



POLICY AND RESOURCES SCRUTINY COMMITTEE – 19TH JANUARY 2016

**SUBJECT: WHOLE-AUTHORITY REVENUE BUDGET MONITORING REPORT
2015/16**

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND SECTION 151
OFFICER**

1. PURPOSE OF REPORT

- 1.1 To inform Members of projected whole-authority revenue budget expenditure for the 2015/16 financial year.

2. SUMMARY

- 2.1 The report provides information on the position of the whole-authority in respect of revenue budget monitoring for 2015/16. Detailed reports have been presented to Scrutiny Committees throughout the financial year. Consideration has been given to the expenditure and income trends in the first 8 months of the financial year. A projection has then been made of the likely outturn and where significant variations from budget have been identified these are commented upon below.

3. LINKS TO STRATEGY

- 3.1 The Council has a number of corporate strategies and this report deals with the use of resources in the achievement of those strategies.

4. THE REPORT

- 4.1 Members will be aware of the challenging financial outlook for Local Government and the need to identify significant savings to support the Council's Medium-Term Financial Plan (MTFP). Officers have been mindful of this and as a consequence expenditure has been curtailed in a number of areas. This prudent approach has resulted in projected underspends for all Directorates.
- 4.2 The table overleaf makes a comparison between the original estimate, a revised estimate (where approved changes have been made in year) and the projected outturn. It is a high-level budget review as regular detailed budget monitoring reports have been prepared for Scrutiny Committees. The total revenue budget underspend for the Authority for 2015/16 is projected to be £5.453m. This does not include the Housing Revenue Account (HRA), details of which are provided separately in paragraphs 4.68 to 4.73.

	2015/16 Original Estimate £000's	2015/16 Revised Estimate £000's	2015/16 Anticipated Outturn £000's	2015/16 (Overspend) /Underspend £000's
Education & Lifelong Learning	124,176	124,176	123,757	419
Social Services	74,350	74,350	73,796	554
Environment	50,785	51,046	50,036	1,010
Corporate Services	23,229	23,347	22,228	1,119
Miscellaneous Finance	53,073	52,694	50,557	2,137
Contribution from Working Balances	-1,200	-1,200	-1,414	214
Totals: -	324,413	324,413	318,960	5,453

Education & Lifelong Learning (£419k underspend)

4.3 The following table summarises the projected variances against budget for the Education & Lifelong Learning Directorate:-

	Projected (Overspend)/ Underspend £000's
Home to School/College Transport	250
Behaviour Support Training	(150)
Additional Support (Primary & Secondary)	(271)
Recoupment (SEN Out-of-County/LAC/ Inter-Authority)	370
EOTAS (Education Other Than at Schools)	(210)
Early Years Provision & Support	56
Education Achievement Service contract	57
In-Year Vacancies	246
Public Libraries	(66)
Other	137
Total: -	419

4.4 The Home to School/College Transport budget is managed by the Engineering Division (with any variances ring-fenced to Education). The projected underspend relates to contract efficiency savings that form part of the Directorate's Medium-Term Financial Plan (MTFP) savings proposals for 2016/17.

4.5 Investment in Behaviour Support Training across all Primary and Secondary schools is essential to address behavioural issues that are giving rise to increasing cost pressures across Additional Support, EOTAS (Education Other Than At Schools) and an increase in potential Tribunal cases. This investment commenced at the end of the previous financial year and is being funded from in-year savings. It is targeted to assist in MTFP savings requirements moving forward.

4.6 The projected variance against the Additional Support budget continues to be closely monitored and this projection is subject to change as needs are assessed. In 2014/15 the outturn position was an overspend of £162k. The increase over the last 2 years is closely linked to an increase in Statements around ASD (Autistic Spectrum Disorder), which is a national trend.

- 4.7 The underspend on the Recoupment budget (Special Educational Needs and Looked After Children), is significant. This projection is based on current placements and an estimate for additional need, but remains uncertain due to the often emergency nature of placements. Whilst the level of spend on the Additional Support budget has increased, this cost is significantly less than the cost of a child placed in an Out-of-County school on either a daily or residential placement. Moving forwards the Additional Support and Recoupment budgets will need to be realigned to reflect the current spend profile. Overall, on these 2 budget lines, there is currently a projected net underspend of £99k.
- 4.8 EOTAS provision is currently under review, both internally and with regards to procured activity. This service accommodates learners who are unable to attend and learn through mainstream school and has seen a recent increase in referrals for children with challenging behaviour. Consequently, the service is currently projecting an overspend of up to £210k.
- 4.9 The Authority provides funding for Rising 3's nursery provision in our schools and in independent nursery settings. This service is demand led and current projections suggest that there will be an underspend for this year.
- 4.10 The 2015/16 charge on the main contract with the Education Achievement Service is less than the current budget provision.
- 4.11 Across the Education and Lifelong Learning Directorate there are a number of in-year vacancies. These relate to a number of areas notably Behaviour Support, School Based Counselling, EOTAS, Central Support Services and Community Focus schools. Some of these savings form part of the MTFP proposals moving forward.
- 4.12 The Public Libraries projected overspend relates to one-off costs associated with the loss of 8 posts within the Service. This restructure is part of the agreed MTFP to reduce opening hours to the public.
- 4.13 The projected outturn does not at this point include any potential redundancy and associated costs that could arise if some of the grant funded projects within the Directorate end as at 31st March 2016. This position will become clearer in the coming months.

Social Services (£554k underspend)

Children's Services (£242k underspend)

- 4.14 An underspend of £505k is anticipated against the Children's Services Management, Fieldwork and Administration staff budgets. Much of this saving is as a result of holding vacant posts in anticipation of savings requirements for the 2016/17 financial year.
- 4.15 An overspend of £338k is anticipated against child care placement costs, which reflects current commitments and financial contributions to some placements from partner organisations. The Division continues to make every effort to contain spending against this budget but this is a highly volatile budget area which is sensitive to even small changes in the number of placements.
- 4.16 The remaining underspend of £75k is largely attributable to preventative and support services with a small number of high cost support packages having terminated since the previous financial year.

Adult Services (£308k underspend)

- 4.17 An underspend of £170k is anticipated against the Adult Services Management, Fieldwork and Administration staff budgets and is mainly due to a number of back-office posts being held vacant in anticipation of savings requirements for the 2016/17 financial year.

- 4.18 An underspend of £131k is forecast against our own residential homes and Supported Living accommodation due to higher than anticipated income from service users. This income is dependant upon the financial circumstances of the individuals accommodated in our homes at any time and therefore can fluctuate over time.
- 4.19 An underspend of £239k is anticipated against in-house day care services. Around £102k of this is as a result of the early delivery of savings that were initially expected from October 2015. The remaining underspend in this area can be attributed to staffing vacancies.
- 4.20 Additional service user contributions in respect of non-residential care amounting to £331k are expected as a result of a combination of an increase in Welsh Government maximum charges, the implementation of recommendations arising from the work of the Task and Finish Group for Non-Residential Charging and changes in service users' disposable income.
- 4.21 An underspend of £66k is anticipated against the Authority's contribution to the Gwent-Wide Integrated Community Equipment Service (GWICES). This relates to a reimbursement from the service in respect of underspends from earlier years.
- 4.22 An overspend of £118k is projected in respect of packages of care purchased from independent care providers, the Home Assistance and Reablement Team (HART) and the Adult Placement Service. It should be noted that demand for these services is expected to grow in line with demographic changes and can be particularly volatile during the winter period.
- 4.23 An overspend of £341k is forecast against the Supporting People budget. This has occurred as a result of the late notification of a reduction in Welsh Government specific grant which left the service financially overcommitted by around £474k at the beginning of the financial year. In-year action has been taken to address this shortfall which will deliver a balanced budget in 2016/17.
- 4.24 In light of the projected net underspend across the Division, it has been agreed to invest in solar panel installations at a number of our residential homes. This investment will result in recurring savings in energy costs for future years. The £170k overspend for other budgets within Adult Services can largely be attributed to this investment.

Service Strategy & Business Support (£4k underspend)

- 4.25 An overspend of £80k is projected against staff costs due to delays in delivering some of the savings targets that were included in the 2015/16 budget settlement for the Directorate.
- 4.26 A further overspend of around £26k is anticipated as a result of additional office furniture and equipment requirements resulting from a number of office re-locations linked to the closure of Ty Pontllanfraith.
- 4.27 These projected overspends are more than offset by a projected underspend in transport costs. A contingency budget is held within Business Support in response to the overspends that have been experienced within the Integrated Transport Unit (ITU) in recent years. However, in 2014/15 the ITU delivered a small underspend in respect of Social Services transport costs and is projecting a balanced position for the current financial year. Therefore, it is anticipated that this contingency will not be required in 2015/16.

Environment (£1,010k underspend)

Regeneration & Planning (£239k underspend)

- 4.28 The Regeneration & Planning Division is forecasting a projected underspend of £239k as summarised in the following table: -

	Projected (Overspend)/ Underspend £000's
Development/Building Control/Land Charges	(66)
Strategic Planning and Local Development Plan (LDP)	(71)
Business Enterprise Support/Business Urban Renewal	64
Industrial Estate Rents	101
Tourism Events	29
Tourism Venues	112
Bargoed Retail Development	(58)
Other	128
Total: -	239

- 4.29 Development Control, Building Control and Land Charges have a combined projected overspend of £66k, which is primarily due to fee income being lower than the budgeted level. This shortfall has been partially offset by delays in the filling of posts.
- 4.30 Strategic Planning and Local Development Plan (LDP) budgets are presently projected to be £71k overspent due a shortfall in grant and other fee income and associated LDP monitoring costs, partly offset by staffing underspend due to maternity leave not being covered.
- 4.31 Business Enterprise Support and Business Urban Renewal is projecting an underspend of £64k mainly due to vacant posts which are MTFP savings in advance.
- 4.32 There is a projected £101k underspend in relation to Industrial Estates due to income from rents in excess of targets, and reduced maintenance costs. Again there is a MTFP saving in advance proposal of £100k for 2016/2017.
- 4.33 Tourism Events have a net projected underspend of £29k, with additional income generated from the Big Cheese event being partly offset by one off- costs in relation to the Urdd held at Llancaiach Fawr.
- 4.34 At present the Tourism Venues are reporting an overall underspend of £112k due to a combination of income generation above target and reduced operational costs. Again, MTFP savings are being considered for the tourism venues in 2016/2017. The financial performance of the tourism venues is pleasing especially as summer weather has been poor.
- 4.35 There is a projected overspend of £58k in relation to the Bargoed retail shop units which are part of the Bargoed Regeneration project. This is due to anticipated under occupancy in 2015/2016 on the units.
- 4.36 There is a net projected underspend of £128k on other budgets within the Regeneration & Planning Division.

Engineering Division (£262k underspend)

- 4.37 The Engineering Division is forecasting a projected underspend of £262k as summarised below: -

	Projected (Overspend)/ Underspend £000's
Highway Reactive Maintenance/Repairs	(200)
Street Lighting	238
Staffing	215
Other	9
Total: -	262

- 4.38 Expenditure in relation to highway reactive maintenance/repairs is presently projected to be £200k overspent due to ongoing pressures on the highway network. However, in the event of any severe winter weather this position could worsen. The Division is reviewing the highway maintenance programme and endeavouring to balance the budget by the financial year end.
- 4.39 The projected underspend of £238k in Street Lighting is a combination of street lighting energy (£190k) due to low energy prices and capital investment in low energy LED lights. The remaining £48k underspend relates to maintenance. MTFP savings have been identified for the 2016/17 financial year.
- 4.40 There is a projected underspend of £215k in staffing costs for the Division due to delays in filling posts and posts being kept vacant to support MTFP savings requirements.
- 4.41 There is a net projected underspend of £9k on other budgets within the Engineering Division.

Public Protection (£242k underspend)

- 4.42 The Public Protection Division is forecasting a projected underspend of £242k as summarised below: -

	Projected (Overspend)/ Underspend £000's
Environmental Health	92
Trading Standards/Licensing/Registrars	51
Community Safety	34
Catering	10
Other	55
Total: -	242

- 4.43 Environmental Health is currently projecting a net underspend of £92k. This includes a £29k underspend in the Enforcement Group due to additional income from Blaenau Gwent in relation to pest control, £43k underspend in Pollution due to vacant posts which are MTFP savings in advance and £20k underspend in the Food Team due to maternity leave. These underspends may be partly offset due to potential increases in Welsh Water costs resulting from monitoring at closed landfill sites and the appointment of new consultants for contaminated land. Costs in relation to closed landfills, pollution and contamination can be volatile and subject to change during the year so they will be monitored closely.
- 4.44 Trading Standards, Licensing and Registration is reporting a projected underspend of £51k mainly due to vacant posts.

- 4.45 Community Safety is projecting a £34k underspend primarily due to staffing in relation to CCTV and Community Safety Wardens from reduced overtime and maternity leave and additional CCTV monitoring income from other services.
- 4.46 Catering Services are projecting an overall underspend of £10k which is net of one-off costs in relation to severance costs and adaptations to the Ty Penallta kitchens to accommodate the transfer of the Meals on Wheels service from Tir-y-berth.
- 4.47 Public Protection administration and support costs are projected to underspend by £55k due to staff vacant posts in administration and trainees, which are MTFP savings in advance for 2016/2017.

Community & Leisure Services (£267k underspend)

- 4.48 The Community & Leisure Services Division is forecasting a projected underspend of £267k as summarised below: -

	Projected (Overspend)/ Underspend £000's
Waste Management & Street Cleansing	77
Parks, Outdoor Facilities & Cemeteries	256
Leisure Services	(77)
Vehicle Maintenance & Fleet Management	25
Building Cleaning	(14)
Total: -	<hr/> 267 <hr/>

- 4.49 Within Waste Management & Street Cleansing there is a large projected overspend in relation to dry recycling treatment of £809k due to revised treatment contract arrangements with a higher cost per tonne. These new arrangements will ensure security of recycling materials treatment for at least the next 12 months. The projected position also reflects a one-off payment to Viridor of £276k for the processing of incinerator bottom ash. This will assist in increasing the Council's recycling tonnage closer to the 58% statutory target which needs to be achieved to avoid the potential imposition of fines. Additional SWMG of £200k has been received which will be used to assist in the funding of the bottom ash processing. There is also a projected overspend of £293k in relation to residual waste treatment and disposal costs arising from the need to redirect some waste to landfill sites due to downtime at the Viridor plant.
- 4.50 There are a number of offsetting underspends within Waste Management & Street Cleansing. The first of these is a projected underspend of £225k in relation to Civic Amenity sites waste treatment due to reduced tonnage resulting from the introduction of the permits scheme. There is also a projected underspend of £462k in staffing costs, the majority of which arises from MTFP savings in advance. There is a projected underspend £216k arising from reduced/delayed vehicle and plant replacement and projected underspends totalling £352k on other operational costs.
- 4.51 Overall, Parks, Outdoor Facilities and Cemeteries is presently projecting an underspend of £256k. However, £232k of this underspend relates to Cemeteries where any underspend is ring-fenced for future planned investment to create and enhance cemetery provision across the County Borough. The remainder of the service area is projecting an underspend of £24k, which is due to a staff vacant post which is a MTFP saving in advance for 2016/2017.
- 4.52 Leisure Services is reporting an overall net overspend of £77k. Leisure Centres are reporting an overspend of £176k, much of which is due to a projected under achievement in income targets. The Leisure Centres have challenging income budget targets as a result of the

additional £100k MTFP savings applied in 2015/2016. The overspend in Leisure Centres is partly offset by an underspend in central leisure of £74k due to vacant posts and other central costs and an underspend in sports & health development of £25k. Income targets at Leisure Centres will be monitored closely as income generation is subject to variation depending on customer demand.

4.53 Vehicle Maintenance & Fleet Management is projecting an underspend of £25k. The outturn position will be dependent on the value of work through the workshop over the next few months and the ability to finance fixed overheads.

4.54 Building Cleaning is reporting a projected overspend of £14k.

Corporate Services (£1,119k underspend)

4.55 The Directorate of Corporate Services is currently forecasting an underspend of £1,119k for the 2015/16 financial year.

4.56 There is a projected underspend of £406k in Corporate Finance and Procurement which relates in the main to delays in appointing to vacant posts, vacancies which are being held to support MTFP savings requirements for 2016/17 and some additional one-off income.

4.57 Legal & Governance is projecting a net underspend of £157k which is also due to vacancies which are being held to support MTFP savings requirements.

4.58 There is a projected underspend of £30k on General Fund Housing services, and a £72k underspend on Private Housing due to an in year retirement and a delay in filling a vacant post.

4.59 There is an anticipated underspend of £176k in Information and Citizens Engagement, consisting of the following:-

- IT Services - £205k underspend which is due in the main to vacancies being held to support MTFP savings requirements for 2016/17.
- Central Services – A current £82k overspend projection due to some previously agreed savings yet to be achieved and an additional temporary resource requirement within the Information Governance Team.
- Communications - £42k underspend due in the main to vacancies being held to support the MTFP savings requirements for 2016/17.
- Customer First - £11k underspend which is also due in the main to vacancies being held to support the MTFP savings requirements for 2016/17.

4.60 For Performance and Property there is a net projected underspend of £49k.

4.61 There is a projected underspend of £144k for Human Resources which is also due in the main to vacancies which are being held to support MTFP savings requirements for 2016/17.

4.62 There is a projected underspend of £66k for Health and Safety due in the main to vacancies being held to support the MTFP savings requirements for 2016/17, together with vacancies within the Occupational Health Section.

Miscellaneous Finance (£2,137k underspend)

4.63 There is an overall projected underspend of £2,137k in Miscellaneous Finance.

4.64 There is a projected overspend of £28k on Coroner's Service costs due to changes in the legal rules surrounding the deaths of residents in care homes.

4.65 There is a projected net underspend of £1,943k on Capital Financing budgets which is due to the following:-

- Changes to debt pooling arising from the Housing Revenue Account Subsidy (HRAS) buy-out.
- A 0.5% reduction in the assumed borrowing rate moving forward.
- Lower Minimum Revenue Provision (MRP) due to the Capital Financing Requirement (CFR) being lower than originally anticipated.
- Improved returns on investments.

4.66 There is a projected £23k overspend on the NNDR discretionary rate relief budget.

4.67 The remaining projected underspend for Miscellaneous Finance consists of the following:-

- NNDR Empty Properties - £82k
- Proposed Waste Transfer Station - £150k
- Catering Subsidy - £13k

Housing Revenue Account (HRA)

4.68 The HRA is currently projected to underspend by £2.9m (this does not include any slippage on the Welsh Housing Quality Standard (WHQS) which is ring-fenced to the Programme).

4.69 Direct salary costs are expected to underspend by circa £300k due to staff turnover, subsequent delays in filling posts, and some staff opting out of the pension scheme. The underspend represents circa 3% of the overall salary budget of £10m (excluding WHQS staff who are charged to the capital programme), but is offset by a projected overspend of £140k for other pay related costs including agency staff within Response Maintenance. This in turn has led to a reduction in the use of external contractors.

4.70 Capital Financing Requirements are expected to be £1.4m lower than originally budgeted. This underspend relates to the buy-out from the Housing Revenue Account Subsidy (HRAS) in April 2015. In order to buy-out of the system the HRA borrowed £75m. Initially this was thought to attract a Minimum Revenue Provision (MRP) of 2% in its first year but the Authority's Treasury Advisors (Arlingclose) have since confirmed that the MRP will be deferred by one year from the point of borrowing as is the case under normal borrowing circumstances.

4.71 Additional income of £1.4m is anticipated mainly as a result of increased WHQS works by the Housing Response Operations, which is recharged to the WHQS capital programme. This additional work has resulted in a projected increase in labour and material costs of £1.3m.

4.72 Revenue Projects which includes external contractors for specialist works and to support the response maintenance service are anticipating a £1m underspend.

4.73 A net underspend of £240k is anticipated for other budgets within the HRA.

5. EQUALITIES IMPLICATIONS

5.1 This report is for information purposes, so the Council's Equalities Impact Assessment (EqIA) process does not need to be applied.

6. FINANCIAL IMPLICATIONS

6.1 As detailed throughout the report.

7. PERSONNEL IMPLICATIONS

- 7.1 The personnel implications of agreed savings for future years will be carefully managed and staff will be fully supported to identify redeployment opportunities wherever possible.

8. CONSULTATIONS

- 8.1 There are no consultation responses that have not been reflected in this report.

9. RECOMMENDATIONS

- 9.1 It is recommended that Members continue to request Directors and Heads of Service to review expenditure and income trends in order to ensure annual budgets and in-year savings are achieved.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 The Council budget is based upon the achievement of both expenditure targets and income targets. In order to ensure these are met and that the Council's financial integrity is maintained, Members are required to review expenditure and income trends included in budget monitoring reports.

11. STATUTORY POWER

- 11.1 Local Government Act 1972 and 2000.

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Background Papers:
Budget Monitoring 2015/16
(Contact Interim Head of Corporate Finance - Ext 3022)