

The Vale of Glamorgan Council

Corporate Performance and Resources Scrutiny Committee: 16th February 2017

Report of the Managing Director

Revenue Monitoring for the period 1st April to 31st December 2016

Purpose of the Report

1. To advise Scrutiny Committee of the progress relating to revenue expenditure for the period 1st April to 31st December 2016.

Recommendation

It is recommended that:-

1. The position with regard to the Authority's 2016/17 Revenue Budget be noted.

Reason for the Recommendation

1. That the Members are aware of the projected revenue outturn for 2016/17.

Background

2. On 14th November 2016, Cabinet approved the revised Revenue and Housing Revenue Account (HRA) Budgets for 2016/17 (minute nos C3362 and C3364 respectively).

Relevant Issues and Options

3. The Learning and Skills Directorate is projecting an adverse variance of £672k at year end and the Social Services Directorate is anticipated to outturn with an adverse variance of around £600k. Proposals to mitigate this position are outlined in the report. The HRA budget is projecting an outturn within target. The position by service is shown in the following table.

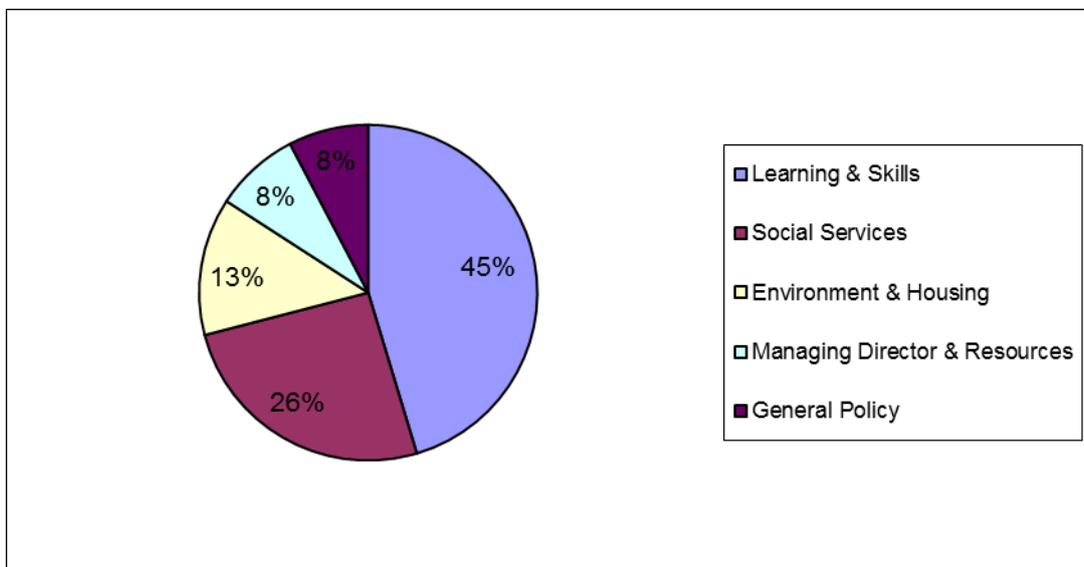
Directorate/Service	2016/17 Original Budget £'000	2016/17 Revised Budget £'000	2016/17 Projected Outturn £'000	Variance (+) Fav (-) Adv £'000
Learning and Skills				
Education and Schools		81,009	81,009	0
Strategy, Culture, Community Learning & Resources		13,233	12,947	286
Strategy and Regulation		250	208	42
Achievement for All		3,573	4,525	-952
Net transfer from Reserve		0	(672)	672
School Improvement		1,241	1,289	-48
Prior to Reorganisation	99,359			
Social Services				
Children and Young People	14,858	14,913	14,513	400
Adult Services	39,906	40,096	41,096	(1,000)
Use of Reserves	0	0	(600)	600
Business Management & Innovation	295	276	276	0
Youth Offending Service	696	701	701	0
Environment & Housing				
Visible Services	20,068	20,335	20,405	(70)
Transportation	4,834	4,836	4,766	70
Building Services	0	0	0	0
Regulatory Services	2,056	2,218	2,218	0
Council Fund Housing	744	988	988	0
Public Sector Housing (HRA)	(22)	768	768	0
Managing Director & Resources				
Resources	982	269	269	0
Regeneration	2,172	2,123	2,123	0
Development Management	896	962	962	0
Private Housing	11,262	11,021	11,021	0
General Policy	16,660	16,744	16,744	0
Total	214,766	215,556	215,556	0
Met from General Reserve	-1,500	-1,500	-1,500	0
Grand Total	213,266	214,056	214,056	0

4. Pie charts and tables set out a comparison between the profiled budget and actual expenditure for the year to date.

Comparison of Individual Profiled Budget compared to Overall Total Profiled Budget as at 31st December 2016 expressed as %

Directorate	Profile Budget £000
Learning & Skills	74,480
Social Services	41,990
Environment & Housing	21,746
Managing Director & Resources	13,416
General Policy	12,558

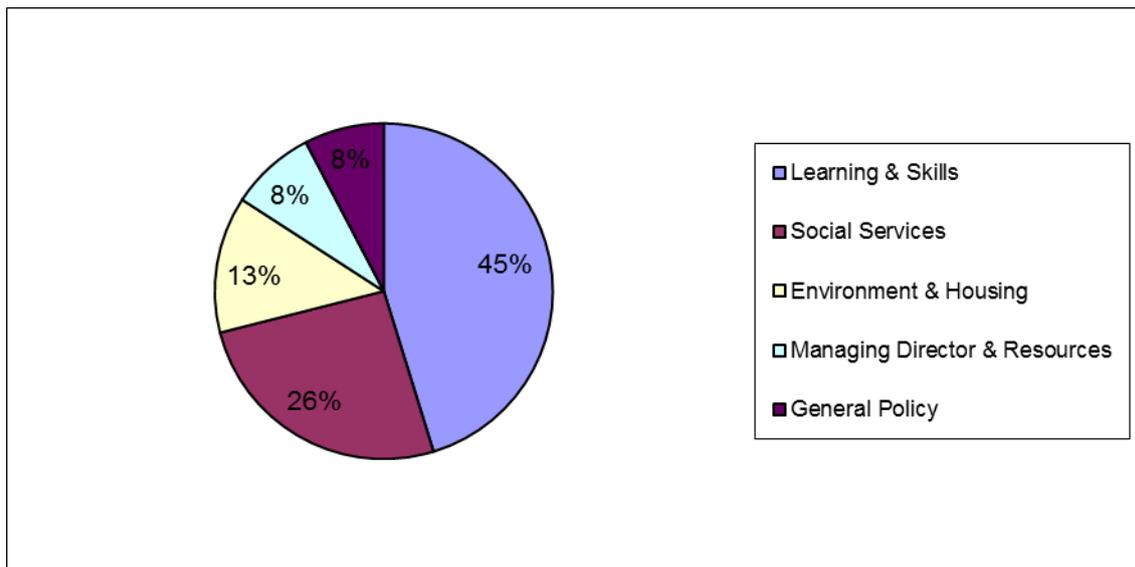
Profile Budget



Comparison of Individual Actual Spend compared to Overall Total Actual Spend as at 31st December 2016 expressed as %

Directorate	Actual Spent £000
Learning & Skills	74,480
Social Services	42,440
Environment & Housing	21,657
Managing Director & Resources	13,480
General Policy	12,558

Actual Spend



Learning and Skills

5. The Directorate is projecting to outturn with an adverse variance of £672k at year end as detailed below. £500k has been set aside in the Schools Placements reserve to be used as a one off contribution in 2016/17 to mitigate part of the shortfall while further Reshaping Services work is undertaken by the Directorate.
6. Schools - The delegated budget relating to schools is expected to balance as any under/over spend is carried forward by schools.
7. Strategy, Culture, Community Learning & Resources - This service is projected to outturn with a favourable variance of £286k after a transfer from reserves of £467k. The net underspend is as a result of early implementation of 2017/18 savings, a reduction in the number of supported non-maintained nursery settings, a number of vacancies throughout the department, an increase in ICT support packages purchased by schools, a projected underspend on the catering service of £61,000 and a recent rates rebate for school buildings of £135k. The transfer from reserves will be £93,000 from the Rationalisation reserve to contribute towards school amalgamation costs, £192k from the Libraries reserve to cover any legal costs and costs relating to the implementation of the service review, £30k from the Adult Community Learning reserve to assist with the new Welsh for Adults contract and a previous years funding reduction in Schedule 2/Cardiff and Vale College Franchise and £152k from the Early Retirement and Voluntary Redundancy Reserve to fund redundancy and retirement costs in schools.
8. Strategy and Regulation - This service is currently projecting to outturn at a favourable variance of £42k due to salary underspends and reductions in office expenses for the Directorate.
9. Achievement for All - This service is projected to outturn with an adverse variance of £280k after a transfer from reserves of £672k. This is as a result of an adverse variance of £793k on the recoupment income budget and an adverse variance on pupil placements of £268k. This position can be partly offset by projected salary underspends of £162k which are due to vacant posts in the service as a result of

early implementation of 2017/18 Reshaping Services savings. However £53k will need to be transferred into the Youth Reserve to fund the G2E project in 2017/18 whilst the service undertakes a restructure. The service has a £2.4m recoupment income budget in respect of out of county pupil placements purchased at Ysgol y Deri. Over the last few years a trend has occurred where more out of county pupils have left Ysgol y Deri than new pupils have enrolled. The main reason for this reduction in out of county pupils is due to other Local Authorities seeking to educate their children within county and to source cheaper alternatives due to budget reductions. However the school is still operating near to capacity due to an increase in demand from Vale pupils requiring placements. Whilst the Directorate has been successful in identifying reshaping savings for the Inclusion Service, the Directorate has been unable, to date, to identify further savings to cover this gap on recoupment income. The pupil placements budget is a volatile budget that can be significantly impacted with changes to packages of one or two pupils. Therefore, as an initial measure £500k has already been set aside in a Schools Placements reserve. This sum will be used as a one off contribution in 2016/17 to mitigate part of the shortfall while further Reshaping Services work is undertaken by the Directorate. However, if this shortfall of £172k cannot be mitigated further in the year, other reserves could be utilised to balance the shortfall made up of £94k from the Excluded Pupils reserve and £78k from the Adult Community Learning reserve. .

10. School Improvement - This service is projected to overspend by £48k as a result of redundancy and pension strain costs as a result of restructuring.
11. Provision has been made within the budget to make unsupported borrowing debt repayments in relation to the Schools Investment Strategy of £698k per annum and any favourable variance on debt repayments will be directed into the Schools Investment Strategy.

Social Services

12. The Directorate is projecting to outturn with an adverse variance of £600k at year end as detailed below.
13. Children and Young People's Services - It is projected that this service will outturn with an underspend of £400k. Work has been ongoing to ensure that children are placed in the most appropriate and cost effective placements. This has included our success in significantly reducing the number of children placed in residential care, from an average of 23 in 2014/15 to a current average of 10. It should however be noted that the number of Looked After Children has increased during the course of the year, placing considerable pressure on our in-house fostering resources and increasing our reliance on independent fostering placements. Given this pressure and the complexity of some of these children, the outturn position could fluctuate with a change in the number of looked after children and/or their need for independent fostering or residential placements.
14. Adult Services - It is projected that the Community Care Package budget could outturn with a variance of up to £1 million by year end. This budget is extremely volatile and has been adversely affected this year by the increase in the cost of packages commissioned as a result of the introduction of the National Living Wage, the continued pressure on the budget from demographic growth and clients having increasingly complex needs. The final outturn is, however, difficult to predict. The increase in fee levels is above the level of inflation provided for within the budget.

15. The annual deferred income budget for 2016/17 has been set at £747k and as at 31st December 2016, income received to date was £58k above the annual budget. The projected overspend for care packages currently includes a favourable variance of £100k relating to deferred income. It is likely that this income will increase in the last three months of the year and therefore will improve the overall position of the care packages budget.
16. The service will strive to manage growing demand and try to mitigate this position and some initiatives may be funded via regional grants in the current financial year. It is proposed that any shortfall at year end is funded from the Social Services Legislative Changes fund.

Environment and Housing

17. It is currently projected that this service will outturn within target at year end.
18. Highways & Engineering - There is currently a £36k favourable variance against the profiled amended budget. The main reason is the vacant posts currently within the department, however key posts have recently been filled by Agency staff therefore it is currently projected that the budget will out-turn on target.
19. Waste Management - There is currently an adverse variance of £29k to the profiled amended budget. The variance to date is due to overspends on staffing and transportation costs. Round changes within waste collections were implemented on 1st August 2016 in order to reduce the resources required to provide the service. The service has taken several months to become imbedded while staff learn their new rounds, however, from mid-January it is anticipated that vehicle requirements will reduce by 2. This will also reduce the requirement for 4 agency staff. From March 2017 the Green Waste collection service will be double-shifted and an afternoon shift will commence. This will reduce the requirement for hired vehicles in 2017/18. It is currently anticipated that there will be a £70k adverse variance at year end which will be met from a favourable variance within Transportation.
20. Leisure Services - There is currently an adverse variance of £2k to the profiled budgets. The main reason is high repair 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.
21. Transportation - There is currently a favourable variance of £77k against the profiled budget. Staffing costs within the division are lower than budgeted to date. The income received for producing bus passes is also higher than budgeted, which has contributed to the underspend to date. It is currently anticipated that this service will outturn with a favourable variance of £70k which will offset the projected overspend within Waste Management.
22. Regulatory Services - The allocation of £2.218m 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 is 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.
23. Council Fund Housing - It is anticipated that this budget will outturn on target, however, this is after a planned transfer from reserves to fund specific posts and issues arising as a result of the introduction of the Housing Act.

24. 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

25. It is currently projected that this service will outturn within target at year end.
26. Resources - It is anticipated that this service will outturn within budget.
27. Regeneration - This budget covers Economic Development, Countryside and Tourism & Events functions. There is currently a small favourable variance on this budget. Rental income at our VEC workshops remains behind target as it is proving difficult to let the persistently vacant units which are in need of some refurbishment. A capital allocation of £100k has however been identified and is included in the current year's Capital Programme in order to invest in the fabric of the buildings to increase the rental income potential at the site. This will not assist the position this year, though it is anticipated that with the investment, the targets could be met next year. The £60k target income for car parking income at Country Parks remains unachieved. The service has identified additional income streams which are anticipated to mitigate both the loss of workshop and car parking income and hence, at this stage, it is still projected that this service will outturn on target.
28. Development Management - There is an adverse variance relating to the Local Development Plan (LDP) as expenditure was delayed from 2015/16, however, funding was set aside in reserves for this purpose in the last financial year and will therefore be drawn down to offset this position. Planning fee income remains below profile. This is considered to be due to uncertainty in the construction market as a result of the referendum for the United Kingdom's exit from the European Union. It is very difficult to forecast final Planning fee income expected by March however there is some sign of improvement in recent months and the service is making every effort to contain controllable costs to mitigate any potential shortfall in income at year-end.
29. Private Housing - There is currently a small favourable variance as a staff vacancy is aiding the adverse variance on Renewal Area fee income. Disabled Facility Grant fee income however remains above profile to assist the overall position. It is therefore anticipated that this service will outturn on target.
30. General Policy - It was reported to Cabinet on 14th November 2016 that the projected outturn for Policy was a favourable variance of £4m when compared to the amended budget. However Cabinet resolved "That the sum of £4 million be set aside to the General Fund and consideration be given for that allocation to be used to offset the shortfall in the revenue budget and/or used for capital schemes, the details of which will be considered by the budget working group before the final revenue proposals are presented to Cabinet and Council for approval".

2016/17 Savings Targets

31. As part of the Final Revenue Budget Proposals for 2016/17, a savings target of £9.289m was set for the Authority. Attached at Appendix 1 is a statement detailing all savings targets for 2016/17 and the projected outturn. Services are working towards fully achieving their savings targets however at this stage of the year it is anticipated that not all the savings will be made and there could be a shortfall of £680k.
32. Learning and Skills - There is a saving target of £292k to be found from the Inclusion Service budget. It is anticipated that this level of saving can be achieved during the

year, however, there are further pressures on the budget which will result in an overspend as already detailed above.

33. Social Services - Within Adult Services, £100k of the full year saving generated from the Hafod homes transfer has been offset against the £300k saving for Residential Services. Currently, there are no other formalised plans in place to find the remaining £200k of this saving. Further consideration will have to be given to the way in which this saving can be fully achieved in the future. With regard to the Care Package Budget Reduction, 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, by putting in place additional reablement capacity and by establishing a review team and therefore part of the saving is shown as being achieved.
34. Environment and Housing - While progress has been made towards achieving the savings, there has been a delay in commencing some of the schemes and therefore the full year target is not anticipated this financial year. £1.2m has been included in the Capital Programme for the installation of LED lighting. Installation will commence this year however savings will not be achieved until 2017/18. Also as previously stated, waste collection rounds have been revised as detailed previously in this report. However savings from the reduction in vehicles will not be made until 2017/18. The £50k saving relating to Public Conveniences will not be achieved this year as options are currently being explored, however, Prosiect Gwyrdd is anticipated to make a higher saving than required and this is partly offsetting the shortfall on other savings. As stated earlier in the report, Leisure Services are reviewing their vehicle requirements and are not anticipating the achievement of the full saving this year. Where savings will not be achieved in year, services will seek to cover the shortfall on a one off basis from other areas.
35. Managing Director and Resources - There has been a delay in the exit from the JobFit contract which has resulted in a predicted shortfall against the savings target for Regeneration. Savings required from the Vale Enterprise Centre workshops are not being realised as some units are difficult to let due to their poor condition, however, funding has now been included in the Capital Programme to resolve this issue. Human Resources and Performance and Development currently have a small level of further savings to achieve however the shortfall will be accommodated from within other budgets this year.

Medium Term Financial Plan

36. The latest Medium Term Financial Plan (MTFP) 2016/17 to 2019/20 was presented to Cabinet on 26th September 2016 min no. C3330. The Authority needs to review the assumptions made as part of the MTFP on a regular basis, throughout the year, to ensure that the assumptions are still reasonable. Any significant change needs to be highlighted and the impact on the financial projections needs to be assessed.
37. The current MTFP assumed a reduction in WG funding of 3% for the years 2017/18, 2018/19 and 2019/20. This resulted in the requirement to find savings of £24.146m over this period, with £7.783m currently being identified. There was therefore further savings to be identified of £16.363m over the 3 year period. The latest Plan factored in a managed level of cost pressures, a notional increase in Council Tax of 2% each year, price inflation of 1% and annual pay awards of 1% each year from 2017/18.
38. The most significant change to the assumptions contained in the current MTFP is the announcement of the final budget proposals for 2017/18 by Welsh Government. The actual reduction in Welsh Government funding for 2017/18 will be 0.88% as opposed

to the 3% assumed in the current plan. No indication has been provided for the level of funding for future years. The impact of this change on the Authority's financial projections and the level of savings required in future years will be considered as part of the final revenue budget proposals for 2017/18 which will be presented to Cabinet on 20th February 2017.

Resource Implications (Financial and Employment)

39. As detailed in the body of the report.

Sustainability and Climate Change Implications

40. As detailed in the body of the report.

Legal Implications (to Include Human Rights Implications)

41. There are no legal implications.

Crime and Disorder Implications

42. There are no crime and disorder implications.

Equal Opportunities Implications (to include Welsh Language issues)

43. There are no equal opportunity implications.

Corporate/Service Objectives

44. 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

45. This report is for Executive decision by the Cabinet.

Consultation (including Ward Member Consultation)

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

Relevant Scrutiny Committee

47. All

Background Papers - None

Contact Officer

Carolyn Michael
Operational Manager - Accountancy

Officers Consulted

All Directors

Responsible Officer:

Rob Thomas, Managing Director