



POLICY AND RESOURCES SCRUTINY COMMITTEE – 20TH JANUARY 2015

**SUBJECT: WHOLE-AUTHORITY REVENUE BUDGET MONITORING REPORT
2014/15**

**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 2014/15 financial year.

2. SUMMARY

- 2.1 The report provides information on the position of the whole-authority in respect of revenue budget monitoring for 2014/15. 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 across all service areas.
- 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 2014/15 is projected to be £5.158m. This does not include the Housing Revenue Account (HRA), details of which are provided separately in paragraphs 4.58 to 4.61.

	2014/15 Original Estimate £000's	2014/15 Revised Estimate £000's	2014/15 Anticipated Outturn £000's	2014/15 (Overspend) /Underspend £000's
Education & Lifelong Learning	124,035	124,035	123,506	529
Social Services	75,289	75,289	72,882	2,407
Environment	53,459	53,951	53,548	403
DLO/DSO Efficiency	68	68	-12	80
Corporate Services	24,372	24,389	23,696	693
Miscellaneous Finance	54,810	54,301	53,255	1,046
Use of Earmarked Service Reserves for one off spend	0	0	0	0
Contribution from Working Balances	-1,200	-1,200	-1,200	0
Totals: -	330,833	330,833	325,675	5,158

Education & Lifelong Learning (£529k underspend)

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

	Projected (Overspend)/ Underspend (£000's)
School Meal Admin. & Utilities Reimb /Grounds Maintenance /Teachers Perf. Mgt	60
Relief Supply Cover (Special Resource Bases)	60
Additional Support (Primary & Secondary)	(229)
Recoupment – Out of County (Special Educational Needs)	920
Early Years (Rising 3's)	(33)
Music Service	62
VI Service (Hosted Joint Service)	56
Behaviour Support Training (Across all School's)	(200)
In Year Vacancies / Other Net Variations	133
Potential Redundancy Costs	(300)
Total Projected Underspend	529

4.4 The projected underspends with regards to School Meals Administration, Utility and Telephone cost reimbursements, grounds maintenance and Teachers Performance Management reflect current commitments for these budget heads and form part of the Directorate's savings proposals for 2015/16.

4.5 The Relief Supply Cover budget is volatile in nature as it relates to additional costs in respect of maternity across all School settings and sickness cover for staff in the Special Resource Bases attached to mainstream schools.

4.6 The projected overspend against the Additional Support budget continues to be closely monitored. The increase over the last 18 months is closely linked to an increase in Statements around ASD (Autistic Spectrum Disorder), which is a national trend. The projection is based on the most recent data but is subject to on-going change as pupil needs and support is assessed.

- 4.7 The projected underspend on the Recoupment budget (Special Educational Needs & Looked After Children), is significant. The projection is based on current placements and an estimate for additional need, but remains uncertain due to the often emergency nature of placements. The £920k variance includes the release of £500k Out of County Reserves from previous financial years, this is a one-off saving. The in year projected underspend should be reviewed against the level of overspend on Additional Support, as whilst this cost has increased it is significantly less than the cost of a child placed in an Out of County School on either a daily or residential placement.
- 4.8 The spend on Early Years (Rising 3's) is very much dependant on the pupil age profile and the uptake of places in Primary Schools or non maintained settings (nursery placements in the term following the child's 3rd birthday).
- 4.9 Projected underspends with regards to the Music and Visually Impaired Services are very much consistent with recent years and form part of savings in advance to support the MTFP.
- 4.10 Investment in Behaviour Support Training across all Primary & 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 is being funded from in year savings and is essential to assist in achieving MTFP savings targets moving forward.
- 4.11 Across the Directorate there are a number of in year vacancies. Whilst the financial savings are small individually, collectively they add up to a more significant sum. The savings relate to a number of service areas and some of these savings form part of the MTFP moving forward.
- 4.12 Recognising the financial pressure associated with redundancy payments, an amount of £300k has been identified as a potential in-year cost. In 2014/15 there are a number of European Grant Funded Projects that are coming to an end, this includes Prevent (14-19), Bridges into Work, Working Skills for Adults and Real Opportunities (Trinity Fields). There is also likely to be a cost pressure in relation to Adult Tutors following the reduction in Adult Community Learning Funding from Welsh Government and consequently the College Franchise Agreements for 2014/15.

Social Services (£2,407k underspend)

Children's Services (£1,007k underspend)

- 4.13 An underspend of £341k 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 2015/16 financial year.
- 4.14 An underspend of £355k is anticipated against child care placement costs, which reflects current commitments and financial contributions to some placements from partner organisations. This underspend will assist towards achieving savings targets for 2015/16 but Members will be aware that this is a highly volatile budget area which is sensitive to even small changes in the number of placements.
- 4.15 An underspend of £91k is anticipated for the Youth Offending Service budget. This is due to a combination of the current year's contribution to the Service being lower than the budgeted level and a one-off release of retained surpluses from previous years.
- 4.16 Strong financial management within the 16 Plus Team has led to a potential underspend of £129k against Aftercare Services, which will assist in achieving savings targets for 2015/16.
- 4.17 An underspend of £57k has resulted from a review of contracts with Voluntary Sector organisations and this will also assist in achieving savings targets in 2015/16.

- 4.18 The remaining underspend of £34k is largely due to a recurring underspend against disability equipment and has been identified as a saving within the 2015/16 budget strategy.

Adult Services (£1,372k underspend)

- 4.19 An overspend of £176k is anticipated against the Adult Services Management, Fieldwork and Administration staff budgets. This overspend is due to a combination of delays in implementing 2014/15 savings proposals, a market supplement awarded to Mental Health Social Workers and additional travelling expenses.
- 4.20 The actual levels of income currently being received from residents in the Council's own residential homes indicate that the current cohort of residents have a higher average income than those resident when the budget was set, resulting in additional income of around £328k.
- 4.21 It has become necessary to replace the ageing boilers at Brooklands Day Centre and Ystrad Mynach Day Centre. This work will be financed by revenue contributions to capital expenditure totalling £140k.
- 4.22 Additional service user contributions in respect of non-residential care amounting to £406k are expected as a result of a combination of an increase in Welsh Government maximum charges and the implementation of recommendations arising from the work of the Task and Finish Group for Non-Residential Charging.
- 4.23 An underspend of £217k is anticipated against the Authority's contribution to the Gwent-Wide Integrated Community Equipment Service (GWICES). This includes a reimbursement of underspends from earlier years and a recurring underspend of £132k which will support 2015/16 savings targets.
- 4.24 An underspend of £621k is projected in respect of packages of care purchased from independent care providers. 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.
- 4.25 A net underspend of £57k is predicted against in-house residential, day care and telecare establishments.
- 4.26 An underspend of £59k is projected against other Adult Services budgets including recurring underspends in respect of Luncheon Clubs that have now disbanded and renegotiated contracts with Voluntary Organisations. These recurring underspends will assist in achieving savings targets in 2015/16

Service Strategy & Business Support (£28k underspend)

- 4.27 An underspend of £27k is predicted against staff costs due to recruitment freezes and various backfill arrangements.
- 4.28 A budget of £145k is held within Business Support in response to recurring overspends experienced within the Integrated Transport Unit (ITU) in respect of Social Services transport costs. The ITU is projecting a reduced overspend for the current financial year of £100k leaving an under commitment of £45k within Social Services.
- 4.29 A net underspend of £23k is projected against other budgets as a result of non-recurring issues.
- 4.30 In light of the projected underspends within Business Support, £67k has been earmarked as a revenue contribution towards the costs of updating the Social Services vehicle fleet.

Environment and DLO/DSO's (£483k underspend)

Regeneration, Planning and Economic Development (£164k underspend)

- 4.31 Planning is anticipating an overspend of £202k for the year and Economic Development & Tourism an underspend of £366k, resulting in an overall projected underspend of £164k for the Division.
- 4.32 The overspend in Planning is primarily due to reduced levels of income for Planning Application and Building Control Regulation fees. Income in these areas will be monitored closely as the number of applications and fee levels can vary. There is also a projected overspend in relation to grant reductions from the Welsh Government associated with the Local Development Plan (LDP) process. These overspends are partly offset by underspends in staffing, some of which have been put forward as proposed savings for 2015/2016.
- 4.33 Economic Development & Tourism is presently projecting an underspend of £366k. This underspend is partly due to staff vacant posts (£156k) in Business Enterprise Support, Business Urban Renewal and Tourism & Events, all of which are proposed savings for 2015/2016. There is also a projected £150k underspend in relation to Industrial Estates due to income from rents being in excess of targets, and reduced maintenance costs. Again, an element of this is being considered as a potential saving in 2015/2016. At present the Tourism Venues are reporting an overall underspend of £84k due to a combination of income generation above target and reduced operational costs. Savings proposals have also been put forward in these areas for 2015/2016. These underspends are partly offset by a projected overspend on the GO 2 initiative of £60k. The GO 2 hosting service has now been transferred to alternative providers, to alleviate any further future overspend. There is also a projected unbudgeted cost of £25k in relation to the Bargoed retail shop units which are part of the Bargoed Regeneration Project. This is due to anticipated under occupancy in 2014/2015 on the units.

Engineering Division (£5k overspend)

- 4.34 The Engineering Division is projecting a small £5k overspend at present. This excludes ring-fenced projected budget variations in relation to Home to School Transport (£17k underspend) and Social Services Transport (£100k overspend), which will be transferred to the Service Directorates. The main overspends relate to highway maintenance especially road surface dressing and patching work. Officers are reviewing works programmes to achieve a balanced budget in this area, but a great deal does depend on the severity of winter weather. There are also some overspends in relation to car parks, bus stations and shelters and park and rides due to increased costs of National Non-Domestic Rates (NNDR), maintenance, cleaning and CCTV costs. These overspends are largely offset by staff savings.

Public Protection (£258k underspend)

- 4.35 The Public Protection Division is presently projecting an underspend of £258k. Environmental Health has an underspend of £55k primarily due to an increase in fee income in relation to the Pest Control service, MTFP vacancy savings in advance and additional Food Standard Agency (FSA) funding for the Food Team. Increased sewerage discharge costs at closed landfill sites are expected towards the end of the year following approved works. Funding was approved by Cabinet on 1st October 2014 from Corporate balances to complete works at Coed Top closed landfill site to alleviate some of these sewerage discharge problems.
- 4.36 The Trading Standards, Licensing and Registration service group is reporting a projected underspend of £26k, which is primarily due to an underspend in staffing and income above budget in relation to Registrar's fees. This is partly offset by a shortfall in licensing fee income, which will continue to be monitored closely as it can be subject to variation during the year.

- 4.37 Community Safety is projecting an underspend of £56k, which is primarily due to an underspend in staffing costs in the CCTV control room due to changes in shift patterns and maternity leave. There has been additional income during the year due to extra cameras for clients.
- 4.38 Catering Services are reporting an underspend of £119k, largely due to a combination of increased income and reduced operating costs in relation to primary and comprehensive schools and breakfast clubs. However, this will need to be carefully monitored as any school closures due to adverse winter weather will impact upon income.

Community & Leisure Services (£183k underspend)

- 4.39 Waste Management & Cleansing is presently projecting an overspend of £33k. There is an underspend of £486k anticipated in residual waste disposal due to the commencement of the Project Gwyrdd interim contract. This is less than anticipated earlier in the year due to operational issues with the Plant, which has resulted in a greater diversion of waste to landfill disposal. The final value of underspend will be dependent on the tonnage of waste treated which in turn is dependent on any technological issues and periods the Plant is available to take waste. At present the underspend in relation to Project Gwyrdd is more than offset by overspends in relation to residual waste collection costs, dry recycling treatment tonnage and contract rates, increased costs at Civic Amenity sites dealing with recyclable waste and works required to the Full Moon transfer station. At present, there is a high level of uncertainty in relation to the cost of treating recyclable waste due to the need for re-tendering exercises. The overall overspend in waste management services is largely offset by an underspend in Street Cleaning Services and HQ staffing and operational costs, both of which have been identified as savings proposals for 2015/2016.
- 4.40 Parks and Outdoor Facilities is presently projecting an underspend of £324k, however this includes a £379k underspend in Cemeteries, which is a ring fenced budget where any in-year underspend is used for future asset enhancement in the Council's cemetery provision.
- 4.41 Leisure is reporting an overspend of £108k primarily due to an overspend in staffing costs at the Leisure Centres and delayed implementation of the administrative staff rationalisation as part of the MTFP savings for 2014/2015. The Leisure Centres have challenging income budget targets as a result of the additional £135k MTFP savings applied in 2014/2015, but at present the increased income target is projected to be achieved. The overspend on Leisure Centres is partly offset by underspend in relation to energy costs and in sports development. Income targets at Leisure Centres will be monitored closely as they can be volatile.

DLO/DSO Trading Accounts (£80k net surplus)

- 4.42 The Vehicle Maintenance DSO and Network Contracting Services (NCS) are currently projecting a break-even position.
- 4.43 The Building Cleaning DSO is reporting an anticipated trading profit of £80k.

Directors General (£197k overspend)

- 4.44 An element of vacancy management savings are held at strategic Directorate level until specific service savings are identified. The present target is £197k and this will be reduced as further savings are identified and allocated to Service Divisions.

Corporate Services (£693k underspend)

- 4.45 The Directorate of Corporate Services is currently forecasting an underspend of £693k for the 2014/15 financial year.

- 4.46 There is an anticipated underspend of £19k in the Chief Executive and Secretariat budget due in the main to the savings generated by the part-time costs of the former Interim Head of Paid Service.
- 4.47 There is a projected underspend of £437k in Corporate Finance and Procurement, which relates to delays in appointing to vacant posts together with vacancies which are being held to support the MTFP savings requirements for 2015/16.
- 4.48 Legal & Governance is projecting a net underspend of £69k which is due to a delay in the backfilling of posts following the appointment of the Interim Head of Legal Services.
- 4.49 There is a projected underspend of £23k on Housing services, which is due in the main to an early retirement.
- 4.50 There is a small underspend of £2k projected for Information and Citizens Engagement.
- 4.51 For Performance and Property there is a projected underspend of £119k, which is due to reduced energy costs, maternity leave and increased fees for Building Consultancy.
- 4.52 There is a projected small overspend of £3k for Human Resources.
- 4.53 There is a projected £27k underspend identified for the Health & Safety budget mainly due to one off increased income.

Miscellaneous Finance (£1,046k underspend)

- 4.54 There is a projected underspend of £1,046k in Miscellaneous Finance of which £436k is due to the following currently uncommitted budgets:-
- 21st Century Schools Funding - £106k
 - Budget Pressures - £227k
 - NNDR Empty Properties - £60k
 - Unapplied Growth – Living Wage - £43k
- 4.55 There is a projected overspend of £16k on Statutory Benefit Schemes relating to Discretionary Housing Payments.
- 4.56 There is a projected net underspend of £666k on the Welsh Housing Quality Standards Capital Financing budget after the utilisation of £272k as a Revenue Contribution to Capital Outlay (RCCO), as agreed by Cabinet on the 1st October 2014.
- 4.57 There is a projected net overspend of £40k on Bank Charges relating to the ongoing tender process for banking services.

Housing Revenue Account (HRA)

- 4.58 The HRA is projecting an underspend of £4.7m.
- 4.59 Direct salary costs are expected to underspend by circa £250k due to staff turnover, subsequent delays in filling posts, and some staff opting out of the pension scheme. The underspend represents a circa 2% saving on the overall salary budget of £13.3m. A further saving is expected on other pay related expenditure e.g. mileage of £135k. These savings are offset by an overspend of £248k on agency staff within response maintenance to support our trade operatives, which in turn has led to a reduction in the use of external contractors. Agency costs within the WHQS delivery team have also increased by £392k in order to support our workforce in the delivery of the Programme.

- 4.60 HRA Subsidy is expected to be £1.3m lower than originally budgeted. This is due to the guideline rent given by Welsh Government (WG) being lower than estimated resulting in a lower notional rent being clawed back from WG.
- 4.61 The Revenue Contribution to Capital Outlay (RCCO) of £12.2m which funds the majority of the WHQS Capital Programme will not be fully utilised this year. Major slippage during the 2014/15 financial year has necessitated a review of the investment strategy over the remaining 5 years of the Programme, and has resulted in a large number of sequence changes, mainly affecting external works. An underspend on the WHQS Programme is therefore anticipated at approximately £12m which means that not all of the RCCO is required from the HRA. The underspend on the RCCO budget is currently projected to be some £3.7m and this will be used to support the Programme in future years.

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.

Author: Stephen Harris, Interim Head of Corporate Finance
Tel: 01443 863022 E-mail: harrisr@caerphilly.gov.uk

Consultees: Chris Burns, Interim Chief Executive
Nicole Scammell, Acting Director of Corporate Services & Section 151 Officer
Sandra Aspinall, Acting Deputy Chief Executive
Dave Street, Corporate Director, Social Services
Mike Eedy, Finance Manager, Environment
Andrew Southcombe, Finance Manager, Corporate Finance
Jane Southcombe, Senior Group Accountant, Lifelong Learning
Mike Jones, Interim Financial Services Manager, Social Services
Gail Williams, Interim Head of Legal & Governance
Gareth Hardacre, Head of People Management & Development
Shaun Couzens, Chief Housing Officer
Phil Davy, Head of Programmes
Lesley Allen, Principal Accountant, Housing
Angharad Price, Deputy Monitoring Officer
Cllr B Jones, Deputy Leader & Cabinet Member for Corporate Services
Cllr G Jones, Deputy Leader/Cabinet Member for Housing

Background Papers:
Budget Monitoring 2014/15
(Contact Interim Head of Corporate Finance - Ext 3022)