

**EXECUTIVE REPORT**

**Report Title: Revenue Budget 2<sup>nd</sup> Review 2015/2016**

**Executive Member - Finance and Governance- Councillor Nicky Walker**

**Executive Director - Commercial and Corporate Services – Tony Parkinson**

**Date 1<sup>st</sup> December 2015**

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**PURPOSE OF THE REPORT**

- 1. To inform Executive of the projected revenue outturn position for 2015/2016.

**SUMMARY OF RECOMMENDATIONS**

- 2. It is recommended that:-
  - a) Members note the projected saving of (-£1.679 million).
  - b) Members approve the virement requests set out in **Appendix C**.

**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 4<sup>th</sup> March 2015 the Council set its revenue budget for 2015/2016 at £119.9 million. A Council Tax increase of 1.82% was approved for the Council.
- 6. In setting the 2015/2016 budget, budget reductions of approximately £14.1 million were identified.

7. The Council approved an extra £4.6 million gross investment in key services (before any budget reductions) including the following :-
- £2.175 million for care for children and young people
  - £1.533 million for care for older people and vulnerable adults
  - £0.400 million for capital investment
  - £0.470 million for the living wage
8. The projected outturn position is summarised below:-

	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>	<b>First Review</b>	<b>Swing</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Econ. Dev't & Communities	14,510	14,168	-342	-721	379
Wellbeing, Care & L'rng	68,299	66,874	-1,425	-600	-825
Commercial & Corp. Serv's	29,500	28,912	-588	1,900	-2,488
<b>Total Service Outturns</b>	<b>112,309</b>	<b>109,954</b>	<b>-2,355</b>	<b>579</b>	<b>-2,934</b>
Central Costs	7,608	8,284	676	563	113
<b>Total</b>	<b>119,917</b>	<b>118,238</b>	<b>-1,679</b>	<b>1,142</b>	<b>-2,821</b>

A breakdown of the main changes in the outturn projections between the first and second reviews is attached at **Appendix E**.

9. The overall net £1.679 million saving represents 1.4% of the budget. The main reason for the saving is that the level of demand from service users within Safeguarding & Children's Care and Adult Social Care has not been as high as forecast creating anticipated savings of £1.9 million in these areas. The Medium Term Financial Plan has been adjusted for future years to reflect this.
10. Members approved a virement request in the Revenue Budget 1<sup>st</sup> Review report to disaggregate the Administration budget and the associated savings target at Executive on 8<sup>th</sup> September 2015. As a result of this any projected variances from budget relating to administration costs are now included under the outcome area where the budget has been disaggregated to rather than being all reported under outcome 9 as was previously the case. The total projected pressure for Administration costs is £1.18 million broken down as set out in the table overleaf.

<b>Outcome</b>	<b>Variance £'000</b>
1 Economic Development	42
2 Supporting Communities	191
3 Improving Public Health	13
4 Learning & Skills	259
5 Safeguarding & Children's Care	463
6 Social Care	137
7 Environment, Property & Corporate Services	0
8 Finance & Investment	23
9 Organisation & Governance	52
<b>TOTAL</b>	<b><u>1,180</u></b>

11. Explanations for projected 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** and a summary of progress against budgeted savings targets is attached at **Appendix B** which shows an anticipated shortfall of £2.098 million. This shortfall is reflected in the overall outturn position and within each service outcome area. Action points arising from the Directorate revenue monitoring meetings are attached at **Appendix D**.

### **Economic Development & Communities: (-£342,000) saving**

#### **Outcome 1 - Economic Development**

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

	<b>Budget £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>
Executive Director	180	180	0
Economic Development	-852	-838	14
Planning	240	127	-113
Culture	1,428	1,401	-27
Highways & Transportation	8,585	8,792	207
<b>Total</b>	<b><u>9,581</u></b>	<b><u>9,662</u></b>	<b><u>81</u></b>

13. **Planning** **-£113,000**  
A number of major development scheme applications are expected including Hemlington Grange. This is expected to generate additional Development Control income of approximately (-£100,000) if the schemes are submitted and completed by the end of the financial year.

14. **Highways & Transportation** **+£207,000**  
 An income surplus of (-£108,000) is projected for Off Street Car Parks. This is in addition to the £326,000 surplus reported at the first review which has subsequently vired to central resources. The level of income received to date is favourable when compared to 2014/2015 and this trend is expected to continue for the remainder of the financial year.
15. A net pressure of (+£190,000) is forecast for the Integrated Transport Unit. Demands on the service from the Wellbeing, Care and Learning Directorate have increased. A number of special educational needs (SEN) service users have been transported to placements outside Middlesbrough and additional post sixteen students have been transported to the Orchard creating a budget pressure of £300,000. This has been partially mitigated by additional income of £110,000 from a transport contract with Tees East Wear Valley NHS Trust and from personal budgets. An additional pressure of (+£140,000) is forecast to cover the cost of installing additional car parking provision on Amber/Ruby Streets to support the localised retail and restaurant economy on Linthorpe Road.

### **Outcome 2 - Supporting Communities**

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

	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Stronger Families	2,698	2,439	-259
Stronger Communities	2,213	2,197	-16
<b>Total</b>	<b>4,911</b>	<b>4,636</b>	<b>-275</b>

17. **Stronger Families** **-£259,000**  
 Following the first review, administration budgets have been disaggregated and returned to service areas. This has created an in year pressure of (+£191,000). The pressure includes the transfer of a budget reduction target (full year effect - £147,000) which has been found to be unachievable due to the cessation of a grant and the Medium Term Financial Plan has been adjusted for 2016/2017 to reflect this.
18. Staffing cost savings of (-£175,000) are predicted as a result of vacant posts. A further saving of (- £120,000) is projected on staffing costs due to staff not being in the pension scheme, staff not being paid at the top of scale and maternity savings. Savings are also forecast on supplies and service costs and as a result of an increase in nursery education grant (-£127,000).

### Outcome 3 – Improving Public Health

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

	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Public Health Grant Funded Services	-106	-106	0
Public Protection	215	67	-148
Other Public Health Services	-91	-91	0
<b>Total</b>	<b>18</b>	<b>-130</b>	<b>-148</b>

20. **Public Health Grant Funded Services:**

The Council has received an initial Public Health grant allocation of £16.378 million in 2015/2016. However the Chancellor of the Exchequer announced on 4<sup>th</sup> June 2015 that there will be a further nationwide cut of £200 million in Public Health grant in 2015/2016. A consultation paper on how this cut should be allocated to individual authorities was issued by the Department of Health with a closing date for responses on 28<sup>th</sup> August 2015. The preferred option is a standard flat rate reduction of 6.2% which equates to a cut of £1.102 million in grant funding for Middlesbrough in 2015/2016. The service has plans in place to ensure that spending on Public Health Grant funded services will not exceed the reduced grant allocation by reducing the budget for investment on early intervention and prevention.

21. **Public Protection** **- £148,000**  
A saving of (-£148,000) is predicted for Public Protection. The majority of the saving is a consequence of vacant posts and staff not being in the Local Government Pension Scheme.

### **Wellbeing, Care & Learning: (-£1,425,000) saving**

### Outcome 4 – Learning & Skills

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

	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Commissioning & Resources	-50	0	50
Achievement	-881	-503	378
Intergrated Working	7	13	6
Schools Budget	51,312	51,312	0
Middlesbrough Community Learning	-347	-347	0
Dedicated Schools Grant (DSG)	-51,835	-51,835	0
<b>Total</b>	<b>-1,794</b>	<b>-1,360</b>	<b>434</b>

23. **Achievement LA Funded Services** **+£378,000**  
It is estimated that there will be a reduction of (+£134,000) in the amount of Education Services grant the Council receives following the conversion of eleven schools to academy status.

The disaggregation of the Administration budget has created a budget pressure of (+£259,000) within Learning & Skills.

### Outcome 5 – Safeguarding & Children’s Care

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

	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Safeguarding Services	28,409	28,680	271
<b>Total</b>	<b>28,409</b>	<b>28,680</b>	<b>271</b>

25. **Assessment & Care Management** **+£911,000**

The abatement target of (+£196,000) will not be met, as savings from current vacancies are being used to meet efficiency targets. The disaggregation of the Administration budget has created an additional pressure with Safeguarding of (+£463,000) and there is also a pressure on the Contact staffing budget (+£154,000). In addition, the Return to Middlesbrough Strategy is expected to incur additional costs of approximately (+£100,000). This should generate savings on Looked After Children’s costs later in the year.

26. **Children Looked After** **-£855,000**

The service has a demand led contingency budget of (-£3,012,000). This is being used to fund demand pressures as set out in paragraphs 27 to 29. The overall position on demand led budgets is a saving of £852,000 as summarised in the table below:-

	<b>£000’s</b>
Demand led contingency budget	-3,012
Independent Fostering Agency (IFA) placements budget (pressure) (Paragraph 27)	+959
In-House Fostering placements (saving) (Paragraph 28)	-501
Residential Agency Budget (pressure) (Paragraph 29)	+1,702
<b>Total saving demand led budgets</b>	<b>-852</b>

27. A pressure of (+£959,000) is projected for Independent Fostering Agency (IFA) placements. Courts’ decisions to maintain placements with IFAs rather than move children to in house provision has made it difficult to implement the service’s strategy of reducing IFA placements. The service currently has 136 placements against a budgeted target of 134. An action plan has been prepared to address and increase the recruitment of specialist foster carers with the aim of reducing the level of placements further before the end of the financial year.

28. A saving of (-£501,000) is forecast on In-House Fostering placements. There are currently 112 placements against a budgeted target of 132.

29. The level of demand for Residential Agency placements has given rise to a projected pressure of (+£1,702,000). The number of placements has dropped since the first review and now stands at 53 against a target of 54. However a number of the current placements are more complex and incur a higher cost. Action plans to

reduce the cost of Looked After Children include the Return to Middlesbrough Strategy, the commissioning of external children's home and the development of an in house children's home for children with disabilities. The option of developing a new purpose built facility proposed by the Corporate Management Team is not now being pursued as it has been recognised that it will not be possible to complete within the Council's timeframe to reduce budgets. A property is now being actively sought on the residential market.

30. **Family Support Services** **+£68,000**  
 A pressure of (+£134,000) is forecast on Regular Payments. This reflects an increase in Residence Orders, the number of Looked After Children with Family and Friends and Special Guardianship Orders. This is partially offset by savings on Family and Adolescent Support Team Resource Workers.

31. **Other Safeguarding Services** **+£202,000**  
 The cost of maintaining placements for young people until they are 21 in line with Staying Put legislation is expected to result in a pressure of (+£197,000).

### **Outcome 6 – Social Care**

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

	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Service Strategy	2,440	2,170	-270
Prevention Access & Provider Services	3,776	3,438	-338
Specialist & Lifelong Services	4,127	3,710	-417
Purchasing & Demand Budgets	31,341	30,236	-1,105
<b>Total</b>	<b>41,684</b>	<b>39,554</b>	<b>-2,130</b>

33. **Service Strategy** **- £270,000**  
 Based on the latest contract payments, a saving of (-£333,000) is forecast for the Supporting People budget. This is partially offset by a projected shortfall of (+£137,000) against the savings target for administration costs following the disaggregation of this budget.

34. **Prevention, Access & Provider Services** **-£338,000**  
 Savings of (-£166,000) are projected on staffing costs mainly as a result of vacant posts and staff not being in the Local Government Pension Scheme. The service has also received additional income from service user charges and health funding contributions totalling (-£191,000).

35. **Specialist & Lifelong Services** **-£417,000**  
 After meeting the abatement target, it is estimated that there will be additional staffing costs savings of (-£169,000) as a result of vacant posts. Further savings totalling (-£145,000) are forecast on the Deprivation of Liberty Safeguards, equipment and other supplies and services budgets. Income relating to Carers and the Estates Team is expected to exceed the budgeted target by (-£104,000). This is a result of additional contributions from service users' estates and a contribution from the Better Care Fund.

36. **Purchasing / Demand Led Budgets** **-£1,105,000**  
 A contingency budget of £1,962,000 was set aside for increases in demand. The estimated call on this budget is £857,000, a saving of (-£1,105,000).
37. **Better Care Fund (BCF)**  
 Delays in commencing projects including the single point of access and support to care homes projects have resulted in an estimated unspent grant allocation for 2015/2016 of £500,000. This will be carried forward to 2016/2017 to meet known commitments. It is also estimated that approximately £400,000 of the contingency fund has not been allocated. The service is looking to identify additional eligible mainstream expenditure which satisfies key BCF measures and performance targets in order to utilise this unallocated funding.

**Commercial & Corporate Services: (-£588,000) saving**

**Outcome 7– Environment, Property & Corporate Services**

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

	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Environmental Services	11,050	11,300	250
Property & Commercial Services	197	341	144
Leisure Services	53	113	60
Strategic Asset Management	2,435	2,315	-120
General	706	571	-135
<b>Total</b>	<b>14,441</b>	<b>14,640</b>	<b>199</b>

39. **Environmental Services** **+£250,000**  
 A pressure of (+£200,000) is predicted on the Waste Disposal budget relating to the kerbside recycling contract. The cost of bringing the service back in house from 1st October is estimated at £150,000 and an additional payment of £50,000 was made to Biffa in August and September for dealing with contaminated recyclable materials. The full year effect of this pressure is estimated at £300,000 and an allocation has been made from the Medium Term Financial Plan to fund this cost from 2016/2017 onwards.
40. **Property & Commercial Services** **+£144,000**  
 A pressure of (+£134,000) is projected on the Building Maintenance budget. This is due to a large proportion of the Property and Commercial Services savings being budgeted for in this area prior to the three year outcome delivery plan for the service being fully developed. A three year plan for these services has been prepared for approval by the Executive. This will realign the budget savings and mitigate the pressure.
41. **Strategic Asset Management** **(-£120,000)**  
 An overall net saving of (-£120,000) is forecast on Strategic Asset Management. This is mainly the result of an increase in Commercial Property rents.

42. **General** **-£135,000**

The service has been able to fund its allocation of the Administration Review savings target in 2015/2016 from a combination of administration / support service cost savings, Early Retirement/Voluntary Redundancy, reductions in Additional Service Provision costs and an in- year budget surplus from the catering efficiency saving which was returned to the service at the first budget review. This leaves a residual in year surplus of -(£135,000) within the service management budget. This surplus will not reoccur in 2016/2017 as the ongoing impact of the administration saving requirement and the £150,000 saving target which was originally allocated against waste disposal are addressed and budgets are realigned following the Executive's approval of the Outcome Delivery Plan for Environment, Property & Corporate Services.

**Outcome 8 – Finance & Investment**

43. A summary of the projected outturn position for Finance & Investment is set out in the table below:

	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General Finance & Investment	1,081	1,104	23
Commissioning	1,097	1,007	-90
Partnership	3,641	3,521	-120
Council Tax & Housing Benefits	-404	-541	-137
Local Tax Collection	-441	-539	-98
Community Support	770	732	-38
Valuations	250	250	0
<b>Total</b>	<b>5,994</b>	<b>5,534</b>	<b>-460</b>

44. **Partnership** **-£120,000**

A saving of (-£120,000) is forecast on the remaining Partnership budget following the transfer of services back to the Council in June and October 2015.

45. **Commissioning** **-£90,000**

A saving is forecast as a result of the receipt of a rebate from the North East Procurement Organisation (NEPO).

46. **Housing Benefits** **-£137,000**

Based on the position to date, a saving of (-£137,000) is predicted on the Housing Benefits budget. This follows an increase in the level of recovery of overpayments.

47. **Council Tax Collection** **-£98,000**

A net income surplus of (-£120,000) is anticipated on court cost recoveries.

## Outcome 9 – Organisation & Governance

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

	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive & Executive Directors	346	336	-10
Organisation & Governance Services	3,068	2,885	-183
Legal Services	846	751	-95
Democratic Services	1,950	1,911	-39
Registrars & Coroners	297	297	0
Partnership	2,558	2,558	0
<b>Total</b>	<b>9,065</b>	<b>8,738</b>	<b>-327</b>

49. **Organisation & Governance/Legal Services** **-£278,000**

Pressures are anticipated arising from shortfalls against the savings targets required for ICT, Marketing, Workforce Development and Administration totalling (+£307,000). These pressures have been offset by over achievement of 2015/16 savings targets and early achievement of 2016/17 savings targets within HR, Legal and Customer Access totalling (-£585,000). This will result in an overall one-off net saving for 2015/16 of £278,000.

### **Central Costs:(+£676,000) pressure)**

50. A summary of the projected outturn position for Central Costs is set out below:

	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capital Financing	9,449	9,854	405
DRF Contributions from Schools	-1,500	-1,500	0
Unfunded Pensions	1,564	1,564	0
Contributions from Reserves/Provisions	-1,529	-1,529	0
Pay & Prices Contingency	176	176	0
Custodian Properties	8	8	0
Designated Authority Costs	40	40	0
Environment Agency	126	126	0
Business Rates Initiatives Grant	-435	-435	0
Parish Precepts	14	14	0
New Homes Bonus	0	-34	-34
Service budget transfers to Central Resources	-305	0	305
<b>Total</b>	<b>7,608</b>	<b>8,284</b>	<b>676</b>

51. **Capital Financing Costs** **+£405,000**

The pressure on the capital financing budget arises from an under-achievement of savings from the non-strategic assets review (NSAR) of (+£480,000) over the period 2014/2015 and 2015/2016. This relates to a time delay in savings that accrue from the sale of (NSAR) assets. There is an anticipated virement of -£75,000 in

relation to the Street Lighting LED invest to save capital project to reflect interest incurred on capital expenditure to date.

52. **Services Budget transfers to Central Costs** **+£305,000**  
 Following the first review a number of service pressures/savings were transferred to Central costs. The net impact of these budget transfers has created a pressure of (+£305,000).

### IMPACT ASSESSMENT (IA)

53. Not applicable.

### OPTION APPRAISAL/RISK ASSESSMENT

54. Not applicable.

### FINANCIAL, LEGAL AND WARD IMPLICATIONS

55. The following table sets out a summary of the overall projected outturn position for 2015/2016.

	Budget	Outturn	Variance	First Review	Swing
	£'000	£'000	£'000	£'000	£'000
Econ. Dev't & Communities	14,510	14,168	-342	-721	379
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56. The following items have been taken into account in the Medium Term Financial Plan.

	£'000
Administration Review pressure	658
Reduction in the impact of demand	-1,633
Kerbside recycling	300
Capital Financing shortfall	321
<b>Total</b>	<b>-354</b>

## SCRUTINY CONSULTATION

57. It is proposed to take the report to Overview & Scrutiny Board on 8<sup>th</sup> December 2015.

## RECOMMENDATIONS

58. It is recommended that:-

- a) Members note the projected saving against the 2015/2016 revenue budget of £1.679 million.
- b) Members approve the virement requests attached at **Appendix C**.

## REASONS

59. a) to ensure that Middlesbrough Council reports on financial projections against approved budgets.
- b) to consider the implications upon the Medium Term Financial Plan.

## BACKGROUND PAPERS

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

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