

**Report of the Director of Customer & Business Support Services
(portfolio of the Leader of the Council)**

2014/15 Finance Monitor 3

Recommendations

- 1 Cabinet is asked to note the current financial position of the Council
Reason: To ensure expenditure is kept within the approved budget

Purpose of the Report

- 2 To present details of the Council's financial position for the period covering 1 April to 31 December 2014.

Summary

- 3 The final forecast for the year indicates that the council faces financial pressures of £771k, an improvement of £538k compared to the £1,309k reported at Monitor 2. Work is ongoing across all areas to ensure that this overspend can be mitigated with a view to the final outturn being within the approved budget.

Analysis

- 4 All aspects of the public sector are continuing to face challenging times in the light of the Government's commitment to reduce the national deficit as first outlined in the Comprehensive Spending Review (CSR) published in October 2010. As a result, in recent years the Council has had to deal with very large reductions in funding, combined with a range of significant pressures.
- 5 To provide some context to this, the Council:
 - has made £16.4m of savings over the period 2007/08 to 2009/10.
 - has made a further £73.4m of savings covering the period 2010/11 to 2015/16.
 - and has therefore made a total of £89.8m of savings over the 9 years covering 2007/08 to 2015/16.

- has since the 2010 CSR (2011/12-2015/16) experienced government grant reductions of some £36.9m, or 46%.

6 In common with councils across the country, the largest budget pressure is in respect of meeting increased demographic demand for adult social care and the increasing complexity, and therefore cost, of care packages for the ageing population. Published ONS Population Projections show that the 65-69 year old population of the City of York expanded by 18.9% (1,738 people) between 2011-2013, while the over 90 year old population expanded by 14.3% (337 people) in the same 2 years. The council has allocated, between 2007/08 and 2014/15, £16m of additional funding to meet rising demand.

7 The Council's net budget is £124,186k. Following on from previous years, the challenge of delivering savings continues with £11m to be achieved in order to reach a balanced budget. The latest forecasts indicate the Council is facing financial pressures of £771k and an overview of this forecast, on a directorate by directorate basis, is outlined in Table 1 below.

2013/14 Outturn	Directorate	2014/15 Net Budget	Forecast at Monitor 2	Latest Forecast
£'000		£'000	£'000	£'000
+309	Children's Services, Education & Skills	17,363	+581	+421
+443	City & Environmental Services	12,956	+989	+941
-61	Communities & Neighbourhoods	10,391	-	+150
-318	Customer & Business Support Services	18,522	-35	-35
+1,503	Adult Social Care	50,306	+1,012	+528
-112	Public Health	130	+183	+187
-4	Office of the Chief Executive	3,313	-26	-26
+1,760	DIRECTORATE BUDGETS	112,981	+2,704	2,166
-2,074	Central Budgets	11,205	-1,395	-1,395
-314	TOTAL	124,186	+1,309	+771

Table 1: Finance overview

8 The following sections provide more details of the main variations and any mitigating actions that are proposed.

Children's Services, Education & Skills

- 9 Despite a reduction in the number of Looked After Children and a reduction in expenditure of almost £1m since 2012/13, the underlying budget pressure from previous years results in a net projected overspend within children's social care resources budgets. This includes forecast pressures on Out of City and Independent Foster Agency placements (£418k and £428k respectively), contract placements (£97k), The Glen Respite Care Home (£155k), Transport (£183k) and Adoption, Residence & Guardianship orders (£183k). It also includes additional staffing costs within Children's Safeguarding teams and the Integrated Family Service (£229k and £78k respectively).
- 10 The number of Looked After Children (LAC) is unlikely to reduce in the foreseeable future, and York's unit cost per LAC is already the lowest of all 150 Local Authorities nationally. Therefore, although opportunities to reduce costs further will continue to be explored, any further significant savings in this area are unlikely to be achievable, and options elsewhere within the directorate will need to be considered.
- 11 Offsetting these overspends a significant saving of £146k is currently projected on children's services legal fees. This is in excess of the budget saving already delivered for 2014/15 but allows no provision for any new complex cases requiring significant expert legal support. Special Educational Needs residential placements are forecast to underspend by £151k and there are projected staffing underspends of £74k within the Youth Support Service and Education Psychology Service as a result of management posts being kept vacant for part of the year.
- 12 A number of posts being kept vacant within the school improvement and connexions services in advance of delivering savings proposed for the 2015/16 financial year results in a forecast net underspend of £450k. In addition a saving of £100k is now projected within home to school transport budgets.
- 13 The Children's Services, Education & Skills Directorate Management Team are committed to doing all they can to try and contain expenditure within their budget for 2014/15 and reduce the projected overspend as far as possible by the year end. Mitigation of some £837k is forecast from early implementation of some savings and restricting spend in some areas. Dealing with the budget pressures is a standing item at the weekly management meetings, with all options available to further mitigate the current overspend projection being explored.

City & Environmental Services

- 14 There is a continued shortfall from parking income (£372k). However the impact of ongoing initiatives including introduction of resident charges for Minster Badges, the pay on exit initiative at Marygate and the free parking promotion, will continue to be monitored closely.
- 15 Within waste disposal there are savings from reduced tonnages (£19k), additional income for landfill gas (£87k) offset by shortfall on income from garden waste subscription (£72K). There is an assumed shortfall on the Yorwaste dividend (£67k) and overspends within Waste Strategy unit (£53k). There are forecast overspends on commercial waste (£80k) and HWRC (£247k) both mainly due to shortfalls in budgeted income.
- 16 There is a forecast shortfall in income within development management pending publication of the Local Plan. Together with continued income shortfalls within building control and the costs of refunding personal search agencies for fees charged between 2005 and 2010, these variances result in a total forecast overspend of £478k within development services, planning and regeneration. A range of other minor underspends and proposed mitigations make up the total directorate position.
- 17 Savings in highway maintenance (£280k) and a range of smaller variations make up the overall directorate position.

Communities & Neighbourhoods

- 18 There is a forecast overspend of £158k within Learning Services. This has arisen due to a number of contracts not providing enough surplus to fully fund central management costs, as well as shortfalls from some contracts due to not achieving outputs. The service is restructuring to reduce overall costs however the savings won't be fully delivered until next financial year.
- 19 Other pressures include the additional costs of operating Waterworld to the end of November (£158k). These overspends have been mitigated by additional income from the crematorium and registrars as well as savings in Youth services.

Customer & Business Support Services

- 20 A small underspend of £35k is currently forecast and work will continue to try and identify additional savings to help the overall position.

Adult Social Care

- 21 There has been an improvement of £484k in the forecast position since Monitor 2. Two major items contribute to this:
- A reduction in the projected overspend on Deprivation of Liberty (DOLS) of £246k due to delays in recruiting the extra staff needed to process the increased number of cases. There is now a significant backlog so there is likely to be a short term impact of this in 2015/16 until things settle down into a more regular pattern.
 - An additional £300k of funding for the reablement service has been secured from the Clinical Commissioning Group.
- 22 Within Adult Assessment and Safeguarding staffing costs are currently projected to overspend by £98k due mainly to additional safeguarding staff hours required in the first half of the year to deal with a backlog of cases, and additional management capacity over and above the amount provided for in the budget.
- 23 There is also a projected overspend in relation to DOLS (Deprivation of Liberty). All councils with adults responsibilities have been impacted by a recent court ruling that is dramatically increasing the number of formal applications that must be processed and this increase could not have been foreseen at the time that the 2014/15 budget was set.
- 24 The latest estimate is for £192k of additional costs in 2014/15. It is possible that additional government funding may be provided to Local Authorities to assist, although to date no commitment has been made. At Monitor 1, Cabinet agreed to allocate one-off contingency funding to cover the net additional costs in 2014/15.
- 25 There is a significant projected overspend of £918k within the Elderly Persons Homes budgets. The vast majority of this is due to ongoing overspends and pressures that were identified during 2013/14 including:
- Utilities, cleaning, catering and repairs and maintenance. This is the largest projected variance for this area and reflects the actual increase in costs to 2013/14 for essential services at the residential homes, which continues into 2014/15. (+£353k)
 - Increased staffing ratios. The budgeted staffing ratios do not fully take into account either the impact of the move to the household model of provision in the two dementia care homes, nor the changing client mix within the remaining five homes. Both of these changes have increased the ratio of staff to residents and result in a continuing overspend in 2014/15. (+£180k)

- Temporary staffing costs. The nature of the service provision has meant that the use of temporary staff has increased in recent years (+£282k)
- Undelivered 2013/14 budget saving following changes to the Elderly Peoples Homes reprovision project. (+£165k)
- Net additional income. The residential homes receive income from beds commissioned by health partners and from charges to residents who do not have their care fully funded by the council. Based on current patterns, there is a projected surplus for 2014/15. (-£62k)

26 Other minor variations within Small Day Services, Contracted Services, Sheltered Housing with Extra Care, Home Care Nights Service and staffing budgets contribute to a net projected underspend of £228k.

Public Health

27 The former Primary Care Trust budget for genitourinary activity was allocated on a population basis (25% to York and 75% to North Yorkshire County Council). However in practice the actual activity has been closer to 50:50, leading to a significant overspend on this budget in 2013/14 which is projected to continue into 2014/15 (+£658k). In addition there is a one-off backdated payment of £125k outstanding for 2013/14. For 2014/15 a one-off budget virement of £488k has been made from other Public Health budgets to help offset the pressure and work is underway to retender this contract from July 2015 with the aim of delivering a new service within the available budget.

28 A range of minor savings and variations within a number of other contracts contribute to a net projected underspend of £112k across all other Public Health budgets.

Office of the Chief Executive

29 A small underspend of £26k is currently forecast and work will continue to try and identify additional savings to help the overall position.

Housing Revenue Account

30 The Housing Revenue Account (HRA) is budgeted to make an in year surplus of £600k. A review of the budgets in the area shows that, overall, the account is expected to overspend by £122k (0.4%). There are currently some pressures within housing repairs (approx £500k) however these have been mostly offset by a range of savings including lower than forecast rent arrears and staffing vacancies. The working balance of

£12.1m at 31/3/14 will therefore increase to £12.5m by 31/3/15 in line with the latest HRA business plan.

Corporate Budgets

- 31 These budgets include Treasury Management and other corporately held funds. It is anticipated that a £1,000k underspend will be achieved, predominantly through improved Treasury Management performance as a result of reviewing some assumptions on the cash flow position which will mean more interest being earned than previously anticipated. In addition, the Yorkshire Purchasing Organisation dividend income received was £45k more than budgeted for and pension strain costs to date have been lower than anticipated in the financial year resulting in an in year underspend of £350k.

S106 balances

- 32 The s106 balances held at 31st March 2014 were £21.5m and in the first 9 months of 2014/15 £1.2m has been received, resulting in a total of £22.7m. Of this sum £15m is committed to the Community Stadium development over the period 2014/15 to 2016/17.
- 33 For 2014/15 the current capital commitments are £1.0m for council housing, £530k for school capital projects, £156k for transport capital projects, and £106k parks. In addition, £300k will be used to fund the free morning parking initiative, £103k transferred to parish councils and other organisations for open space, and £10k for two community rooms.

Delivery & Innovation Fund

- 34 The Delivery and Innovation Fund has an agreed budget of £1.2m, which includes £206k brought forward from 2013/14. The table below sets out the latest position.

Commitment	2014/15 £'000
Balance brought forward	206
2014/15 Budget	1000
Schemes agreed in 2013/14	
Rail policy	8
Landlord Accreditation	40
2014/15 schemes	
Fairness Commission	20
East Coast Mainline	20
Bike Rescue	68

Waterworld	450
Adult Social Care	200
Other schemes currently being considered	172
Balance remaining	228

Business Rates

- 35 The council was projecting additional retained income of £300k from the localisation of business rates in 2014/15, and this has been achieved. Further growth is anticipated in 2015/16 and the Council are forecasting an increase of £800k, due to an increase in the base. It should be noted that for every pound of business rates growth, the council only keeps c.25.5p after shares have been paid to Central Government and the Leeds City Region (LCR) business rates pool.
- 36 The LCR pooling arrangement enables authorities to retain the 'levy' on growth which would otherwise have been paid to central government. In 2013/14 the pool held monies of £1.5m. Of this, £1m was distributed to fund the Tour De France (York received £189k) and the distribution of the remaining £500k is yet to be agreed. The estimated monies in 2014/15 amount to £3.9m. The undistributed funds are likely to support various Economic Development activities, but no specifics have been agreed to date.

Loans

- 37 Further to a recent scrutiny review, Cabinet agreed that these quarterly monitoring reports would include a review of any outstanding loans over £100k. The only loan in this category is that of £1m that was made to Yorwaste, a company part owned by the Council, in June 2012. Interest is charged on a quarterly basis and all repayments are up to date.

Consultation & Options

- 38 This report is for information so no options are presented.

Consultation

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

Council Plan

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

Implications

41 The implications are:

- Financial - the financial implications are dealt with in the body of the report.
- Human Resources - the HR implications of change is managed in accordance with established council procedures. As part of this process consultation with trade unions and affected staff will continue to be undertaken and every opportunity will be explored to mitigate compulsory redundancies, such as vacancy controls, flexible working, voluntary redundancy / early retirement and extended redeployment. Where consideration is being given to the transfer of services to another provider TUPE will apply which will protect the terms and conditions of employment of transferring staff. A programme of support for staff who are going through change is planned which will help staff adapt to changes to the way they will need to work or to prepare for a move into a new role.
- 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

42 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.

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	Report Approved	√	Date 28-01-15
Wards Affected: All			
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Background Papers – None

Annexes – None

List of Abbreviations used in the report:

CSR -Comprehensive Spending Review

DOLS - Deprivation of Liberty

HR – Human Resources

HRA – Housing Revenue Account

LAC - Looked After Children

LCR - Leeds City Region

ONS – Office for National Statistics

TUPE - Transfer of Undertakings (Protection of Employment) Regulations
2006