

MIDDLESBROUGH COUNCIL

SCRUTINY REPORT

OVERVIEW & SCRUTINY BOARD

20th February 2014

2013/2014 Revenue Budget Projected Outturn Update

Deputy Mayor & Executive Member for Resources

Director of Transformation

PURPOSE OF THE REPORT

1. To present to the Overview & Scrutiny Board an estimate of the annual projected outturn for 2013/14 based on the second budget update exercise of revenue expenditure against the current years revenue budget for consideration.

SUMMARY OF RECOMMENDATIONS

2. a) Note and consider the contents of report
b) Approve the virements requested in Appendix D.

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

EXECUTIVE SUMMARY

5. On the 4th March 2013 the Council set its revenue budget for 2013/14 at £140.401 million. A Council Tax increase of 1.96% was approved for the Council.
6. In setting the 2013/14 budget, budget reductions of approximately £12.7 million were identified.

7. The Council approved additional investment in key services as follows:-

£1.820 million for care for children and young people
 £1.250 million for care for older people and vulnerable adults
 £0.680 million for environment services
 £0.500 million for other services.

8. The projected outturn position for 2013/14 is a net budget saving of -£1.869 million. This represents a 1.3 % saving against the 2013/14 revenue budget. The projected outturn position is summarised below:

KEY AREAS	Net Budget	Net Estimated Outturn	Net Variance
	£	£	£
Social Care	33,802,450	33,771,050	-31,400
Children Families and Learning	14,886,700	15,203,500	316,800
Total Wellbeing, Care & Learning	48,689,150	48,974,550	285,400
Regeneration	4,387,800	3,843,800	-544,000
Environment	13,573,800	13,532,500	-41,300
Total Neighbourhoods & Communities	17,961,600	17,376,300	-585,300
Corporate Services	164,200	-282,100	-446,300
Central Savings	11,683,900	9,909,300	-1,774,600
TOTAL KEY BUDGET MONITORING AREAS	78,498,850	75,978,050	-2,520,800
SAVINGS	Net Budget	Net Estimated Outturn	Net Variance
	£	£	£
Wellbeing, Care & Learning	-4,928,000	-5,016,000	-88,000
Neighbourhood & Communities	-3,993,000	-3,602,000	391,000
Central Services	-3,734,000	-2,787,000	947,000
Funded from pay & prices		-598,000	-598,000
TOTAL SAVINGS	-12,655,000	-12,003,000	652,000
TOTAL	65,843,850	63,975,050	-1,868,800

The outturn projection of £1.869 million represents a significant improvement on previous projections and is as a result of proactive measures undertaken by managers since the last report was produced.

It is important to note that £1.143 million of the savings in 2013/2014 are one-off savings following adjustments to central government funding recently announced in that the extent to which New Homes Bonus and LACSEG was to be `top sliced` has been reduced in 2013/.2014. This has a one year impact only and does not require any amendment to our Medium Term Financial Plan.

In addition a significant level of savings have 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 are projected to be made by 31st March 2014 which represents, alongside efficiency savings, an early delivery of approximately £0.726 million of savings. The position may improve as further actions are taken before the end of the financial year.

9. KEY BUDGET MONITORING AREAS

Wellbeing, Care & Learning

- Although projected demand led costs within Social Care are lower than previously forecast, there remains a projected pressure of +£1,197,800 (down from +£1,453,000 as forecast in June).
- Staffing cost savings of -£948,000 are predicted within Social Care mainly due to vacant posts not being filled.
- Efficiency savings of -£336,000 are forecast on contracts with Independent Sector Social Care providers. Savings are also anticipated on Supplies & Services costs across Social Care (-£232,000).
- A pressure of +£201,000 is expected on the Integrated Transport Unit budget due to increased demand for the service and also due a delay in implementing a staffing review.
- A pressure of +£1,273,000 is forecast on External Residential Care for Children.. The number of new placements continues to rise and the majority of these new placements are significantly more expensive than in previous years.
- The majority of new External Fostering placements in 2013/14 are also more expensive than in previous years and a pressure of +£853,000 is predicted.
- A number of savings have been identified within Children's Services to partly offset the demand pressures referred to above. These include savings on Nurseries / Children's Centres (-£333,000), the Youth Offender Team (-£319,000) and staffing cost savings across the department (-£201,500). Section 17 payments for vulnerable children in crisis situations will be met from community support payments funding thus saving -£140,000.
- The service has also received additional one-off Educational Services Grant (-£409,000) due to the delay in academy conversions and additional one-off non-ringfenced income in relation to adoption reform (-£280,000). Additional income totalling -£170,000 has also been received by the Integrated Youth Support Service.

Neighbourhoods and Communities

- Significant staffing cost savings are projected within the Regeneration Service (-£300,000) and Environment Services (-£396,000).
- Savings are forecast on Housing Needs & Implementation costs (-£92,000) and within Planning Policy on the Local Development Framework (-£40,000). A Development Control income surplus of -£81,000 is also predicted.
- These savings are offset by a projected pressure of +£204,000 due to the Cargo Fleet Depot rationalisation savings target for 2012/13 not being achieved in full. A pressure is also forecast on the Fleet Services budget (+£50,000).
- An income shortfall is expected for the Crematorium (+£100,000) as a consequence of the new facility at Yearby opening in January 2014.

Corporate Services

- A saving of -£446,000 is forecast across Corporate Services principally as a result of vacant posts and other staffing cost savings due to staff not being in the pension scheme or at the highest incremental point on their grade.

Central Savings

- Delayed capital expenditure has led to a projected saving of (-£531,000) on the Loans and Investment budget.
- The council has also received unbudgeted one-off income for LACSEG (-£802,000) and New Homes Bonus (-£341,000).
- A saving of -£100,000 is forecast on the Pay & Prices contingency budget.

Full details of all the projected savings and pressures on the key service areas are attached at **Appendix A**.

10. BUDGETED SAVINGS TARGETS

Wellbeing, Care & Learning

- Savings on Supporting People reviews are expected to exceed the budgeted target by -£249,000. The savings target from closing Sunningdale Mental Health residential home is also expected to be exceeded by -£179,000.
- No savings are forecast in 2013/14 from the transfer of managing Direct Payments from the council to those receiving the payments (+£120,000) and from reducing the charges of high cost individual residential care placements for adults (+£180,000).
- The target for providing more beds in local Children's Homes to reduce the number of out of area placements will not be achieved resulting in a budget pressure of +£222,000 but this is offset by an over achievement against the target for reducing the cost and level of residential placements for looked after children (-£190,000).

Neighbourhoods and Communities

- No saving is forecast in 2013/14 on rationalising accommodation across the Council and increasing mobile working (+£350,000).

Corporate Services

- The Council has been unable to gain Trade Union agreement to proposed changes to Terms and Conditions which has caused a delay in implementing cross cutting savings targets for the removal of overtime payments, essential car user allowances and the introduction of staff car parking charges has resulted in a budget pressure of +£412,000.
- Proposals for achieving the budgeted savings targets for the Mouchel Partnership have yet to be agreed. A budget pressure of +£456,000 is forecast as a result.

Central Savings

- A contribution of -£568,000 has been made from the pay & prices contingency to partially alleviate the pressures on service budget reduction targets.

Full details of all the projected surpluses and shortfalls against the budgeted savings targets are attached at **Appendix B**.

11. An update on the actions required from the 2013/2014 budget monitoring meetings is shown in **Appendix C**.

12. CHANGE FUND

The Change fund is the Councils provision for meeting the exit costs of staff which leave and is now custom and practice to maintain a balance to finance future costs. The outturn provided therefore includes an additional £1.8 million contribution to the fund in 2013/2014. The estimated Change fund balance as at 31st March 2014 is set out below:

	£'000s
Opening Balance as at 1 st April 2013	4,745
Net change in year	-4,382

Estimated Balance as at 31st March 2014	363

The above makes provision for the estimated impact of the Councils Transformation programme.

IMPACT ASSESSMENT (IA)

13. Not applicable to this report.

OPTION APPRAISAL / RISK ASSESSMENT

14. Not applicable to this report.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

15. Overall savings of -£2.521million are forecast across the council on key service area budgets. This is partially offset by a predicted net pressure of £652k on budgeted savings targets resulting in a net projected saving of -£1.869 million. The impact on the council's General Fund balance is set out below:

	General Fund
	£'000s
Opening Balance as at 1 st April 2013	5,230
Plus Forecast Net Saving	1,869
Less contribution to change programme	-1,800

Estimated balance as at 31st March 2014 5,299

RECOMMENDATIONS

16. Executive Members are asked to: -
- a) Note and consider the contents of report

REASONS

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

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