

**Report of the Cabinet Member for Finance and Performance**

**2014/15 Finance Monitor 1**

**Purpose of the Report**

- 1 To present details of the Council's financial position for the period covering 1 April to 30 June 2014, together with an overview of any emerging issues. This is the first report of the financial year and assesses performance against budgets, including progress in delivering the Council's savings programme.

**Summary**

- 2 The forecast financial pressures facing the council are projected at £2,924k, compared to £3,722k at this time last year. Within this report it is proposed that £600k of contingency is allocated to known pressures in Health & Wellbeing which would, if agreed, bring the overall position down to £2,324k.

**Analysis**

- 3 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.
- 4 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 £74.2m of savings covering the period 2010/11 to 2015/16.
  - and has therefore made a total of £90.6m 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 £37.6m, or 46%.

- 5 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. The recently 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.
- 6 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. Early forecasts indicate the Council is facing financial pressures of £2,924k (£2,324k after allocating contingency) and an overview of this forecast, on a directorate by directorate basis, is outlined in Table 1 below.

2013/14 outturn		2014/15 Forecast Variation
£'000		£'000
+309	Children's Services, Education & Skills	+707
+443	City & Environmental Services	+1,098
-61	Communities & Neighbourhoods	Nil
-318	Customer & Business Support Services	-35
+1,391	Health & Wellbeing	+1,680
-4	Office of the Chief Executive	-26
-2,074	Corporate	-500
-314	Total	+2,924
	Less Contingency	-600
	Revised Total	+2,324

Table 1: Finance overview

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

## **Children's Services, Education & Skills**

- 8 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 (£372k and £368k respectively). It also includes additional staffing costs within Children's Safeguarding, Children's Trust teams and the Integrated Family Service (£170k and £50k respectively).
- 9 Offsetting these overspends a significant saving of £105k 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.
- 10 A number of posts being kept vacant within the school improvement service in advance of delivering savings proposed for the 2015/16 financial year results in a forecast underspend of £267k.

## **City & Environmental Services**

- 11 There is a continued shortfall from parking income (£400k) and further monitoring will be required to assess the impact of the current parking initiatives, including the charges for Minster Badges, the free parking introduced in late June and pay-on-exit at Marygate.
- 12 There is pressure on the staffing and transport budgets (£300k) within waste collection and a forecast overspend of £120k due to lower than budgeted income from commercial waste, £100k due to the forecast shortfall in dividend from Yorwaste and £220k due to lower than expected income from charges at the Household Waste Recycling Centre and additional costs from the processing of wood. These overspends are reduced by a forecast saving of £120k on landfill costs based on current tonnage forecasts and £100k additional income from landfill gas at Harewood Whin.
- 13 A range of other minor underspends and proposed mitigations make up the total directorate position.

## **Communities & Neighbourhoods**

- 14 There are a number of budget pressures being experienced including, Learning Services (£110k) where a restructure will be implemented over the coming months, Smarter York (£60k) and Housing and Community Safety

(£25k). However, a mitigation plan is in place to identify additional savings so that the directorate will outturn within the approved budget.

- 15 There are a number of internal payments made between Health & Wellbeing and CANS for Early Intervention and Prevention work, formerly Supporting People funding. It is proposed that the budget of £1,074,810 for these payments is transferred from Health and Wellbeing to CANS to remove these internal transactions and enable a review of this budget in conjunction with the linked services within CANS. Cabinet are asked to approve this virement.
- 16 At budget council earlier this year it was agreed to increase the Gypsy, Roma and Traveller sites rents by £25. This amount was based on two key elements, increasing the management capacity and recovering costs associated with fly tipping on and around the Traveller Sites. Following budget council, discussions have taken place with the travelling community and their support organisations to discuss the rent increase and its impact.
- 17 As a result of these discussions it has been decided that by enhancing the management and enforcement on the sites the issue of fly-tipping can be reduced, thereby avoiding the additional cost and the need to recover it. An increase of £25 would therefore mean the authority would over recover its costs. It has been determined to amend the charge to £12.90 per week per pitch which would enable the authority to recover its costs associated with the increased management capacity.
- 18 The increase would bring the weekly rent to £71.28 per week. Benchmarking this rent with other authorities in the region show that these rents are below and compare favourably with the rent levels in Leeds, Ryedale and Durham.

### **Customer & Business Support Services**

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

### **Health & Wellbeing**

- 20 The largest budget within Health and Wellbeing is adults social care. As part of the department's response to the recent audit of department, a major exercise is currently underway to review this budget on an item-by-item basis in relation to both income and expenditure. At the end of this exercise there will be an unambiguous budget for adults which will clearly identify controllable spend within the department and crucially, will differentiate between individual line items that are under-budgeted due to

the way in which the budget is distributed at present, and those that are genuinely overspent. On completion of this exercise the adults team will move on to benchmarking against best practice, both the adults budget and the major expenditure categories within that budget.

- 21 At present, the initial estimate of the major variations for 2014/15 includes 3 items that relate to direct provision of care packages to vulnerable residents. These are Non Residential Care Packages (£649k), Emergency Placements (£92k) and Short Term Breaks (£116k).
- 22 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.
- 23 The contingency budget for 2014/15 was set at £650k, of which £50k has already been allocated. It is proposed that Cabinet agree to allocate the remaining £600k contingency to offset pressures of care package provision and DOLS.
- 24 In addition, there is a projected overspend of £763k within provider services, predominantly in respect of the Council's own Elderly Persons Homes. The main reasons for this are in relation to the costs of temporary staff through Working with York (WWY), for which there is no budget but a projected expenditure of £407k, and the implementation of the household model of care for dementia at our specialist homes at a cost of £68k for additional staffing.
- 25 Costs of EPH provision are offset by income from health partners who commission beds from us. Income from these beds for Q1 was £95k with a full-year projection of £382k.

### **Office of the Chief Executive**

- 26 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**

- 27 The Housing Revenue Account is expected to make a small in year surplus of £0.6m. A review of the budgets in the area shows that, overall, the account is expected to outturn on budget. There are pressures of £400k on housing repairs, however this is 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 £12.7m by 31/3/15 in line with the HRA business plan. A report elsewhere on this

agenda sets out more detail regarding the investment plans and expenditure pressures associated with the HRA.

### **Corporate Budgets**

- 28 These budgets include Treasury Management and other corporately held funds. It is anticipated that a £500k 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.
- 29 Following the industrial action during July, it is expected that there will be a one off saving. It is proposed that once this figure is known, approximately £10k will be donated to support the work of a food bank charity and the remaining amount allocated to offset pressures in Health & Wellbeing. The exact amounts will be confirmed in a future report and the process of making the donation will be agreed with the Financial Inclusion Steering Group.

### **Loans**

- 30 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 at bank base rate plus 1% and all repayments are up to date.

### **Municipal Bonds Agency**

- 31 The majority of borrowing by local authorities is from the Public Works Loan Board (PWLB), an arm of the Government. However, the Local Government Association (LGA) has for some months been developing proposals for a Municipal Bonds Agency. The Agency would raise finance in bulk from the capital markets and on-lend it to local authorities. If successful, a Bonds Agency could provide loans to local authorities at rates below the PWLB and help to diversify the sources of borrowing available to local authorities, making them less vulnerable to PWLB policy changes. All borrowing from the agency falls within the 'prudential borrowing' system whereby all borrowing must be affordable and sustainable in accordance with the Prudential Code and the costs of borrowing will need to be met from available revenue.
- 32 An investment of £40k is proposed, subject to approval by the Director of Business & Support Services to the final terms, with the main benefit to the Council being cheaper borrowing. If the Agency is successful the

shares are expected earn dividends after approximately 5 years that will be sufficient to cover the borrowing costs. In the meantime this contribution will be funded from within existing Treasury Management budgets. It should be noted that this is a start up proposal so whilst there is a risk that some of this investment might be abortive if the Agency fails to succeed, if this is because the PWLB decide to undercut its rates, the council will still benefit from a reduced cost of borrowing.

### **Consultation & Options**

33 This report is for information so no options are presented.

### **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 - 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

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 Cabinet is asked to:

- a) Note the current financial position of the Council
- b) Allocate £600k of contingency to meet pressures in Health & Wellbeing as set out in paragraph 23
- c) Agree to invest £40k in the municipal bonds agency as set out in paragraphs 31 and 32
- d) Agree to the virement set out in paragraph 15
- e) Agree to donate £10k of the strike savings to support the work of food banks and the remaining saving to Health & Wellbeing as set out in paragraph 29
- f) Agree travellers increase as set out in paragraphs 16 to 18

Reason: To ensure expenditure is kept within the approved budget

## Contact Details:

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	<b>Report Approved</b>	√	<b>Date</b>	29 August 2014
<b>Wards Affected:</b> All				√
For further information please contact the authors of the report				

**Annexes - None**

**List of abbreviations used in the report:**

CANS - Communities & Neighbourhoods

CSR - Comprehensive Spending Review

DOLS -Deprivation of Liberty

EPH – Elderly Persons Homes

HR – Human Resources

LGA – Local Government Association

ONS – Office for National Statistics

PWLB - Public Works Loan Board

TUPE - Transfer of Undertakings (Protection of Employment)

WWY - Working with York