

The Vale of Glamorgan Council

Cabinet Meeting: 9 October, 2017

Report of the Leader

Revenue Monitoring for the Period 1st April to 31st August 2017

Purpose of the Report

1. To advise Cabinet of the progress relating to revenue expenditure for the period 1st April to 31st August 2017 and the anticipated achievement of the approved savings targets for the year.

Recommendations

It is recommended that :-

1. The position with regard to the Authority's 2017/18 Revenue Budget be noted.
2. The amendments to the way in which savings targets will be achieved in 2017/18 as detailed in [Appendix 1](#) be approved.

Reasons for the Recommendations

1. That Members are aware of the projected revenue outturn for 2017/18.
2. To enable savings targets to be achieved in 2017/18.

Background

2. On 1st March 2017, Council approved the Revenue and Housing Revenue Account (HRA) Budgets for 2017/18 (minute no 864 and 862 respectively).

Relevant Issues and Options

3. The forecast for the 2017/18 Revenue and HRA budgets is for an outturn within target, however, some services are anticipating drawing down funding from reserves and details are provided in this report.

Directorate/Service	2017/18 Budget £000	2017/18 Projected Outturn £000	Variance Fav (+) Adv (-) £000
Learning and Skills			
Schools	82,957	82,957	0
Strategy, Culture, Community Learning & Resources	11,735	11,662	+73
Strategy and Regulation	235	235	0
Achievement for All	3,841	4,048	-207
School Improvement	1,121	1,073	+48
Additional Savings to be found	0	(86)	+86
Social Services			
Children and Young People	15,124	15,124	0
Adult Services	41,910	42,910	-1,000
Use of Reserves	0	(1,000)	+1,000
Business Management	267	267	0
Youth Offending Service	701	701	0
Environment & Housing			
Visible Services	19,914	19,914	0
Transportation	4,841	4,841	0
Building Services	0	0	0
Regulatory Services	2,166	2,166	0
Council Fund Housing	1,126	1,126	0
Public Sector Housing (HRA)	(131)	(131)	0
Managing Director & Resources			
Resources	728	728	0
Regeneration	2,091	2,091	0
Development Management	968	968	0
Private Housing	11,003	11,003	0
General Policy	15,692	15,692	0
Total	216,289	216,289	0
Met from General Reserve	(700)	(700)	0
Authority Total	215,589	215,589	0

Learning and Skills

4. The forecast is showing an overspend of £86k after an anticipated use of reserves however the Directorate is requested to look at ways of mitigating this position to deliver an outturn within budget at year end.
5. Schools - The delegated budget relating to schools is expected to balance as any under/over spend is carried forward by schools.
6. Strategy, Culture, Community Learning & Resources - It is projected that the service will outturn at a favourable variance of £73k after drawing down £105k from reserves. There is an adverse variance of £66k relating to the schools long term supply scheme, however, premiums will be increased from April 2018 to ensure the scheme is sustainable in the future. There are also adverse variances of £24k in relation to primary school rates revaluations and £7k relating to legal fees. This is offset by favourable variances of £89k relating to staff vacancies, £46k on ICT SLA income from schools, pension payments of £28k and union backfilling of £7k. The Schools Invest to Save Reserve will be used to cover the £50k adverse variance in relation to redundancies in schools, which is covered by a statutory requirement to be funded centrally. £22k from the Rationalisation Reserve will be used to fund one off staffing costs at Penarth Learning Community and a further £20k of the Rationalisation Reserve will be used to fund the cost of Welsh immersion for primary pupils transferring from English medium to Welsh medium schools. £13k of the Adult Community Learning reserve will be used due to a reduction in funding from Cardiff and Vale College however the service will be restructured to operate within the available grant.
7. Strategy and Regulation - It is anticipated that this service will breakeven at year end.
8. Achievement for All - This service is currently predicted to outturn with an adverse variance of £448k which will be partially met by transfers from reserves of £241k resulting in an adverse variance at year end of £207k. A £354k adverse variance is projected on the recoupment income budget. This budget is set for recouping income from other local authorities that purchase placements at Ysgol Y Deri. The budget has been under pressure for a number of years as a result of a demographic increase in the number of Vale pupils presenting with complex needs which has resulted in less placements available for other authorities to purchase. In addition, other authorities have developed their own provision and the level of demand has reduced. The adverse variance will be partially offset by a transfer from the School Placement Reserve of £200k. A £87k adverse variance is projected for the pupil placements budget. Occasionally the needs of very complex pupils cannot be met within the Vale of Glamorgan resources and placements are purchased from independent schools or other authorities. Unit costs are typically very high and as a result this budget can be volatile as one new pupil can have a dramatic effect on the outturn. The above will be offset by a favourable variance on staffing of £34k. Reserves will also be used to meet the costs of the remodelled guidance to engage provision which is a NEETS prevention scheme within the Social Inclusion and Wellbeing service resulting in £34k of the Youth Service reserve being utilised and £7k from the Excluded Pupil reserve will fund the overspend on alternative curriculum.
9. School Improvement - It is anticipated that this service will underspend by £48k due to a part year vacant senior post.

10. Provision has been made within the budget to make unsupported borrowing debt repayments in relation to the Schools Investment Strategy of £598k per annum and any favourable variance on debt repayments will be directed into the Schools Investment Strategy.

Social Services

11. The forecast for Social Services at year end is a potential overspend of around £1m due to pressure on the Community Care budget.
12. Children and Young People Services - The major issue concerning this service is the pressure on the children's placements budget given the complexities of the children currently being supported. Work continues to ensure that children are placed in the most appropriate and cost effective placements. However, it should be noted that due to the potential high cost of each placement, the outturn position could fluctuate with a change in the number of looked after children and/or the complexity of need. This budget will be closely monitored during the year.
13. Adult Services - The major issue concerning this service is the continuing pressure relating to the Community Care Packages budget and it is currently projected that there could be an overspend this year of around £1m. At this stage of the year, the outturn position is difficult to predict with any certainty. This budget is extremely volatile and is under pressure from significant demographic growth, an increase in the complexity of cases, as well as pressure from care providers to increase fees as a result of the National Living Wage. An increase of 1.5% above the 1% inflation provided in the budget will be paid to residential and nursing home providers. Additional funding has recently been announced by Welsh Government through the Social Care Workforce Grant which totalled £30m across Wales and has provided additional funding of £704k to the Council. This funding has been used to increase the fees paid to domiciliary care providers above the 1% provided within the budget. This additional money from Welsh Government was not sufficient to fund any growth either in number or size of care packages. It was entirely used to meet the increasing costs of domiciliary care provided by the private sector. The Community Care Packages budget will also need to achieve savings of £200k this year. The service continues to strive to manage growing demand. It has an excellent track record in this area however this is becoming increasingly difficult to contain. Further savings initiatives will be considered which may be funded via regional grants. Welsh Government has continued to provide Intermediate Care Fund (ICF) grant to Cardiff and Vale University Health Board to allow collaborative working between Health and Cardiff and the Vale Councils however the level of grant funding is not guaranteed on an ongoing basis.
14. It is proposed that up to £1 million is used this year from the Social Services Legislative Changes fund to cover the shortfall. Cabinet will be provided with further details during the course of the year.

Environment and Housing

15. It is currently projected that this service will outturn within target at year end with an anticipated use of reserves.

16. Highways & Engineering - There is currently a £129k favourable variance against the profiled budget. The main reason is due to vacant posts currently within the department, however key posts have recently been filled on a temporary basis by Agency staff therefore it is currently projected that the budget will out-turn on target.
17. Waste Management - There is currently an adverse variance of £132k to the profiled budget. The variance to date is due to overspends on staffing and transportation costs. The Waste Management budget has been reduced in 2017/18 for further vehicle savings however the department are unlikely to be able to make these in the short term due to the increased distance that has to be travelled as all waste disposal points are now situated in Cardiff. Due to this £200k has been set aside in the Visible Services Reserve from the underspend in 2016/17 to offset any pressures in 2017/18 within Waste Management. It is currently anticipated that the budget will out-turn on target.
18. Leisure - There is currently an adverse variance of £28k to the profiled budget. The main reason is due to high costs for vehicles during the start of the Grounds Maintenance season. It is anticipated that this will reduce over the winter months and therefore it is currently projected that the overall budget will outturn on target.
19. Transportation - There is currently a favourable variance of £16k against the profiled budget. Staffing costs within the division are lower than budgeted to date. There is also a slight underspend within the supported buses budget which is assisting the current favourable position. At this stage of the year it is currently anticipated that this service will outturn within budget.
20. Visible Services Reshaping Services Savings Target - In 2017/18 there is a savings target of £525k allocated to Visible Services from the current Reshaping Services programme. The proposed means of achieving this saving was approved by Cabinet on 24th April 2017 and is through the introduction of a new target operating model for the service. This savings target has yet to be allocated to specific services and is being held centrally within Visible Services. Staff consultation ended on 31st July 2017 and a number of changes are currently being considered as a result of the consultation. It is anticipated that the structure will start to be populated from late October 2017. It is envisaged that the shortfall in savings for 2017/18 will be met from the Visible Services Reserve.
21. Regulatory Services - The allocation of £2.1666m represents the Vale of Glamorgan's budget for its share of the Shared Regulatory Service (SRS). A separate set of accounts is maintained for the SRS and periodically reported to the Shared Regulatory Service Joint Committee. At this stage in the year it is anticipated that the SRS will outturn on target.
22. Council Fund Housing - It is anticipated that this budget will outturn on target, however, this is after a planned transfer from reserves of £56k to fund specific posts and issues arising as a result of the introduction of the Housing Act.
23. Public Sector Housing (HRA) - The HRA is expected to outturn on target and any underspends in year will be offset by additional contributions to Capital Expenditure thus reducing the reliance on Unsupported Borrowing.

Managing Director and Resources

24. It is currently projected that this service will outturn within target at year end.
25. Resources - It is anticipated that this service will outturn within budget.

26. Regeneration - This budget covers the Countryside, Economic Development and Tourism & Events functions. There is currently a favourable variance of £23k against the profiled budget for August, due mostly to staff vacancy savings whilst re-appointments are being made. Income due to be generated from commercial opportunities at Country Parks and car parking at Cosmeston have not yet been implemented. All non-urgent repair works at our Countryside sites are on hold as a consequence in order to achieve a balanced budget at year-end.
27. Development Management - There is currently a favourable variance against the profiled budget for August, due mainly to higher than anticipated building regulation and planning fees to date. It is anticipated that the position will level off going into the winter period so at this time it is forecast that this service will outturn on target.
28. Private Housing - There is currently a small favourable variance due to staff vacancies within the division. However, income on the new renewal area is anticipated to be lower than budget at year-end because work needed to research, agree and establish the new renewal area (recently approved as Windsor Road, Penarth) has meant that regeneration works haven't yet started. As such, it is anticipated that this service will outturn on target overall by year-end.
29. General Policy - It is anticipated that this service will outturn within budget.

2017/18 Savings Targets

30. As part of the Final Revenue Budget Proposals for 2017/18, a savings target of £4.017m has been set for the Authority. Attached at [Appendix 1](#) is a statement detailing each savings targets with an update of progress. Currently it is projected that there will be a shortfall of £584k in the achievement of this years target.
31. Each savings target has been given a RAG status. Green indicates that it is anticipated that the target will be achieved in full within the year, amber indicates that it is considered that the saving in the year will be within 20% of the target and red indicates that the saving to be achieved in year will be less than 80% of the target.
32. A saving of £320k had been approved for Social Services for the year however the way in which this was to be achieved had not been confirmed. The savings have now been allocated as follows and are shown in the attached appendix with an update of progress.

- Direct Payments (Care Packages)	£100k
- Review Team (Care Packages)	£100k
- Learning Disabilities Respite	£80k
- Physical Disabilities Day Service	£10k
- Meals on Wheels	£30k
33. With regard to the Social Services savings targets which relate to the Care Package Budget reductions, while there is significant pressure on this budget and it is anticipated to overspend, schemes have been put in place to deliver savings in this area by transferring domiciliary care clients to direct payments and by establishing a review team and therefore the saving is projected to be achieved in full.
34. It is anticipated that the £244k Transport Review saving for Visible Services will not be achieved this year. As detailed earlier in this report, funding has been ringfenced in the Visible Service Fund to cover part of the projected shortfall for this year. Part

of this saving will be achieved when the Waste Transfer Station is established however other means of achieving any shortfall will need to be identified within the Reshaping Services programme.

35. Visible Services also has a savings target of £525k under the current Reshaping Services programme which will be achieved by the introduction of a new target operating model. As stated earlier in the report it is anticipated that the structure will start to be populated from late October 2017. It is envisaged that the shortfall in savings for 2017/18 of £300k will be met from the Visible Services Reserve however it is anticipated that the savings target will be achieved in full in 2018/19.
36. Further updates on progress will be provided to members during the year.

Medium Term Financial Plan

37. The latest Medium Term Financial Plan (MTFP) 2017/18 to 2020/21 was presented to Cabinet on 18th September 2017. The authority needs to review the assumptions on which the plan is based on a regular basis, throughout the year, to ensure that they are still reasonable. Any significant change needs to be highlighted and the impact on the financial projections needs to be assessed.
38. The current MTFP assumed a reduction in Welsh Government funding of 3% for the years 2018/19, 2019/20 and 2020/21. This resulted in the requirement to find savings of £20.941 over this period, with £9.326m currently being identified. There was therefore further savings to be identified of £11.615m over the 3 year period. The latest Plan factored in a managed level of cost pressures, a notional increase in council tax of 2.6% each year, price inflation of 0.5% and annual pay awards of 1.6% each year from 2018/19.
39. Details of the initial budget settlement for 2018/19 will be received from Welsh Government in late October 2017 and initial proposals will be brought to Cabinet on 20th November 2017 which will assess the impact of the actual change in funding for 2018/19.

Resource Implications (Financial and Employment)

40. As detailed in the body of the report.

Sustainability and Climate Change Implications

41. As detailed in the body of the report.

Legal Implications (to Include Human Rights Implications)

42. There are no legal implications.

Crime and Disorder Implications

43. There are no crime and disorder implications.

Equal Opportunities Implications (to include Welsh Language issues)

44. There are no equal opportunity implications.

Corporate/Service Objectives

45. Effective monitoring assists in the provision of accurate and timely information to officers and members and in particular allows services to better manage their resources.

Policy Framework and Budget

46. This report is for Executive decision by Cabinet.

Consultation (including Ward Member Consultation)

47. Each Scrutiny Committee will receive a monitoring report on their respective areas. This report does not require Ward Member consultation.

Relevant Scrutiny Committee

48. All

Background Papers - None

Contact Officer

Carolyn Michael
Operational Manager - Accountancy

Officers Consulted

All Directors

Responsible Officer:

Carys Lord
Section 151 Officer