

REPORT TO THE CABINET

10 JUNE 2014

Cabinet Member: COUNCILLOR PEREDUR JENKINS, CABINET MEMBER - RESOURCES

Subject: FINAL ACCOUNTS 2013/14 - REVENUE OUTTURN

Contact Officer: DAFYDD L EDWARDS, HEAD OF FINANCE

1. The decision sought / purpose of the report

1.1 To consider and note the final financial position of the Council's departments for 2013/14.

1.2 **To approve the amounts to be carried forward**, where appropriate (the right hand column of the summary in **Appendix 1**), including approval for the Consultancy Department to be allowed to carry forward the full £120k underspend into the new financial year, as an exception to the usual £100k limit, due to the commercial nature of the service and their unpredictable level of income (see *Appendix 2, page 33*).

1.3 To approve the following financial transfers (outlined in **Appendix 2**) –

- £32k from the Social Services Department's accrued underspend, along with
- £262k from the corporate reserve earmarked for potential overspend in this field, and
- £130k from the one-off savings following a restructuring of relevant senior management –
- **to clear Social Services' £424k overspend** in 2013/14, and give the two new heads of department a debt-free start at the commencement of 2014/15 (see *Appendix 2, page 8*).
- **£15k** of the Customer Care Department's underspend to be set-aside in order to create a **specific redundancy costs reserve**, to prepare for possible changes to **cleaning** contracts (*page 35*).
- **£191k** from the underspend on Cross-Departmental Savings Plans (the balance having used £130k of this above) on a one-off to the **corporate Redundancy Reserve** (*page 38*).
- **£243k** from the Contingency Budget to fund the additional cost of providing for **bad debts** (*page 38*).

- **£235k** from the Contingency Budget **to compensate for the decrease in interest received**, due to general investment market trends (*page 39*).
- **£221k** from additional repayments received on the Heritable Bank investment ("Icelandic" debt) to the **Invest To Save Reserve** (*page 39*).
- **£851k** from the one-off "surplus" of collectable Council Tax to the **corporate Redundancy Reserve** (*page 40*).
- **£579k** from the Savings Realised In Advance Budget to a **specific reserve for assisting the 2014/15 Financial Strategy**, and
- **£752k** from the Savings Realised In Advance Budget to the **Invest To Save Reserve** (*page 40*).
- **£90k** from the Contingency Budget to a **specific reserve for the cost of establishing the new Complaints Procedure** (see the item on the agenda), and
- **£164k** from the Contingency Budget to **General Balances** (*page 41*).
- **£295k** from the un-committed budget provision to the **Staff Training Reserve** on a one-off basis (*page 41*).
- **£87k** from the one-off "surplus" on various other corporate budgets to **General Balances** (*page 42*).
- **£1.727m** from the Housing Revenue Account to be set aside, for now, in a **specific reserve**, with a view to applying this **to reduce the pension liability** unavoidably inherited on transferring the housing stock (*page 43*).

1.4 To note the reduction in the level of total specific reserves, and the marginal increase in the Council's general balances during 2013/14.

2. Introduction / Background

2.1 Despite difficult circumstances and sustained tightening, **generally, the final financial position of the Council's departments for 2013/14 confirms that there was effective financial management by the relevant Cabinet Members and the Management Team, together with financial discipline by the department heads and budget managers.**

2.2 Therefore, **the Cabinet is requested to approve the final financial position for 2013/14 to enable the Finance Department to move forward and produce the statutory financial statements**, which are to be presented to the Audit Committee on 10 July 2013.

- 2.3 Financial Regulation 4 specifies the arrangements for transferring resources between accounting years, that is the sums to be “carried forward” at the year-end. **In Appendix 1, the underspend / overspend position of each department is reported to the Cabinet, who will approve the sums to be carried forward.** The Consultancy Department requested to be allowed to carry forward their full £120k underspend into the new financial year, as an exception to the usual £100k limit, due to the service’s commercial nature and unpredictable income levels. The Environment portfolio Cabinet Member will need to convince the Cabinet to formally approve this.
- 2.4 Page 15 of Appendix 2 elaborates on the position of the **schools budgets**, where statute has conferred delegated powers for governing bodies to carry balances forward at the end of the financial year. The county total of schools’ balances has remained consistent at £3.8m in 2013/14. However, the primary sector’s balances have increased to an average 7.3% of their budget allocation, while the secondary sector’s balances have fallen to an average 3.3% of their allocation. We will be publishing detailed annual information regarding individual schools’ balances before long in a ‘Section 52 Statement’. We will also challenging individual schools to justify the need for their balances, and asking school heads to explain their intended use (particularly those with balances exceeding 5% of their budget).
- 2.5 There were gains on several **corporate budget** heads this year, which are summarized on page 43 of Appendix 2. If the net underspend is applied as recommended in paragraph 1.3 above, and in detail on pages 38 - 42 of Appendix 2, the Council’s **general balances** will have risen £351k to £8.4m as at 31/03/2014. Nevertheless, members will recall that £1.7m of these general balances have already been used this year in the 2014/15 Financial Strategy. However, it should be noted that **through effective control over its budgets in 2013/14, the Council will have succeeded in dealing with several financial issues during the year, as well as allocating budget provision to respond to other problems in the future.**
- 2.6 A balance of £1.727m remained on the Council’s **Housing Revenue Account**, which has now been closed following transfer of the housing stock. During 2013/14, after the statutory period, this balance was transferred to the Council’s general account. For now, it is recommended this balance is set-aside in a specific reserve, with a view to applying this to reduce the pension liability unavoidably inherited on transferring the housing stock.
- 2.7 The total of all the Council’s **specific reserves** reduced by £0.5m to £49.4m in 2013/14. While these reserves have been earmarked for specific purposes where we will incur future expenditure, a thorough review of their adequacy has been completed by the Head of Finance. However, considering the current challenging financial climate, we should push to reduce reserves even further. With the Cabinet’s support, they may be challenged further again in 2014/15, with a view to harvesting more to meet the ongoing needs of the Redundancy Reserve and the Invest to Save Reserve. The outcome of this review will be reported to a subsequent meeting of the Cabinet.

- 2.8 **Generally, I can confirm that most departments' budgets have been robustly controlled again this year.** A summary of the final position for every department is outlined in Appendix 1, with the sums to be carried forward in the column on the right hand side of the page, and further details relating to the major issues and areas where significant variances from previously reported figures are contained in Appendix 2, along with specific recommendations. The recommendations for consideration are highlighted above in 1.2 and 1.3, and on pages 8, 33, 35, 38, 39, 40, 41 and 42 of Appendix 2.
- 2.9 Most departments' financial position was broadly neutral, but there was significant strain on the **Housing and Social Services Department's budgets** in the final quarter of the year. Cabinet approval for recommendations submitted here, can resolve the 2013/14 budgetary position and give the 2 new department heads (Children and Young People's Department, and the Adults, Health and Wellbeing Department) may be given a debt-free commencement to the new financial year. However, spending patterns during the fourth quarter of 2013/14 suggest a **need for action, primarily in the Adults' Department, to avoid on-going overspending trends** on home care of older people, learning disability, and mental health budgets in 2014/15. The Corporate Management Team has met with the relevant (current and previous) Department Heads and have been assured that work is underway to identify the reasons behind the recent increase, and that an urgent strategy will be implemented in order to alleviate the situation and attempt to avoid continuation of the overspend.
- 2.10 In the fourth quarter of 2013/14, **improvements in the budgetary position of the Highways and Municipal Department and the Consultancy Department** exceeded the expectations in my previous reports, partly due to the mild winter, along with financial success following steps taken to improve their departmental business arrangements.
- 2.11 In the majority of budgets where there was an overspend in 2013/14, appropriate consideration has been given to the related requirements in the 2014/15 budgetary cycle, and most of that overspend has already been addressed in the financial strategy for 2014/15.
- 2.12 Apart from the Social Services, the position of the rest of Council departments are generally acceptable and (with the agreement of the Cabinet to the recommendations) remaining corporate resources may be earmarked to reinforce the Redundancy Reserve, the Invest to Save Reserve, and the Staff Training Reserve, as well as making a one-off allocation to establish a new complaints procedure.

3. Next steps and timetable

- 3.1 The Chief Finance Officer has to certify the statutory financial statements for 2013/14 by 30 June. Whilst appreciating that this is a challenging timetable, I would like to thank everyone who has contributed in this process.
- 3.2 The purpose of this report is to detail the outturn position relating to underspends and overspends within individual Departments and the Council's expenditure as a whole for 2013/14, and to consider the information in this report, in order to reflect that position in the final accounts.
- 3.3 The position reflected here is based on the latest information, and in bringing the accounts closure process to a conclusion, there could be some further changes. However, no significant change in the general position is anticipated.
- 3.4 The Finance Department will produce the 2013/14 statutory financial statements for certification by the Head of Finance by 30 June and submission for scrutiny by the Audit Committee on 10 July.

Local member's views

Not relevant

Opinion of the Statutory Officers

Chief Executive:

Nothing to add. The report summarises the position with regard to financial management during the year and recommends wise use of one-off resources.

Monitoring Officer:

Nothing to add regarding propriety.

Head of Finance:

I have collaborated with the Cabinet Member in the preparation of this report and I confirm the accuracy of the content.

Appendices

Appendix 1 - the final underspend / overspend position of each department

Appendix 2 - budgetary issues and areas where significant variances occurred