
Summary Sheet

Council Report

Cabinet Meeting – 11th April 2016

Title

Estimated Revenue Outturn Report 2015/16

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the Report

Stuart Booth – Interim Strategic Director of Finance and Customer Services

Report Author(s)

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Ward(s) Affected

All

Executive Summary

The Estimated Revenue Outturn report for 2015/16 shows an initial forecast outturn of £6.296m (+3.1%) above budget. The forecast outturn position has improved by £2.519m since the December monitoring report largely due to additional income and reduced contract costs within Adult Care services (c£1m), a forecast under-recovery on the voluntary severance budget (£900k) which can now be recognised based on the actual cost of releasing staff in year and the recognition of the reduced cost of levies than that budgeted (£310k).

As advised in previous budget monitoring reports there is £5.326m one-off funding available to help mitigate the current forecast overspend. Using this £5.326m one-off funding significantly reduces the initial forecast overspend to £970k. In the event that by the end of March a residual pressure remains, this will be funded using the savings available through taking the Minimum Revenue Provision (MRP) holiday (the detail of which was included in the 2016/17 Budget Setting Report) with the remaining savings from this 'holiday' being transferred to specific earmarked

reserves. This is set out in section 3.34 to 3.40 of this report. **The Council is therefore able to forecast a balanced outturn position for 2015/16.**

Key pressures contributing to the initial forecast overspend (+£6.296m) were:

- The continuing service demand and agency staffing cost pressures for safeguarding vulnerable children across the Borough and the strengthening of Social Work and management capacity; and
- Demand pressures for Direct Payments within Older People and Physical and Sensory Disability clients and clients with Mental Health needs.

All Directorates will continue to closely manage spend until the end of March 2016.

The aim is to provide Cabinet with the final 2015/16 Revenue Outturn report by the end of June 2016 aligned to the Council publishing its draft Statutory Accounts for the year ended 31st March 2016.

Recommendations

That Cabinet:

- **Notes the forecast balanced outturn position for 2015/16 and that continued close management of spend will continue for the remainder of the financial year.**
- **Notes the intention for the final Revenue Outturn to be reported to Cabinet in June 2016.**
- **Agrees the proposed transfers to earmarked reserves as set out in sections 3.34 to 3.40 of this report.**

List of Appendices Included

Appendix 1 – Detailed analysis of forecast under and overspends

Background Papers

Revenue Budget and Council Tax Setting Report for 2015/16 to Council 4th March 2015

December 2015 Revenue Budget Monitoring Report to Cabinet – 15th February 2016
Consultation with Strategic Directors

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Overview & Scrutiny Management Board (22nd April 2016)

Council Approval Required

No

Exempt from the Press and Public

No

1. Recommendations

That Cabinet:

- 1.1 Notes the balanced forecast outturn position for 2015/16 and that continued close management of spend will continue for the remainder of the financial year.**
- 1.2 Notes the intention for the final 2015/16 Revenue Outturn to be reported to Cabinet in June 2016.**
- 1.3 Agrees the transfers to earmarked reserves as set out in sections 3.34 to 3.40 of this report.**

2. Background

- 2.1 As part of its performance and control framework the Council is required to produce regular reports for the Strategic Leadership Team and Cabinet to keep them informed of financial performance on a timely basis such that where necessary, actions can be agreed and implemented to bring spend in line with the approved budget for the financial year. This is the penultimate financial monitoring report for 2015/16. The final Revenue Outturn report is expected to be presented to Cabinet in June 2016.
- 2.2 Delivery of the Council's Revenue Budget and Medium Term Financial Strategy within the parameters agreed at the start of the current financial year is essential if the objectives of the Council's Policy Agenda are to be achieved. Financial performance is a key element within the assessment of the Council's overall performance framework.
- 2.3 The last (December) revenue budget monitoring report was presented to Cabinet on 15th February 2016.

3. Key Issues

- 3.1 Table 1 below shows the summary forecast revenue outturn position by Directorate. More detailed analysis of the Directorate's forecast under and overspends is included in Appendix 1.
- 3.2 The forecast overspend has reduced by £2.519m since the December report. The current forecast outturn (before use of £5.326m funding identified in-year to help mitigate the significant in-year pressures) is £6.296m or +3.1% of the Council's General Fund Budget.

Table 1: Forecast Revenue Outturn 2015/16

Directorate / Service	Annual Budget 2015/16	Forecast Outturn 2015/16	Forecast Variance (over (+) / under (-) spend)		Variance change since Dec 2015
	£'000	£'000	£'000	%	£'000
Children & Young People's Services	52,835	60,516	+7,681	+14.5	+3
Adult Services, Housing & Public Health	69,541	69,122	-419	-0.6	-1,067
Environment & Development Services	46,530	45,966	-564	-1.2	0
Finance & Corporate Services	18,054	18,237	+183	+1.0	-82
Capital Financing, Levies and Central Services	16,594	16,009	-585	-0.7	-1,373
TOTAL	203,554	209,850	+6,296	+3.1	-2,519
Housing Revenue Account (HRA)	84,880	79,045	-5,835	-6.9	-3,238

The following sections (paragraphs 3.3 to 3.32) provide key reasons for the forecast level of annual under or overspend within Directorates. More detailed information is included in Appendix 1.

Children & Young People's Directorate (+£7.681m forecast overspend)

- 3.3 The recurrent pressure (£4.6m) Children's Services has had on its placement budgets (out of authority residential and independent fostering placements) has been addressed both in year (2015/16) through additional budget allocation from the Council's Transformation Reserve (as a short – term financial mechanism) identified in the 2015/16 budget setting process. The appropriate budget to cover the pressure on placements has now been added into the Medium Term Financial Strategy on a recurrent basis. However, CYPS supported by Commissioners has been spending one-off funding on transformational activity designed to improve the standards of service post Jay and Casey, and this funding is being covered from a range of sources, some from the Transformation Reserve, or from bidding mechanisms, or specific government funding. In some cases, recurrent funding has been added into the budget by agreement with Commissioners and Members (see below related to social worker numbers and terms and conditions).
- 3.4 The Council has had difficulty in attracting and retaining Social Work staff as its contractual terms and conditions of employment for this staff group were previously less favourable than neighbouring and regional authorities. Children's Services have received a supplementary allocation of £1.9m for

additional Social Worker posts and an additional £1.1m to fund enhanced leadership capacity in 2015/16 to enable the service to respond positively in making the service delivery improvements required in the Children's Improvement Plan. This additional £3m has been built into the 2016/17 budgets and the Council's Medium Term Financial Strategy.

- 3.5 The service is facing a range of pressures (£7.681m as shown in the table above) largely due to the need to engage agency and interim staff for a limited period to provide much needed capacity to both meet current service demands and improve service delivery performance on a day to day basis. These costs are expected to gradually taper off as new social work staff are appointed and allocated appropriate caseloads linked to the current recruitment campaign to recruit 29 permanent social worker posts. The current projected overspend also includes spending £694k above budget on out of authority residential placements (an additional 4 placements) and an overspend of £447k on Independent Fostering Placements (a potential 9 pending placements) additional to the £4.583m that has been allocated from one off earmarked funding this year. As a direct consequence of improving the service response to protecting vulnerable young people, more adolescents are presenting with social care needs which are not able to currently be accommodated within the borough. Until the impact of the new Sufficiency strategy is realised, demands on this particular budget are likely to increase in the short term. The budget is being closely monitored to ensure that 'local' (closer to home) placement options continue to be fully appraised; that those young people who may be able to return home are facilitated in doing so safely and that Partners' contributions are secured for young people with very complex care packages.
- 3.6 To address the disparities in terms and conditions with neighbouring authorities, the Council has recently improved its contractual terms and conditions of employment. An additional £1.353million has been added into recurrent budgets to reflect these changes in terms and conditions in 2016/17. £600k additional budget has already been allocated in 2015/16 to address the part-year effect of this change.
- 3.7 A five year strategy of transformation in children's services is being mapped which includes opportunities to streamline costs once robust performance has been secured and that is financial sustainable.
- 3.8 Any opportunities for the Directorate to review operations and deliver efficiencies both this year and into the medium term, are being driven forward. The Directorate continues to review its temporary agency and interim staff contracts to identify where there may be opportunities to safely bring forward any planned end dates to help mitigate the forecast overspend. The service have also put in place a Resources Panel to consider and review new placements and high cost residential placements to determine whether or not young people can be safely returned to better (and less costly) placements closer to home.

Adult Services (+£51k forecast overspend) and Housing (-£470k forecast underspend)

- 3.9 The Adult Services forecast outturn for 2015/16 is an overall overspend of +£51k; a reduction of £987k on the position reported for December. This is due to savings from supported living contracts for residential and respite care for clients with learning disabilities (-£414k), additional income from Continuing Health Care and full cost clients (-£300k), higher than anticipated staff turnover (-£104k) and impact of Council wide moratorium on non-essential spend.
- 3.10 The main budget pressure within the Directorate continues to be the increased demand for Direct Payments (£1.7m) - an additional 252 clients in 2015/16 to date, a 26% increase. A task group established to review Direct Payments is in place – including analysis of high cost care packages to ensure they are appropriately aligned to client need and to review the processes and procedures associated with assessment for the provision of Direct Payments to ensure they are fit for purpose. Since last month's report there has been a slight decrease in the forecast overspend due to a reduction in the cost of care packages after review, and a decrease in the number of clients receiving a direct payment.
- 3.11 There are also pressures on the residential and nursing care budgets across all client groups as a result of an increase in placements (forecast overspend of £1m across all client groups) and lower than forecast 'Continuing Health Care' income contributions. Management actions to mitigate these increasing budget pressures are being put in place.
- 3.12 The forecast overspend is being partially reduced by projected underspends within the Assessment and Care Management (-£995k) budget due to receipt of one-off grant funding and high staff turnover, and within Enabling Care services (-£123k) due to vacancies and efficiencies on transport costs. Future models of delivery of enabling care are being developed for discussion and consultation.
- 3.13 The service is also reviewing Out of Authority placements and high cost care packages to identify any opportunities to reduce costs both in year and into the future. A meeting has been held with learning disability care providers to discuss the review of care packages. Contract renegotiations for the provision of Supported Living will result in savings of £414k in 2015/16. Wherever possible and appropriate to do so, clients' needs are being met in a way which maximises their independence, which is what most clients and families want, and at the same time does not attract high residential care costs.
- 3.14 Following a review of Day Care services there is a forecast underspend due to a reduced number of clients on some schemes, resulting in lower staffing and running costs (-£324k). Additional income from full cost paying clients in respect of in-house residential care for Older People and a review of staffing within in-house Learning Disabilities residential care is resulting in an overall forecast underspend (-£204k).

- 3.15 Other savings identified to reduce the overall pressures on Direct Payments and Independent Sector residential care include efficiency savings on re-tendered supporting People contracts (-£183k), planned delay of new qualifications training until 2016/17 (-£160k), higher than anticipated staff turnover within Adults Commissioning and Performance (-£204k) and further impact of the council wide moratorium on non-essential spend (-£42k).
- 3.16 Neighbourhood services' latest forecast is an underspend of -£470k mainly due to additional income generation from increased demand through the Furnished Homes scheme and savings in staffing costs.

Public Health (Forecast balanced outturn)

- 3.17 The forecast outturn is to spend to budget with an estimated transfer to reserves of £442k. Final confirmation has now been received of the Government's in-year reduction to Public Health grant in 2015/16 (£1.1m). Funding for this has been identified within the Public Health specific grant reserve.

Environment & Development Services (-£564k forecast underspend)

- 3.18 The Environment and Development Services Directorate is currently forecasting an underspend of -£564k. This is composed of a forecast overspend in Asset Management (+£105k), a forecast underspend in Planning Regeneration and Culture (-£50k), Business Unit (-£40k) and Streetpride (-£579k). The net position has not changed since the December monitoring report but there have been some key changes to the forecasts within the different service areas. Income recognised in previous years and in 2015/16 with regard to the proposed sale of the former Greasbrough Road Depot is now considered to be irrecoverable (-£264k) and will be a charge on the revenue budget. This pressure has been offset as a result of the very mild winter which has reduced the cost of carrying out winter maintenance enabling the forecast cost to the end of March to be reduced accordingly.
- 3.19 The Directorate is strictly adhering to the protocol of all vacancies being considered at the management team meetings and are only approved for release where it is business critical to do so. The service is also minimising the use of non-pay budgets wherever possible.

Finance & Corporate Services (+£0.183m forecast overspend)

- 3.20 Overall the Directorate is forecasting an overspend of +£183k for the year, which is an improvement of -£82k on the December forecast outturn. The forecast net overspend is chiefly in respect of continuing additional staff costs within Legal Services (+£181k), additional costs of business support across the Council (+£203k) and one-off costs for senior management recruitment (+£78k). These pressures have been partially offset by underspends in HR & Payroll (-£212k) as a result of vacancy management and additional income from payroll contracts with schools / academies, and underspends in Revenues and Benefits, Financial Services and Procurement through a combination of vacancy management, flexible use of use of one-off grant funding and the over-achievement of supplier discounts and rebates.

- 3.21 For the remainder of the financial year the service will, where is it appropriate and sensible to do so, continue to freeze vacancies as they arise, minimise the use of non-pay budgets wherever possible, maximise the flexible use of grant funding within spending conditions and review any agency contracts to determine if costs can be curtailed.

Corporate & Central Services (-£0.585m forecast underspend)

- 3.22 Additional costs have been incurred within corporate services in respect of responding to the Alexis Jay and Louise Casey reports in such areas as temporary posts and the funding of essential permanent posts.
- 3.23 £0.478m of costs include funding of the new senior management structure (+£253k) and revenue costs of commencing implementation of the new corporate (Children's and Adult's) social care IT system (+£225k) to respond positively to criticisms in the Jay, Ofsted and Casey reports.
- 3.24 The other key pressure within Corporate & Central Services relates to the Imagination Library budget saving proposal agreed when the Council set its 2015/16 budget which will not be delivered in full during the year (+£310k).
- 3.25 These pressures are mitigated by the forecast one-off underspends on the Voluntary Severance/Voluntary Early Retirement budget (-£900k), forecast underspends on the Integrated Transport Authority Levy (-£190k), the Coroners levy (-£120k), the early retirement budget (-£113k) and additional income in excess of budget from the Yorkshire Purchasing Organisation (YPO) dividend (-£50k).

Housing Revenue Account (HRA) – (Forecast -£5.835m underspend)

- 3.26 The Housing Revenue Account is a statutory ring-fenced account that the Council has to maintain in respect of the income and expenditure incurred in relation to its council dwellings and associated assets. The forecast for the HRA is a transfer to reserves of £5.835m mainly due to the downward revision of the Revenue Contribution to Capital Expenditure (by £4.467m) where some capital schemes due to be funded from revenue have been re-profiled into future years. There is also an underspend within Supervision and Management budgets (-£1.079m) due to higher than anticipated staff turnover, a reduction in the provision for potential bad debts (-£319k) and a forecast under-recovery of income due to an increase in the number of void properties.
- 3.19 The budgeted Revenue Contribution to Capital Expenditure has been reduced in order to make use of available Housing Right to Buy receipts to fund certain capital projects. This change in funding will increase the Revenue Account Balance providing greater flexibility in its future use for either revenue or capital purposes which will help mitigate the implications of the Government's enforced rent reduction policy on the future HRA Business and Financial Plan.

Agency, Consultancy and Non-Contractual Overtime Costs

3.26 Details of spend on Agency, Consultancy and Non-Contractual overtime costs are shown in Tables 2, 3 and 4 below. These costs are included within each Directorate's forecast outturn position shown in Table 1 above.

Table 2: Agency costs to February 2016 compared with annual cost 2014/15

Directorate	Outturn 2014/15 (Year)	Cumulative to February 2016 (11months)
	£'000	£'000
Children & Young People's Services	1,532	4,488
Adult Services & Housing	57	484
Environment & Development Services	666	724
Finance & Corporate Services	116	399
TOTAL	2,371	6,095

3.27 Main reasons for agency spend:

Children & Young People's Service: Cover for Interim Director posts; additional Social Work posts and Manager posts to build capacity and deliver the recommendations in the Children's Improvement Plan.

Adult Services: Residential Care and Assessment & Care Management Social Work teams to maintain statutory levels of service, including cover for vacancies and sickness.

Environment & Development Services: Temporary cover for holidays and sickness absence mainly within waste, highways and construction.

Resources: Largely funding additional staff within Legal Services to provide capacity to respond to the recommendations of the Jay and Casey reports.

Table 3: Consultancy Costs to February 2016 and annual cost for 2014/15.

Directorate	Outturn 2014/15 (Year)	Cumulative to February 2016 (11 months)
	£'000	£'000
Children & Young People's Services	356	1,046

Adult Services & Housing	0	302
Environment & Development Services	198	219
Finance & Corporate Services	82	378
TOTAL	636	1,945

3.31 Main reasons for consultancy spend:

Children & Young People's Service: £176k in respect of Education Consultants engaged within the School Effectiveness traded service where costs are recovered from schools and academies and grant funded services, and also includes £594k consultancy costs incurred engaging professionals to address recommendations in the Jay, Ofsted and Casey reports.

Adult Services: Costs relate to the interim Director of Adult Services (significantly funded by the vacant Strategic Director of Neighbourhoods and Adult Services post) and additional project management and business change resources as part of implementing the Service Development Programme.

Environment & Development Services: Specific advice has been required in respect of aspects of the now operational waste PFI contract, specialised valuation advice, planning policy advice and civil engineering advice. Engagement of the Housing Contract and Service Development Manager (funded via the Housing Revenue Account).

Resources and Corporate Services: Costs incurred in relation to capacity building in response to the Alexis Jay and Louise Casey reports and Specialist ICT, digital engagement and information management support.

Table 4: Non-contractual Overtime to February 2016 compared with annual cost 2014/15

Directorate	Outturn 2014/15 (Year)	Cumulative to February 2016 (11 months)
	£'000	£'000
Children & Young People's Services	109	192
Adult Services & Housing	158	277
Environment & Development Services	420	394
Resources	164	158
TOTAL	851	1,021

3.32 Main reasons for spend:

Children & Young People's Service: Provision of staff cover for sickness, holidays and vacancies, mainly within residential units.

Adult Services: Maintaining statutory staffing levels in residential, intermediate care, Rothercare, transport services and social work posts, and represents cover for sickness and delays in recruiting to vacant posts.

Environment & Development Services: Maintaining Streetpride services, Library and Customer Services and Markets.

Resources: ICT staff overtime to maintain business continuity (£30k), Revenues and Benefits to maximise income collection (£113k), and HR and Legal Services (£15k).

3.33 Collection Fund

The Collection Fund is the technical term for the statutory fund into which Council Tax and Business Rates income and costs are accounted for. It is forecast that the budgeted level of Council Tax and Business Rates will both be achieved.

3.34 Transfer to Reserves

Members will recall that a sum of £34.783m arising from the approved amendments to the Council's Minimum Revenue Provision (MRP) profile for pre 2007/08 debt was held within the MRP Adjustment Reserve at 1st April 2015.

- 3.35 This was earmarked to cover the equivalent future cost which would eventually arise from re-profiling this debt in later years. Working with its External Auditors, the Council has evaluated whether any of the sum set aside in the reserve could be prudently released early. In concluding this evaluation the Council's External Auditors indicated that the sum held in the earmarked reserve should no longer be held in a reserve in the Balance Sheet but retained in the Capital Adjustment Account, and could be released over a period of time by taking an annual MRP holiday.
- 3.36 The estimated net impact of this change in disclosure as at 31st March 2016 means that £20.165m of the MRP Adjustment Reserve is to be transferred to the Capital Adjustment Account and then released to revenue over time by taking an MRP holiday. The balance of £14.618m is the amount which would have been released to revenue from the Capital Adjustment Account in respect of the 2014/15 and 2015/16 financial years if the MRP holiday had been applied in those years.
- 3.37 Within the 2016/17 Budget Setting report it was indicated further proposals on the future purpose of this reserve amount would be presented to Members within the 2015/16 (Estimated) Revenue Outturn report. Following

consideration of the on-going and future financial risks to the Council it is recommended, subject to the Council's final outturn position, that funding at the estimated levels indicated should be set aside to manage the following risks:

Insurance

£1m to cover claims incurred but not yet reported to the Council not taken account of in the Insurance Fund balance;

Business Rates

£3.5m to cover residual risks relating to appeals, NHS trusts claim for charitable relief, and business closures; and

Pensions Deficit

£6m to cover the potential increase in back-funding contributions to the South Yorkshire Pension Scheme over the 3 years 2017/18 to 2019/20 following the 2016 actuarial valuation.

- 3.38 Members will also recall that following the allocation of funding from the Transformation Reserve (£8.394m) to support the Revenue Budget in 2015/16 a sum of £8.457m remains within the reserve. £6m of this balance is committed to support the Revenue Budget (specifically Looked-After Children placements) over the next three years, using £3m in 2016/17, £2m in 2017/18 and £1m in 2018/19 respectively (as set out in the Outline MTFS approved by Council on 2nd March 2016). It is recommended this sum of £6m is transferred to a newly created Looked-After Children Reserve as part of the closure of accounts.
- 3.39 Subject to the Council's final outturn position it is recommended that the balance of £2.457m on the Transformation reserve which has not been specifically earmarked be retained in this reserve recognising both the ongoing improvement programme in particular council services, and other financial pressures on the Council's revenue budget.
- 3.40 In addition to the above it is also recommended that at Outturn, any remaining balance from the £14.618m described above be transferred to the Council's Transformation Reserve.

4. Options considered and recommended proposal

- 4.1 Management actions have been implemented during the course of the financial year to bring spend back in line with budget by 31st March 2016. These actions will remain in place for the remainder of the financial year.

5. Consultation

- 5.1 Budget Managers, Holders and Operators across the Council and the Strategic Leadership Team (SLT).

6. Timetable and Accountability for Implementing this Decision

- 6.1 Strategic Directors, Managers and Budget Holders will ensure continued close management and scrutiny of spend for the remainder of the financial year.
- 6.2 The interim Strategic Director of Finance and Customer Services will ensure, subject to approval, the transfer of funding to reserves as set out in sections 3.37 to 3.40 of this report.

7. Financial and Procurement Implications

- 7.1 All financial details and implications are set out with section 3 of this report.

8. Legal Implications

- 8.1 No direct implications.

9. Human Resources Implications

- 9.1 Social Work staff and Trade Unions are aware of the changes to their contractual terms and conditions of employment.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 No direct implications.

11. Equalities and Human Rights Implications

- 11.1 No direct implications.

12. Implications for Partners and Other Directorates

- 12.1 Partners are aware of budget savings proposals under consideration and being progressed to help mitigate the in-year forecast overspend.

13. Risks and Mitigation

- 13.1 At a time of economic difficulty and tight financial constraints, managing spend in line with the Council's Budget is paramount. Careful scrutiny of expenditure

and income across all services and close budget monitoring therefore remain a top priority if the Council is to deliver both its annual and medium term financial plans while sustaining its overall financial resilience.

- 13.2 Any potential cost of CSE claims over and above that already provided for in the 2014/15 accounts is not included in this report.
- 13.3 Although both Council Tax and Business Rates collection levels are on target there is a minimal risk that this could change during the remaining month of the year.

14. Accountable Officer(s)

Pete Hudson – Chief Finance Manager

Approvals Obtained from:-

Interim Strategic Director of Finance and Corporate Services:- Stuart Booth

Interim Director of Legal Services:- Catherine Parkinson

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