

**Report of the Cabinet Member for Finance and Performance**

**2013-14 Finance and Performance Year End Report**

1. This report provides a year end analysis of our financial performance. Attached at annex one is the York Monitor annual report which sets out how the Council has used its resources to deliver outcomes for residents, setting out its achievements and areas of challenge. The York Monitor will be made public through a range of channels.
2. The Council's net General Fund budget for 2013-14 was £127,778k and the provisional outturn position is an under spend of £314k, an improvement of £2.2m since Monitor 3. This improvement is primarily as a result of continued stringent cost control methods, and internal management reporting has tracked the impact of this positive action.

Directorate	Gross Exp'ture Budget	Gross Income Budget	2013/14 Net Budget	Monitor 3 variance	Draft Outturn
	£'000	£'000	£'000	£'000	£'000
Children Services, Education & Skills	171,207	-132,741	38,466	+623	<b>+309</b>
City & Environmental Services	49,030	-25,276	23,754	+794	<b>+443</b>
Communities & Neighbourhoods	54,077	-35,269	18,808	+176	<b>-61</b>
Customer & Business Support Services	84,360	-78,483	5,877	-100	<b>-318</b>
Health & Wellbeing	75,988	-23,434	52,554	+1,579	<b>+1,391</b>
Office of the Chief Executive	3,440	-1,282	2,158	-	<b>-4</b>
Directorate total	<b>438,102</b>	<b>-296,485</b>	<b>141,617</b>	<b>+3,072</b>	<b>+1,760</b>
Central budgets	25,251	-39,090	-13,839	-1,135	<b>- 2,074</b>
<b>TOTAL</b>	<b>463,353</b>	<b>-335,575</b>	<b>127,778</b>	<b>+1,937</b>	<b>-314</b>

### *Table 1 – Financial Overview*

3. This position is a significant achievement on the back of making £9m of savings in 2013/14 and is consistent with previous years where expenditure has been within the overall approved budget. It maintains the Council's overall financial health and provides a strong platform upon which to meet the further financial challenges in the future.
4. An overview of this outturn, on a directorate by directorate basis, is outlined in Table 1 above and the key variances are summarised in the following paragraphs.
5. Whilst the year-end position is positive, there remain considerable financial challenges looking ahead into 2014-15 and beyond. The February Budget Council report approved £23m of savings over the next 2 years and progress against delivering these, as well as dealing with the underlying issues experienced during 2013-14, will again require careful monitoring.
6. Beyond 2014-15, it is expected that significant financial challenges will continue and the ongoing development of the Financial Strategy will ensure that the Council prepares effectively for these challenges.
7. The following sections provide further information on the financial outturn of each directorate as outlined in Table 1 above.

#### Children's Services, Education & Skills

8. The draft outturn position is a net overspend of £309k, an improvement of £314k since Monitor 3 and £829k since monitor 1.
9. Despite a reduction in the number of Looked After Children, and a reduction in expenditure of almost £1m compared to 2012-13, the underlying budget pressure from previous years and some unachieved budget savings have resulted in this overspend.
10. Although local foster placements have overspent by £208k, the pressure on this budget is reducing. Placements have reduced from 176 at the beginning of the year to 154 and the number of carers has reduced from 90 to 78 over the same time period. A planned budget saving has not yet been fully realised from Independent Fostering Agency placements (£408k) and Out of City residential placements (£330k).
11. A range of smaller underspends and mitigations offset the overall position, including £308k from reduction in home to school transport costs, £138k from external legal fees and £104k from Looked After Children transport costs.

### City and Environmental Services

12. The draft outturn shows a net overspend of £443k, which is an improvement of £351k from the Monitor 3 report. The overspend is primarily due to the position within Waste Services as a result of unachieved budget savings and reduced income (£828k). Significant mitigation savings have been delivered across the directorate, particularly from within transport services which underspent by £753k due to a reduction in the cost of concessionary fares, staff vacancies and other planned mitigation.
13. Overspends on Fleet (£293k) and income pressures in Parking (£230k) have been offset by additional income from utilities and other organisations working on the highway (£220k) and other miscellaneous items that have contributed to the overall outturn position.

### Communities & Neighbourhoods

14. The draft outturn position shows an underspend of £61k, an improvement of £237k since Monitor 3. This underspend was achieved through savings within Housing and Community Safety and across Public Protection Services including Environmental Health and Trading Standards (£152k), Bereavement Services (£179k), Registrars (£118k) and Housing Services (£93k). These saving were offset by overspends within Library Services (£314k) and Parking Services (£71k) mainly as a result of additional one off costs.

### Customer & Business Support Services

15. The draft outturn shows an underspend of £318k which is a £218k improvement from the Monitor 3 report. The main areas of underspend relate to vacant posts in procurement and finance, along with a range of other minor underspends.

### Health & Wellbeing

16. The draft outturn position shows a net overspend of £1,391k an improvement of £188k since the Monitor 3 report and £357k since Monitor 2. Demographic pressures continue to be evident in relation to demand for care and have resulted in an overspend on community support (£236k) due to a higher number of customers than forecast, a continued increase above forecast level in the number of customers taking up Direct Payments (£129k), increased use of external placements for emergency and short term breaks (£252k) and a higher than budgeted number of customers in residential nursing placements (£718k).
17. There were a number of minor budgetary pressures over the year as well as some areas in which it was not possible to make the whole of the

anticipated savings. These include Reablement (£157k), EPH reconfiguration (£175k), Housing Related Support (£132k), Yorkcraft (£122k) and the Night Care team (£130k).

18. These pressures are offset by an underspend on External Residential Care (£432k) due to a lower number of required placements than anticipated. Additionally, savings within day services (£210k) and efficiencies resulting from a strategic review of Learning Disability Care (£280k) along with strict budgetary control measures contribute to the overall position.
19. The Public Health grant for 2013-14 is £6.641m and has been fully utilised across a range of Public Health services, with increased emphasis on Mental Health prevention.

#### Office of the Chief Executive

20. The Office of the Chief Executive directorate has reported an underspend of £4k due to a range of minor variations across the directorate.

#### Corporate Budgets

21. These budgets include Treasury Management activity and other corporately held funds. Treasury Management has generated an underspend of £990k due to reduced interest paid on borrowing and long term borrowing not being taken during the year along with increased interest earned due to higher than anticipated cash balances and the volatility in financial markets which has allowed for the Council to take advantage of favourable interest rates.
22. The outturn also includes the use of one off additional New Homes Bonus of £196k which was allocated once the Government had determined how much grant funding they would need to hold back for central control totals, the use of £250k general contingency (with the remaining £200k allocated towards Tour De France) and £84k from the 2012/13 underspend as outlined in previous monitoring reports. The Government have also paid £732k in respect of small business rate relief as a general fund grant and this contributes to the overall corporate underspend.
23. Provision has also been made by the Director of CBSS, in his statutory role of preparing and approving the accounts (which are subject to external audit and Audit Committee approval), for the Council to retain a sum equivalent to the income received from fines in respect of Lendal Bridge and Coppergate in an earmarked reserve. £1.765m of fine income has been generated, set against £718k of costs. These costs

are recorded within the CES outturn figure are offset by an equivalent amount of income. However, within the corporate budgets overall position a separate entry has been made to transfer a sum of £718k towards an earmarked reserve. This £718k, plus the remaining £1.047m, ensures the Council has effectively provided for any future liability that may accrue. It should be noted that the £718k could be spent on any area of service once the potential liability is determined to have ended as, in effect, the use for transport purposes of the fines income has already been applied in that the actual fine income has been allocated to cover costs of the schemes. Therefore the £718k corporate provision is an earmarking of general fund resources. The remaining £1.047m of fine income can only be used for transport purposes.

### New Homes Bonus

24. Previous decisions of the Council have allocated New Homes Bonus to the Economic Infrastructure Fund and also some funding has been used to support Adult Social Care, the local plan and as set out above, there is a use of one off funding assumed in the 2013/14 accounts. There remains some unallocated funding which is set out below and will be considered as part of a future report:

Year of allocation	Available for 2014/15 £'000	Available 2015/16 £'000
2013/14	Nil (allocated for adult care & local plan)	602
2014/15	558.7	558.7
2015/16	To be determined	To be determined

### Business Rates

25. The collection of Business Rates and the overall base liability remains strong. 2013/14 was the first year of the localisation of business rates with councils able to receive a share of gains from the business rates pool. This first year however has also required Councils to consider carefully the level of appeals that may be successful in future years and in accounting terms these future appeals have to be provided for in the year they become known. The Council has a significant level of appeals that it needs to consider.
26. Due to the level of appeals, the Council will not be making any levy payment into the Leeds City Region Pool. It is likely that in future years a payment will be made as provision for appeals going back a number of years has had to be made this year.

### Dedicated Schools Grant

27. Within the Dedicated Schools Grant (DSG) funded budgets there is a net underspend of £745k against a total grant allocation for the year of £106,742k (including post 16). This is mainly as a result of underspends on the new statutory requirement for 2 year old nursery provision being phased in from September 2013 (£675k), the prudential borrowing provision set aside for the closure of Burnholme Community College (£352k) and the pupil number growth contingency (£222k), offset by increased costs due to the level of payments required to providers for high needs pupils under the new DfE funding system introduced from August 2013 (£446k). As there was a deficit DSG balance brought forward from 2012/13 of £632k this results in a small carried forward surplus balance of £111k to 2014/15.

### Housing Revenue Account (HRA) - Finance

28. The Housing Revenue Account year end position identifies an underspend of £31k, resulting in a year end balance on the account of £12.1m. The main variations are an overspend of £439k on repairs and maintenance due to the use of sub contractors in resolving damp issues within properties which has resulted in some high value repairs being carried out. Surveys are now being undertaken for a planned programme of capital works in future years. A lower than forecast level of arrears and other minor savings across the service have offset this overspend. Capital expenditure during the year was £9.1m including £2.7m on tenants choice, £1.3m on upgrading windows, £1.1m on upgrading heating and £530k on disabled adaptations.

### **Reserves**

29. The February 2014 Budget Report to Council stated that the minimum level for the General Fund reserve should be £6.4m (equating to 5% of the net budget) and as part of that report, approval was given to a £200k contribution that takes the reserve above this minimum level to take account of the increased risks facing the Council.
30. It is proposed that the 2013-14 underspend of £314k is transferred to the General Contingency to allow Council to meet significant issues that may arise in the 2014-15 budget and beyond. This transfer would take the General Contingency to £964k, of which £273k is already committed for Tour de France. The level of reserves will then stand at £7m as at the end of March 2014, increasing to £7.6m at March 2015.
31. The outturn and the allocation of the underspend into contingency, together with the inclusion of funding in the 2014-15 budget for the contingency fund and contribution to reserves, have increased the overall financial stability of the Council. However, there remain significant risks going forward, as the public sector reductions require further savings to be delivered across the Council. The February 2014

Budget Report set out plans for achieving £23m of savings in the next two years, and it will be essential that these are delivered, alongside managing known existing pressures set out in this report. The level of reserves is now just above minimum levels giving some essential headroom for managing emerging pressures.

### Implications

- 32. The financial implications are all dealt with in the body of the report.
- 33. There are no other specific implications of this report.

### Recommendations

- 34. Members are asked to note the year end under spend of £314k and that this is transferred to the General Contingency
- 35. Members are asked to note the performance set out in the York Monitor attached, including the areas highlighted as presenting challenges, and the priorities for the year ahead.

Reason: To ensure significant financial issues can be appropriately dealt with.

<b>Authors:</b>	<b>Chief Officer Responsible for the report:</b>		
Debbie Mitchell, Corporate Finance Manager, Ext 4161	Cllr Dafydd Williams, Cabinet Member for Finance & Performance		
Jayne Venables Head of Performance, Ext 1969	Kersten England, Chief Executive		
	Ian Floyd, Director for Customer & Business Support Services		
	<b>Report Approved</b>	√	<b>Date</b> 19/06/14
<b>Wards Affected:</b> All			
<b>For further information please contact the authors of the report</b>			