

NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

CABINET

13 JUNE 2017

REPORT OF DIRECTOR OF FINANCE & CORPORATE SERVICES

SECTION A – MATTER FOR INFORMATION

WARDS AFFECTED – ALL

REVENUE OUTTURN AND RESERVES POSITION STATEMENT 2016/17

1. Introduction

- 1.1. The purpose of this report is to inform members of the Council's General Fund Revenue Outturn and Reserves position for the 2016/17 financial year.
- 1.2. Members should note that the information set out in this report has been incorporated into the Council's Statement of Accounts for 2016/17 and forwarded to the external Auditor for review. It is expected that the Auditor's work will be completed by the end of July 2017. Any changes required to reserves will be reported separately to members in due course.

1.3.

EXECUTIVE SUMMARY

The Council's Net Budget for 2016/17 was £270.896m. The Actual Net Expenditure or Outturn position for the Council was £268.902m (See Appendix1 Total Expenditure of £268.911m less £9k variance on Discretionary Rates Relief). This represents 99.3% Spend against Budget with the balance transferred to Specific or General Reserves. Members will note that as a result of the underspend £738k has been transferred into Specific Reserves and £1.256m into the Council's General Reserve.

The opening balance on the General Reserve was £16.6m and following the reserve movements set out in this report, the balance at 31st March 2017 will increase by £3.1m to £19.7m.

The opening balance on Specific Reserves was £31.463m and following the reserve movements set out in this report, the balance at 31st March 2017 will reduce by £835k to £30.628m.

2. Service Outturn Position 2016/17

- 2.1. On the 10 March 2016, Council approved the Budget and Council Tax levels for 2016/17. The Net Budget Requirement was confirmed as £270.896m of which £226.4m was provided for Directorate Managed Services with the remaining £44.5m made available for Precepts (the main one being the Fire Authority), Capital Financing, Council Tax Support and a Budget Contingency. Members will recall that budget savings of £11.552m were required for 2016-17 in order to set a balanced budget and as a consequence the contingency provision was higher than in previous years at £2.845m as it also needed to cover a General provision, FFP Savings, the New National Living Wage (from April 2016) and Pension Provision .
- 2.2. Every quarter Cabinet received a Budget Monitoring Report setting out the latest projected outturn position against the Budget. The most recent report was presented to and approved by Cabinet on 31 January 2017. That showed a projected underspend of £1.510m. The final outturn Net Expenditure position, following reserve movement adjustments, shows an underspend of £1.256m when compared to the Budget.
- 2.3. The initial outturn position for the Directorates Service budgets, indicates an under spend of £359k (-0.16%), as outlined below. Please see Appendix 1 for the full Revenue Outturn Summary.

	Original Budget £'000	Revised Budget £'000	Outturn Position £'000	Variance %
Education, Leisure & Lifelong Learning	103,208	103,559	103,875	0.31%
Social Services Health & Housing	75,138	75,173	74,223	-1.26%
Environment	31,458	31,719	32,317	1.89%
Corporate Services	16,635	16,546	16,223	-1.95%
Net Position	226,439	226,997	226,638	-0.16%

The Environment figures above include additional one off costs of £164k (which is equivalent to 0.51% of Budget). This relates to emergency works required at Panteg, Ystalyfera (£86k), Abergwynfi (£75k) and Blaengwynfi (£3k). As this emergency work arose in the last quarter of the year, following the last quarterly monitoring report to Members, it should be noted that this expenditure would have been subject to a call for additional funding from the contingency budget.

An explanation of the main budget variances for all service areas is included in Appendix 2.

Members should note that following a review of Reserve requirements £413k has been transferred to individual Specific Reserves to fund identified future cost pressures.

3. Specific Reserves 2016/17

3.1. As in previous years the outturn position has been prepared based on a range of contributions to/from reserves which have been made in accordance with the following principles.

- The schedule of interim specific reserve balances projected as at 31st March 2017 was agreed by Council on 1st February 2017 as part of the 2016/17 Revised Budget deliberations.
- Where Neath Port Talbot is the lead authority for managing Joint Services the appropriate movement in reserves have been actioned as such funds are managed by the wider partnership.

- The final reserve balances will be further reviewed following audit and as part of the annual budget process during 2017/18.
- School Reserves (£2.963m) – Delegated School Budget Reserves must be carried forward in accordance with current legislative requirements. Reserve balances have reduced by £445k during the year and a small number of Schools are in a deficit position. The Authority will not allow a school to set a deficit budget without a fully costed recovery plan in place. The recovery plans are signed off by the Director of Education and Lifelong Learning, the Head Teacher and Chair of Governors and reviewed on an annual basis. Schools are required to provide the Authority with details on how they intend to utilise their reserves.

3.2. Outlined below is a summary of the amounts transferred to/from(-) reserves to meet identified future cost pressures. Full details of these reserve movements are included at Appendix 3.

Directorate

	£'000
Education, Leisure and Lifelong Learning	55
Social Services Health and Housing	83
Environment	95
Corporate Services	180
Other	325
Total	738

3.3. The Total Specific Reserves position is summarised as follows:

	£'000
Opening Balance 1 st April 2016	Cr 31,463
Net reserve movements (Appendix 4)	1,573
	<u>Cr 29,890</u>
Additional Transfers	Cr 738
Closing Balance as at 31st March 2017	<u>Cr 30,628</u>

Full details of Specific Reserve balances are given in Appendix 4.

3.4. ER/VR Reserve – The cost of staff opting to take early retirement during 2016/17 was £2.216m with £686k transferred into the reserve. The closing balance on the ERVR reserve is £6.243m, and is included in the schedule set out in Appendix 4.

4. **General Reserve 2016/17**

4.1. The General Reserve position is as follows:-

	£'000
Opening Balance 1 st April 2016	Cr 16,590
Budgeted Movements	Cr 755
2016/17 Net underspend	Cr 1,256
Additional transfers	Cr 1,136
Closing Balance 31st March 2017	Cr 19,737

Full details of the movement in the General Reserve are shown in Appendix 5. Members should note that the main reason for the additional monies of £1.136m transferred into the General Reserve is the fact that the Council Tax Collection Rate for 2016/17 was 98% compared to a budgeted rate of 96%.

The above-mentioned General Reserve and Specific Reserves balances are provisional as they are subject to confirmation following external audit of the Statement of Accounts due to be finalised at the end of July 2017.

5. **List of Background Papers**

Outturn Working Papers 2016/17

6. **Appendices**

Appendix 1 – Revenue Outturn Summary 2016/17
Appendix 2 – Variance Statement
Appendix 3 – Additional Reserve Movements
Appendix 4 – Specific Reserves Schedule
Appendix 5 – General Reserve Statement

7. **Officer Contact**

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REVENUE OUTTURN SUMMARY 2016/17

	Original Budget	Revised Budget	Actual	Interim Variance	Add Reserve	Final Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Directly Controlled Expenditure						
Education Leisure & Lifelong Learning	103,208	103,559	103,875	316	55	371
Social Services and Health	75,138	75,173	74,223	-950	83	-867
Environment	31,458	31,719	32,317	598	95	693
Corporate Services	16,635	16,546	16,223	-323	180	-143
Total Directly Controlled Expenditure	226,439	226,997	226,638	-359	413	54
Other Budget Movements						
Levies and Contributions	7,021	7,020	7,001	-19		-19
Capital Financing	16,408	16,519	16,519	0		0
Council Tax support	17,404	17,404	16,864	-540		-540
Contingencies/Miscellaneous	3,645	2,977	1,910	-1,067	325	-742
Reserves	-21	-21	-21	0		0
Total Expenditure	270,896	270,896	268,911	-1,985	738	-1,247
Revenue Support Grant	-163,137	-163,137	-163,137	0		0
NNDR	-42,438	-42,438	-42,438	0		0
Discretionary Rate Relief	209	209	200	-9		-9
Council Tax income	-65,530	-65,530	-65,530	0		0
Income	-270,896	-270,896	-270,905	-9	0	-9
Net Expenditure from/to(-) General Reserve	0	0	-1,994	-1,994	738	-1,256

Variances

Service Area	Value £000	Reason/Action
Schools Early Retirement	Un 80	The under spend is due to a reduction in pension costs from Swansea LGPS.
School Specific Contingencies	Ov 129	The over spend is due to funding of additional one off staffing costs.
Home to School Transport	Un 95	The underspend has arisen due to savings identified as a result of the re-tendering of contracts
School Meals	Ov 75	The budget included a savings target to be delivered following a review of the service which is to be completed in 2017/18.
Strategic Schools Improvement programme	Ov 61	The over spend is due to one off costs associated with schools closures.
Learning Support	Ov 53	The over spend has arisen due to additional expenditure incurred, which is offset by income within the Additional Learning needs budget.
Out of County Placements	Un 179	The underspend has arisen as more resources have been invested in Ysgol Maes Y Coed & Ysgol Hendre Felin enabling more children to remain in-county, thereby reducing the need for out of county placements.
Education Outside of School Settings	Ov 68	The over spend is due to one off costs arising from the transitional changes implemented following the inclusion review.
Margam Park	Ov 197	The over spend is due to a shortfall in income, additional staff costs and match funding expenditure relating to the Heritage Lottery Fund Grant.
Princess Royal Theatre	Ov 61	The over spend has arisen because the additional income target included in the budget was not fully achieved.
Children & Family Services - Social Work	Un 341	The under spend is due to vacant posts/hours.

Variances

Service Area	Value £000	Reason/Action
Children & Family Services - Residential care - external provision	Ov 263	Although the number of children in residential care has remained around 10 throughout the year, the over spend has arisen because there have been several changes in placements which have resulted in additional costs.
Homelessness	Un 105	The under spend has arisen due to delays in re-tendering the service.
Children & Family Services - Internal Fostering Service	Un 266	The under spend has arisen due to a reduction in the number of children in internal foster placements. The budget was based on 221 children, the average number of children in an internal foster placement for 16/17 was 206.
Children & Family Services - Adoption Service	Un 105	The under spend is due to the receipt of a refund of £64k for contributions to the Western Bay Adoption service for 2015/16, and a reduction in the contribution NPT was required to make to the pool fund for 16/17.
Children & Family Services - External Foster Placements	Un 436	The under spend is due to a reduction in the number of children in external foster placements. The budget was based on 80 children, the average number of children in an external foster placement for 16/17 was 70.
Children & Family Services - Youth Offending Team	Un 61	The under spend is due to savings on staff costs. A request is included later in the report for £20k of the underspend to be transferred to reserves to fund the NPT contribution toward the relocation of the Western Bay Innovation Centre in 17/18.
Child & Family Management	Un 163	The under spend is due to a reduction in the cost of legal fees.
Elderly - Homecare	Un 66	The under spend is due to savings on staff costs.

Variances

Service Area	Value £000	Reason/Action
Elderly - Domiciliary Care - External Provision	Ov 235	The over spend has arisen because the budget included a FFP savings targets of £1.3m (SSHH566 & 608) which has not been delivered in full.
Physical & Sensory Disabilities - residential care - external provision	Un 87	The under spend has arisen due to recovery of surplus unused funds from service user Direct Payment accounts.
Learning Disability - Residential Care - Trem y More (respite)	Ov 75	The over spend has arisen due to a shortfall in income, as the requirements of the Social Service Wellbeing Act, limit the maximum charge for respite at £60/week.
Learning Disability - External Placements	Ov 521	The over spend has arisen because the budget contains a FFP savings target of £750k, which has not been fully achieved. There has also been an increase in demand for services. The total number of placements has increased from 373 in April 2016 to 392 in March 2017.
Supporting People	Un 51	The under spend is due to the claw back of payments to providers relating to voids in 2015/16
Reactive, Winter & Emergency Response	Ov 164	The overspend has arisen due to costs arising from emergency repairs required at Panteg (£86k), Abergwynfi (£75k) and Blaengwynfi (£3k).
Community Services Transport Unit	Un 313	The under spend is due to the early achievement of FFP Savings included in the budget for 2017/18.
Parking strategy	Ov 221	The over spend is due to increased running costs together with a shortfall in income, due to a reduction in car parking charges.
Pest Control	Ov 62	The over spend is due to a shortfall in income.

Variances

Service Area	Value £000	Reason/Action
Refuse collection	Ov 170	The over spend is due to a shortfall in trade & bulky waste income (£15k), write off of old outstanding debts (£41k), and additional charges relating to the roll out of the recycling plus scheme (£114k)
Waste disposal	Ov 122	The over spend is due to expenditure on the purchase and distribution of recycling kit required to expedite the roll out of recycling across the county borough.
Environmental Improvements	Un 71	The under spend has arisen due to delay in the receipt of recycling equipment. A transfer of £40k to reserve is proposed to fund the costs now due in 2017/18.
South West Workways - NPT	Un 55	The under spend is due to a delay in the start of the scheme.
Housing Benefit Administration	Un 55	The under spend is due to additional income from DWP for welfare reforms and universal credit administrative work.
Legal Services	Un 115	The under spend is due to additional income from fees & charges, and reduced expenditure on subscriptions and legal fees
Childcare legal	Un 93	The under spend is due to staff savings from maternity and vacant posts, and reduced expenditure on counsel fees
Third sector grants	Un 51	The under spend is against the budget which has been committed for use in 2017/18.
Council Tax Support	Un 540	The under spend is due to a reduction in the number of people receiving support, as identified in the budget monitoring reports

Variances

Service Area	Value £000	Reason/Action
Contingencies	Un 1,093	Savings have been identified across the authority, and therefore it is no longer necessary to fully utilise the contingency.

Additional Reserve Requests

Service Area	Requested Reserve Movement £000	Reason
Cleaning	In 30	Transfer funding to Education Equalisation Reserve to fund replacement cleaning equipment
Pontardawe arts Centre	In 10	Transfer to Education Equalisation Reserve to fund the match funding element of the Arts Council of Wales grant in 2017/18
Cefn Coed Colliery Museum	In 15	Transfer the under spend to the Education Equalisation Reserve to fund expenditure in 2017/18.
Youth Offending Team	In 20	Transfer to the Youth Offending Reserve to fund the NPT contribution toward the re-location of the Western Bay Innovation Centre in 2017/18.
Substance Misuse	Out 8	A transfer from the Substance Misuse reserve is required to meet the shortfall in the funding from partner contributions.
Community Care Social Work	In 40	Transfer to the Community Care Transformation Reserve to fund the costs associated with an increase in the number of service users choosing Direct Payment.
Physical & Sensory Disabilities - Other Community Care	In 31	Transfer surplus Independent Living Grant income to the Community Care Transformation Reserve to fund the implementation of the transitional review process for service recipients. Additional capacity required in 2017/18.

Additional Reserve Requests

Service Area	Requested Reserve Movement £000	Reason
Environmental Improvements	In 40	Transfer funds to the Environment Equalisation Reserve to fund the cost of green garden sacks which were ordered in 2016/17, but not received until 17/18.
South West Workways - NPT	In 55	Transfer the underspend due to a delay in the start of the scheme, to the Environment Equalisation Reserve, to fund future costs.
Accountancy Capital, Systems/Projects	In 25	Transfer to the Corporate Equalisation Reserve to fund the cost of technical advice, required following changes to the staffing structure.
ICT	In 30	Transfer to the Corporate Equalisation Reserve to fund ICT digital modernisation
Legal Services	In 30	Transfer to the Corporate Equalisation Reserve to fund legal fees re the residential care contract and advertisement of the Head of Service post
Occupational Health	In 30	Transfer to the Corporate Equalisation Reserve to fund temporary additional staffing to implement the digitisation of records
Health & Safety	In 8	Transfer to the Corporate Equalisation Reserve to fund temporary additional staffing including A465 work
Civil Contingencies/ Resilience	In 6	Transfer to the Corporate Equalisation Reserve to fund temporary additional staffing in 2017/18
Third Sector Grants	In 51	Transfer the underspend in 16/17 to the Voluntary Organisation Reserve to fund expenditure in 2017/18.

Additional Reserve Requests

Service Area	Requested Reserve Movement £000	Reason
Contingencies/Miscellaneous	In 150	Transfer to the Election Equalisation Reserve to cover costs of elections during 17/18
Contingencies/Miscellaneous	In 50	Transfer additional funds to the Development Fund for Modernisation Reserve to fund the cost of training and development for newly elected members.
Contingencies/Miscellaneous	In 125	Transfer to the Corporate Equalisation Reserve to fund the purchase of Corporate Management/Risk Management software in 2017/18.

Specific Reserves

Description	Reserve at 1st April 2016 £000	Updated Budgeted movements £000	Interim Balance at 31st March 2017 £000	Additional Requests £000	Final Balance at 31st March 2017 £000
EDUCATION, LEISURE & LIFELONG LEARNING					
<i>Delegated Schools Cash Reserves</i>					
LLAN ER Scheme Primary	Cr31	Cr16	Cr47	0	Cr47
Primary Schools Reserve A/C	Cr2,322	263	Cr2,059	0	Cr2,059
Secondary Schools Reserve A/C	Cr763	194	Cr569	0	Cr569
Special Schools Reserve A/c	Cr131	4	Cr127	0	Cr127
Repair & Maintenance reserve	Cr161	0	Cr161	0	Cr161
	Cr3,408	445	Cr2,963	0	Cr2,963
<i>Education, Leisure and Lifelong Learning</i>					
Education Equalisation	Cr1	1	0	Cr55	Cr55
Home to School Transport	Cr92	92	0	0	0
	Cr93	93	0	Cr55	Cr55
Total Education Leisure & Lifelong Learning	Cr3,501	538	Cr2,963	Cr55	Cr3,018

Specific Reserves

Description	Reserve at 1st April 2016 £000	Updated Budgeted movements £000	Interim Balance at 31st March 2017 £000	Additional Requests £000	Final Balance at 31st March 2017 £000
SOCIAL SERVICES, HEALTH & HOUSING					
<i>Hillside Secure Unit</i>					
Hillside General Reserve	Cr1,776	63	Cr1,713	0	Cr1,713
	Cr1,776	63	Cr1,713	0	Cr1,713
<i>Other</i>					
Asset Recovery Incentive Scheme Initiative	Cr86	86	0	0	0
Homecare ECM Equipment reserve	Cr33	Cr10	Cr43	0	Cr43
Community Care Transformation Reserve	Cr37	0	Cr37	Cr71	Cr108
Social Services Equalisation	Cr40	0	Cr40	0	Cr40
Residential Care - Rent Reserve	Cr312	312	0	0	0
Youth Offending Team Reserve	Cr133	0	Cr133	Cr20	Cr153
	Cr641	388	Cr253	Cr91	Cr344
Total Social Services, Health and Housing	Cr2,417	451	Cr1,966	Cr91	Cr2,057

Specific Reserves

Description	Reserve at 1st April 2016	Updated Budgeted movements	Interim Balance at 31st March 2017	Additional Requests	Final Balance at 31st March 2017
	£000	£000	£000	£000	£000
ENVIRONMENT					
Concessionary Fare - Bus Pass Replacement Reserve	Cr122	Cr30	Cr152	0	Cr152
Asset Recovery Incentive Scheme	0	Cr86	Cr86	0	Cr86
Local Development Plan	Cr126	0	Cr126	0	Cr126
Economic Development	Cr85	45	Cr40	0	Cr40
Winter Maintenance Reserve	Cr536	Cr228	Cr764	0	Cr764
Building Maintenance Reserve	Cr87	Cr13	Cr100	0	Cr100
Environment Equalisation Reserve	Cr148	59	Cr89	Cr95	Cr184
	Cr1,104	Cr253	Cr1,357	Cr95	Cr1,452
Operating Accounts					
Stock reserve	0	Cr36	Cr36	0	Cr36
Fleet Sentinel Maintenance Reserve	Cr100	0	Cr100	0	Cr100
Vehicle Tracking	Cr12	0	Cr12	0	Cr12
Operating Accounts -Vehicle Renewals	Cr1,744	39	Cr1,705	0	Cr1,705
	Cr1,856	3	Cr1,853	0	Cr1,853
Total Environment	Cr2,960	Cr250	Cr3,210	Cr95	Cr3,305

Specific Reserves

Description	Reserve at 1st April 2016	Updated Budgeted movements	Interim Balance at 31st March 2017	Additional Requests	Final Balance at 31st March 2017
	£000	£000	£000	£000	£000
CORPORATE SERVICES					
Elections Equalisation Fund	Cr202	Cr15	Cr217	Cr150	Cr367
Health & Safety/Occupational Health	Cr60	0	Cr60	Cr44	Cr104
Development Fund for Modernisation	Cr90	Cr5	Cr95	Cr50	Cr145
IT Renewals Fund	Cr1,642	130	Cr1,512	0	Cr1,512
Corporate Equalisation Reserve	Cr732	107	Cr625	Cr180	Cr805
Building Capacity & Capability	Cr231	159	Cr72	0	Cr72
Digital Modernisation	Cr400	160	Cr240	Cr30	Cr270
Voluntary Organisation Reserve	0	0	0	Cr51	Cr51
Total Finance and Corporate Services	Cr3,357	536	Cr2,821	Cr505	Cr3,326

Specific Reserves

Description	Reserve at 1st April 2016	Updated Budgeted movements	Interim Balance at 31st March 2017	Additional Requests	Final Balance at 31st March 2017
	£000	£000	£000	£000	£000
CORPORATE					
Insurance-Claims Reserve	Cr3,679	Cr1,046	Cr4,725	0	Cr4,725
Swansea Bay City Deal	Cr50	0	Cr50	0	Cr50
Gwalia Abortive Costs Reserve	Cr390	390	0	0	0
Income Generation Project Reserve	Cr200	0	Cr200	0	Cr200
Housing Warranties Reserve	Cr220	0	Cr220	0	Cr220
Fire Reserve	Cr73	21	Cr52	0	Cr52
Waste Reserve	Cr423	0	Cr423	0	Cr423
LAWDC Contingency Reserve	Cr988	0	Cr988	0	Cr988
Treasury Management Equalisation Reserve	Cr2,419	Cr655	Cr3,074	0	Cr3,074
ERVR Transitional Reserve	Cr7,773	1,530	Cr6,243	0	Cr6,243
Accommodation Strategy	Cr2,919	158	Cr2,761	0	Cr2,761
CORPORATE OTHER	Cr19,134	398	Cr18,736	0	Cr18,736
JOINT COMMITTEE/ OTHER					
WB Safeguarding Board Reserve	0	Cr100	Cr100	0	Cr100
Substance Misuse Joint Committee	Cr34	0	Cr34	8	Cr26
SWTRA Reserve	Cr60	0	Cr60	0	Cr60
JOINT COMMITTEE/ OTHER	Cr94	Cr100	Cr194	8	Cr186
TOTAL ALL REVENUE RESERVES	Cr31,463	1,573	Cr29,890	Cr738	Cr30,628

General Reserve

	Original Estimate 2016/17	Revised Estimate 2016/17	Actual 2016/17	Difference 2016/17
	£'000	£'000	£'000	£'000
Opening balance 1st April	Cr 14,267	Cr 16,590	Cr 16,590	0
Council Tax increased income	Cr 1,400	Cr 1,400	Cr 2,608	Cr 1,208
Capital - Phase II Accommodation financing costs	360	360	360	0
Doubtful Debt Provision	160	160	157	Cr 3
Contributions to the Economic Development Fund	200	200	200	0
Community Councils Grant Scheme	25	25	0	Cr 25
Contribution to reserve re change in timing env556 – re waste	Cr 100	Cr 100	0	100
Sub-total of in-year movement	Cr 755	Cr 755	Cr 1,891	Cr 1,136
Net underspend 2016/17	0	0	Cr 1,256	Cr 1,256
Estimated Closing balance 31st March	Cr 15,022	Cr 17,345	Cr 19,737	Cr 2,392