worcestershire county council

AGENDA ITEM 6

CABINET
29 SEPTEMBER 2016

RESOURCES REPORT

Relevant Cabinet Member
Mr S E Geraghty

Relevant Officer
Chief Financial Officer

Recommendation

1. **The Cabinet Member with Responsibility for Finance (who is also the Leader of the Council) recommends that Cabinet:**
   - (a) **endorses his conclusions concerning revenue budget monitoring up to 30 July 2016;**
   - (b) **notes the current progress regarding the FutureFit programme;**
   - (c) **recommends that Council approves the Energy Efficiency Spend to Save Fund increase to the Capital Programme and the capital budget cash limits be updated accordingly;**
   - (d) **recommends that Council approves the addition of £2 million to the Capital Programme for Phase 2 of the development of in-house Post-16 Supported Living Accommodation and residential facilities within Children's Services to be funded by revenue savings from the projects;**
   - (e) **endorses his conclusions concerning capital budget monitoring up to 30 July 2016; and**
   - (f) **notes the current position of the annual statutory accounts process.**

Introduction

2. This report outlines the 2016/17 outturn forecast for the Council's Revenue and Capital budgets, and the Futurefit savings and efficiencies programme.

3. A recommendation is being made for Council to approve an increase of £0.7 million to the Energy Efficiency Spend to Save Fund in the Capital Programme and £2 million supported living and residential facilities in Children's Services.

4. The report also provides an update to the annual statutory accounts process.

Revenue Budget Monitoring 2016/17 - Outturn Forecast as at 30 July 2016

5. The County Council's authorised cash limited budget for 2016/17 is £322 million. When taken together with the amount of money spent by the County Council that is received through specific grants and miscellaneous income the County Council spends over £1 million per day on providing services to residents and service users.

6. After the first four months of 2016/17 and forecasting for the remaining eight months of

the financial year an overall financial pressure of £0.7 million is anticipated. This represents 0.2% when compared with the Council's revenue budget and whilst further work will continue to be undertaken to keep expenditure within approved cash limits there is likely to be additional use made of Earmarked Reserves.

7. The most significant forecast financial pressure relates to the Eastham Bridge Tenbury Wells collapse which is expected to cost at least £1 million this financial year. The Council is reviewing the situation and an update will be provided at a future Cabinet meeting with regard to providing a permanent replacement for the bridge.

8. The Council maintains £13 million in General Balances to enable it to react swiftly to any extraordinary events like this and it is likely that this funding will be used to support the works on Eastham Bridge in 2016/17.

9. There are a number of other smaller areas of cost pressure across the Council's budgets which are being closely managed and it is anticipated that forecast costs will be kept within the budget by the end of the financial year.

FutureFit Programme Update

10. The FutureFit programme has the clear intention of delivering the changes needed to support the four key areas of focus set out in the Corporate Plan – FutureFit: Open for Business, Children and Families, Health and Well-being and the Environment. It remains a key delivery vehicle for identifying, managing and delivering the transformation required of the organisation to realise the FutureFit vision.

11. The County Council has an ongoing savings requirement of around £25 million per year, which it is anticipated will increase to £34 million in 2017/18 as set out in the February 2016 Budget Report to Cabinet. The Council will receive a transitional support scheme grant of £2.5 million in both 2016/17 and 2017/18 and it is intended that this funding will be used to reduce the 2017/18 savings requirement from £34 million £29 million.

12. The FutureFit savings programme target for 2016/17, which includes £3 million carried forward for delivery from last financial year, totals £27.2 million and is forecast to be achieved.

13. Whilst 60% of the programme for this financial year has been delivered or is on track, risks to the delivery of the remainder of the programme continue to be monitored. Work to mitigate this risk is being managed by the Corporate Business Board. Where savings are not being achieved during the current financial year, Directorates are mitigating this by restraining costs in other areas or drawing support from their own earmarked reserves.

14. Highlights from across the programme during 2016/17 include:

- Digital Strategy - In July 4000 telephone numbers were successfully transferred to an internet based system. This has now fully replaced the out-dated infrastructure. Also, phone numbers have been migrated from the legacy telephony platform to our new fit for purpose systems. This allows telephony costs to be delivered via a cheaper, more efficient and scalable technology with inbuilt resilience
- Project Mercury – Approximately 100 staff successfully transferred to Liberata and a programme of work has been developed to transform HR and Finance transactions and processes as well as the technology used to provide this service. Liberata have continued to meet all key performance indicators, including paying our 24,000 County Council and partner organisation staff accurately each month since February
- The County Council's first Dynamic Purchasing System has been established for the new technology in care project. The technology in care

market is rapidly changing and this purchasing system enables new providers to join at any time. This encourages competition and leads to better value, faster outcomes and quicker process time. This means that we can better support service users and create more flexible responses to people's needs. Six other councils and Health and CCG colleagues have signed up as partners.

Capital Programme Addition – Energy Efficiency Spend to Save Fund

15. In September 2015, the Council approved an increase of £0.6 million to the Energy Efficiency Spend to Save Fund thereby increasing the fund to £2.3 million.

16. The programme of energy efficiency works has been very successful; the scheme is self-financing with savings in energy budgets funding the cost of borrowing.

17. To date, a total of 93 Spend to Save projects had been completed with annual cost savings of £0.25 million, saving 847 tonnes of carbon dioxide per year with an average 7.5 year payback.

18. An additional allocation to the Energy Efficiency Spend to Save Scheme of £0.7 million is requested, taking the total investment since 2010 to £3 million. This will enable further capital investment in energy efficiency projects including lighting, insulation and the installation of renewable technology across the County Council's property estate and street lighting portfolio.

19. Electricity prices are anticipated to rise by between 40% – 60% over the next 10 years and the ability to fund energy saving projects becomes an increasingly important issue. The payback periods and energy savings associated with projects will also become more favourable as energy prices rise.

20. Central Government confirmed in the Budget on 16 March 2016 that the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme will continue until March 2019 and then be replaced with increasing the Climate Change Levy (CCL) where a new reporting mechanism will be developed. Any action that the County Council takes now to reduce energy and carbon will stand us in good stead looking forward.

Capital Programme Addition – Phase 2 of the development of in-house Post-16 Supported Living Accommodation and residential facilities within Children's Services

21. The Council's aspiration for children and young people in Worcestershire is for them to grow up and thrive within the county. It is therefore vitally important that we support children and young people within the county wherever it is safe to do so; and where children or young people have needed to move out of county for a period that we facilitate a move back to Worcestershire as soon as possible.

22. The development of in-house services allows us to do this and is also more cost effective than the external market. This development is a key part of the Children's Social Care Financial Recovery Plan in response to the increasing financial demand which is being placed on the Children's Placement Budget. The majority of savings will be generated from 2017/18 onwards based on the need to source properties, develop them to meet the specific needs of the children and young people and recruit additional staff.

23. Summarised in the table below are a series of investments that are proposed to support the Financial Recovery Plan in Children's Services. Each area of investment is supported by way of a short explanation below this table.

Table [1]: Summary of Children Services Investment Proposals

Scheme £ million	Investment	Annual Forecast Savings	Payback period (years)
Supported Living – Phase 2	0.6	0.25	2.4
Supported Living – Complex Needs	0.6	0.35	1.7
Change of Use Short Breaks and Residential Services and additional in-house Residential	0.8	0.1	8
Total	2.0	0.7	2.9

24. In addition to the forecast revenue savings, whilst not accounted for in the business case, the Council is forecast to benefit from the capital appreciation of the assets proposed for purchase.

25. The cost of capital investment, and increase requested in the Capital Programme, will be funded by a revenue contribution from the savings achieved by the projects and therefore there are no net additional revenue implications of the proposal to increase the Capital Programme by £2 million.

Supported Living – Phase 2

26. In June 2015, Cabinet approved the further development of 17 in-house supported living units for young people to increase the internal capacity to 23 with four places already being available for children with complex needs at Cheltenham Road, Evesham and two units at Downsell Road, Redditch. The investment of £1 million is on target to meet the annual net savings of approximately £0.3 million in 2016/17 as all the properties are now occupied.

27. The demand for supported living is increasing due to a range of factors. A business case and needs assessment has been developed to extend this programme of work, known as Phase 2. Phase 2 includes the addition of a further 11 in-house 24/7 supported living facilities for 16 and 17 year olds in order to support their move to more independent living. The anticipated savings forecast after taking into account the need to recruit additional outreach support workers is £0.25 million per year from a capital outlay of around £0.6 million for the relevant properties.

28. This investment is intended to provide a payback of less than 3 years and will allow young people to be based in a community which meets their education, vocation or social needs. The staff will be employed by the Council and will work with the young people to ready them for independence, giving them CV writing and interview skills, employment and housing advice as well as support with budgeting and living independently.

Supported Living – Complex Needs

29. There are an increasing number of young people with complex needs requiring supported living as an alternative to residential care as a step down before independence. A business case and needs assessment has been developed to invest in a further unit similar to existing services. The capital cost of the site is estimated to be around £0.6 million and the cost of this capital investment will be offset by the savings generated from stepping children down from more expensive placements.

30. Annual savings are forecast to be £0.35 million for 2017/18 as more expensive placements are replaced by this more appropriate facility which will also provide them with the skills required to live independently. The payback period is less than 2 years.

Transfer of services between Orchardene, Pershore Short Breaks Unit and Hill View Residential Facility Malvern, conversion of space within Oak House, Worcester and Old Hollow West Malvern to provide additional residential accommodation and the purchase of an additional in-house residential facility

31. A number of properties within the Council portfolio are operating below capacity due to the configuration of rooms and communal spaces.

32. A business case has been developed to convert Hill View from a 6-bed residential facility which is operating at below capacity due to difficulties in matching 6 children to occupy the home at one time into a 6 bed short break unit. This will provide additional respite accommodation for up to 15 children as an alternative to a permanent placement or for children currently under the care of the Council as well as the potential to increase the ability for these properties to accommodate more young people.

33. This will support cost avoidance as it is expected that this will delay or avoid a number of children coming into care or the cost of external respite required due to a placement breakdown. With average costs of £42,000 per annum per looked after child, total cost avoidance in one year could be up to £0.6 million assuming full occupancy.

34. Orchardene will then become a 4-bed residential unit and an additional room at both Oak House and Old Hollow can be created by reconfiguring communal and garage facilities. The costs of conversion are estimated at £50,000 for each of the 4 units.

35. Connected to the proposed redesigns described above, a business case has been developed to purchase a further in-house unit as an alternative to agency residential care. The capital cost of the site is estimated to be £0.6 million.

36. The savings are forecast to reach £0.1 million per annum, and more importantly a number of children will then be able to be placed in Worcestershire, close to their communities and families, and to reduce the time and associated costs of social work visits and contact by family. The payback period for this is 8 years.

37. The overall impact of these changes will be to increase the provision of short breaks beds by 2 and in-house residential by 4.

Capital Programme Budget Monitoring - 2016/17 Forecast

38. The Council's Capital Budget for 2016/17 totals £180 million after rolling forward £38 million from last financial year. The actual capital expenditure at Month 4 (30 July 2016) is £34 million or 19% of the budget which is as expected with no significant issues arising. Around £45 million of the 2016/17 budget relates to the Energy from Waste financing scheme with the majority of the remaining capital budget for roads and school improvements.

39. Work has begun to review the timing of capital expenditure over the current and future years and an updated profile of planned capital expenditure over the medium term will be brought to a future Cabinet meeting.

Annual Statutory Financial Statements 2015/16

40. The Statutory Accounts were approved by the Audit and Governance Committee on 21 July 2016.

41. The External Auditor Grant Thornton UK LLP provided an unqualified opinion on the County Council and Worcestershire Pension Fund's annual accounts.

Health Impact Assessment

42. A Health Impact Assessment screening has been undertaken with regard to this report and recommendations for new spending decisions to understand the potential impact they can have on Public Health outcomes across the county area.

43. This report is mainly about confirming an early forecast financial position for 2016/17 and contains one new request to increase capital spending on Energy Efficiency Schemes.

44. Taking this into account, it has been concluded that there are no specific health impacts as a result of new decisions arising from this Cabinet report.

Contact Points

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the following are the background papers relating to the subject matter of this report:

- Previous Cabinet Resources Reports
- Public Health Impact Assessment