

OVERVIEW AND SCRUTINY BOARD

A meeting of the Overview and Scrutiny Board was held on 20 February 2014.

PRESENT: Councillors Brunton (Chair), Arundale, Cole, Dryden, C Hobson, Kerr, P Purvis, Sanderson, P Sharrocks, J A Walker and Williams

OFFICERS: J Bennington, P Clark, M Padfield and P Slocombe.

APOLOGIES FOR ABSENCE were submitted on behalf of Councillors Mawston and McIntyre.

DECLARATIONS OF INTERESTS

Name of Member	Type of Interest	Item/Nature of Interest
Councillor Brunton	Non Pecuniary	Agenda Item 3 - Revenue Budget 2014/2015 in so far as it related to Cleveland Combined Fire Authority-Member

13/89 **SUSPENSION - COUNCIL PROCEDURE RULE NO. 10 - ORDER OF BUSINESS**

ORDERED that in accordance with Council Procedure Rule No. 10, the Overview and Scrutiny Board agreed that the order of business be varied given the links between the two reports concerned and that Agenda Item 5 be dealt with as the next item of business.

13/90 **2013/2014 REVENUE BUDGET PROJECTED OUTTURN UPDATE**

A report of the Director of Strategic Resources was presented which provided an estimate of the annual projected outturn for 2013/2014 based on the second budget update exercise of revenue expenditure against the current year's revenue budget for consideration.

The projected outturn position for 2013/2104 was reported as a net budget saving of -£1.869 million which represented a 1.3% saving against the 2013/2014 revenue budget. The Board was advised that the outturn projection represented a significant improvement on previous projections and was as a result of proactive measures undertaken by managers.

Following Members' questions further details were given of how £1.143 million of the savings in 2013/2014 were one-off savings following adjustments to central government funding recently announced in that the extent to which New Homes Bonus and LACSEG were to be 'top sliced' had been reduced in 2013/2014. The Board was advised that such savings could not have been predicted and an assurance was given that they had been taken into account in terms of the overall financial position.

Additionally, it was confirmed that a significant level of savings had been produced by pro-active action across all services in relation to preparing for reductions next year. As a result approximately £1.838 million savings from vacancies were projected to be made by 31 March 2014 which represented, alongside efficiency savings, an early delivery of around £0.726 million of savings.

The Board's attention was drawn to key budget monitoring areas of significant pressures and savings full details of which were outlined in Appendix A of the report submitted.

In relation to Wellbeing, Care and Learning reference was made to:-

- A projected pressure of +£1,197,800, a reduction from +£1,453,000 as forecast in June.
- Staffing cost savings of -£948,000 predicted within Social Care mainly due to vacant posts not filled.
- Efficiency savings of -£336,000 forecast on contracts with Independent Sector Social Care providers and -£232,000 anticipated in respect of Supplies and Services.

- A pressure of +£201,000 was expected on the Integrated Transport Unit budget owing to increased demand for the service.
- A pressure of +£1,273,000 was forecast on External Residential Care for Children with the majority of new placements being significantly more expensive than in previous years.
- The majority of new External Fostering placements in 2013/2014 were also more expensive than in previous years and a pressure of +£853,000 was predicted.
- Savings had been identified within Children's Services which included -£333,000 Nurseries/Children's Centres, -£319,000 the Youth Offender Team and -£201,500 staff savings. Section 17 payments for vulnerable children in crisis situations would be met from community support payments funding thus saving -£140,000.
- Additional income had been received as a result of one-off Educational Services Grant -£409,000 owing to the delay in academy conversions and additional one-off non ring-fenced income in relation to adoption reform -£280,000 and -£170,000 by the Integrated Youth Support Service.

Members reiterated their concerns regarding the budget provision and pressures in relation to external fostering placements. Whilst the Council's current approach for recruiting and training, the difficulty in predicting demand, increased number of complex cases, other measures such as early intervention put in place in this regard were acknowledged the Board was keen to seek assurances around the impact of such measures and that the direction of travel was appropriate in this regard.

In relation to Neighbourhoods and Communities the following was noted:

- Significant staffing cost savings projected within the Regeneration Service -£300,000 and Environment Services -£396,000.
- Savings predicted on Housing Needs and Implementation costs -£92,000, -£40,000 within Planning Policy on the Local Development Framework, and a surplus of -£81,000 forecast on Development Control income.
- There were however projected pressures of +£204,000 due to the Cargo Fleet Depot rationalisation savings target for 2012/2103 not being achieved in full and a pressure forecast on Fleet Services budget +£50,000.
- An income shortfall was expected for the Crematorium +£100,000 as a consequence of the new facility at Yearby opening in January 2014.

Other key areas included a saving of -£446,000 which was forecast across Corporate Services principally as a result of vacant posts and in relation to Central Savings delayed capital expenditure had resulted in a projected saving of -£531,000 in the Loans and Investment budget, one-off income for LACSEG -£802,000 and New Homes Bonus -£341,000 and a saving of -£100,000 forecast on the Pay and Prices contingency budget.

In response to clarification sought from Members the Director of Strategic Resources explained a number of factors to be taken into account when determining whether or not to borrow and to what extent, given prevailing circumstances at any one time. It was noted that the level of repayments also had to taken into account as well as the rate of interest.

The Board's attention was drawn to budgeted savings targets full details of which were outlined in Appendix B of the report submitted. Savings on Supporting People reviews were expected to exceed the budgeted target by -£249,000 with the savings target from closing Sunningdale Mental Health residential home also expected to be exceeded by -£179,000. Following a request by Members it was agreed that further information would be sought from the Service area regarding the utilisation of savings where not specifically identified in Wellbeing, Care and Learning as outlined.

In relation to Corporate Services the non- implementation of changes to staff terms and conditions had resulted in a budget pressure of +£412,000 and proposals for achieving the budgeted savings targets for the Mouchel Partnership had yet to be agreed resulting in a pressure of +£456,000. In terms of Central Services a contribution of -£568,000 had been made from the pay and prices contingency to partially alleviate the pressure on service budget

reduction targets.

An update on the actions required from the 2013/2104 budget monitoring meetings were shown in Appendix C of the report submitted.

It was reported that overall savings of -£2.521 million were forecast across the Council on key service area budgets which was partially offset by a predicted net pressure of £652k in budgeted savings targets resulting in a net projected saving of -£1.869 million.

ORDERED as follows:-

1. That the information provided be noted.
2. That further information be provided to Members on the areas outlined.

13/91 **REVENUE BUDGET 2014/2015**

The Director of Strategic Resources presented a report on the proposed Revenue Budget for 2014/2015.

Details were provided of the overall consultation process regarding the budget intentions following which 76 responses had been received and 2 petitions and subsequent withdrawal of three proposals in respect of Trade Union Facility time (£43,500), Community Councils (£12,500), Staff Terms and Conditions (£412,000) a total of approximately £468,000. In addition the Mayor had announced additional funding of £250 for each Community Council in 2014/2015.

The report gave an indication of the impact of the Local Government Finance Report for 2014/2015 and 2015/2016 which had resulted in a minor change of increased resources of approximately £9,000 from the provisional settlement provided in December 2013.

The impact of the Government's statement was outlined which included a reduction of £8.6 million in Government grant support applied to Middlesbrough which equated to 5.3% reduction or approximately £62 per head of population. On average local authorities had received a 2.9% reduction which if applied to Middlesbrough a further £3.91 million would have been available. Members requested further information regarding the current level of support per head of population and appropriate comparative information in this regard.

It was also pointed out that as part of the settlement there was a proposal to cease the Social Fund grant. Middlesbrough had received £954,000 per annum which had provided assistance in approximately 4,000 cases in 2013/2014. Members expressed deep concern at the potential impact on the most vulnerable at the withdrawal of such funding and acknowledged the ongoing discussions regarding important policy decisions to be made in terms of welfare reform.

The Board was advised that the position for 2014/2015 was broadly in line with the current Medium Term Financial Plan projections.

Taking into account the level of government support proposed over the next two years together with the adjusted allocation for 2013/2014 it was estimated that further budget reductions would need to be made as £25 million 2015/2016, £20 million 2016/2017, £14 million 2017/2018, £13 million 2018/2019 and £13 million 2019/2020.

Confirmation was given that in preparing the medium term financial plan, the principles consistent with previous year's budget strategies and the agreed structure, process and governance arrangements in respect of the Change Programme had been adopted.

The revenue budget assumptions applied for 2014/2015 included:-

- (a) A 1% provision for pay awards.

(b) An additional inflationary provision for the assessed impact of increased prices for energy and fuel of £0.2 million, together with specific contract inflation income from fees and charges had been assumed to increase on average by 1.5%.

(c) Identified potential pressures relating to safeguarding vulnerable children which included a specific additional provision of £400,000 and £175,000 had been provided to address social worker caseload in 2014/2015 and 2015/2016 respectively.

(d) Within Adult Social Care, an annual provision of £2.4 million had been made to deal with estimated ongoing demand led spending pressures.

(e) Provision for a continuation of reduced car parking charges for Zetland Car Park at an increased cost of £300,000 per annum.

(f) An allowance of £650,000 had been made for the potential impact on the demand for services at Middlesbrough's Crematorium in view of the construction of a crematorium in Redcar and Cleveland.

(g) Provision had been made in relation to the structural budget deficit in respect of income from commercial rents and charges of £215,000.

(h) Provision had been made for the impact of grant changes including additional New Homes Bonus £416,000 and a reduction in Council Tax benefit grant £100,000.

(i) Additional annual provision of £400,000 had been made in respect of the Council's agreed capital programme.

In presenting the budget reductions there had been a number of mitigation measures put in place of approximately £7 million which included Efficiency and Procurement savings (£1.9 million), Children and Families demand pressures £1 million, Adult Social Care £0.8 million, maximisation of external funding £2.5 million, and reduction in pension contributions £0.8 million.

The recommended budget reductions for 2014/2015 were shown in Appendix A of the report submitted summarised as Neighbourhood and Communities £4.355 million, Wellbeing Care and Learning £1.937 million, and Corporate and Central Services £8.555 million. The Board was advised that it had been estimated that the full year impact of the 2014/2015 savings outlined in Appendix A would provide additional savings of £7 million in 2015/2016 and further savings of £2 million in 2016/2017.

Members were keen to seek assurances that the proposed reduction of £7,600,000 (ref. 29 of Appendix A submitted) regarding proposals to modernise the way in which back office services were delivered by automating processes, making greater use of IT and merge similar functions was achievable mindful of the necessary changing cultures and potential time factors in order for this to be attained. An indication was given of a number of proposals which were dependant on the success of the Middlesbrough Manager model and confirmation given that a further breakdown would be provided to Members in this regard.

In terms of financial reserves the Director of Strategic Resources had advised that it was considered appropriate to maintain a minimum of between £4.0 million and £4.5 million over the medium term. Following a review in December 2013 the projected position for General Fund Reserves at 1 April 2014 was estimated at £5.299 million.

As required by the prevailing regulations the report included a statement from the Director of Strategic Resources confirming that in his opinion the budget calculations for 2014/2015 were robust as set out in the report submitted.

In accordance with prevailing legislation It was confirmed as required that an equality impact assessment had been undertaken and full copies of each individual assessment together with a summary and an overall impact assessment of the budget process had been circulated with

the report submitted.

The Board was advised that the budget provided an extra £7 million gross investment in key services (before any budget reductions) including £3.400 million for care for children and young people, £2.400 million for care for older people and vulnerable adults and £1.165 for income shortfalls. It was stated that the 2014/2015 draft budget minimised impact on front line services but it was pointed out that efficiency savings alone could not meet the projected gap over the medium term and there will be a requirement to reduce front line services.

An indication was given of the factors that had been considered in respect of the level of Council Tax increase including the current level of Council Tax, current levels of inflation, pressures from caring for vulnerable people, level of budget reductions required and the medium to long term implications of the Government's Autumn Statement and the Local Government Finance Settlement 2014/15 - 2015/16.

It was also confirmed that the impact of the Government's proposed freeze grant had also been considered. Following an assessment of the current criteria it was indicated that should the Council decide to accept the freeze grant reference was made to an additional requirement for further budget reduction of approximately £400,000 in 2014/2015 and an overall additional gap shortfall of £17 million over the next 10 years.

ORDERED as follows:-

1. That the information provided be noted.
2. That further information be provided to Members on the areas outlined.

13/92

SENIOR SCRUTINY OFFICER

On behalf of the Board the Chair expressed gratitude for the excellent work and valuable support provided by Peter Clark during his employment with Middlesbrough Council as Senior Scrutiny Support Officer.

Peter acknowledged the very best wishes from Members for his future happiness and success.

NOTED