

The Vale of Glamorgan Council

Cabinet Meeting: 22 January, 2018

Report of the Leader

Revenue Monitoring for the period 1st April to 30th November 2017

Purpose of the Report

1. To advise Cabinet of the position relating to the revenue budget for the period 1st April to 30th November 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 Strategy & Regulation heading, under Learning and Skills, is amended to Directors Office.
3. Cabinet approves the use of £258k of the Council Fund to cover part of the projected 2017/18 overspend in Learning and Skills.

Reasons for the Recommendations

1. That Members are aware of the projected revenue outturn for 2017/18.
2. To match the operational structure.
3. To fund part of the projected overspend in 2017/18 in Learning and Skills.

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. Some services are anticipating an adverse variance at year end and will require the use of reserves to balance budgets. The table below shows the forecast for the

2017/18 Revenue and HRA budgets and details where services are anticipated to draw down funding from reserves to cover budget overspends.

Directorate/Service	2017/18 Original Budget £000	2017/18 Amended Budget £000	2017/18 Projected Outturn £000	Variance Fav (+) Adv (-) £000
Learning and Skills				
Schools	82,957	82,957	82,957	0
Strategy, Culture, Community Learning & Resources	11,735	11,014	11,333	-319
Strategy & Regulation (Directors Office)	235	235	205	+30
Achievement for All	3,841	3,840	4,490	-650
School Improvement	1,121	1,102	1,024	+78
Use of Reserves to Offset Overspend	0	0	(603)	+603
Social Services				
Children and Young People	15,124	15,168	15,368	-200
Adult Services	41,910	41,838	43,038	-1,200
Use of Reserves to Offset Overspend	0	0	(1,400)	+1,400
Resource Management & Safeguarding	267	270	270	0
Youth Offending Service	701	697	697	0
Environment & Housing				
Visible Services	19,914	20,211	20,936	-725
Use of Reserves to Offset Overspend	0	0	(725)	+725
Transportation	4,841	4,841	4,841	0
Building Services	0	0	0	0
Regulatory Services	2,166	2,169	2,169	0
Council Fund Housing	1,126	1,257	1,257	0
Public Sector Housing (HRA)	(131)	127	127	0
Managing Director & Resources				
Resources	728	1,199	1,199	0
Regeneration	2,091	2,059	2,059	0
Development Management	968	1,012	1,012	0
Private Housing	11,003	11,038	11,038	0

General Policy	15,692	15,513	15,513	0
Total	216,289	216,547	216,805	-258
	2017/18 Original Budget £000	2017/18 Amended Budget £000	2017/18 Projected Outturn £000	Variance Fav (+) Adv (-) £000
Met from Council Fund	(700)	(700)	(958)	+258
Authority Total	215,589	215,847	215,847	0

Learning and Skills

4. The forecast is projected to be an overspend of £258k after an anticipated use of Learning and Skills reserves of £603k. The Directorate has already taken a number of steps to mitigate the complex needs overspend including freezing non-essential expenditure and holding budgeted posts vacant. Whilst every effort continues to be made to decrease the net overspend, it is looking increasingly unlikely that the Directorate will outturn at budget by the end of the financial year. As it is already planned that a substantial amount of Learning and Skills reserves will be utilised in the year, it is proposed that the remaining shortfall of £258k will be funded from the Council Fund.
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 on budget after drawing down £319k from reserves. There is an adverse variance of £97k 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 is an adverse variance of £93k anticipated on education transport which is managed within the Environment and Housing Directorate. There are also adverse variances of £24k in relation to primary school rates revaluations. This is offset by favourable variances of £106k relating to staff vacancies, £34k on ICT SLA income from schools, pension payments of £42k, £17k relating to Broadband and union backfilling of £15k. The Catering service will draw down £109k from the Catering reserve to outturn at budget to fund urgent gas works required in schools as well as the school holiday enrichment programme. The Schools Invest to Save Reserve will be used to cover the £36k adverse variance in relation to redundancies in schools, which is covered by a statutory requirement to be funded centrally. £106k from the Rationalisation reserve will be used to fund revenue costs in relation to the Barry Secondary school transformation, £22k from the Rationalisation Reserve will be used to fund one off staffing costs at Penarth Learning Community, 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 and £17k will be transferred from the rationalisation reserve to cover amalgamation costs at St Helens Primary school. £9k of the Adult Community Learning reserve will be used to cover the adverse variance which is as a result of maintaining the service following a reduction in funding from Cardiff and Vale Colleges.
7. Strategy and Regulation - It is requested by the service that this heading is now referred to as the Directors Office. It is anticipated that this service will underspend

by £30k due to a freeze on expenditure and non-replacement of one post which has been held vacant in order to partially mitigate the overspend on complex needs.

8. Achievement for All - This service is currently predicted to outturn with an adverse variance of £650k which will be partially met by transfers from reserves of £284k resulting in an adverse variance at year end of £366k. A £403k adverse variance is projected on the recoupage income budget. This budget is set for recoupage 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 being 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. It is anticipated that the Social Inclusion and Wellbeing service will overspend by £47k due to the remodelled guidance to engage NEETs prevention service. This overspend will be offset by a transfer from the Youth reserve of £47k. A £200k adverse variance is projected for the pupil placements budget. Occasionally the Council is unable to meet the needs of very complex pupils within 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. There has been a significant increase in the number of pupils with social and emotional behavioural issues at key stage 3 and 4 whose needs cannot be met within our schools or the Pupil Referral unit. As a result the Directorate has found no alternative but to place these pupils with external providers which has increased the adverse position in this area. This overspend will be partially offset by a transfer from the Excluded Pupil reserve of £37k.
9. School Improvement - It is anticipated that this service will underspend by £78k due to a freeze on expenditure and non-replacement of a senior post which has been held vacant in order to partially mitigate the overspend on complex needs.
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 has now changed to a potential overspend of around £1.4m due to pressure on the Community Care budget and Children's Placements.
12. Children and Young People Services - The major issue for this Service is the pressure on the children's placements budget, which has resulted in an overall projected £200k overspend at year end. This is due to the increasing complexities of the children currently being supported, which results in their placement in very high cost units. 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. The service holds the Social Services Pressures reserve which has been set aside to offset the impact of high cost placements. If required, this reserve will be used to fund the potential deficit at year end.

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 £1.2m. 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 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 £1.2 million is used this year from the Social Services Legislative Changes fund and £200k from the Social Services Pressures reserve to cover the shortfall.

Environment and Housing

15. It is currently projected that for the service to outturn within target at year end, a £725k contribution from reserves will be required.
16. Highways & Engineering - There is currently a £145k 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 and therefore it is currently projected that the budget will out-turn on target.
17. Waste Management - There is currently an adverse variance of £206k 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. It is therefore projected that the budget will out-turn with an adverse variance of £200k at year end. £200k had been set aside in the Visible Services Reserve, from the underspend in 2016/17, to offset such a pressure and it will be used to balance the budget in this financial year.
18. Leisure - There is currently a small adverse variance to the profiled budget. The main reason is due to high costs for vehicles during the start of the Grounds Maintenance season. These costs are reducing 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 £65k 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. 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 is currently 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 was originally anticipated that the structure would start to be populated from late September 2017, however due to the scale of the transformation, it is now anticipated that the restructure will take effect fully from April 2018. It is envisaged that there will be a shortfall in the savings of £525k for 2017/18 and this will be met from the Visible Services Reserve.
21. Regulatory Services - The allocation of £2.169m 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 - The service is anticipated to outturn within budget overall, however, it is anticipated that ICT will overspend by £200k. ICT has a savings target of £400k this year however it is anticipated that only £200k will be identified through the staff reorganisation and review of contracts. There are underspends elsewhere in the Finance division from staff vacancies and supplies and services which should offset this position.
26. Regeneration - This budget covers the Countryside, Economic Development and Tourism & Events functions. There is currently a small adverse variance against the profiled budget as income due to be generated from commercial opportunities at Country Parks and car parking at Cosmeston have not yet been implemented. In addition, £10k is required to complete repairs to the Medieval Village's Reeves Barn roof which has had to be completely refurbished. There are favourable variances mitigating this position, as occupancy on workshop and office units is high, rental income is buoyant and rates costs are reduced due to less units being vacant. However, in an effort to balance the budget at year-end all non-urgent expenditure elsewhere within the division is on hold.

27. Development Management - There is currently a favourable variance against the profiled budget due mainly to higher than anticipated building regulation and planning fees. 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 - As part of the Initial Revenue Budget Proposals 2018/19 report, which was approved by Cabinet on 20th November 2017, an underspend of £570k was projected on the Council Tax Reduction Scheme, due to a lower than anticipated take up. It was approved that this sum would be transferred into reserves. This budget is therefore on profile for November and a balanced budget is forecast at year-end.
29. General Policy - As part of the Initial Revenue Budget Proposals 2018/19 report, which was approved by Cabinet on 20th November 2017, it was projected that there will be a favourable variance of £1.83m relating to capital charges and a £1.6m positive variance relating to Council Tax given the continued effectiveness of collection. These funds have now been set aside in reserves. £2m was set aside in the Council Fund, with the intention that its use would be considered by the Budget Working Group when it is taking into account all factors in formulating a balanced revenue and capital budget for the final proposals which will be presented to Cabinet and Council in February 2018. However, it is now proposed that £258k of the Learning and Skills projected overspend for 2017/18 will be funded from part of the monies set aside in the Council Fund.

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 £1.009m 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. 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.
33. 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.
34. 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 now anticipated that the structure will not be fully populated until April 2018. This will therefore require the £525k shortfall to be met from the Visible Services Reserve. It is anticipated that the savings target will be achieved in full in 2018/19.

Medium Term Financial Plan

35. 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.
36. 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 £20.941m 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.
37. Details of the initial budget settlement for 2018/19 was received from Welsh Government in October 2017 and initial proposals were presented to Cabinet on 20th November 2017. WG reported that this represents a cash reduction of 0.4% (£670k) for 2018/19. However, when taking into account new responsibilities, this actually represents a cash reduction of 0.56% (£859k). This is a smaller reduction than the 3% (£4.486m) projected in the MTFP, although it does not take into account inflation. As part of the settlement, WG has also provided an indicative figure for the change in AEF for 2019/20 which is a further reduction of 1.5%. The final settlement for 2018/19 was received from WG on 20th December 2017 and was an improvement, which taking into account new responsibilities, represents a cash reduction of 0.41% (£634k). A full assessment will be provided as part of the final budget proposals for 2018/19 which will be presented to Cabinet on 19th February 2018 and Council on 28th February 2018.

Resource Implications (Financial and Employment)

38. As detailed in the body of the report.

Sustainability and Climate Change Implications

39. As detailed in the body of the report.

Legal Implications (to Include Human Rights Implications)

40. There are no legal implications.

Crime and Disorder Implications

41. There are no crime and disorder implications.

Equal Opportunities Implications (to include Welsh Language issues)

42. There are no equal opportunity implications.

Corporate/Service Objectives

43. 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

44. This is for Executive decision by Cabinet.

Consultation (including Ward Member Consultation)

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

Relevant Scrutiny Committee

46. All

Background Papers - None

Contact Officer

Carolyn Michael
Operational Manager - Accountancy

Officers Consulted

All Directors

Responsible Officer:

Carys Lord
Section 151 Officer