

Report of the Cabinet Member for Finance and Strategy

Cabinet – 18 June 2015

REVENUE BUDGET 2015/16 – POSITION STATEMENT AND INTERIM REVIEW

Purpose:	This report provides a snapshot one complete month in to new financial year to assess progress with budget proposals agreed at Council in February.
Policy framework:	Sustainable Swansea – Fit for the Future
Reason for decision:	To review and assess progress with Revenue Budget savings for 2015/16.
Consultation:	Cabinet Members & Executive Board
Recommendations:	Cabinet is asked to a) Note assessment of progress to date and b) Consider what emergency action might be required to address fundamental emerging shortfalls in delivery.
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1 Introduction and background

1.1 This report details:

- Very early financial monitoring 2015/16
- Emerging shortfalls, with context for this as necessary
- Potential for action to address those shortfalls, including where a Cabinet steer is required

1.2 The budget set for 2015/16 included savings and funding requirements totalling £26.774m. In line with previous years this was proposed to be delivered by a mixture of savings, changes to inflation and reserves and council tax increases.

- 1.3 The bulk of the savings, £20.853m is to come from service specific savings, including schools and Sustainable Swansea delivery programmes.

2. Financial Monitoring 2015/16

- 2.1 £3.0m of savings were agreed within the *Sustainable Swansea* delivery programme as follows:

- Third Party Spend £1.75m
- Asset £1.25m

Plans are in place for the delivery of these savings but these will be considered separately as part of the review of the *Sustainable Swansea* programme, which is nearing completion.

- 2.2 A net £4.152m has been removed from schools cash budgets and in that sense alone the saving is considered delivered and assured from the authority's perspective. Schools do not have to set their budgets until the end of May, and it is only after that point we can assess the degree to which individual schools are able to deliver in practice. We also await any indication of any Welsh Government Ministerial response to our decision to reduce school budgets. Our assessment at this stage is that no Ministerial action is likely and that the majority of schools will be able to accommodate their spending plans within budget for 2015/16, having due regard to the growing scale of their reserves. However, this will be monitored closely over the coming months.

- 2.3 This leaves £13.701m of service specific savings which were agreed at Council.

	2015-16
	£'000
Original RAGs	4,742
New RAGs	7,126
Full year effect of 2014/15 Management and administration savings	1,833
Total	<u>13,701</u>
Corporate	1,828
Education	1,394
Social Services	4,524
Poverty and Prevention	237
Place	3,885
Full year effect of 2014/15 Management and administration savings	1,833

	13,701
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- 2.4 The first month delivery tracker process has been completed and this has identified a significant number of gaps and emerging issues and risks in delivery. The detail is attached as an appendix for detailed review.
- 2.5 In terms of additional staff savings, totaling £1.833m the attached appendices indicate £1.649m of £1.833m target is forecast to be achieved, with just over £1.4m already considered firm. Whilst slightly disappointing the scale of shortfall is entirely manageable and will be delivered.
- 2.6 On the service specific savings £8.1m of the £11.9m of savings are currently forecast for the year with less than £5m considered firm. This is unacceptable and the scale of shortfall so significant as to cause immediate concern and a need for action. The significant shortfalls in forecast are as follows:

	15-16
	£m
Education	0.9
Social Services (mostly Adult)	2.5
Remainder (Place, Corporate, Poverty and Prevention combined)	0.4
Total	3.8

- 2.7 It is important that the context for the **Adult Social Care** savings is acknowledged. There are clearly significant senior management challenges in the Service at present. Although these are being addressed through interim arrangements, inevitably it will take some time to assess the current position and to bring forward a revised delivery plan for savings and, at the same, time ensure the safe delivery of services. In addition, 2 of the 3 planned commissioning reviews have been deferred to later in the year because of capacity issues. This means that it will not be possible to deliver the level of savings planned for 2015/16.
- 2.8 It is also the case that a number of the 2015/16 savings in ASC were included instead of the original planned strategy for older people's services and the move to more independent living and less reliance on residential care. This change of approach has inevitably impacted on our ability to deliver savings in year, pending agreement on our future strategy for older people, which needs to be agreed quickly to avoid a similar problem for 2016/17 and future years.

3. Potential responses

- 3.1 Council, Cabinet, individual Cabinet Members and individual Heads of Service proposed and agreed these savings. The budget cannot be balanced without achieving savings of equal magnitude. Any use of underspends from 2014/15 can only be on a one off basis and will simply defer not remove the problem.
- 3.2 As a first response, any deviation from planned savings must be expected to be matched by specific compensating alternative savings being proposed from the same service area, or failing this, elsewhere in the Directorate. If this is not possible it will be necessary to review all areas of the Councils activity. Heads of Service should be tasked with identifying those proportionate and compensating responses and agreeing these with the relevant Cabinet Member.
- 3.3 The review of the *Sustainable Swansea* programme will provide an opportunity to develop and extend savings, both in value and timing (i.e. bringing forward), as the workstreams are more fully worked up and clearer savings targets established.
- 3.4 A further alternative, which should be twin tracked as an alternative option, as undertaken in prior years is to propose to implement an immediate additional stretch target of £4m on all areas to deliver extra savings. There are a number of options for this:
- Review the previous considered workstream on workforce savings which includes reviewing and implementing changes to workforce terms and conditions, although some of these will have a longer lead in time than others once approved. Target an additional £2m in year for 2015-16, subject to consultation with the Trade Unions
 - A further management and administrative delayering target. An additional £2m in year 2015-16. £2m equates to around 80 posts
 - An increase in fees and charges across the board, for example. 20%

The need to utilise this option will be dependent upon the extent to which the review of the *Sustainable Swansea* programme assures as to credible and tangible in year additional delivery of savings.

- 3.5 We need a clear steer/mandate for some savings proposals where there is currently a risk to delivery. The key areas are as follows:

Breakfast Clubs	Full saving cannot be achieved due to delay in implementation, any further delay will place the full saving at risk
Behaviour Review	Agreement is required on the future shape of the service and the responsibility of schools if current planned savings are to be achieved
Mental Health Day Services/Transport Depot	Delivery of savings has been delayed; a clear view on the future of day services is required
Domiciliary Care	A clear outcome is required from the Commissioning Review so that changes can be implemented quickly
Residential Care	A clear outcome is required from the Commissioning Review so that changes can be implemented quickly (see comment in 2.8 above)

3.6 Cabinet is asked to consider this update and the options outlined and give guidance.

4 **Legal implications**

4.1 There are no direct legal implications arising from this report

5. **Equalities implications**

5.1 EIA screening will have to be undertaken in terms of any new savings delivery proposals and any existing EIA's will need review if impacted

Background papers: None.

Appendices: None.