

EXTRACTS FROM:

CABINET MEETING: 17 SEPTEMBER 2015

BUDGET MONITORING – MONTH 4 REPORT

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM:3

PORTFOLIO: CORPORATE SERVICES & PERFORMANCE (COUNCILLOR GRAHAM HINCHEY)

Reason for this Report

1. To provide the Cabinet with an update of the financial monitoring position for the authority based on the first four months of the financial year and as updated for significant movements to date.

Background

2. This monitoring report provides details of the projected outturn for 2015/16 compared with the budget approved by Council on the 26th February 2015.
3. The presentation of surpluses and deficits in this report follows the convention, which shows an excess of expenditure over budget as a positive and additional income over budget as a negative. Conversely, expenditure less than budget would be shown as a negative while income lower than expected would be denoted as a positive. Negative items are shown in brackets.

Issues

Revenue

4. Overall, the month four revenue monitoring for the Council shows a balanced position with financial pressures and shortfalls against budget savings targets in directorate budgets offset by projected savings on capital financing and an anticipated surplus on Council Tax collection. Directorate budgets are currently projected to be overspent by £6.1 million however it is anticipated that management actions will enable this to be reduced by the year end. The current position includes projected overspends in the Social Services, City Operations and Economic Development Directorates and in Corporate Management. This reflects a number of factors including shortfalls against budget savings targets set as part of the 2015/16 budget and on-going shortfalls carried forward from the previous financial year. The directorate overspends are partially

offset by the £4.0 million general contingency budget which was maintained as part of the 2015/16 budget in order to reflect the quantum, risk and planning status of the proposed savings for 2015/16. A summary of the overall position is attached as Appendix 1 to this report.

5. The projected overspends in directorate budgets include £4.960 million in Social Services, £867,000 in City Operations, £300,000 in Economic Development and £138,000 in Corporate Management. This position reflect a range of factors including increased demographic pressures, shortfalls in income and the anticipated failure to fully achieve the savings targets set as part of the 2015/16 budget together with on-going shortfalls carried forward from the previous financial year.
6. The 2015/16 savings targets for each directorate are set out in Appendix 2(a) to this report together with the projected savings currently anticipated to be achieved. An overall shortfall of £5.422 million is currently anticipated against the £32.473 million directorate savings target with £16.785 million having been achieved to date and a further £10.266 million anticipated to be achieved by the year end. The budget approved by Council on the 26 February 2015 identified red or red / amber achievability risks totalling £10.230 million with £5.854 million of the savings proposals still at a general planning stage. These risks are evident in the projected shortfall currently reported as part of the month four monitoring. A projected shortfall of £2.769 million has also been identified in relation to savings targets carried forward from 2014/15 and these are set out in Appendix 2 (b) to this report. The projected shortfalls are reflected in the directorate monitoring positions although where possible shortfalls have been offset by savings in other budget areas. The £4.0 million General contingency budget which was allocated to reflect the risk and planning status of the proposed savings for 2015/16 is also available to offset the shortfall in the current financial year. However, despite this the shortfalls represent a continuing cause for concern particularly as the Council is about to embark on another very difficult budget round.
7. Actions are being taken by those directorates currently reporting a projected overspend in order to try to resolve the issues that led to the current position or alternatively to identify offsetting savings in other areas of the service. This will be reviewed as part of the challenge process to review the performance of directorates including the budget monitoring position. The Chief Executive has also held a series of meetings with directors to identify measures to reduce the level of spend across the Council with the intention of improving the overall position as the year progresses. These reviews will continue throughout the year and the actions taken also discussed in the Chief Executive's monthly meetings with individual directors.
8. The 2015/16 Budget included a number of specific contingencies including £2.515 million in relation to waste disposal reflecting the difficulty of predicting tonnage figures and the consequent impact on disposal costs and £1.422 million to reflect the potential for future growth in the number and value of claims as part of the Council Tax Reduction

Scheme (CTRS). There was also a contingency of £950,000 to reflect the potential for increased costs in relation to placements for looked after children in Social Services and £350,000 to offset potential income shortfalls in relation to the Material Recycling Facility (MRF) as a result of volatility in the market for recycle materials. Having reviewed these areas as part of the monitoring process this report recommends that the contingency budgets for looked after children and the MRF be fully allocated and that allocations of £1.147 million be made from the Waste Management Contingency and £673,000 from the CTRS Contingency. The Waste Management allocation includes £537,000 to reflect the impact of increased tonnages and £610,000 to support the interim recycling of incinerator bottom ash by Viridor in order for the Council to meet its recycling targets. The budget pressures in these areas will continue to be monitored as the year progresses and further draw downs identified where necessary. At present, for monitoring purposes the balance on these contingency budgets is shown as committed as is the £7.7 million budget earmarked to meet costs arising from the Council's Voluntary Severance Scheme in the current financial year. This includes repayments to earmarked reserves as set out in the financial model in the 2015/16 Budget Report.

9. A financial statement showing the spending position for each directorate is attached as Appendix 1 to this report. Comments on the main variances and any significant issues are as follows:

Social Services +£4,960,000 (+£5,910,000 prior to proposed contingency allocation)

36. The overall position for the Directorate shows a projected overspend of £4.960 million with overspends of £1.2 million forecast in relation to Children's Services and £3.760 million in Adult Services. The projected overspend reflects the impact of continuing demographic pressures, especially within Children's Services where there has been a significant increase in the number of placements and cost for looked after children particularly in relation to external fostering. The overall position also reflects a significant shortfall against budget savings targets both in respect of the 2015/16 budget and in relation to on-going shortfalls against 2014/15 savings targets which have yet to be achieved. This is particularly the case in Adult Services with this being the major reason for the overspend in this area. Total savings of £5.057 million are currently projected to be achieved against the Directorate's 2015/16 savings target of £8.137 million leaving a projected shortfall of £3.080 million. In addition a shortfall of £1.758 million is also forecast against the savings targets carried forward from 2014/15. These shortfalls are reflected in the Directorate outturn projection with details of the individual variances set out in Appendices 2(a) and 2(b) to this report.
37. The Children's Services budget is currently projecting an overspend of £1.2 million however this includes the impact of the draw down of the £950,000 specific contingency budget set aside to meet increased costs in relation to placements for looked after children. The drawdown has been

incorporated into the Directorate budget but is subject to Cabinet approval as set out in the recommendations to this report. Although the Service received an additional budget realignment of £2.4 million as part of the 2015/16 budget process, on-going pressures on the budgets for external placements, leaving care support costs and adoption allowances have all contributed to the overspend. These pressures have been alleviated to an extent by mitigating actions taken in respect of guardianship allowances and by savings in Child Health & Disability

commissioning budgets and in staff costs across the service. The overall position includes a projected shortfall of £950,000 against the £2.7 million of savings targets allocated to the Service as part of the 2015/16 budget process and this is reflected in the analysis of the variances below.

38. An overspend of £1.904 million is currently projected in respect of external placements for looked after children with on-going pressures on external residential placements and a significant increase in the number of external fostering placements increasing costs in this area. This is after allowing for the drawdown of the £950,000 contingency budget which was set aside specifically to meet increased costs associated with external placements. The projection includes an anticipated shortfall of £626,000 against the budget savings targets in this area with only partial savings likely to be achieved in relation to payment by results and other initiatives. Other projected overspends include £117,000 on leaving care support costs for children aged 16+ and £121,000 in relation to adoption fees and allowances reflecting increases in the number of children being placed for adoption. Whilst this results in higher fees and allowances the increase in adoptions will have prevented higher expenditure on more expensive forms of care. Projected overspends of £335,000 in Business Support & Performance and £115,000 in Management & Service Support budgets reflect a combination of projected shortfalls against budget savings targets, increased commitments and residual costs arising from the managed social work service.
39. A saving of £425,000 is projected in relation to guardianship orders with no increase in the level of residential order allowances anticipated in this financial year. A saving of £247,000 is projected in relation to Child Health & Disability commissioning budgets mainly in respect of domiciliary and respite care. This reflects a significant reduction in expenditure in this area in recent years following a process of reviews and a switch to direct payments. There are also projected savings of £290,000 on the Family Support / Personal Advisor Service and £59,000 on Internal Fostering both of which largely reflect savings on staffing budgets. An underspend of £370,000 is currently projected in relation to social work / case work and safeguarding budgets. This reflects a combination of staff turnover, a realignment of resources within the social work teams and measures taken to reduce the level of agency staff employed in this area.
40. The Adult Services budget is currently projecting an overspend of £3.760 million. This is due to projected shortfalls against the budget savings targets for 2015/16 and the on-going shortfalls from 2014/15. Although some cost pressures have been identified they are not as significant as in previous years and are offset by in-year savings on other budgets within

the Directorate. This also reflects the additional funding provided as part of the 2015/16 Budget which included a budget realignment of £3.2 million, funding for demographic pressures of £1.6 million, £1.5 million to reflect specific cost and legislative pressures and £625,000 to meet fee increases. Overall the shortfall against the savings targets amounts to £3.845 million with £2.127 million relating to 2015/16 and £1.718 million carried forward from 2014/15. These include significant shortfalls against

savings targets on commissioning budgets including domiciliary care and residential and nursing care and have a particular impact on the overall monitoring position for Services to Older People and People with a Physical Disability. Details of the individual variances are set out in Appendices 2(a) and 2(b) to this report.

41. Overall, the commissioning budgets are currently reporting a projected overspend of £3.546 million of which the majority relates to shortfalls against savings targets. The overall position includes projected overspends of £2.393 million on Services for Older People, £823,000 on People with a Physical Disability, £142,000 on Mental Health Services, £118,000 on People with Learning Disabilities and £70,000 on the Community Alcohol and Drugs Team. Projected overspends arising from demographic and cost pressures are relatively limited with the main pressures linked to an increase in the cost of nursing beds for older people resulting in a projected overspend of £428,000. Specific pressures have also been identified in Services to People with a Physical Disability with projected overspends of £200,000 on domiciliary care and £100,000 on nursing care. An overspend of £70,000 is also projected on the Community Alcohol and Drugs commissioning budget reflecting growth in supported living placements. These are more than offset by in-year savings on other budgets within the Directorate including savings on other commissioning budgets, Internal Services and Assessment and Care Management.
 42. Internal Services are currently projecting an overspend of £555,000 with £430,000 relating to Learning Disabilities Supported Living and Day Care and £225,000 linked to the realignment of the contract arrangements with Hafod Care and the closure of the Cathedral View Home. In both cases these projected overspends are linked to shortfalls against savings targets. The Cathedral View Home has now closed thereby achieving the full saving in future years. These overspends are partly offset by a saving of £100,000 arising from the reconfiguration of older people day care services and the closure of Gabalfa Day Centre in advance of the work to create a Community Hub at the same location. A saving of £191,000 is also projected in relation to Assessment and Care Management reflecting staff vacancies within the service.
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Reasons for Recommendations

122. To consider the report and the actions therein that forms part of the financial monitoring process for 2015/16.

Legal Implications

123. It is a Council responsibility to set the budget and policy framework and to approve any changes there to or departures there from. It is an Executive responsibility to receive financial forecasts including the medium term financial strategy and for the monitoring of financial information.

Financial Implications

124. The overall revenue monitoring position currently indicates a balanced spend against budget with directorate overspends offset by projected savings on capital financing budgets and an anticipated surplus on Council Tax collection. Directorates are currently projecting an overspend of £6.1 million with overspends reported in relation to Social Services, City Operations, Economic Development and Corporate Management. The overspends reflect a range of factors including increased demographic pressures, shortfalls in income and the anticipated failure to fully achieve the savings targets set as part of the 2015/16 budget together with on-going shortfalls carried forward from the previous financial year. These are partly offset by the £4.0 million general contingency budget which was maintained as part of the 2015/16 budget in order to reflect the quantum, risk and planning status of the proposed savings for 2015/16. Where applicable, allocations from specific contingency budgets have been reflected in directorate budgets subject to approval by Cabinet as part of this report.
125. The potential overspend includes a projected shortfall against the savings identified for each directorate as part of the 2015/16 budget together with any shortfalls against savings targets carried forward from the previous year. An overall shortfall of £5.422 million is currently anticipated against the £32.473 million directorate savings targets for

2015/16 with £16.785 million having been achieved to date and a further £10.266 million anticipated to be achieved by the year end. A projected shortfall of £2.769 million has also been identified in relation to savings targets carried forward from 2014/15. The projected shortfalls are reflected in the directorate monitoring positions although where possible shortfalls have been offset by savings in other budget areas. The July Cabinet meeting approved the Budget Strategy Report for 2016/17 and identified the significant financial challenges that the Council faces in the medium term. The projected under-achievement of identified savings in 2015/16 together with those carried forward from the previous year underlines the difficulties of achieving year on year savings across the Council.

126. The projected overspend in directorate budgets and in particular the shortfalls against savings targets represent a continuing cause for concern. Actions are being taken by those directorates currently reporting a projected overspend in order to try to resolve the issues that led to the current position or alternatively to identify offsetting savings in other areas of the service. This will be reviewed throughout the year as part of the overall challenge process to review the performance of directorates including the budget monitoring position. The Chief Executive has also held a series of meetings with directors to identify measures to reduce the level of spend across the Council with the intention of improving the overall position as the year progresses. These reviews will continue throughout the year.
127. The 2015/16 Capital Programme is £324.441 million of which £115.279 million is in respect of General Fund schemes and £209.162 million is in relation to the Council's Public Housing schemes. Against this, the projected outturn for 2015/16 is £297.290 million resulting in a total variance of £27.151 million.
128. The Programme, Projected Outturn and Projected Variance are shown below:

Capital	2015/16 Programme	2015/16 Projected Outturn	Projected Variance
	£M	£M	£M
General Fund	115.3	88.3	(27.0)
Public Housing	209.1	209.0	(0.1)
Total	324.4	297.3	(27.1)

129. Where there is a risk of slippage, directorates, must address any obstacles promptly to ensure budgets allocated are spent in a timely manner. Where this is not possible, early reporting of issues should take place and robust profiles of expenditure should be developed for future years.
130. The Capital Programme update includes a number of schemes planned to be funded by external grants that have strict deadlines for expenditure having to be incurred. It is essential that directorates ensure that no opportunities for utilisation of such funding are lost to the Council by ensuring appropriate resources are directed to these schemes and that consideration has been given to all steps required to ensure contracts are in place and to meet the terms and conditions of such funding.

RECOMMENDATIONS

The Cabinet is recommended to:

1. Note the potential outturn position based on the first four months of the financial year.
2. Approve allocations totalling £3.120 million from the Specific Contingency Budgets to the City Development, Communities, Housing & Customer Services and Social Services Directorates as set out in this report.

3. Reinforce the requirement for all directorates currently reporting overspends as identified in this report to put in place action plans to reduce their projected overspends.

CHRISTINE SALTER

Corporate Director

11 September 2015

The following appendices are attached:

Appendix 1 – Revenue position

Appendix 2 (a) – Budget Savings position – 2015/16 Savings

Appendix 2 (b) – Budget Savings position – 2014/15 Savings

Appendix 3 – Capital Programme