

Report of the Cabinet Member for Finance, Performance and Customer Services

2013-14 Finance Monitor 3

Purpose

1. The purpose of this report is to provide details of the headline financial performance issues for 2013-14, covering the period 1 April 2013 to 31 December 2013. The report assesses performance against budgets, progress of the council's savings programme, the council's revenue reserves and provides Members with an update on localisation of business rates.

Overview

2. The council's net General Fund budget for 2013-14 is £127,778k. An overview of the finance forecast, on a directorate by directorate basis, is outlined in Table 1 below.

| Directorate | 2013/14 Net Budget | 2012/13 Outturn | Monitor 2 | Latest forecast | Movement |
|--|-------------------------------|----------------------------|------------------|----------------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Children's Services, Education & Skills | 19,277 | +295 | +958 | +623 | -335 |
| City & Environmental Services | 11,581 | +998 | +887 | +794 | -93 |
| Communities & Neighbourhoods | 11,037 | -137 | +530 | +176 | -354 |
| Customer & Business Support Services | 15,626 | -285 | - | -100 | -100 |
| Health & Wellbeing | 51,986 | +2,083 | +1,719 | +1,579 | -140 |
| Office of the Chief Executive | 3,007 | -3 | - | - | - |
| DIRECTORATE BUDGETS | 112,514 | +2,951 | +4,094 | +3,072 | -1,022 |
| Central Budgets | 15,264 | -3,035 | -730 | -1,135 | -405 |
| GROSS BUDGET | 127,778 | -84 | +3,364 | +1,937 | -1,427 |

Table 1: Finance Overview

3. The forecasts indicate that the council faces financial pressures of £1,937k, an improvement of £1,427k compared to the £3,364k reported at monitor 2.
4. This improvement is as a result of the mitigation strategies identified. These proposals are not without risk as, clearly, the financial position of the health sector or severe weather over the winter months could increase pressure on a number of budgets. However, Council Management Team will continue to monitor the financial position alongside the delivery of mitigating savings with a view to containing the pressures within the overall approved budget for the council.

Directorate Financial Performance

5. The following sections provide further information on the financial position of each directorate as outlined in Table 1 above.

Children's Services, Education & Skills

6. The Children's Services, Education & Skills directorate is reporting financial pressures of £623k, mainly due to unachieved savings.
7. Despite a reduction in the number of Looked After Children and a reduction in expenditure of almost £1m compared to 2012-13, the underlying budget pressure from previous years and unachieved budget savings of £700k result in this forecast overspend.
8. The Children's Services Management Team are committed to containing expenditure within their budget for 2013-14 and are therefore exploring the following options to further mitigate the current overspend projection:
 - Review all high cost LAC and SEN placements with a view to negotiating lower rates with providers.
 - Review all 2014-15 savings proposals with a view to stretching and implementing as many as possible earlier in the 2013-14 financial year.
 - Explore the feasibility of increasing charges to the DSG.
 - Continue to review the business case, costs and charging arrangements of all services provided to schools.
 - Continue to hold recruitment to vacant posts wherever possible and safe to do so.

City & Environmental Services

9. The City & Environmental Services directorate is reporting financial pressures of £794k.

10. A number of pressures exist across the Highways, Waste & Fleet service plan (£1,063k). The major reason for the shortfall is due to delays in implementing the savings surrounding Waste Services (£533k) and fleet (£232k). Significant savings relating to round rationalisation, changes to operations at Household Waste sites, changes to garden waste and new charges for replacement bins were agreed in the last budget. These have now either been implemented or in the process of implementation however later in the year than initially required. There also remains a shortfall in Commercial Waste income of £131k despite £100k growth in the 2013-14 budget. This is due to a reducing customer base as the Council is often priced higher than its competition. Savings from previous years (£168k), including those related to agency staff and terms and conditions, continue to cause a budget problem however the position has improved and work is ongoing to mitigate this further. Finally, there is a forecast shortfall of £150k from the Yorwaste dividend due to the company facing difficult trading conditions particularly from the sale of recyclates.
11. Elsewhere in the directorate, there is a £218k shortfall in parking income, however this is offset by savings on the cost of Concessionary Fares passes.
12. In a change to previous years, where the economic downturn had a negative impact on income budgets, the development and building control services are not predicting any pressures at this time.
13. A review of all transport programmes has identified mitigating savings of £550k including savings from Quality Bus Contract budget and the bus wardens budget. Further mitigation of £250k has been identified across the directorate including staff savings and use of additional funding and income.
14. The figures for the Directorate exclude the net income anticipated from the camera enforcement at Coppergate and Lendal Bridge which is anticipated to total c£700k. This will be placed into an earmarked reserve and the use of these funds, which are ring fenced for Highways and Transport activity, will be the result of a future report to Members.

Communities & Neighbourhoods

15. The Communities & Neighbourhoods directorate is forecasting financial pressures of £176k. This is primarily due to one off redundancy and pension costs of £419k and unachieved savings from previous years of £135k. Additional income from the Crematorium and Registrars mitigates the overall overspend.

16. The Directorate is considering options as to how this overspend can be mitigated in order to bring spend back in line with budget.

Customer & Business Support Services

17. The Customer & Business Support Services is currently projecting an underspend of £100k made up of a number of small variations across a range of services. The directorate will continue to try and identify other underspends which could assist in mitigating the council wide position.

Health & Wellbeing

18. In Adult Social Services, demographic pressures continue to be evident in relation to demand for care, despite significant investment of £2.5m in the 2013-14 budget. At present, forecasted pressures include demographic pressures (£386k), a continued increase above forecast level in the number of customers taking up Direct Payments (£227k), increased use of external placements for emergency and short term breaks (£219k) and a higher than budgeted number of customers needing nursing care (£329k).
19. A number of unachieved budget savings also contribute to the forecasted pressure including reablement (£300k), EPH reconfiguration (£175k) and the Night Care team (£131k).
20. A number of other minor pressures are offset by a forecasted underspend on External Residential Care (£253k) due to a lower number of required placements than anticipated.
21. The Public Health grant for 2013-14 is £6.641m and there is currently a forecast surplus of £458k. It is proposed that £400k of this will be used as mitigation against overspends in adult social care where there are elements that can be funded by the public health grant, particularly around prevention work. The remaining surplus is a contingency for continuing uncertainties around the transferred contracts from the PCT. In addition to this there is a general fund budget for public health of £826k which is primarily for sport and active leisure and some DAAT functions. No significant variations to this budget are currently expected.
22. The Adult Services Management Team are committed to containing expenditure within their budget for 2013-14 and are therefore exploring the following options to further mitigate the current overspend projection:
 - Undertake a thorough review of the most expensive care packages (top 200), with a view to exploring all options for delivery of the required care at a lower cost.

- Review the level of, and secure additional, continuing health care contributions where appropriate.
- Review all 2014-15 savings proposals with a view to stretching and implementing as many as possible earlier in the 2013-14 financial year.
- Continue to hold recruitment to vacant posts wherever possible and safe to do so.

Office of the Chief Executive

23. The Office of the Chief Executive directorate is currently forecasting that it will contain expenditure within budget. As with CBSS, the directorate will continue to try and identify other under spends which could assist in mitigating the council wide position.

Corporate Budgets

24. These budgets include Treasury Management activity and other corporately held funds and an underspend of £1,135k is forecast.
25. At present, it is anticipated that there will be a £400k underspend due to reduced interest paid on borrowing and increased interest earned due to higher than anticipated cash balances. Additional New Homes Bonus of £196k and the use of £250k general contingency and £84k from the 2012/13 underspend are also assumed in the forecast to offset the overall council position. Other corporate underspends of £205k make up the total.

Dedicated Schools Grant

26. In the DSG area there is a projected underspend of £50k against a budget of £115,300k, primarily due to lower than expected costs relating to prudential borrowing. This is because the additional provision set aside as part of the Burnholme Community College closure plan is not expected to be drawn down until 2014/15 at the earliest. Due to the nature of the DSG, any underspend must be carried forward and added to the following year's funding with overspends either being funded from the general fund or reducing the following year's funding allocation.

Housing Revenue Account (HRA)

27. There is an estimated underspend in the HRA of £388k, which is due to number of variations across the service, including lower than forecast levels of rent arrears.

Localisation of Business Rates

28. 2013/14 is the first year of the new localised business rates system. Members are reminded that the council has:
- an individual business rates baseline of £45.1m (essentially its share of an income target),
 - a tariff to pay of £21.9m (due to the fact that the Government thinks the individual business rates baseline is more than we need) and therefore a baseline funding level of £23.2m.
 - to pay a levy of 49% on any growth above this baseline meaning only 25.5p in the pound is retained locally. As the council is in the Leeds City Region (LCR) rates pool, any levy will be paid to the pool rather than to the Government.
29. The council is currently prudently forecasting a nil variance against its baseline funding level. This is primarily due to uncertainty over prior year (pre system) ratings appeals that it is now responsible for. In terms of the LCR pool, other member authorities are also reporting similarly prudent positions to York.

Reserves

30. The February 2013 Budget Report to Council stated that the minimum level for the General Fund reserve should be £6.4m (or 5% of the net budget). As part of that report, it was also agreed that a total of £450k was added to the reserve to provide an appropriate and prudent level of headroom. The anticipated year end balance, assuming none is used during the year, is £6.8m.
31. Members have to be mindful that any overspend would have to be funded from this reserve reinforcing the need to contain expenditure within budget. Should this happen the Director of Customer & Business Support Services would have no option but to recommend to Council that the reserve is reinstated to at least its minimum required level which would have implications on future budget setting cycles.

Delivery & Innovation Fund

32. The table below shows the current allocations from the Delivery & Innovation Fund.

| <u>Commitment</u> | 2013/14 £000's |
|--|-------------------|
| Rail policy | 8 |
| Innovation catalyst programme | 165 |
| Access York Phase 2 | 50 |
| Landlord accreditation Scheme | 40 |
| Youth Support Services | 48 |
| Green Deal | 46 |
| Higher York - Graduate | 5 |
| Assisted Living | 52 |
| Renewable energy opps | 65 |
| NHS Talking Head | 15 |
| 14-19 Team project | 36 |
| HealthSpark Project | 15 |
| Flightcase (Phase 1 only) | 14 |
| Total | 559 |
| Budget | 1,000 |
| <i>Transferred to Transformation project</i> | <i>-250</i> |
| <i>Transferred to Tour de France project</i> | <i>-200</i> |
| <i>Unspent from 12-13</i> | <i>315</i> |
| Unallocated | 306 |

Analysis

33. The analysis of the financial position of the council is included in the body of the report.

Consultation

34. There has been extensive consultation with Trade Union groups on the ongoing implications of the council's financial situation.

Council Plan

35. The information and issues included in this report demonstrate progress on achieving the priorities set out in the Council Plan.

Implications

36. The implications are:

- Financial - the financial implications are dealt with in the body of the report.
- Human Resources - there are no specific human resource implications to this report.
- Equalities - there are no specific equality implications to this report, however equalities issues are accounted for at all stages of the financial planning and reporting process.
- Legal - there are no legal implications to this report.
- Crime and Disorder - there are no specific crime and disorder implications to this report.
- Information Technology - there are no information technology implications to this report.
- Property - there are no property implications to this report.
- Other - there are no other implications to this report.

Risk Management

37. The risk management processes embedded across the council continue to contribute to managing the risk issues associated with major projects and key areas of service delivery.

Recommendations

38. Members are asked note the current projected pressures of £1,937k and that strategies are being prepared to mitigate this position.

Reason: In order to ensure expenditure is kept within budget.

Contact Details

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| Specialist Officers: None | | | |
| Wards Affected: All | | | <input checked="" type="checkbox"/> |
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