

Report of the Cabinet Member for Finance and Strategy

Cabinet - 17 September 2015

REVENUE AND CAPITAL BUDGET MONITORING 1ST QUARTER 2015/16

Purpose:	To report on financial monitoring of the 2015/16 revenue and capital budgets, including the delivery of budget savings.
Policy Framework:	Budget 2015/16 Sustainable Swansea –fit for the future
Reason for Decision:	To note any significant variations from the agreed budget 2015/16 and savings plan and the actions planned to achieve a balanced budget.
Consultation:	Cabinet Members, Corporate Management Team, Legal and Corporate Equalities Unit.
Recommendation:	It is recommended that the comments and variations in this report, and the actions in hand to address these, are noted.
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1. Background and Introduction

- 1.1 This report details forecast variations from the agreed budget for 2015/16, including the latest assessment of the delivery of savings.
- 1.2 In respect of Revenue Budgets, this report provides a consolidated forecast which combines:
- projected variations (mainly shortfalls) in relation to budget savings agreed by Council in February 2015
 - Variations arising from other service pressures not directly linked to specific savings plans (e.g. increased demand)
- 1.3 The report includes comments from Directors in relation to the variations highlighted and the action that is in hand or proposed as appropriate.

2. Revenue Outturn Forecast Based on June Position

2.1 Appendix 'A' to this report details the approved Revenue Budget for 2015/16 and the forecast variation at this time.

2.2 Other than projected variations on Directorate expenditure, it is too early to forecast variations that may arise on significant Corporate items including Capital charges and the level of Council Tax collection – it is assumed at the current time that these remain largely as per the approved budget.

2.3 The overall Directorate position is summarised below:-

<u>DIRECTORATE</u>	FORECAST VARIATION 2015/16 £000	SAVINGS VARIATION 2015/16 £000	OTHER VARIATION 2015/16 £000
CORPORATE SERVICES	-100	142	-242
PEOPLE - POVERTY AND PREVENTION	0	-25	25
PEOPLE - SOCIAL SERVICES	3,700	2,480	1,220
PEOPLE - EDUCATION	1,600	593	1,007
PLACE	0	405	-405
ADDITIONAL SAVINGS STRANDS - TO BE ALLOCATED	2,856	2,856	
<u>NET DIRECTORATE EXPENDITURE</u>	8,056	6,451	1,605

2.4 Directors' comments on the above variations are shown at appendix 'B' :-

2.5 The position on Workstream savings is dependent on savings being identified and, more importantly, agreement to reflect those savings within Directorate Budgets for 2015/16. It is clearly essential that work continues in this area if the forecast budget outturn is to be improved. Following the approval of the revised *Sustainable Swansea* Delivery Programme, work is underway to develop service delivery plans that will include all savings requirements across Workstreams and Delivery Strands.

2.6 The above potential overspend is a significant risk and needs to be addressed on a whole Council basis as it is unlikely at the present time that alternative savings will be deliverable within Education or Social Services Budgets. Many of the overspend items follow on from the outturn position for 2014/15 and need to be considered in the light of the forecast savings going forward within the Medium Term Financial Plan, and the cumulative effect of non-achievement savings on the MTFP deficit going forward.

2.7 Executive Board has strengthened the current arrangements for budget monitoring with the aims of:-

- quicker reporting;

- focus on corrective action;
- increased control;
- and a specific focus on the large scale savings required and built into the 15/16 budget.

3. Contingency Fund Provision for 2015/16

3.1 There is no carry forward of previous years underspends into the contingency fund for 2015/16. As such the contingency fund is set at the £5.4m contribution set out in the budget report approved by Council on 24th February 2015.

3.2 The estimated calls on the contingency fund at present are:-

Contingency Fund 2015/16	Prediction
	2015/16 (£m)
Contribution for year	5.400
Care Home fees uplift	-0.370
ERVR scheme	-4.000
Carbon Reduction Scheme	-0.150
Additional Coroners costs	-0.050
Balance 31st March	0.830

In line with previous years it is proposed to fund the actual care home fees uplift (current estimate £0.37m) from the contingency fund. There are also known additional costs resulting from the statutory obligation to fund the costs of the Coroners Office for 2015/16 and beyond together with additional costs as a result of the Carbon Reduction Scheme.

Any departures under ER/VR in 2015-16 will again be charged to the contingency fund as a one off cost to release future revenue savings. It would be prudent given the experience in 2014-15 and the accelerated budgetary savings pressures likely to bear upon the authority to increase the assumed call on the contingency for the purposes of funding ER/VRs to £4m.

3.3 The scale of potential overspends for 2015/16 are significantly in excess of any potential sum available from contingency fund to meet the shortfall, and the current indication is that there needs to be urgent and decisive action to pursue additional savings across the Council if an overall balanced budget is to be achieved. The above projected Departmental overspend position does NOT include the additional £3m built into the Council's overall Revenue Budget in respect of procurement and asset savings which have yet to be allocated across services (see comment above about the development of Service Area Delivery Plans).

3.4 The action being taken, as reported to Cabinet in June 2015 includes:

- Management Review: comprehensive review of the management structure across the Council and future requirements given the Council's priorities, future challenges and the changing nature of the role of managers
- Reducing the Pay Bill: review of options to reduce employee costs across the Council as part of our overall future workforce strategy (subject to trade union consultation at the appropriate time)
- Income Generation: review of further options to increase income from fees and charges, trading etc, in addition to the targets already set for 2015/16

3.5 It should be noted that at this time, although the Council continues to pursue a number of VAT related claims, there is NO notification of substantial windfalls from VAT refunds or any other external source in the current year.

4. Revenue Budget Summary

4.1 The position reported above reflects the best known current position.

4.2 Executive Board have reinforced the expectation that overall net expenditure must be contained within the limits of the current year budget as set by Council.

4.3 As previously mentioned, it is too early to provide an accurate forecast as to the potential outturn on Corporate items such as Council Tax collection which is in itself potentially affected by the effects of welfare reform measures, but offset by an increasing tax base.

4.4 The overall judgement at this point is that there is an urgent need to identify significant additional budget savings across all Council Services if a balanced outturn for 2015/16 is to be achieved.

4.5 Detailed monitoring of budgets will continue to be carried out and reported to Departmental Performance and Financial Management meetings on a monthly basis. Should there be no improvement in the overall forecast by the end of quarter 2 it may be the case that additional measures will have to be imposed in order to move closer to a balanced budget for 2015/16.

5. Capital Budget

5.1 Expenditure to 30th June 2015 is £13.249m as follows:

Directorate	Budget 2015/16	Actual to 30/6/15	% spend
Corporate Services	3,166	5	0.2%
People	17,671	1,691	9.6%
Place	107,054	11,553	10.8%
Total	127,891	13,249	10.4%

Expenditure on major schemes is detailed in Appendix E.

6. Legal Issues

6.1 There are no legal issues contained within this report.

7. Equality issues

7.1 The Revenue budget of the Council was approved following extensive Equality Impact Assessments being undertaken throughout the Budget setting process. It is essential where service levels are affected by changes to the Revenue Budgets (including savings options) that adequate consideration is given to the equality impact of such decisions.

Background papers: - None

Appendices: Appendix A – Revenue Budget forecast 2015/16
Appendix B – Directors comments on variances
Appendix C – Commentary on Savings Tracker
Appendix D – Savings tracker chart
Appendix E – Savings tracker summary
Appendix F - Expenditure on major Capital Schemes

Appendix A

REVENUE BUDGET PROJECTION QUARTER 1 2015/16

<u>DIRECTORATE</u>	BUDGET 2015/16 £000	PROJECTED 2015/16 £000	VARIATION 2015/16 £000
CORPORATE SERVICES	44,380	44,280	-100
PEOPLE - POVERTY AND PREVENTION	4,780	4,780	0
PEOPLE - SOCIAL SERVICES	104,701	108,401	3,700
PEOPLE - EDUCATION	156,301	157,901	1,600
PLACE	52,691	52,691	0
ADDITIONAL SAVINGS STRANDS - TO BE ALLOCATED	-3,000	-144	2,856
<i>NET DIRECTORATE EXPENDITURE</i>	359,853	367,909	8,056
<i>OTHER ITEMS</i>			
<i>LEVIES</i>			
SWANSEA BAY PORT HEALTH AUTHORITY	94	94	0
<i>CONTRIBUTIONS</i>			
MID & WEST WALES COMBINED FIRE AUTHORITY	11,773	11,773	0
<i>CAPITAL FINANCING CHARGES</i>			
PRINCIPAL REPAYMENTS	14,541	14,541	0
NET INTEREST CHARGES	14,357	14,357	0
<i>NET REVENUE EXPENDITURE</i>	400,618	408,674	8,056
<i>MOVEMENT IN RESERVES</i>			
GENERAL RESERVES	-1,200	-1,200	0
EARMARKED RESERVES	8,648	8,648	0
<i>TOTAL BUDGET REQUIREMENT</i>	408,066	416,122	8,056
DISCRETIONARY RATE RELIEF	375	375	0
<i>TOTAL CITY AND COUNTY OF SWANSEA REQUIREMENT</i>	408,441	416,497	8,056
COMMUNITY COUNCIL PRECEPTS	910	910	0
<i>TOTAL REQUIREMENT</i>	409,351	417,407	8,056
<i>FINANCING OF TOTAL REQUIREMENT</i>			
REVENUE SUPPORT GRANT	237,542	237,542	0
NATIONAL NON-DOMESTIC RATES	70,092	70,092	0
COUNCIL TAX - CITY AND COUNTY OF SWANSEA	100,807	100,807	0
COUNCIL TAX - COMMUNITY COUNCILS	910	910	0
<i>TOTAL FINANCING</i>	409,351	409,351	0

Directors comments on budget variances

Appendix 'B'

Director of Corporate Services

Variance	£000	Explanation and Action
2015/16 planned savings - income for trading Corporate Health and Safety advisory functions	70	Additional time is required to develop the business case for achieving income Savings will be found elsewhere in the Service Area to offset the projected income
Reduction of Child and Family legal budget	30	Timing of the saving. This will be achieved
Delays in staff delayering	42	Timing of the saving. This will be achieved
Council Tax Reduction Scheme	-242	Reduction in demand for discounts under the scheme

Given the overall financial position of the Council the Directorate will continue to identify further savings opportunities on an on-going basis.

Director of People

Social Services

Variance	£000	Explanation and Action
2015/16 planned savings - transfer of mental health day services to third sector	100	This saving is representative of both Learning Disabilities and Mental Health Day Services. We are looking at the reconfiguration of in house services as well as alternative use of the third sector and currently believe that £40k of this figure is achievable. Continued work will be undertaken to identify further savings to work towards the overall target.
2015/16 planned savings - reduction in Social services transport	100	Original saving did not occur but alternatives are being considered along with general tight financial control.
2015/16 planned savings - services to carers	25	Original saving did not occur but alternatives are being considered along with general tight financial control
2015/16 planned savings - Reduce number of Assessments and Reviews	100	The move to hubs has now occurred and processes will be reviewed to identify potential savings arising from the integration of services.
2015/16 planned savings - Integration	150	The move to hubs has now occurred and processes will be reviewed to identify potential

Plan: Network Hubs		savings arising from the integration of services.
2015/16 planned savings - Reablement :- Development of pathways to help people remain in their own homes	1,275	We are undertaking a full commissioning review of domiciliary care to inform this potential saving. In the meantime a full review of intake procedures and a full review of case management are underway.
2015/16 planned savings - Development of Reablement across Young Adults	150	We are undertaking a full commissioning review of domiciliary care to inform this potential saving. In the meantime a full review of intake procedures and a full review of case management are underway.
2015/16 planned savings - Redesign Home Care / Day Care for those with Complex Needs	350	We are undertaking a full commissioning review of domiciliary care to inform this potential saving. In the meantime a full review of intake procedures and a full review of case management are underway.
2015/16 planned savings - Residential Service External Learning Disability	230	This is an identified area of pressure.
Additional spend pressures – learning disability residential placements	1,300	We are implementing proposals to improve case management and are robustly reviewing shared financial responsibilities with health partners. Action is being taken to improve our procedures around recharging.
Additional spend - community equipment service	190	There is increased demand in this area.
Net reductions in spend across various areas	-270	Management action to achieve savings elsewhere in the budget.

Education

Variance	£000	Explanation and Action
2015/16 planned savings - behaviour review and EOTAS	455	The decision on the new model was delayed. Timing of this means the full year effect will be in 2016/17.
2015/16 planned savings - part – breakfast club provision	100	The target saving in this area was highly challenging. The implications of achieving the full saving as originally intended were found to be unacceptable, so alternative options were implemented.
2015/16 planned savings - Home to school transport	38	Withdrawn due to Judicial Review outcome. A review is being undertaken of implications and potential next steps.

Additional pressure – Employment training services	400	This is a timing issue and relates to an ongoing overspend situation. Cabinet took a decision in August to address this. It is expected that full year effect of the saving will be felt in 2016/17.
Additional pressure – including legal fees – home to school transport	610	There are three elements to this. First is the one-off legal costs relating to the judicial review, which are not recurrent. The second element is the increase in demand in SEN Transport due to pressure on places in Specialist Teaching Facilities and the need to tightly manage placements across the City and County. The third element is the saving proposal relating to removal of Passenger Assistants, which has been withdrawn.
Other net Miscellaneous saving	-3	Management action to achieve savings elsewhere in the budget.

Director of Place

Variance	£000	Explanation and Action
Non closure of Pennard Library	34	Deferred pending outcome of commissioning review for Library Service
2015/16 planned savings - leasing of seasonal attractions	65	Deferred pending commissioning review for Leisure services
2015/16 planned savings - transfer of Leisure Centres to a Trust model	100	Deferred pending commissioning review of Leisure Services
2015/16 planned savings - closure of Plantasia	100	Closure deferred pending the outcome of the Planning Appeal
Other savings being made across all services in order to balance budget	-299	One off savings identified in order to achieve Directorate balanced budget