

## **The Vale of Glamorgan Council**

### **Cabinet Meeting: 11 July, 2016**

#### **Report of the Leader**

#### **Closure of Accounts 2015/16**

##### **Purpose of the Report**

1. The accounts are complete and this report is to inform Cabinet of the provisional financial position of the Council for the 2015/16 financial year.

##### **Recommendations**

It is recommended that:-

1. The report and the financial measures taken and proposed be approved.
2. Cabinet approve the inclusion of the following schemes into the 2016/17 Capital programme :-
  - £260k for Highways Resurfacing, funded from the Visible Services reserve.
  - £50k for the widening of a footway to Boverton Road, funded from the Visible Services reserve.

##### **Reasons for the Recommendations**

1. To approve the report and the financial measures taken and proposed.
2. To gain approval to amend the Capital Programme.

##### **Background**

2. Following the end of the financial year, Cabinet are provided with provisional outturn figures for the Council. The Statement of Accounts will be approved by Council before 30th September, which will normally follow the audit.
3. Separate reports will be presented to Scrutiny Committees.

## Relevant Issues and Options

### Council Fund

4. Council on the 4th March 2015 (minute no.941) agreed the Authority's budget requirement for 2015/16. This represented budgeted net expenditure for the Authority of £212.355m. Total expenditure was to be financed by Revenue Support Grant (£116.184m), National Non-Domestic Rates contribution (£36.297m) and Council Taxpayers (£59.874m). The Standard Spending Assessment (SSA) for the year was £212.717m.
5. The revenue budgets have been amended and approved by Cabinet during the financial year, however, they are at the same overall net level as the original budget of £212.355m, which is after the planned use of £2.5m from the Council Fund. The actual expenditure for 2015/16 is £212.355m, which is a breakeven position and follows a transfer of £2.469m from the Council Fund.
6. [Appendix 1](#) amends the revised budgets to take account of the following adjustments. There is no overall effect on the Authority.
  - IAS 19 Retirement Benefits -The purpose of this Standard is to ensure that the operating costs of providing retirement benefits to employees are recognised in the accounting period in which they are earned by the employees. Figures provided by the actuary differ from that estimated and the movements need to be incorporated into the accounts.
  - Asset Rents - This charge can vary each year due to an increase / decrease in the valuation of assets. The movements need to be incorporated into the accounts.
  - Recharges - These relate to movements in charges between internal Council services.
  - Carbon Reduction Commitment Scheme - The scheme requires the Authority to report on carbon dioxide emissions associated with the use of electricity and gas within its buildings. Payment is then made to the Environment Agency to cover the charge in respect of those emissions.
7. The following table compares the amended budget and the actual expenditure for the Authority:

<b>Service</b>	<b>Amended Revenue Budget £'000</b>	<b>Total Provisional Actual £'000</b>	<b>Variance +Favourable ( ) Adverse £'000</b>
<b>Year - 2015/16</b>			
<b>Learning and Skills</b>			
Education and Schools	94,692	94,692	0
Libraries	2,348	2,348	0
Adult Community Learning	270	270	0
Youth Services	1,038	1,038	0
Catering	1,854	1,854	0
Art Development	151	151	0
<b>Social Services</b>			
Children and Young People	14,631	14,626	+5
Adult Services	37,874	37,875	(1)
Business Mgt & Innovation	361	364	(3)
YOS	688	686	+2
<b>Environment and Housing</b>			
Visible Services	21,980	21,978	+2
Transport Services	5,191	5,190	+1
Building Services	25	17	+8
Regulatory Services	2,103	2,107	(4)
Council Fund Housing	1,174	1,174	0
<b>Managing Director and Resources</b>			
Resources	532	513	+19
Regeneration	2,610	2,617	(7)
Development Management	1,116	1,082	+34
Private Housing	11,324	11,342	(18)
General Policy	14,893	16,887	(1,994)
<b>Total Net Budget</b>	<b>214,855</b>	<b>216,811</b>	<b>(1,956)</b>
Council Tax Surplus	0	(1,987)	+1,987
Use of Reserves	(2,500)	(2,469)	(31)
<b>GRAND TOTAL</b>	<b>212,355</b>	<b>212,355</b>	<b>0</b>

8. The main reasons for the variances are set out in the following paragraphs.

## Learning and Skills

### 9. Education and Schools - Breakeven

Details by service area are shown below.

### 10. School Improvement and Inclusion - Adverse variance of £338k

There was an adverse variance of £106k due to the costs of educational placements in independent schools and other authorities. There has been an increase in the number of pupils with significant learning needs which are unable to be met at Ysgol Y Deri. There has been a reduction in the amount of recoupment income the authority receives from other local authorities which has resulted in an adverse variance of £415k. The recoupment income from other authorities has continued to decrease, as fewer placements in Ysgol Y Deri are available to be commissioned by other authorities due to increased demand for Vale of Glamorgan pupils. £4k has been transferred into the Additional Needs Fund.

There is a favourable variance of £46k in the School Improvement section due to income generation of £14k and underspends on supplies and services of £32k. The Social Services and Education joint Looked After Children placement budget has underspent by £341k. A transfer of £34k (10%) has been made to Education in accordance with the original agreement on variance apportionment. Part year vacancies throughout the service have resulted in a favourable staffing variance of £63k. The Fairfield Resource Unit was closed when the final pupil left in July 2015, with a resulting saving of £44k being achieved on staffing costs.

### 11. Strategy and Resources – Favourable variance of £253k

There was an adverse variance of £352k relating to the Schools Long Terms Supply and Maternity Scheme as premiums charged to schools have not been sufficient to cover the cost of the sickness in schools. This overspend has been partially met by a transfer from the Schools Long Term Supply reserve of £288k. The scheme was reviewed in January 2016 by a Budget Forum focus group and changes to premiums, membership and conditions were implemented in April 2016 in order to ensure that the scheme is self-funding in 2016/17. A £180k transfer from the Early Retirement and Voluntary Redundancy (ERVR) reserve was required in order to meet the 2015/16 redundancy and retirement costs in schools. The ERVR policy has been revised and all schools must meet full pension strain costs from April 2016. The schools non delegated budget out-turned with a £233k adverse variance due to amalgamation costs at Penarth Learning Community and Llantwit Learning Community totalling £131k, a one off payment to Ysgol Y Deri of £78k regarding a previous year placement cost, legal fees of £15k and capital professional fees of £9k. This overspend has been partly offset by a £138k transfer from the Rationalisation Reserve. £44k was transferred into the Schools Investment Strategy Reserve in respect of capital charges paid by other authorities for placements at Ysgol Y Deri. Other smaller adverse variances in this service totalled £4k.

There was a favourable variance of £69k due to rates charges as school buildings were revaluated in 2015/16 resulting in a back-dated rates refund amounting to £271k. This one-off saving has been used to fund the increased rates bills at St Cyres of £161k and Nant Talwg of £21k and other smaller rates increases amounting to £20k. Part year vacancies within the service have amounted to a favourable variance on salary costs of £37k. There has been a reduction in the number of non-maintained nursery settings and as a result there was a favourable variance of £27k on payments to private nursery settings. The education transport budget, which is

managed within the Development Services directorate, has underspent by £295k. A favourable variance has occurred on union backfilling costs within schools of £20k and there was also a favourable variance of £12k on budgeted pension strain payments. There was an underspend on debt repayment of £252k which was transferred to the Schools Investment Strategy fund.

12. Service Strategy and Regulation – Favourable variance of £25k

There is a favourable variance of £25k due to a hold on non-essential expenditure within the Business Support section and savings from staff who are not at the top of the incremental scale as budgeted.

13. Childrens and Young Peoples Partnership - Favourable variance of £60k

There is a favourable variance of £60k due to part-year vacancies within the team amounting to £29k, savings on childcare settings and training totalling £9k and £6k respectively and underspends on other supplies and services including events amounting to £16k.

14. Libraries - Breakeven

During the year, one off costs in relation to the implementation of the Libraries review were incurred relating to redundancy payments, pension strain payments and legal fees which amounted to £313k. These costs were partly offset by a transfer from the Libraries Reserve of £63k.

There were a number of favourable variances amounting to £250k that have partially offset this cost. A favourable variance occurred on library staff of £160k due to posts held vacant pending the Libraries Review. There were also savings on premises costs of £21k, supplies and services of £44k and transport of £4k. In addition, the service has increased income generation resulting in a further favourable variance of £21k.

15. Adult Community Learning - Breakeven

There was an adverse variance of £68k due to a reduction in funding from Welsh Government and Cardiff and Vale College, which resulted in redundancy and notice payments to staff. This position was offset by a transfer from the Adult Community Learning reserve of £68k.

16. Youth Service - Breakeven

There were favourable variances on staffing of £51k due to staffing savings from part-year vacancies, one off additional grant funding and a member of staff on a career break. This allowed a transfer into an employee provision of £51k.

17. Catering - Breakeven

There were adverse variances of £97k due to the final payment being required for the implementation of the cashless catering system and £129k for the conversion of dining centres into kitchens in four primary schools. This was partly offset by a transfer of £199k from the two Catering reserves and the 2015/16 Catering Trading Unit surplus of £27k.

18. Art Development - Breakeven

There was a favourable variance relating to income generation of £2k which was transferred to the Libraries Reserve.

## Social Services

### 19. Children and Young Peoples Services – Favourable Variance of £5k

There was a favourable variance relating to the Joint Budget for Residential Placements for Looked After Children of £307k, after a transfer of 10% of the underspend to Education.

There were favourable variances of £56k on staffing due to vacancies, £29k relating to transport and £6k for alternative means of provision and accommodation costs required for the current cohort of children.

This has allowed a transfer of £393k into the Social Service Legislative Changes reserve. £65k has been allocated to allow for the completion of the Direct Family Services pilot and £50k to complete the Therapeutic Fostering pilot. Both pilots commenced but were not completed in 2015/16 and are assessing the impact of investment in family support and placement stability. The balance of £278k will be used to support future additional funding requirements that occur as a result of legislative changes such as the Social Care and Wellbeing Act.

### 20. Adult Services – Adverse Variance of £1k

There was an adverse variance of £412k on community care packages, which includes £91k for the under recovery of income received under the Deferred Payment Scheme. The previously reported position has improved by the receipt of additional year end funding from the Intermediate Care Fund, which is held by Health, of £183k. It should be noted that this additional funding was received on a one off basis and has not been approved for 2016/17.

There were favourable variances of £219k on staffing due to vacancies, £31k on Premises, £66k on Transport and £64k on supplies and services. There was an over-recovery of income from customers receipts resulting in a favourable variance of £49k and additional grant income was received of £97k.

There was a transfer to reserves of £115k to contribute towards the cost implications of legislative changes.

### 21. Business Management and Innovation – Adverse Variance of £3k

There is a favourable variance of £72k. This is made up of £41k relating to staffing, £20k relating to transport and £11k on other small variances. £75k was transferred to reserves to contribute towards the cost implications of legislative changes.

### 22. Youth Offending Service - Favourable variance of £2k

There is a favourable variance of £37k on staffing due to maternity and sickness. This has allowed a transfer to reserve of £35k to protect against future grant reductions.

### 23. As part of the Social Services Budget Programme, £2.075m was utilised in year from the Social Services Plan reserve. In recognition of the ongoing pressures on the service from legislative changes, £341k has been transferred into the Social Service Legislative Changes Fund. In addition, £200k has also been set aside to provide funding to aid the implementation of new developments within the service and as a contingency for emergency works in Social Services properties.

## Environment and Housing

### 24. Visible Services - Favourable variance of £2k

The favourable variance of £362k as detailed below has been offset by a transfer to the Visible Services reserve of £360k. Of this sum £50k will be set aside for Winter Maintenance, £100k for scheme feasibility work with the aim of applying for grant funding, £30k for summer play schemes, £60k for recycling, £50k for the widening of a footway to Boverton Road, £35k for litter awareness and education schemes and £35k towards the purchase of a vehicle wash at the Alps depot for which £50k was also set aside in 2014/15.

### 25. Waste Management & Cleansing - Favourable variance of £293k

There is an adverse variance on employee costs of £84k mainly due to a delay in the roll out of savings relating to the double shifting of green waste. An adverse variance was created due to not actioning a budgeted transfer from reserves for £35k which was not required as a result of favourable variances in the service.

There is a favourable variance of £24k on the Premises budget due to an underspend on repairs and a large refund on a water bill. Transport costs also had a favourable variance of £27k, however, there are further savings to be made in 2016/17. There was also a net favourable variance of £198k on Supplies & Services and this was mainly due to the reduction in disposal costs due to the early commencement of Prosiect Gwyrdd. Income budgets had a favourable variance of £163k, mainly due to the increase in tasks undertaken for other departments and an increase in income received for commercial collections.

### 26. Highways & Engineers - Adverse variance of £92k

There was a favourable variance of £90k on the staffing budget due to the level of vacant posts. There was also a favourable variance on income into the department of £1.121m due to additional works being undertaken however this created additional spend on supplies and services and technical salary costs for which there was an adverse variance of £653k and £61k respectively. This reduced the requirement to draw down planned funding from reserves for potholes by £300k, winter maintenance by £139k and for part night lighting by £150k.

A contribution to capital costs was required for resurfacing works of £518k, Street Light LED replacement of £100k and Traffic Management of £100k, however, this was matched by an equal contribution from reserves of £718k.

### 27. Civil Protection Unit – Favourable variance of £7k

This was due to additional income being received by the section.

### 28. Support - Adverse variance of £2k

There was a small overspend on supplies and services.

### 29. Leisure - Favourable variance of £156k

Grounds Maintenance had a favourable variance overall of £109k. There was an adverse variance of £19k due to a slight overspend on employee costs and other small adverse variances totalled £10k. Premises costs had a favourable variance of £37k due to a reduction in spend on repair costs and reduced waste disposal costs. Transport had a favourable variance of £63k due to the continued drive to reduce vehicle costs. There is however a further saving required in 2016/17. Income budgets had a favourable variance of £174k. This was due to higher than budgeted income

from Jenner Park, an increase in income from other departments within the council. There was also an increase in expenditure as a consequence of this increased income and the budget had an adverse variance of £136k. A contribution to capital of £508k was required for Jenner Park and £45k for works at Cemetery Approach, however these were both funded by a contribution from reserves of £553k.

Leisure Services had a favourable variance of £47k. With regard to Leisure Centres, there was a favourable variances of £5k in respect of customer receipts and £11k for supplies and services. Within the rest of the leisure division there was an adverse variance due to the need to make a contribution to capital of £9k relating to an overspend on the Community Centres asset renewal budget. This was offset by favourable variances of £23k on supplies and services and £7k on transport. Premises costs showed a favourable variance of £10k due to savings on venue hire.

30. Transportation - Favourable variance of £1k

The favourable variance of £136k as detailed below has been offset by a transfer to the Visible Services reserve of £125k and £10k to the Building Services Reserve. Of these amounts £10k is for training for frontline staff within Visible Services, £35k has been set aside for works required to offices to facilitate staff moves, £80k is for the purchase of a new Greenlinks vehicle which will replace another vehicle that has come to the end of its useful life and £10k is for the renewal of tools and machinery within Building Services.

There is a favourable variance of £71k in relation to transport expenditure, which is mainly due to a saving on Supported and Discretionary School transport. Savings on employee costs resulted in a favourable variance of £51k. Income increased by £7k and there was a net reduction of £7k over other areas of expenditure.

31. Building Services - Favourable variance of £8k

The Building Services trading unit had a turnover of £5.8m and made a surplus of £5k. The Building Cleaning & Security trading unit had a turnover of £3.3m and made a surplus of £136k. In addition the Courier Service made a surplus of £19k. The Building Services Twin Hat function had an underspend of £27k which was made up of favourable variances of £14k on employee costs mainly due to vacant posts within Building Maintenance, £27k on transport budgets due to the ongoing project to reduce transport costs, £25k on general supplies and services and £17k on internal support charges. This was offset by an adverse variance on income of £56k due to a reduced recharge to the Building Maintenance trading account as a consequence of the vacant posts highlighted above.

All of the above were offset by a reduction in the recharge for maintenance repairs/Welsh Housing Quality Standards works from Building Services to the Housing Revenue Account of £49k and a transfer to the Building Services reserve of £130k. This transfer has set aside £60k for a Business Development Officer, £40k to employ apprentices for Building Maintenance, £10k for renewal of machinery and £20k for staff training.

32. Regulatory Services - Adverse variance of £4k

On 1st May 2016, the Regulatory Service entered into a collaboration with Bridgend and Cardiff Councils and the Vale now acts as host for the shared service. There was a drawdown of £113k from the Regulatory Improvements reserve to cover the Vale Council's element of the implementation costs incurred which related to IT, project management and redundancy costs. There was a favourable variance of £66k against the Vale Council's contribution to the Shared Service, mainly as a result

of staff underspend in the service. This allowed a £70k transfer to the Visible Services reserve. These figures relate to the Vale of Glamorgan Council's element of the shared service only and not the joint service as a whole which is reported to the Joint Committee.

33. Council Fund Housing - Breakeven

There were favourable variances of £57k on staffing due to vacancies and £10k on supplies and services in the Housing Solutions Team. In addition there was a £228k favourable variance on temporary accommodation for the homeless and an £18k favourable variance relating to the Community Safety budget.

There has been a transfer to reserves of £313k to ease future pressures on the service.

## **Managing Director & Resources**

34. Resources - Favourable variance of £19k

Details by service area are shown below.

35. Finance & ICT - Favourable variance of £1k

There were adverse variances on general running expenses of £43k arising mainly from Systems Implementation and Revenues and £5k in Housing Benefits in respect of transport costs.

There were favourable variances on staff of £567k, some being as a result of difficulties in recruiting to vacant posts and some relate to vacant posts held pending future year savings. The variances were in Management £29k, Systems Implementation £15k, Business Improvement £8k, Housing Benefits £85k, Council Tax £52k, Exchequer £18k, Accountancy £153k, Audit £146k, Fraud £51k and ICT £10k. There were favourable variances on general running expenses of £186k arising from the early implementation of savings in ICT of £73k, Management £30k, Procurement £15k, Audit £13k and savings on bank charges of £55k. There were favourable variances of £235k on income arising from Council Tax of £97k, Housing Benefit £83k, Exchequer £7k and ICT of £48k. A £40k favourable variance occurred within Management on central support charges. There was also a £11k favourable variance on the Council Tax discount scheme.

There have been transfers to reserves of £680k to Visible Services and £310k to the IT Fund.

36. Property & Office Accommodation - Favourable variance of £2k

There was an adverse variance on agency costs of £18k.

There were favourable variances on staffing of £82k due to vacancies, capital recharges of £315k, £107k on building repairs and maintenance, £51k on rents, £63k on utilities and £7k on NNDR. This allowed the transfer of £605k to the Miscellaneous Building Fund.

37. Human Resources - Breakeven position

There was an adverse variance on income of £18k and an under-recovery of £15k on recharges.

There was a favourable variance on staff of £159k due to vacancies. There were also favourable variances of £36k arising from supplies and services. This allowed a transfer of £162k to the HR Fund.

38. Management/Legal Services – Favourable variance of £83k

There were adverse variances in Legal Services of £34k on supplies and services and £18k on Elections relating to the cost of agency staff. There were favourable variances on staffing of £37k due to vacant posts and additional income of £98k mainly in relation to undertaking external work. The arrangement to undertake external legal work will continue.

39. Democratic Services - Adverse variance of £67k

There were adverse variances in Democratic Services of £137k arising mainly from legal charges and £11k on the Coroner service in relation to the cost of toxicology and medical reports. There were favourable variances of £61k on Registrars mainly resulting from additional income and £20k on staffing arising from vacant posts.

40. Regeneration - Adverse variance of £7k

There was a £53k adverse variances on premises budgets due to works relating to window replacement at the Heritage Coast Centre, thatching at the Medieval Village and boiler and extractor fans and alterations to reception at Cosmeston.

There were favourable variances on customer receipt income of £57k at Cosmeston and the Medieval Village including filming and special event fees, at Porthkerry Park from hire fees for the woodland lodge and educational visit charges and at the Heritage Coast from sales and visit charges. As the Employment Training Service (ETS) is nearing the end of its contract the cost of running the service was £21k less than budgeted as the number of clients has substantially reduced. There was also a favourable variance on the ETS income which was £34k higher than had been anticipated because income is still being received for placements made earlier in the Programme. Workshop income was £11k higher than anticipated as occupancy levels have increased. In addition, the Major Project Managers exceeded their income target by £42k as a higher than anticipated level of their work was rechargeable. Similarly, the Landscape Section recovered £16k more than had been budgeted as their rechargeable workload was higher. Vacant posts within the division meant that some operational budgets were not able to be spent, resulting in a favourable variance of £17k. There were various other small variances amounting to a net £32k favourable variance within this service.

This position was reduced by transfers to reserves of £62k for Community Development projects, £43k to cover additional building costs arising from Cardiff & Vale vacating the Heritage Skills Centre and the establishment of a 'Business Services Centre 2', £15k towards a review of the Rights of Way Improvement Plan as required by Statute and £39k as a reserve for potential future under-recovery of the Major Projects Officers. In addition, the sum of £25k was transferred to the Employment Training Reserve, awaiting potential costs at the end of contract.

During the year there were planned drawdown from reserves of £26k for work on converting Nightingale Cottage at Porthkerry Park into office space and £8k for refurbishment work to the former Tourist Information Centre building at Barry Island, including the installation of external electrical connector points at Barry Island to facilitate future events.

41. Development Management - Favourable variance of £34k

There were adverse variances of £283k as planned transfers from reserves at year-end were not required as income within the division was higher than budgeted. This figure includes reserve funding for the Local Development Plan (LDP), funding for staff to progress the transition to the Community Infrastructure Levy and funding for the on-going scanning of historical planning files.

There were favourable variances of £133k on Building Control fee income and £67k on Planning fee income and in-year expenditure on the LDP were £102k lower than had been anticipated, due to profiling issues. These were to be funded from the LDP reserve. It is therefore anticipated that this will now be spent and drawn down from the reserve, during 2016/17. There were various other small variances amounting to a net £15k favourable variance within this service.

At year-end there has been a transfer to the Building Control reserve of £77k, representing the surplus for the year on the Building Control Trading Account

42. Private Sector Housing - Adverse variance of £27k

There was an adverse variance on Disabled Facility Grant (DFG) supplies and services as a revenue contribution to capital expenditure of £32k was required to fund additional capital monies spent on DFGs during the year. There was also an adverse variance in the Renewal Area's supplies budget whereby costs on survey fees and consultants exceeded the budget by some £23k. Though fee income did improve as the year progressed in the Renewal Area, it remained £18k short of the target at year-end as a result of capital works slipping into 2016/17. There were other small variances amounting to a net £31k adverse variance within this service.

There was a favourable variance of £77k on agency fee charges on DFGs as the number of grant applications processed has remained high during 2015/16.

43. Rent Allowances/Council Tax Benefits - Favourable variance of £9k

There were favourable variances of £220k on Discretionary Housing payments. Discretionary Housing payments are used to provide support to claimants adversely affected by some of the key welfare reforms. The saving is due to a lower take-up from claimants than anticipated, however, there remains uncertainty over future demand. There were also favourable variances of £252k from recovered overpayments and associated subsidy and £637k on the Council Tax Reduction Scheme due to lower than anticipated take up.

There has been a transfer of £1.1m to the Visible Services Reserve.

44. General Policy - Adverse variance £1.994m

There were favourable variances relating to capital charges of £3.040m as a result of a prudent approach being required due to the uncertainty of interest rates, an increase in external interest receivable of £430k, the sum included in respect of a Catering deficit of £170k is not now required and the sum included to support recharge imbalances for capital of £300k is not needed as there was full recovery from capital schemes. In addition, there were further underspends of £100k against Youth Initiatives which were not utilised in year and £238k for housing recharges as the full budget is not required due to a lower recharge from Housing. There were also favourable variances of £224k on grants, £154k on pensions, £72k on Council Properties, £134k on Audit Fees, £205k on Corporate Governance, £294k on provisions that were no longer required and other variances of £122k.

There were adverse variances due to a transfer to the School Investment Strategy reserve of £2.85m to contribute towards work required as a result of the poor condition of school buildings. There has also been a transfer to reserves of £500k for School Placements, £850k towards Disabled Facilities grants, £492k for Social Services Legislative pressures, £2m to Buildings reserve, £500k to Visible Services for Big Fill and £285k for Parks and Play Areas.

45. Council Tax - Favourable variance of £1.987m

The Council Tax surplus has increased from the £1.5m reported to Cabinet in November 2015. The Council Tax Base is initially calculated in November of the preceding financial year. The uncertainty of the impact of the Central Government's welfare reforms required a prudent view to be taken when considering the collection rate expected.

## Housing Revenue Account

46. Council on the 4th March 2015 (minute no.939) agreed the Authority's 2015/16 Housing Revenue Account (HRA) budget.

47. The 2015/16 HRA resulted in a deficit of £408k compared to the amended budget deficit of £1.265m. A breakdown is shown in [Appendix 2](#). The working balance opened at £1.876m and closed at £1.468m.

48. The net favourable HRA revenue budget variance of £857k is identified over the following areas.

49. Supervision & Management General – Favourable Variance £795k

There were favourable variances in Asset Management and Development of £116k on staffing and £181k on Supplies and Services and staff vacancies in the rest of the service accounted for £122k. A significant number of vacancies have now been filled through on-going recruitment. There were further favourable variances in Supplies and Services such as promotions, software/hardware and other non-staffing costs relating to Housing Management of £229k, Support and Central Management Costs of £70k, Incentive to Move Scheme £52k and Tenant Participation of £25k.

50. Supervision and Management Special Services – Favourable Variance £250k

This budget is split into three areas, Ty lolo Homeless Hostel, Vale temporary accommodation and Vale Special Services. The term 'Special Services' relates to communal costs for all housing areas throughout the Vale of Glamorgan, including sheltered accommodation, such as grass cutting, rubbish removal, communal lighting, security, warden salaries and environmental improvements. The favourable variance of £250k is a combination of a favourable variance of £26k at Ty lolo mainly due to staffing; £19k favourable variance on Temporary Accommodation mainly due to low spend on furniture and fittings this financial year. There were favourable variances of £205k on Special Services which is made up of favourable variances of £70k on ad hoc cleansing and ground maintenance works and a saving on Sheltered Schemes of £135k.

51. Housing Repairs – Favourable Variance £462k

The favourable variance on this budget heading is largely due to favourable variances of £212k on repair call-outs and £142k on Planned Maintenance mainly as a consequence of the housing stock being brought up to Welsh Housing Quality Standard. In addition, expenditure on gas servicing, asbestos, and fencing have all reduced, compared to previous years.

52. Capital Financing Costs – Favourable Variance £573k  
Interest charges were lower than originally estimated due to a lower amount of borrowing required during the year to fund the Housing Investment Programme. In addition, the Council's loan pool rate was lower.
53. Rents, Rates, Taxes and Other Charges – Favourable Variance £159k  
This is largely due to a favourable variance of £112k for survey costs associated with feasibility work on new developments. In addition, there have been underspends on Council Tax payable on long-term voids and audit fees.
54. Increase in the Provision for Bad and Doubtful Debts – Adverse Variance £53k  
It was anticipated that the bad debt provision would need to be increased by only £23k, however based on the current level of rent arrears, £76k is thought to be more prudent. The impact of further welfare reforms has put added pressure on rent collection rates and additional staff have been appointed to help mitigate this.
55. Capital Expenditure from Revenue Account – Adverse Variance £1.403m  
Savings within the HRA as outlined above have made an increased contribution from revenue to capital expenditure possible. This has led to a decrease in the prudential borrowing requirement for the 2015/16 Housing Investment Programme.
56. Rent Collected on Dwellings – Favourable variance £56k  
This favourable variance is largely due to a lower level of voids and write-offs undertaken during the year.
57. Non Dwelling Rents – Breakeven  
Rents collected on garages were as budgeted.
58. Interest Received – Favourable Variance £5k  
The level of interest received on balances was slightly higher than expected due to the average HRA working balance being higher.
59. Charges for Services and Facilities – Favourable Variance £13k  
The level of income received for services and facilities was higher than anticipated by 2%.

## **Insurance Fund**

60. The total Insurance Fund comprises of both a provision and a reserve. The provision represents potential liabilities on known claims and the reserve relates to claims not yet made. An assessment was made as to the level of known claims and it was considered that the level of the provision should be reduced and therefore £370k was transferred into the reserve to fund unknown potential claims in the future. A breakdown is shown below.

	Provision	Reserve	Total
	£000	£000	£000
Opening Balance	3,232	1,373	4,605
Surplus on Insurance Transactions	15	0	15
Transfers In/(Out)	(370)	370	0
Closing Balance	2,877	1,743	4,620

## Trading Operations

61. The Trading Organisations referred to in this section are made up of Building Maintenance, Caretaking & Security and Building Cleaning and Vale Catering Services.
62. The provisional figures for the Trading Services show an overall gross surplus of £168k (before repayment of £49k to the Housing Revenue Account). The details are shown below:

	Building Mtce	Building Cleaning	Caretaking and Security	Catering	Total
	£,000	£,000	£,000	£,000	£,000
(Surplus)/ Deficit	(5)	(57)	(79)	(27)	(168)
			Less: Building Maintenance		49
					(119)

63. Explanations of the variances are shown earlier in the report.

## Capital

64. Council on the 4th March 2015 (minute no.940) agreed the Authority's capital budget for 2015/16.
65. The overall position on the revised 2015/16 Capital Programme was a variance of £11.5m. The statement at [Appendix 3](#) details the outturn by scheme. To allow project managers to have fully approved capital budgets, capital slippage from 2015/16 to 2016/17 has been approved via Managing Director's Emergency Powers.

## Learning and Skills

66. The overall outturn for the Directorate of Learning and Skills is a variance of £1.5m. The major variances are outlined below.

67. Penarth Learning Community – Slippage of £126k  
This variance is due to the financial implications of late instructions and orders placed directly by the school which are yet to be finalised. Retention and unexpended fees will be due to be paid in 2016/17. It has therefore been requested that £126k is carried forward into 2016/17.
68. Llantwit Learning Community - Slippage of £309k  
The variance is due to a longer than envisaged procurement process which delayed the start of works on site. The contract is now back on programme and it has been requested that £309k is carried forward into 2016/17.
69. Ysgol Bro Morgannwg Kitchen Roof Renewal – Slippage of £244k  
Finalising the scope of works delayed the start of the scheme, however, work is now progressing on site and is due for completion at the end of July 2016. It has therefore been requested that £244k is carried forward into 2016/17 to allow for the completion of the scheme.
70. Cowbridge Comprehensive Expand 6th Form - Slippage of £179k  
The work programme for this scheme has been managed by the school and is due for completion at the end of June 2016. It has therefore been requested that £179k is carried forward into 2016/17 to allow for the completion of the scheme.
71. School Loans Scheme – Favourable Variance of £281k  
An allocation of £200k is made available each year for schools to purchase IT equipment which is then financed through an internal loan with the Council. Similarly, an allocation of £300k is made available each year for schools to undertake capital works. For 2015/16, requests totalling £31k were received for IT loans and £188k for capital loans. A new allocation is provided in 2016/17 and therefore a carry forward of budget is not required.

## **Social Services**

72. The overall outturn for the Directorate of Social Services is a variance of £104k.

## **Environment and Housing**

73. The overall outturn for the Directorate of Environment and Housing is a variance of £7.699m. This comprises £3.82m for Housing Services and £3.879m for Visible Services. The major variances are outlined below.
74. Housing Improvement Programme - Slippage of £3.814m  
The main area of underspend relates to external work for roofing and wall insulation. This was delayed mainly due to weather conditions. Internal works for the WHQS programme are nearing completion and therefore while the majority of work has been completed, final accounts need to be agreed with the contractors. It has therefore been requested that £3.814m is carried forward into 2016/17 to allow for the completion of the schemes.
75. Visible Services Highway Improvements Resurfacing - Slippage of £222k  
This funding is committed to carry out the Council's 3 year resurfacing plan in order to ensure that the condition of the Council's highway asset can be adequately

maintained. Due to contract programming with external contractors and weather issues, the full budget was unable to be spent last financial year and it has therefore been requested that these monies are carried forward into 2016/17 to continue the essential highway improvement works identified.

76. Culverhouse Cross to St Athans - Slippage of £355k

This scheme was carried out in several phases. There were traffic management issues that had to be resolved to ensure the smooth running of traffic across the route during each phase. It has therefore been requested that £355k is carried forward into 2016/17 to allow for the completion of the works.

77. Ewenny Road Bridge - Slippage of £952k

Slippage has been requested for the full amount of £952k as this funding is committed as a payment to Network Rail for works at Ewenny Bridge. The final account has not yet been agreed with Network Rail as there are a few minor construction issues outstanding.

78. Coldbrook Flood Risk Management – Slippage of £930k

Work has commenced on site however there have been delays due to ongoing site issues and unforeseen events. Work is being undertaken with the contractor to reprofile the programme.

79. Leisure Centre Refurbishment – Slippage of £374k

While work has been completed, there are outstanding invoices to be paid pending the submission of the required documentation from the Leisure Centre operators. It has therefore been requested that £374k is carried forward to 2016/17.

80. Vehicles Renewal Fund – Slippage of £208k

As part of the Reshaping Services Programme, one of the identified savings will come from a review of the Council's fleet. A review of waste collections is being carried out by WRAP on behalf of Welsh Government and procurement of vehicles has been delayed pending the outcome of this review. It has been requested that the variance is carried forward in order to progress the procurement of the appropriate vehicles as required.

## **Managing Director and Resources**

81. The overall outturn for the Managing Director and Resources is a variance of £2.2m. The major variances are outlined below.

82. Penarth Heights Highways and Sustainable Transport Projects – Slippage of £167k

The service areas are currently undertaking feasibility studies and exploring options for implementation around the new development at Penarth Heights, including a scheme at the Plassey Street / Windsor Road roundabout. It has therefore been requested that £167k is carried forward to 2016/17.

83. Causeway Improvement Scheme - Slippage of £238k

This scheme was made up of a 4 stage programme, each requiring completion before the next stage could commence. This resulted in a slight delay, however, the works are now complete. A carry forward of £238k has been requested to fund the completion of the works.

84. Castleland Renewal Area - Slippage of £483k

The 2015/16 budget for the Castleland Renewal Area was intended to complete 4 phases of a residential facelifting programme on the upper section of Holton Road as well as commencing a scheme aimed at renewing the shop fronts to the commercial premises. Phases 1-3 were completed, however, Phase 4 turned out to be far more complex than normal due to the structural instability of the block and required a revision to the Housing Renewal Policy to allow for solid wall stabilisation works to be covered under Facelift Assistance. The time implications involved in obtaining structural engineers reports, revising the policy, applying for Building Regulation and Planning Permission as well as discussions with owners delayed the commencement of the scheme. In addition there was a limited response to the initial offer of 85% Commercial Improvement Grants for new shop fronts and in order to maximise take up, the Housing Renewal Policy was revised for a second time to increase the grant offer to 95%. A second consultation with owners was required to confirm their consent to the revised contribution before the necessary Building Regulation and Planning Consent could be sought. In addition the new policy of obtaining owners contributions prior to commencement of work proved difficult and affected the programme of work. The carry forward of £483k has been requested to continue works in 2016/17.

85. Regeneration Fund - Favourable variance of £135k

No schemes were identified under this heading during 2015/16. A new allocation is provided in 2016/17 and therefore no carry forward is required.

86. Carbon Management Fund - Favourable variance of £120k

At the start of the year a target was set for Salix funded schemes. Schemes to a lower value were agreed with departments and implemented by year end. It is considered that the allocation for 2016/17 will be sufficient to deliver schemes in 2016/17 and therefore no slippage is required.

## Reserves

87. A reserve is an appropriation from a revenue account and does not constitute a cost of service until the expenditure is eventually incurred. A reserve does not cover a present obligation or liability and is a voluntary means of setting aside monies for future requirements either capital or revenue.

88. A provision is a charge to revenue and is included as part of the cost of the relevant service at the point the provision is created. A provision covers a present obligation or liability that has occurred to a past event and is compulsory under accounting regulations.

89. As part of the 2016/17 revenue budget setting process, each specific reserve had been reviewed and considered in light of the Council's priorities. It should be noted that there are considerable commitments which will require funding from reserves in the coming years, e.g. Band B 21st Century Schools Investment Programme.

90. Work to several schools has been identified and it is considered necessary to transfer £1.2m into the Schools Investment Strategy reserve to finance the costs. It is proposed that the Director of Learning and Skills brings a further report to Cabinet which will outline the specific works to be undertaken. A sum of £500k has also been transferred into a new reserve for School Placements. As detailed earlier in this report, there were issues with the placement and recoupage budgets during 2015/16. Eventhough work is ongoing to address these issues and to achieve

savings through the Reshaping Service programme, pressure on these budgets has continued into 2016/17. This sum has therefore been set aside as a one off contribution for 2016/17 to provide more time for the service review to be completed and implemented.

91. The Local Government Borrowing Initiative provided funding for highways resurfacing of £2.23m per annum for a 3 year period from 2012/13 to 2014/15. In addition, the Council has allocated funding for the Big Fill initiative until 31st March 2017. There is still further works to be carried out across the Vale and therefore £760k has been transferred into the Visible Services reserve. It is proposed that the sum of £260k is included in the Capital Programme, to be spent on highways resurfacing during 2016/17. The remaining £500k will be used for the Big Fill initiative in 2017/18, which will be part of the revenue budget.
92. Waste Collection is a service area that has been allocated several savings targets over the past and future years. It is considered that the possibility of introducing a Waste Transfer Station within the Vale could lead to long term savings. In view of this, £1.5m has been transferred into the Visible Service reserve to allow the scheme to be implemented. It is proposed that a further report is brought to Cabinet by the Director of Environment and Housing to outline specific plans for this project.
93. Concern has been raised over the deterioration of Council premises and to address this issue £2.6m has been set aside in the Council Building Fund.
94. Funds no longer required as reserves may be transferred to the Council Fund to be used for other purposes.
95. There have been transfers into reserves for reimbursements from services for works where the initial cost was funded from that specific reserve e.g. Computer Renewal Fund, Project Fund, Vehicle Repairs and Renewals, Schools Rationalisation Fund and the Energy Management Fund.
96. Attached at [Appendix 4](#) is a schedule showing the Council's reserves as at 31st March 2016. The reserves have been reviewed and are currently considered adequate for reported uses, subject to the adjustments detailed in this report. The transfers detailed above have been included in the appendix.

## **Resource Implications (Financial and Employment)**

### **Revenue (Including Savings Targets)**

97. It was the intention that £2.5m of the Council Fund was to be used in 2015/16 and £2.469m was actually used to fund expenditure in the year and therefore the fund stands at £10m as at 31st March 2016. When the budget was set for 2016/17, future years savings targets have meant that £1.5m of the Council Fund has been allocated for use in 2016/17, with no further approved drawdown after that date. This will result in a fund balance of £8.5m by 31st March 2017.
98. As part of the Final Revenue Budget Proposals for 2015/16, a savings target of £6.8m was set for the authority. Progress on the achievement of these savings has been monitored and reported to Committee during the year. [Appendix 5](#) to this report confirms the final status of these savings at the end of 2015/16. While services have been able to find savings to the value of £7.15m, some of the savings have been achieved by a different means to that planned and some are 2016/17 savings achieved ahead of target.

99. Within Education, during 2015/16, there has been pressure within the Inclusion Service in relation to inter authority recoupment and out of county placements and savings have not been achieved. This issue has been discussed earlier in this report with a resulting overspend against this service area. It should be noted that this is a volatile budget. There are savings targets approved for this area in 2016/17, however, £500k has been set aside in reserves and can be used in 2016/17 to provide the service with a longer period in which to review and implement its plans as part of the longer term Reshaping Services agenda.
100. Within Adult Social Services, the Residential Services saving was to be achieved by the transfer of Ty Dyfan and Ty Dewi from Hafod back to the Council. This took place during November 2015, thus realising a part year saving of £260k. In previous years, a savings target of £200k had also been set, in anticipation of the transfer and was still outstanding. Therefore, £200k has to be set against this saving first before the remaining £60k can be set against the 2015/16 target of £300k, leaving a shortfall in year of £240k. The full year effect of the saving due to the transfer is calculated at £600k and so fully covers the previous year and the 2015/16 saving and also leaves £100k to contribute towards the 2016/17 Residential savings target.
101. For Visible Services, the early implementation of the Prosiect Gwyrdd contract provided considerable savings for the waste disposal budget during the year, which was offset by a slight delay in the implementation of some of the other savings within Waste Management. As detailed in Appendix 5, some of the Visible Services savings not achieved in 2015/16 are being reviewed to determine whether they can be achieved in the long term as planned or whether alternative ways of saving will need to be identified. For completeness, the last section of the appendix shows Visible Services savings that were identified in previous years and have yet to be fully achieved. During the 2016/17 budget setting process, additional funding was provided in the base budget for Waste Recycling and car parking. Cabinet on 6th June 2016 approved the use of £1.2m in 2016/17 for investment in LED residential street lighting which will lead to the reduction in energy costs.

## Capital

102. The underspend on the revised capital programme in 2015/16 is £11.5m.
103. The following table shows how the capital programme has been financed in 2015/16.

<b>Source of Funding</b>	<b>Outturn (£000)</b>
General Capital Funding	5,466
Unsupported Borrowing	68,849
Capital Receipts – Housing	906
Capital Receipts – Council Fund	613
WG/WEFO Grants	13,720
Revenue	1,020
Reserves - Schools Investment Strategy	2,585
- Misc Buildings	1,385
- Vehicle Renewal Fund	713
- Project Fund	465

- Energy Fund	286
- IT Fund	129
- Regeneration	723
- Visible Services	950
- Capital Commitments	51
- Jenner Park	508
- Leisure	111
- Schools Rationalisation	247
- Coastal	110
- Library Fund	12
HRA Reserves	6,700
Other e.g. Section 106	2,795
<b>TOTAL</b>	<b>108,344</b>

104. General Capital Funding - Capital expenditure in the year was sufficient to cover the General Capital Funding provided by the Welsh Government. Where schemes originally planned to be financed from General Capital Funding have underspent, other schemes, planned to be funded from capital receipts or reserves, have been substituted in their place.

105. Capital Receipts - The existing Council Fund capital receipts balance as at 31st March 2016 was £16.9m. The sum of £2.647m was received from the sale of assets and mortgage repayments during 2015/16, as follows:

	£'000
Sale of Council Houses	* 603
Sale of Land and Buildings	2,040
Mortgage repayments	* 4

\*these receipts are gross and normally the Council only treats 25% as 'usable' to finance Housing Revenue Account capital expenditure, as the Subsidy Determination assumes the 75% is used to 'reduce loan debt'

106. As a result of the capital underspend in 2015/16, an allocation of £10.55m has been approved via Managing Director's Emergency Powers, as slippage into 2016/17. This will fund the completion of schemes as shown in [Appendix 6](#). Of this figure, the sum of £3.5m will be funded from capital receipts and £7.05m will be provided from revenue, reserves or external sources.

107. Major Repairs Allowance - The Major Repairs Allowance (MRA) is a grant given to the Authority by the Welsh Government and can be used for capital expenditure on Housing Revenue Account (HRA) assets. The Authority's MRA for 2015/16 was £2.769m. Works totalling £16.063m were spent on major improvements to the Council's housing stock, £2.769m of which was funded from the MRA, £906k from Housing capital receipts, £2.069m from WG grant and £6.7m from Housing revenue and reserves, as well as £3.619m of unsupported borrowing.

108. During 2015/16, the Council also borrowed £63.156m to fund the buy-out from the Housing Revenue Account Subsidy system.

### **Sustainability and Climate Change Implications**

109. There are no sustainability and climate change implications resulting from this report.

### **Legal Implications (to Include Human Rights Implications)**

110. The provisional out turn figures for the Council has been used in the preparation of the Statements of Accounts, which under the Accounts and Audit Regulations, must be certified by the Section 151 Officer by the 30th June 2016.

### **Crime and Disorder Implications**

111. There are no crime and disorder implications resulting from this report

### **Equal Opportunities Implications (to include Welsh Language issues)**

112. There are no equality implications resulting from this report

### **Corporate/Service Objectives**

113. To provide sound financial and reliable advice in relation to all issues affecting the Council including the production of the statutory accounts.

### **Policy Framework and Budget**

114. This is a matter for Executive decision.

### **Consultation (including Ward Member Consultation)**

115. The appropriate Chief Officers have been consulted on this report. This report does not require Ward Member consultation.

### **Relevant Scrutiny Committee**

116. Corporate Resources.

### **Background Papers**

None

### **Contact Officer**

Carys Lord

### **Officers Consulted**

Corporate Management Team

### **Responsible Officer:**

Carys Lord  
Section 151 Officer