to where the spends are required. E.g. Residual waste was diverted from landfill and sent to Energy from Waste
- The Contribution to Capital Waste Schemes was for essential works, again to comply with permit requirements at the Baling Plant. All works are currently on hold and the remaining works will be carefully value engineered and prioritised to remain within budget going forward.
- The LAWDC final costs overspend was largely due to a residual tax bill following the transfer of assets to the Authority during the winding up of the company.
- The savings on landfill tax was due to the diversion of residual waste to Energy from Waste, so this underspend should have been transferred to the overspend in Energy from Waste referred to above.

3.8 In addition to the above there was a minor underspend of £112,000 on Poverty and prevention budgets within the People Directorate.

3.9 In terms of potential impact on the 2014/15 revenue budget position it is clear that many of the savings achieved, particularly in respect of employee costs, were as a result of management action taken in respect of known and agreed savings targets for the 2014/15 financial year.

- 3.10 In terms of impact on current year expenditure, given the baseline increases in Social Services and Education budgets, the effect of reported variances on outturn should not materially affect the Councils strategic budget planning for the current year.

#### **4. Items met from the Contingency Fund**

- 4.1 The Cabinet Report on 11<sup>th</sup> February 2013 highlighted a number of items which would need to be met from the Contingency Fund in 2013/14.
- 4.2 The £3.404m shown at Appendix 'A' represents the cost of the ER/VR exercise for 2013/14 which has been charged to the Contingency Fund on an 'Invest to Save' basis. This sum – considerably greater than previous years – reflects the inevitable workforce reductions implicit within the budget proposals for 2014/15 contained within the 'Sustainable Swansea- Fit for the Future' Budget strategy adopted by the Council. As in prior years access to ER/VR requires a maximum payback period of three years for any employee who leaves under the scheme. This one off cost will result in recurring annual savings of approximately £3.2m p.a.
- 4.3 In addition to the above, the cost of increases in care home fees for 2013/14 (£495,000), the known costs of the Childcare Legal Team (£700,000), planned contributions to the recycling invest to save scheme (£608,000), provision for the 2013/14 pay award (£1,713,000) and one off costs relating to Planning issues totalling £80,000 have also been met from the fund.
- 4.4 The total met from the fund for 2013/14 is therefore some £6.995m.
- 4.5 In line with the outturn report for 2012/13 considered by Cabinet on 17<sup>th</sup> September 2013, the level of the Contingency Fund was set at £8m, representing the 2013/14 budgeted contribution. This was a departure from previous practice whereby the fund included any balance brought forward as unspent from previous years. The effect of this was to highlight the requirement to live within its financed revenue budget for 2013/14. This has been achieved.
- 4.6 A full analysis of the known and predicted charge against the fund for 2013/14 was undertaken as part of the 2014/15 budget process. Given the one-off nature of a number of items to be met from the fund for 2013/14 it was considered prudent to reduce the contribution to the Contingency Fund for 2014/15 to a level of £5.4m. Current outturn confirms the analysis undertaken as part of the budget process.
- 4.7 Where appropriate, and where known to be re-occurring, items charged against the contingency fund in 2013/14 have been incorporated into service revenue budgets in 2014/15 which supports the action highlighted in section 4.6 above.



## 5. Non-service related budget variations

- 5.1 There was an under-utilisation of the Corporate provision for inflation of £1.186m during the year. This was both predicted and has been incorporated into the 2014/15 approved budget in terms of a reduced corporate provision for that year.
- 5.2 During the year the Council received the sum of £933k as interest based on prior year VAT claims. Within the Corporate items line within the outturn statement this has been partly offset by an increase in the Corporate Bad Debt provision of £371k and miscellaneous items totalling £122k giving a net overall receipt of -£440k.
- 5.3 Actual Council tax collected for 2013/14 was £1.33m above that originally budgeted for the year. This has arisen as a result of significant in year band increases as advised by the Valuation Office (£650k) together with a collection rate in excess of that predicted when setting the Council Tax base for 2013/14. As with other aspects of outturn, the approved revenue budget for 2014/15 reflects the above position, and the budget for Council Tax collection for 2014/15 reflects an increased and challenging collection rate of 97.5%. Subject to timing the band increases that arose in 2013/14 will have been reflected in the Council tax base calculations for 2014/15.

## 6. Summary of outturn position and recommendations

- 6.1 As mentioned in paragraph 2.1 above Appendix 'B' to this report shows the position with regard to the Contingency fund assuming all the above over and underspends are charged to/credited to the fund.
- 6.2 Appendix 'B' also shows the additional items charged to the fund during the year in line with the agreed use of the fund as detailed above.
- 6.3 The recommended reserve transfers in para 6.4 below assume that in line with current policy the balance on the contingency fund is not rolled into 2014/15 and therefore the balance is incorporated within the proposed transfers.
- 6.4 Based on the net Revenue underspend position arising out of the outturn statement, together with the new balance arising from contingency fund activities, it is recommended that:-
  - 6.4.1 The £2.2m budget transfer from the Councils General Reserves in respect of 2013/14 is not actioned. The effect of this is to increase the level of General Reserves as at 31<sup>st</sup> March 2014. In considering this position Cabinet should be mindful that current year budget proposals anticipate the use of £2.2m from General reserves to support the Councils Revenue expenditure.
  - 6.4.2 A sum of £1.0m is transferred into a prevention fund in order to fund a range of activities linked to the **Sustainable Swansea – Fit for the Future** strategy subject to a further report to Cabinet.

6.4.3 A proposed transfer from Insurance Reserves for 2013/14 in the sum of £716,000 is not made and is considered alongside a fund valuation to be undertaken in late summer 2014/15..

6.5 The effect of this is that the Contingency Fund Balance available to support Revenue Expenditure for 2014/15 is set at the budgeted contribution level of £5.4m and as such it is essential that any call on this budget is not exceeded if the Council is to achieve a balanced Revenue Expenditure during 2014/15.

## **7. Legal Implications**

7.1 There are no legal implications relating to matters contained within this report.

## **8. Equalities Implications**

8.1. There are no equalities implications arising from this report. Equalities implications are identified and addressed by departments via the Equality Impact Assessment process at the time that budgets are approved.

**Background papers:** None.

**Appendices:** Appendix 'A' Revenue Outturn Summary 2013/14  
Appendix 'B' Contingency Fund 2013/14

**Revenue Outturn Summary 2013/14**

**Appendix 'A'**

<b>Directorate</b>	<b>Revised Budget</b>	<b>Revenue Outturn</b>	<b>Variance</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
Corporate Services	46,229	44,139	-2,090	-4.7
People - Poverty and Prevention	3,585	3,473	-112	-3.2
People - Social Services	105,435	106,427	992	0.9
People - Education	162,782	164,439	1,657	1.0
Place	57,860	56,778	-1,082	-1.9
<b>Net Directorate expenditure</b>	<b>375,891</b>	<b>375,256</b>	<b>-635</b>	<b>0.2</b>
Financed from Contingency Fund	0	3,404	3,404	
<b>Total Service costs</b>	<b>375,891</b>	<b>378,660</b>	<b>2,769</b>	
Corporate provision for inflation	1,186	0	-1,186	
Corporate items		-440	-440	
<i>Levies:</i>				
Swansea Bay Port Health	89	89	0	
<i>Contributions:</i>				
Combined Fire Authority	11,503	11,503	0	
	<b>388,669</b>	<b>389,812</b>	<b>1,143</b>	
<i>Capital financing charges</i>				
Principal repayments	12,777	12,891	114	0.8
Net interest charges	14,138	14,118	-20	-0.1
<b>Net Revenue Expenditure</b>	<b>415,584</b>	<b>416,821</b>	<b>1,237</b>	<b>0.3</b>
<b>Movement in balances</b>				
General Balances	-2,200	0	2,200	
Earmarked reserves	5,758	3,692	-2,066	
<b>Total Budget Requirement</b>	<b>419,142</b>	<b>420,513</b>	<b>1,371</b>	
Discretionary NNDR relief	375	337	-38	-11
<b>Total CCS requirement</b>	<b>419,517</b>	<b>420,850</b>	<b>1,333</b>	
Community Council precepts	847	847	0	
<b>Total spending requirement</b>	<b>420,364</b>	<b>421,697</b>	<b>1,333</b>	<b>0.3</b>
Revenue Support Grant	254,557	254,557	0	
NNDR	74,941	74,941	0	
Council Tax	90,866	92,199	1,333	1.4
<b>Total financing</b>	<b>420,364</b>	<b>421,697</b>	<b>1,333</b>	<b>0.3</b>

**Contingency Fund 2013/14****Appendix 'B'**

	<i>Prediction</i>	<i>Actual</i>
	<b>2013/14 (£m)</b>	<b>2013/14 (£m)</b>
Contribution for year	8.000	8.000
Care Home fees uplift	-0.495	-0.490
Child care legal costs	-0.700	-0.700
ERVR scheme	-2.000	-3.404
Logicalis invest to save scheme	-1.000	0.000
Recycling invest to save scheme	-0.607	-0.608
1% pay award	-1.700	-1.713
Land Tribunal case final settlement	-0.080	-0.080
<b>Balance 31st March 2014</b>	<b>1.418</b>	<b>1.005</b>