monmouthshire
sir fynwy

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| **SUBJECT:** | **Recovery Plan for the current year revenue budget 2015/16** |
| **MEETING:** | **Cabinet** |
| **DATE:** | **2nd December 2015** |
| **DIVISION/WARDS AFFECTED:** | |

## 1. PURPOSE:

1.1 To provide members with the recovery plans for all service areas to ensure the expenditure is brought back in line with the budget.

1.2 To identify alternative proposals where approved savings cannot be achieved

## 2. RECOMMENDATIONS:

That Members approve the recovery plans and alternative savings proposals outlined in this report.

## 3. KEY ISSUES:

3.1 At Cabinet on the 4th November 2015, Members received a report on the month 6 forecast position, showing an overall net overspend of £1 million, and a net cost of services overspend of £2.1 million. Cabinet agreed that recovery plans would be submitted to the following meeting to bring the budget back in line.

3.2 Each service area has reviewed their position and has provided the following proposals to mitigate the forecast overspend position:

3.3 **Children and Young People overspend forecast - £197,000**

This overspend will be reduced by the following:

- £60,000 saving on youth, this is a combination of increased Grant income and savings on staffing vacancies.
- £73,000 increase for one term on recoupment charges.
- £20,000 potential saving on collaborative arrangements.
- £44,000 Staff vacancies and savings on training and non-essential spend.

These proposals look to minimise the reduction in budgets to front line services and to ensure that out of county pupils attending our schools are not subsidised by Monmouthshire County Council.

3.4 **Operations overspend forecast - £339,000**

This overspend will be reduced by the following:

- Revenue maintenance budgets for highways and property curtailed to statutory requirements and emergency response only.(£20k)
- Relinquish and ‘off hire’ all vehicles and plant over and above basic demand (sale of ‘stood up’ fleet and plant). (£20k)
- Freeze all posts (other than essential ‘front line’) and accelerate reduction/redundancy in staff establishment. (£30k)
- No precautionary presalting winter maintenance runs (i.e. wholly directed by road temperature projections). (£20k)
- Review of external income in street scene ( increased orders in recent weeks for soft landscaping/play equipment installation) (£70k)
- One off rebate from Project Gwyrdd (£10k)
- Reduction in street lighting maintenance budget (£30k)
- Review of projected turnover on SWTRA to reflect recent activity (£75k)
- Withdrawal of subsidy/free road closures (£10k)
- Review of likely out turn on pre app highway advice and traffic management income (£20k)
- Relaunch of highway advertising asap (£20k)
- PTU manager providing interim management function to NCC (£15k)

This schedule will provide £340,000 in savings or net income to address the overspend.

The schedule assumes member approval in relation to policy change, in particular the withdrawal of free road closures which are currently provided to town councils.

The other immediate effects are the reduction in pre salting from what officers might consider prudent based upon experience to being directed predominantly by weather forecasts (although some discretion must remain with the duty officer(s) to maintain road safety).

Other than safety work, repairs to property and highway infrastructure (including street lighting) will be delayed or postponed.

*Obviously the weather plays a part in influencing spend through the remaining part of the financial year. At this stage officers are assuming the authority will maintain a similar level of emergency response to that offered in previous years (snow, freezing, flood)but as events develop officers will refer to members (and the cabinet member in particular) to ascertain levels of response especially when events become prolonged.*

Savings not able to be achieved will be replaced by the following alternatives:

| **Original saving** | **Value of saving not achievable** | **Alternative proposal** | **Value of saving £** |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Home to school transport | £29,000 | Reduction in fuel budget to reflect reduced diesel prices | £30,000 |
| Transfer of functions to other providers | £90,000 | Reduction in grounds and highways - materials, fuel and manpower budget (45-45 respectively) | 90,000 |
| Waste services | £86,000 | Reduced fuel and labour budget to reflect reduced diesel prices and staff not joining the LGPS | £86,000 |
| **Total** | **£205,000** | | |

3.5 **Enterprise overspend forecast - £601,000**

In 15/16 Enterprise has to manage a reduction of £1.392m bringing the net annual budget down to £9.89m. This target represents a significant proportion of the overall budget for Enterprise and given the continued emphasis on income generation and optimisation, which, carries inevitable risk of uncertainty - the position is an increasingly challenging one. Many of the options and opportunities to raise revenues in the same service formats have been exhausted. With fewer staff and assets that require upgrade and investment – it is difficult to see how we can sustain additional income generation without fundamentally adapting the ways and means by which services and functions such a leisure, culture and outdoor learning are delivered.

It should also be noted that the £601,000 deficit position at Month 6 contains £372k of redundancy costs arising from Leisure, the implementation of Community Hubs and the re-structure of Community Learning in response to the reduction of the franchise agreement.

The overspend will be reduced by the following:

- Seeking reserve funding approval for £372k redundancy costs which cannot be met from within existing budgets;
- Alternatives totalling £258k outlined below for original savings that had been identified as not achievable.

If all the alternatives are delivered this would mean that the Directorate would come in under budget. However there is still some inherent risk in these areas so the following actions will also be undertaken:

- Freeze current vacancies apart from in exceptional circumstances; and
- Cessation of all non-essential spend

The savings not able to be achieved will be replaced by the following alternatives:

| Original saving | Value of saving not achievable | Alternative proposal | Value of saving £ |
|---|---|---|---|
| Leisure services | £35,000 | Lighting solution soon to be installed at Caldicot 3G pitch, in order for partial income target to be reached. Aim to increase income against swimming and fitness. | £35,000 |
| Sustainable energy | £33,000 | Aim to increase income target on rental portfolio and reduce expenditure on repairs and maintenance. | £33,000 |
| Museums, Shirehall and Castles and tourism | £45,000 | Winter Closure of Chepstow TIC and application of the museums acquisition reserve for purchases made in year, if possible | £30,000 |
| ICT | £110,000 | None. Continue to do work required to support sale/ licencing and commercialisation of FLO. | No change £110,000 |
| Market income | £70,000 | Cease all repair and maintenance work to asset portfolio | £50,000 |
| **Total** | **£293,000** | | **£258,000** |

3.6 **Social Care and Health overspend forecast - £1.1 million**

**Current Position**

The SCH budget for 2015/16 is projecting, at month 6, a year end outturn overspend of £986K (adjusted for £115K reserve funding).

The adult services budget is demonstrating an underspend of £195K. This is partly offsetting the overspend in Children's Services. Given the scale of savings required in adult services in 2016/17 it is important that this underspend is maintained into the new financial year.

Children's Services has a project overspend of £1.18m after reserve funding. This is predominantly made up of over commitments in the following areas: -

- External placement budget supporting 64 children overspending by £823K
- Use of agency staff has a net cost after vacancy savings of £326K

**Analysis of current overspend**

In putting together the 2015/16 budget no agency usage was factored in and the extra funding agreed for 2015/16 (£500k in the budget proposals and a subsequent £400k in year) has not been sufficient for the increase in LAC numbers. Assumptions were made that there would be a full establishment in place and any extra demand in LAC would be offset by leavers. Other areas of Wales have started to see a net reduction in LAC numbers so the latter assumption was not unreasonable, however, this contradicted a piece of work undertaken in Monmouthshire in the summer of 2014 highlighted LAC numbers could increase, based on historic trends, to 122 in 2016/17.

The additional resource approved by Council in the budget and supplemented in year was on the basis that benefits from the investment would be realised against it from a starting position of 100 LAC. As at month 6 there are 121 LAC. The capacity from the approved business cases is only now, half a year after approval, coming into place following recruitment processes. The assumptions in the business cases approved by Council were that benefits in terms of savings and/or cost avoidance would initially start 2016/17 with full benefits not realised until 2019/20. There is a need to remodel the assumptions and timing within the business cases based on the increase in LAC and the timescales for appointees coming into post.

**<u>In a nutshell there are an additional 21 children in the looked after system which is, by far, the greatest contributor to the overspend.</u>**

The second key contributor to the overspend is the continued use of agency staff covering vacancies and significant levels of absenteeism within Children's Services. The Head of Children's Services has risk assessed whether agency workers can be safely stepped down in advance of recruitment but advises caseload complexities means that is not advisable at this juncture. There has been a very difficult period of sickness related absence within the children's service over the summer of 2015. This has been compounded by 2 disciplinary investigations which have not been concluded in a timely manner. A coherent recruitment plan is needed to attract the right calibre of candidates at pace.

**<u>The summary of this analysis is that an in year recovery plan in children's services will not bring the budget back into balance in year.</u>**

A number of immediate actions will be taken to develop a culture and discipline of financial control including:

1) Gatekeeping the engagement of any additional agency workforce at Head of Service/ Chief Officer level
2) Risk assessment on a weekly basis of the opportunity to step down any current agency workers
3) Detailed analysis of the plans of every current child in a LAC.
4) Robust controls of all expenditure including transport and legal costs
5) Continuing to maximise underspend in adult services to offset the overall directorate position.

The impact of these actions whilst important will be marginal in year. The absolute priority is a medium term service which is based on informed analysis and projections of need and evidence of what works. It is critical that the children's service is put on a sustainable footing.

The medium term plan is outlined in Appendix 1

**3.7 Corporate finance considerations – capital receipts policy**

Council has previously agreed to use all its capital receipts to fund 21st century schools. At the time this policy was agreed, the bank of receipts was not sufficient to fund the 21st schools programme and it was anticipated that expenditure on the schools programme would run either before or at the same time as when the receipts are banked. However, some delays in the schools programme and the attainment of a significant receipt from Caldicot has meant that there is a larger pot of receipts available this year than anticipated in advance of the spend on 21st century schools. In addition to this, Council had previously agreed to set aside capital receipts to repay debt, as part of the funding mechanism for building a replacement cattle market. This has been included in the capital MTFP to be done in 2016/17.

In the light of the balance of receipts now available, it is necessary to review the capital funding strategy and therefore ensure impact on the revenue budget is minimised. The relationship between the use of capital receipts and the revenue budget is twofold, depending on the strategy of usage adopted:

1. Use capital receipts to fund expenditure instead of borrowing – reducing the borrowing costs in the revenue budget
2. Use capital receipts to set aside to repay debt – reduces the amount required to charge to the revenue to repay borrowing (Minimum Revenue Provision – MRP).

The current position is that the balance of receipts at the beginning of the year was £17 million with an expected need to use £2.9 million to fund capital expenditure in the year. This funding profile has now been revisited and the following is proposed for 2015/16:

1. Maximise the use of capital receipts for funding capital schemes in the whole programme not just 21st century schools – so using £5.3 million of receipts and reducing the need for funding by prudential borrowing - this will provide a revenue budget benefit in 2016/17 and will be included in the proposals to meet the remaining gap for 2016/17. This changes the profile of when receipts are used as opposed to prudential borrowing, switching this so that prudential borrowing is taken after receipts have been used.
2. Bring forward the previous projection to set aside receipts to repay debt on the replacement cattle market – so setting aside £6.25 million - this will provide a benefit of

**£263,000** to the current years revenue budget and help to mitigate the forecast overspend position identified at month 6.

### 3.8 Summary

The recovery plans outlined above totalling £1.6 million will enable the Council to meet its overall budget target and significantly brings down the net cost of service overspend. All services will be required to continue to ensure only essential spending is undertaken and vacancies are held through the last few months of the financial year.

## 4. REASONS:

To ensure that action is taken to manage expenditure within the Council's approved budget.

## 5. RESOURCE IMPLICATIONS:

The proposals in the report will ensure that the overspend situation will be managed so that the expenditure is brought back in line with the budget.

## 6. SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS:

Appendix 2 – CYP future generations evaluation
Appendix 3 – Operations future generations evaluation

## 7. SAFEGUARDING AND CORPORATE PARENTING IMPLICATIONS

NONE

## 8. CONSULTEES:

SLT
Cabinet
Head of Legal services

## 9. BACKGROUND PAPERS: Nil

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**Appendix 1 – Children's Social Services Medium term service and financial recovery plan**

Experience of successful recovery plans from elsewhere is that a clear and simple plan is needed to unite everyone around what needs to be done and to get everyone pulling in the same direction. It is important to create the right conditions for recovery. This relies upon strong, resilient leadership from Members, senior leaders and service management. Potential obstacles to recovery need to be overcome collegially and quickly, like prompt production of clear financial and performance data and management of the HR issues.

There are a number of key priority areas that will form the basis of the recovery plan: -

1. **Workforce plan**

- Recruitment & Selection – we need to increase the speed of advertising for vacant posts, interviewing of successfully applicants and the ensuring safe recruitment process are concluded in a timely way
- Maximise attendance through effective management of sickness and other absences
- Effective use of HR capacity and embedding people management skills with clarity of role between HR and service managers
- Review existing staffing structure – what should the balance between newly qualified and experienced social workers in a children's services department be if we cannot attract a full cohort of experienced staff? How do we support newly qualified workforce and is there a role for consultant social workers in the Monmouthshire structure? Mentoring of newly qualified staff in first year in practice can be linked to a safe stepping down of the agency workforce.
- Skills and capabilities assessment at an individual and team level linked to an appropriate training programme to create the culture and practice for change
- Build on and progress to next stage in the cultural change/ OD programme
- Explore the use of a case load supply and demand toolkit for social worker case load management

2. **Comprehensive Commissioning Framework**

For families that are showing signs of distress getting appropriate support at the earliest opportunity is critical. It can prevent them reaching a point where it is necessary for children's social services to intervene (pre children in need), less still for them to break down to the stage where their children are taken into care (edge of care services). Initial analysis shows that investment in early invention and prevention is commissioned from a number of different funding sources without a single commissioning plan which focusses funding (regardless of source) on the interventions where there is evidence that the maximum impact is delivered. A commissioning review and resulting coherent targeted set of services is urgently required.

3. **Expand the Changing Practice Changing Lives Programme from Adults into Children's Services**

The evidence from elsewhere, but most powerfully from the adult service experience in Monmouthshire, is that a relentless focus to improving practice is the key to success. There is a very well established transformation programme in adult services which has delivered both improved outcomes and quality of life for people and significant savings. Recognising the differences in children's services, but also the many similarities, the transformation programme will be expanded. A common understanding of ‘what good practice looks like’ and alignment of all systems (from supervision to QA to management meetings) to reinforce the primacy of this is needed. Some limited external support from a recognised expert in children’s services will be sought to diagnose the baseline position and develop the detail of transformation within children’s services.

## 4. Performance and Accountability

Effective recording and reporting of our management information is essential in helping us to know whether or not we are making a positive difference to the lives of the children, young people and families. There are short term issues with the implementation of the Plant system but in the medium term measures which matter need to be available at every level. Priorities are:

- Robust approach to tracking and evaluating the realisation of the benefits from the approved business cases
- Structured approach to audit and quality assurance of practice
- PLANT and reports required outside of national PI’s to aid operational direction of travel
- Realising benefits of new ‘PLANT’ IT system
- Performance monitoring system established
- Roll out business support review from Adult
- Right sizing of care packages

## 3 YEAR FINANCIAL PROJECTIONS

Below is a 3 year budget projection plan for Children’s Services. This is at this point based on a predicted increase in LAC numbers over the next three years to 133, a net increase of 12: -

| Children Services Projection (2015/16 - 2018-19) | £m | Notes |
|---|---|---|
| **Yr 1 - 2015/16** | | |
| Forecasted Overspend (M6) | 1.18 | 121 LAC |
| **Yr 2 - 2016/17** | | |
| Forecasted Overspend b/f from 2015/16 | 1.18 | |
| Projected Cost of Existing 121 LAC to Reflect Best /Worst Cases | 0.00 | |
| Projected Cost of 1 Additional LAC | 0.02 | |
| Net cost saving of 60% reduction in use of Agency staff | (0.20) | |
| Forecasted Over/(Under)Spend excluding Business Cases | 1.00 | 122 LAC |
| *Cost Avoidance / Cost Saving re Business Cases re 2016/17* | *(0.02)* | |
| Forecasted Over/(Under)Spend including Business Cases | 0.98 | |
| **Yr 3 - 2017/18** | | |
| Forecasted Over/(Under)Spend excluding Business Cases b/fwd from 2016/17 | 1.00 | |
| Projected Cost of 5 additional LAC | 0.32 | |
| Forecasted Over/(Under)Spend excluding Business Cases | 1.32 | 127 LAC |
| *Cost Avoidance / Cost Saving re Business Cases 2016/17* | *(0.02)* | |
| *Cost Avoidance / Cost Saving re Business Cases 2017/18* | *(0.18)* | |
| Forecasted Over/(Under)Spend including Business Cases | 1.12 | |
| **Yr 4 - 2018/19** | | |
| Forecasted Over/(Under)Spend excluding Business Cases b/fwd from 2017/18 | 1.32 | |
| Projected Cost of 6 additional LAC | 0.34 | |
| Forecasted Over/(Under)Spend excluding Business Cases | 1.66 | 133 LAC |
| *Cost Avoidance / Cost Saving re Business Cases 2016/17* | *(0.02)* | |
| *Cost Avoidance / Cost Saving re Business Cases 2017/18* | *(0.18)* | |
| *Cost Avoidance / Cost Saving re Business Cases 2018/19* | *(0.44)* | |
| Forecasted Over/(Under)Spend including Business Cases | 1.01 | |

To summarise the three year projection, the predicted increase in LAC numbers, offset by anticipated savings from downscaling agency staff usage by 60% and realisation of the business case benefits, still leaves an overspend of circa £1m compared with the 2015/16 budget.

It is proposed a 3 year financial model realigns the base line budget for 2016/17 by £1m. Downscaling agency usage by 60% in 2016/17, combined with business case benefits starting to kick in, will allow a sustainably balanced budget position until 2018/19 for a maximum of 133 LAC numbers. Between 2017/18 and 2018/19 the business case benefits can offset the predicted increase in LAC numbers. This is the realistic scenario.

The associated risk with this plan is that LAC numbers rise above the predicted 133. The optimal case scenario is that a targeted set of early intervention and prevention services combined with a stable workforce and practice transformation can in time reduce LAC numbers.