

MIDDLESBROUGH COUNCIL

EXECUTIVE REPORT

Report Title: 2014/2015 Revenue Outturn

Executive Member - Finance and Governance- Councillor Nicky Walker

Executive Director - Commercial and Corporate Services – Tony Parkinson

Date 14th July 2015

PURPOSE OF THE REPORT

1. To inform Executive of the final revenue outturn position for 2014/2015.

SUMMARY OF RECOMMENDATIONS

2. It is recommended that:-
 - a) Members note the 2014/2015 underspend of £5.805 million.
 - b) Members approve the use of general fund balances at paragraph 64 totalling £2.45 million.
 - c) Members approve the remaining savings of £3.355 million be used to help mitigate future budget reductions over the medium term. The use of balances will be confirmed in the next review of the medium term financial plan.

IF THIS IS A KEY DECISION WHICH KEY DECISION TEST APPLIES?

3. It is over the financial threshold (£150,000)
It has a significant impact on 2 or more wards
Non Key

DECISION IMPLEMENTATION DEADLINE

4. For the purposes of the scrutiny call in procedure this report is
Non-urgent
Urgent report

If urgent please give full reasons

BACKGROUND AND EXTERNAL CONSULTATION

5. On the 3rd March 2014 the Council set its revenue budget for 2014/2015 at £130.6 million. A Council Tax increase of 1.82% was approved for the Council.
6. In setting the 2014/2015 budget, budget reductions of approximately £14.8 million were identified.
7. The Council approved an extra £7 million gross investment in key services (before any budget reductions) including the following :-
 - £3.400 million for care for children and young people
 - £2.400 million for care for older people and vulnerable adults
 - £1.165 million to cover income shortfalls
8. As a result of the effective management of budgets by the Council during 2014/2015, additional savings of **£5.805 million** have been generated. This includes £2.4 million of earlier achievement of savings against 2015/2016 targets. This will contribute to a sustainable approach to future Council budgets.
9. The outturn position is summarised below:-

	Budget	Outturn	Variance
	£'000	£'000	£'000
Economic Development & Communities	20,242	16,758	-3,484
Wellbeing, Care & Learning	65,603	62,545	-3,058
Commercial & Corporate Services	38,804	39,147	343
Total Service Outturns	124,649	118,450	-6,199
Central Costs	5,951	6,345	394
Total	130,600	124,795	-5,805

10. This includes early achievement of savings as broken down below:-

	£'000
Economic Development & Communities	1,165
Wellbeing, Care & Learning	722
Commercial & Corporate Services	509
	2,396

11. The £5.805 million saving represents 4.44% of the budget. This includes an estimated saving of £2.4 million from maximising the use of available grant income to fund mainstream expenditure.
12. The report recommends that the savings generated in 2014/2015 be used to help mitigate future budget reduction requirements over the medium term. The use of balances will be confirmed in the next review of the medium term financial plan.
13. Explanations for variances from budget of £100,000 and above are set out in the following section of the report. A full analysis is attached at **Appendix A**.

Economic Development & Communities: (-£3,484,000) saving

Outcome 1 - Economic Development

14. A summary of the outturn position for Economic Development is set out in the table below.

	Budget	Outturn	Variance
	£'000	£'000	£'000
Economic Growth	190	10	-180
Culture	2,168	2,054	-114
Highways & Transportation	9,204	9,189	-15
Total	11,562	11,253	-309

15. **Economic Growth:** Savings of (-£155,000) were made within the Planning budgets, primarily due to the fact that the inspection of the Local Plan took considerably less time than anticipated and the inspection fees were much lower than projected as a result.
16. **Culture:** Savings of (-£150,000) were achieved following the transfer of Mima to the University Of Teesside on 1st September 2014 (full year saving £410,000).
17. **Highways & Transportation:** Parking solutions achieved savings of (-£391,000) mainly due to additional car parking income. This saving was partially offset by a net pressure on the Integrated Transport Unit budget (+£151,000) resulting from additional demands on the service.
18. There were also pressures on the Civil Engineering budget (+£100,000) principally due to a reduction in the amount of work chargeable to capital projects.

Outcome 2 - Supporting Communities

19. A summary of the outturn position for Supporting Communities is set out in the table below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Stronger Communities	3,012	3,040	28
Stronger Families	4,778	1,506	-3,272
Total	7,790	4,546	-3,244

20. **Stronger Families:** Significant savings have been made within the 0-19 Service. Salary savings have been made in advance of the 2015/2016 budget reduction targets and savings have also been achieved by maximising the use of available grant income to fund mainstream expenditure (-£2,700,000). A freeze on non-essential expenditure within the service created a further saving of (-£300,000).

21. There were also savings on the Management staffing budget (-£170,000) in advance of the 2015/2016 budget savings targets. The Council has ceased financial support to private independent day nurseries, this has resulted in a saving of (-£100,000) from the Sustainability budget.

Outcome 3 – Improving Public Health

22. A summary of the outturn position for Improving Public Health is set out in the table below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Public Health Grant Funded Services	119	119	0
Public Protection	467	472	5
Other Public Health Services	304	368	64
Total	890	959	69

23. **Public Health Grant Funded Services:** A saving of (-£156,000) was achieved following the renegotiation of contracts with Public Health service providers.
24. Under the terms and conditions of the Public Health grant , any grant funding not used by the end of the financial year can be carried forward within a ring fenced Public Health reserve. The saving achieved in 2014/15 of (+£156,000) has therefore been carried forward within the ring fenced reserve.
25. **Other Public Health Services:** A pressure of (+£106,000) was incurred due to an increase in demand for Adults Substance Misuse Services.

Wellbeing, Care & Learning: (-£3,058,000) saving

Outcome 4 – Learning & Skills

26. A summary of the outturn position for Learning & Skills is set out in the table below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Achievement	-1,008	-923	85
Schools Budget	375	304	-71
Middlesbrough Community Learning	-342	-342	0
DSG Grant	-403	-403	0
Total	-1,378	-1,364	14

27. **Achievement:** A pressure of (+£123,000) was incurred due to efficiency targets relating to the Support Services review not being achieved.

Outcome 5 – Safeguarding & Children’s Care

28. A summary of the outturn position for Safeguarding & Children’s Care is set out in the table below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Safeguarding	26,726	26,320	-406
Total	26,726	26,320	-406

29. **Safeguarding:** A saving of (-£241,000) was achieved on the Youth Offending Service budget following the cessation of two contracts. A further saving of (- £163,000) was made as a result of the transfer back of Children’s Homes from Five Rivers to the Council.
30. Savings were also achieved on the Adult Safeguarding Service and Forensic/Mental Health Social Work Teams (-£232,000) mainly as a result of staff vacancies. The funding of mainstream expenditure from the Community Support Fund and Troubled Families grant created an additional saving of (-£306,000).
31. Although the number of Children’s Agency Residential School placements reduced by one, a pressure of (+£525,000) was incurred on this budget. This was a result of the higher costs and the complexity of the current placements. There was also a need to purchase a secure placement at a cost of £5,400 per week. There was a net increase of four placements with Independent Fostering Agencies (IFAs) giving rise to a further budget pressure of (+£1,197,000). The service planned to increase the number of in- house carers and to increase the number of adoptions but this has not had the impact that was originally anticipated. This is reflected in the pressures on independent sector placements being offset by savings on the In-House Care budget (-£725,000) and on the Adoption budget (-£480,000).

Outcome 6 – Social Care

32. A summary of the outturn position for Social Care is set out in the table below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Prevention Access & Provider Services	4,442	3,774	-668
Specialist & Lifelong Services	2,862	2,778	-84
Purchasing & Demand Budgets	30,596	30,111	-485
Social Care Other	5,285	4,298	-987
Service Strategy	-2,930	-3,372	-442
Total	40,255	37,589	-2,666

33. **Prevention, Access & Provider Services:** Significant savings were achieved on staffing costs (-£189,000) mainly as a result of vacant posts. There were also savings on supplies & services budgets (-£204,000) and the Tees Community Equipment Service equipment budget (-£108,000).
34. Additional contributions from the Clinical Commissioning Group produced an income surplus of (-£212,000).

35. **Specialist & Lifelong Services:** Vacant posts were the main reason for a saving of (-£232,000) on staffing costs. Significant savings were also achieved on supplies & services costs (-£138,000) following a freeze on non-essential spending.
36. These savings were partially offset by a budget pressure of (+£186,000) as a consequence of legislative changes brought about by the Cheshire West Supreme Court judgement regarding Deprivation of Liberty safeguards (DOLs). A reserve has been created to contribute towards the cost of any additional Legal support that may be required in relation to DOLs in future years (+£100,000).
37. **Purchasing & Demand Budgets:** There was a net saving of (-£205,000) on the demand led contingency budget. The outcome of contract negotiations with Independent Sector providers gave rise to a further saving of (-£175,000) and the service also received additional Health income contributions towards personal care packages totalling (-£105,000).
38. **Social Care Other:** A review of all current Supporting People contracts produced a saving of (-£324,000). A further saving of (-£270,000) was achieved following the return of a number of unspent Direct Payment allocations.
39. The service also received unbudgeted income from the Clinical Commissioning Group totalling (-£303,000).
40. **Service Strategy:** Savings were achieved on staffing costs (-£108,000) and as a result of funding mainstream expenditure from grant income (-£152,000).
41. In addition to these savings, an increase in debt recovery has resulted in the service being able to reduce its provision for bad debts by (-£100,000).

Commercial & Corporate Services: (£343,000) pressure

Outcome 7– Environment, Property & Corporate Services

42. A summary of the outturn position for Environment, Property & Corporate Services is set out in the table below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Strategic Assets Management	2,411	2,242	-169
Property & Commercial Services	18	-82	-100
Leisure Services	611	761	150
Environmental Services	11,824	11,594	-230
EPCS General	234	255	21
Total	15,098	14,770	-328

43. **Strategic Assets Management:** An increased letting of sites resulted in a commercial rent income surplus of (-£118,000).
44. **Property & Commercial Services:** A net saving of (-£231,000) was achieved for the Crematorium budget. The loss of income following the opening of the new crematorium at Yearby was not as high as previously forecast. This was offset by a pressure on the Ayresome Industries budget resulting from a fall in sales income.
45. **Leisure Services:** The Leisure Services savings target was not fully achieved resulting in a budget pressure of (+£150,000). Staffing reviews were not fully completed until the opening of the Middlesbrough Sports Village, and the saving

achieved from the closure of Clairville Stadium was not as high as originally expected.

46. **Environmental Services:** A saving of (-£250,000) has been achieved by maximising the use of available grant income to fund mainstream expenditure.

Outcome 8 – Finance & Investment

47. A summary of the outturn position for Finance & investment is set out in the table below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
General Finance & Investment	295	217	-78
Commissioning	1,258	1,115	-143
Partnership	5,293	5,293	0
Council Tax & Housing Benefits	-944	-633	311
Corporate Initiatives	143	0	-143
Valuations	148	130	-18
Unfunded Pensions	1,564	1,548	-16
Total	7,757	7,670	-87

48. **Commissioning:** The service received a windfall rebate from the North East Purchasing Organisation (NEPO) of (- £125,000).
49. **Council Tax and Housing Benefits:** A pressure of (+£311,000) was incurred on Council Tax and Housing Benefits budgets This was principally the result of the level of Housing Benefit payment recovery being lower than anticipated.
50. **Corporate Initiatives:** The Corporate Initiatives budget was not fully committed resulting in a saving of (-£143,000).

Outcome 9 – Organisation & Governance

51. A summary of the outturn position for Organisation & Governance is set out in the table below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Chief Executive & Executive Directors	957	834	-123
Legal Services	975	722	-253
Democratic Services	1,326	1,622	296
Registrars & Coroners	321	358	37
Partnership	8,070	8,527	457
Organisation & Governance Services	4,300	4,644	344
Total	15,949	16,707	758

52. **Chief Executive/Executive Directors:** Savings were made as a result of the Executive Director post for Wellbeing & Learning being vacant for part of the year. There were also vacant Personal Assistant posts.

53. **Legal Services:** Costs incurred on employing external Solicitors to work on legal cases involving Vulnerable Children were considerably lower than forecast.
54. **Democratic Services:** A budget pressure of (+£131,000) was incurred as a full service review had not yet taken place. A contribution of (+£250,000) has been made to the Elections' Reserve to fund additional Election costs in future years.
55. **Partnership:** Delays in the roll out of the new HR/Payroll systems meant that Mouchel was not been able to deliver the anticipated level of savings in 2014/2015.
56. **Other Organisation and Governance Services:** A budget pressure of (+£568,000) was incurred as not all of the service review had been completed. This was partially offset by Workforce Development training cost savings (-£100,000). The review of Democratic Services has been delayed as previously agreed until after the 2015 elections.
57. A saving of £56,000 on the Corporate Programme Team budget has been transferred to a provision to contribute towards the funding of the Team in 2015/2016.
58. The provision for repayment of Property Search fees has been increased from £100,000 to £125,000 based on the provisional settlement figure that has been agreed regarding these claims.

Central Costs:(+£394,000 pressure)

59. A net pressure of (+£394,000) was incurred on Central Costs as set out below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Capital Financing	9,976	9,666	-310
DRF Contributions from Schools	-2,000	-1,417	583
Cross Cutting Savings Provision	0	500	500
Ex Trading Backfunding	113	0	-113
Contributions from Reserves/Provisions	-1,967	-1,817	150
Pay & Prices Contingency	39	-41	-80
Custodian Properties	133	124	-9
Designated Authority Costs	40	27	-13
Environment Agency	96	96	0
Business Rates Initiatives Grant	-435	-142	293
New Homes Bonus Scheme	0	-55	-55
Goods Receipting Write Back	0	-599	-599
LSSG grants	-81	-81	0
Other Miscellaneous	37	84	47
Total	5,951	6,345	394

60. A provision of (+£500,000) has been created to cover the impact in 2015/2016 of delays in implementing the Legal Services, Performance & Policy, Marketing, Payroll and Administration Reviews in 2014/2015.

61. The re-profiling of a significant amount of capital expenditure into future years has reduced the Minimum Revenue Provision (MRP) for 2014/2015 and increased the amount of cash available for short term lending resulting in a saving of (-£310,000) on capital financing costs.
62. Capital spending on schools capital projects was lower than expected creating a shortfall on the Direct Revenue Funding (DRF) contributions budget (+£583,000).
63. A payment as contribution towards the access road and new hospital car park at Prissick is outstanding. Discussions to resolve the issue are taking place but until an agreement is made the Council must fund the car park and access road from borrowing for which provision has been made (+£150,000).

Transfers to/from Balance Sheet Reserves

64. In addition to the transfers to reserves and provisions referred to in the body of the report, approval is requested for the following to be funded from general fund balances in 2015/2016 :-

	£'000
<ul style="list-style-type: none"> • Additional contribution to the Change Fund 	500
<p>The funding will be used to support the implementation of the Agresso Finance/HR and Payroll systems.</p>	
<ul style="list-style-type: none"> • Virtual School Service 	150
<p>The reserve will be used to pump prime developments in the Virtual School Service in order to achieve key targets and improve outcomes for Vulnerable Children and Young People with Special Educational Needs.</p>	
<ul style="list-style-type: none"> • Adult Social Care - Voluntary Sector Carers 	300
<p>The reserve will be used to support transformation work on prevention and early intervention to be carried out by voluntary sector organisations.</p>	
<ul style="list-style-type: none"> • TWI (The Welding Institute) 	1,500
<p>The reserve will be used to facilitate £1.5 million of the cost of the new development on Teesside Advanced Manufacturing Park (TAMP).</p>	
Total 2,450	

IMPACT ASSESSMENT (IA)

65. There are no immediate impacts of this report. The mitigation of future budget reductions will be subject to individual Impact Assessments throughout the budget setting process.

OPTION APPRAISAL/RISK ASSESSMENT

66. This report sets out the year end position for 2014/2015. The in-year savings are available to help contribute to a sustainable approach to future Council budgets. Options and risks will be considered as part of the budget setting process.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

67. The following table sets out a summary of the overall 2014/15 outturn position.

	Budget	Outturn	Variance
	£'000	£'000	£'000
Economic Development & Communities	20,242	16,758	-3,484
Wellbeing, Care & Learning	65,603	62,545	-3,058
Commercial & Corporate Services	38,804	39,147	343
Total Service Outturns	124,649	118,450	-6,199
Central Costs	5,951	6,345	394
Total	130,600	124,795	-5,805

SCRUTINY CONSULTATION

68. It is proposed to take the report to Overview & Scrutiny Board on 18th August 2015.

RECOMMENDATIONS

69. It is recommended that:-

- a) Members note the 2014/2015 underspend of £5.805 million.
- b) Members approve the use of general fund balances at paragraph 64 totalling £2.45 million.
- c) Members approve the remaining savings of £3.355 million be used to help mitigate future budget reductions over the medium term. The use of balances will be confirmed in the next review of the medium term financial plan.

REASONS

70. a) to ensure that Middlesbrough Council reports on resource utilisation against approved budgets.
- b) to consider the implications upon the Medium Term Financial Plan.

BACKGROUND PAPERS

71. No background papers were used in the preparation of this report.

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