

OVERVIEW & SCRUTINY BOARD

Report Title: 2013/2014 Revenue Outturn

Deputy Mayor- Finance and Governance- Councillor David Budd

Executive Director Commercial and Corporate Services

Date 22nd July 2014

PURPOSE OF THE REPORT

1. To inform Overview & Scrutiny Board of the final revenue outturn position for 2013/2014.

SUMMARY OF RECOMMENDATIONS

2. As a result of the effective management of budgets by the Council during 2013/2014, additional savings of £3.6 million have been generated. This will contribute to a sustainable approach to future Council budgets. The report sets out a net saving of £3.6 million as follows:-
 - a. £2.5 million from early achievement of savings. These are in the main staffing savings. As posts became vacant through natural turnover or Early Retirement/Voluntary Redundancy they were not replaced and will contribute to the current year savings target.
 - b. £1.1 million other savings. These are in the main one-off savings achieved towards the end of the financial year. For example £660,000 of top sliced government grant returned towards the year end.
3. The outturn position is summarised below:-

	Budget	Outturn	Variance
	£'000	£'000	£'000
Wellbeing,Care & Learning	77,228	76,312	-916
Neighbourhoods & Communities	33,944	32,872	-1,072
Transformation	21,447	21,084	-363
Total Service Outturns	132,619	130,268	-2,351
Central Costs	7,783	6,056	-1,727
Change in Government Funding	0	480	480
Total	140,402	136,804	-3,598

4. The above underspend represents 1.6% of the gross budget.

5. The report recommends that Overview & Scrutiny Board note that the savings generated in 2013/2014 will be used to help mitigate future budget reduction requirements over the medium term.

BACKGROUND AND EXTERNAL CONSULTATION

6. On the 4th March 2013 the Council set its revenue budget for 2013/14 a £140.402 million. A Council Tax increase of 1.96% was approved for the Council.
7. In setting the 2013/14 budget, budget reductions of approximately £12.7 million were identified.
8. The Council approved additional investment in key areas as follows :-
- £1.82 million for care for children and young people
 - £1.25 million for care for older people and vulnerable adults
 - £0.68 million for environment services
 - £0.50 million for other services
9. Explanations for the major variances from budget for each service area are set out in the following section of the report. A full analysis is attached at **Appendix A**.

Wellbeing, Care and Learning : (-£916,000) saving

Children's Services: (-£681,000) saving

10. A net saving of (-£681,000) has been made by the Children's Service as set out below.

	Budget	Outturn	Variance
	£'000	£'000	£'000
Achievement	-687	-1,130	-443
Integrated Working	6,657	4,972	-1,685
Schools Budget	66,924	66,796	-128
DSG grant	-67,401	-67,401	0
Strategic Management	157	160	3
Safeguarding	26,068	27,640	1,572
Total	31,718	31,037	-681

11. **Achievement: (-£443,000).** Additional Education Services Grant income of (-£428,000) was received due to a delay in schools converting to Academy status.
12. **Integrated Working: (-£1,685,000).** A restructure of the 0-19 service has resulted in an overall saving of (-£1,095,000). Of this £715,000 relates to Sure Start and £380,000 to the Youth Service. Additional savings of (-£367,000) have been delivered due to the vacancy freeze target being exceeded.
13. Savings have also been made from a reduction in payments to childcare providers in Childcare Sustainability (-£60,000). In addition to this, the service has received one off payment by results income of (-£152,000) relating to Troubled Families.

14. **Schools Budget: (-£127,000).** Savings of (-£72,000) have been achieved due to a reduction in the number of centrally funded School redundancies. Further savings of (-£58,000) have resulted from all Academies agreeing to buy into Council Services.
15. **Safeguarding: (+£1,571,000).** Although the number of looked after children reduced for Independent and Fostering Agencies and remained static for Children's Agency Residential Schools, the service incurred pressures of (+£300,000) and (+£1,651,000) respectively. Additional resources have been allocated as part of the 2014/15 budget setting process to address this issue going forward. Attempts were made during the year to reduce costs by accommodating as many placements as possible in-house (there were 10 new In-House Carers in 2013/14). This has resulted in a pressure of (+£104,000) on In-House Fostering costs in 2013/14 which will continue in 2014/15. Without this action, the pressure on Agency Services' budgets would be considerably higher.
16. These pressures are partially offset by a saving of (-£322,000) within the Youth Offending Service from the cessation of two contracts, and from a one-off repayment of partnership funds. The service also received one-off income from the Community Support Fund during 2013/14 creating a saving of (-£157,000) on the Section 17 budget.

Adult Social Care Services: (-£235,000) saving

17. The service achieved a net saving of (-£235,000) as summarised below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Business Development & Service Provision	5,852	5,495	-357
NHS Support	-2,713	-2,713	0
Commissioning & Business Support	7,333	6,733	-600
Assessment & Care Management	3,833	2,843	-990
Purchasing/Demand	30,767	32,300	1,533
Service Strategy	438	617	179
Total	45,510	45,275	-235

18. **Business Development & Service Provision (-£357,000):** Staffing cost savings of (-£336,000) were achieved across the division. Significant savings were also made on running costs in response to an instruction to cut all non-essential spending (-£144,000). The early closure of Sunningdale resulted in a further saving of (-£158,000).

A shortfall in client income contributions resulted in a pressure of (+£145,000) on the Connect budget. There was also a pressure of (+£101,000) on the Ayresome Industries budget due to the delay in starting the new services and implementing the new staffing structure. An increase in demand for taxis for transporting pupils caused a pressure of (+£97,000) on the Integrated Transport Unit budget.

19. **Commissioning & Business Support (-£600,000):** Significant savings were made on staffing costs (-£82,000) and on supplies & services costs (-£34,000). Savings were also achieved on Supporting People costs (-£280,000) following a review of all current contracts and on Workforce Development costs (-£93,000) due to a reduction in the amount of non-statutory training courses provided. A further saving of (-£105,000) was made from the return of unspent individual Direct Payment allocations.

20. **Assessment & Care Management (-£990,000):** Savings of (-£641,000) were generated on staffing costs. Substantial savings were also achieved on running costs (-£240,000) and on the Tees Community Equipment Service budget (-£103,000). These savings were partially offset by a pressure on Fairer Charging Policy Income (+£101,000) caused by the impact of the economic downturn on the number of Service Users eligible to pay.

21. **Purchasing/Demand (+£1,533,000):** A determination from the Secretary of State on a dispute with another Local Authority over the residency of a Service User backdated to 2007 created a budget pressure of (+£285,000). A further pressure of (+£147,000) resulted from the outcome of a dispute on a funding agreement with a Clinical Commissioning Group.

The total cost of increases in demand in 2013/14 was £2,333,000. This exceeded the additional demand allocation budget of £1,250,000 by (+£1,083,000). The budget reduction targets for High Cost Placements, Transfer of Direct Payment charges and Residential Care costs were not fully achieved resulting in a pressure of (+£316,000). These pressures was partially offset by a saving of (-£336,000) following the outcome of negotiations with the Independent Sector providers.

22. **Service Strategy (+£179,000):** Service debts authorised for write off totalled (+£157,000). This followed an assessment of the likelihood of recovering debts following the death of Service Users with no estate. The service's bad debt provision was increased by (+£90,000) due to an increase in the number and value of outstanding debts.

These pressures were partially offset by savings of (-£55,000) on staffing costs due to vacant posts.

Neighbourhoods and Communities (-£1,072,000) saving

Environment Services: (-£678,000) saving

23. The service achieved a net saving of (-£678,000) as summarised below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Community Protection	4,227	3,695	-532
Joint Support Services	156	120	-36
Environment Services	21,351	21,241	-110
Total	25,734	25,056	-678

24. **Community Protection (-£532,000):** Savings of (-£58,000) were achieved on the Registrars budget, mainly due to increased income from fees and charges. There was also a surplus of (-£122,000) on Sport & Leisure budgets mainly due to staff vacancies and a reduction in casual staff costs. Further savings were made in Public Protection (-£475,000), the vast majority of which were savings on staffing

costs due to vacant posts and staff leaving the authority. These staff savings will contribute to future year's budget reduction targets.

The savings referred to above were partially offset by a pressure of (+£48,000) on the Crematorium and Cemeteries budget due to the impact on income following the opening of new crematorium in Yearby. There was also a pressure of (+£75,000) on the Community Buildings budget due to the non achievement of a budget reduction target.

25. **Joint Support Services (-£35,000):** Savings of (-£35,000) were achieved mainly due to a staff secondment to a grant funded post.
26. **Environment Services: (-£110,000):** A saving of (-£54,000) has been achieved for Streetscene Services, mainly due to staff leaving under ER/VR.
27. There was an overall saving of (-£86,000) on Property Services. A surplus of (-£126,000) was achieved on Building Maintenance, due to increased income from schools and capital schemes. However, this was partially offset by a pressure of (+£40,000) on Building Cleaning. The required £76,000 budget reduction was not fully achieved as a result of delays in implementing reduced cleaning standards across the Council.
28. A saving of (-£281,000) was achieved on the Waste Disposal budget, due to a reduction in the tonnages of waste disposed of. The new refuse collection arrangements and the roll out of the new refuse and recycling bins under the Weekly Collection Fund Grant resulted in a reduction in waste sent to landfill and increased recycling rates.
29. An increase in expenditure on parts and with external vehicle repairers caused a pressure of (+£82,000) on the Fleet budget.
30. The budget reduction target relating to the depot rationalisation and the concentration of all activities at Cargo Fleet Depot was not fully achieved creating a budget pressure of (+£228,000). CCTV and fencing are currently being installed which will largely remove the pressure in future years.
31. A net break even position was achieved for Highways and Transport. There were a number of budget pressures including a (+£55,000) pressure on Parking Services due to an incorrect treatment of VAT covering the period from April 2010 to January 2014. However these pressures were offset by savings within Active Travel due to increased bus station departure charges (-£19,000), a reduction in the contribution to the Tees Valley Transport Lead Authority arrangement (-£17,000) and staff savings on School Crossing Patrols (-£30,000).

Regeneration Services: (-£394,000) saving

32. The service achieved a net saving of (-£394,000) as summarised below:

	Budget £'000	Outturn £'000	Variance £'000
Executive Director	192	192	0
Mima	810	812	2
Development Division	654	176	-478
Economic D'lopment,Culture & Communities	4,517	4,243	-274
Property	2,037	2,393	356
Total	8,210	7,816	-394

33. **Development Division (-£478,000):** Savings of (-£86,000) were made on Planning Policy budgets primarily due to local development framework studies being delayed until 2014/15. An income surplus of (-£148,000) was achieved on Development Control resulting from an increase in submission of new major scheme applications for key developments in the town. Savings were also made on Housing Services budgets (- £110,000) due to staff vacancies and the receipt of additional grant funding (- £58,000).
34. **Economic Development, Culture and Communities (-£274,000):** Savings of (-£110,000) were achieved on Community Regeneration budgets primarily on staffing and supplies and services costs. The cultural VAT exemption and reduction in programming costs produced savings of (-£75,000) on Cultural Services budgets. A further saving of (- £77,000) was achieved on Libraries' staffing costs.
35. **Property (+£356,000):** The savings target for property closures was not achieved resulting in a budget pressure of (+£356,000).

Transformation: (-£363,000) saving

36. The service achieved a net saving of (-£363,000) as summarised below:

	Budget £'000	Outturn £'000	Variance £'000
Transformation	148	148	0
Legal & Democratic Resources	3,079	2,922	-157
Partnership	2,571	2,029	-542
Asst Chief Executives Office	14,163	14,480	317
Cross Cutting Savings	2,772	2,249	-523
Other	-539	0	539
	-747	-744	3
Total	21,447	21,084	-363

37. Significant savings have been achieved within Legal & Democratic Services primarily as a result of staff vacancies. These include savings on the Legal Services Professional Team (-£102,000), Senior Management (-£68,000), Scrutiny Team (-£37,000), the Governance Team (-£36,000) and the Resources Team (-£40,000).

This was partially offset however by pressures on the Paralegal Team budget (+£31,000) and on General Services costs (+£49,000) primarily on books &

publications and professional & members' fees. There was also a pressure of (+£41,000) on the Coroner's Service budget.

38. Savings of (-£542,000) were achieved within Strategic Resources. This was mainly the result of a significant reduction in staffing costs and a reduction in the cost of the Tees Valley Audit & Assurance Services (TVAAS) shared Internal Audit Service.
39. These savings were partially offset by a pressure of (+£317,000) on the Strategic Partnership budget as the partnership savings targets have not been achieved in full. Part of the savings target (£116k) related to reducing telephone costs following the installation of Voice Over Internet Protocol (VOIP). This target has been achieved but the saving has been reflected in service outturn figures rather than as a reduction in the Partnership budget pressure.
40. Savings of (-£524,000) were achieved on the Assistant Chief Executives' Office budget. This was mainly as a result of a reduction in staffing costs and a decrease in the value of requests made by services for funding from the Corporate Initiatives budget.
41. Cross cutting savings targets including the removal of overtime premium payments and essential car user allowances have not been achieved leaving a budget pressure of (+£539,000).

Further Savings and Pressures

Central Costs: (-£1,727,000) saving

42. A saving of (-£1,727,000) was made on Central costs as set out below:-

	Budget	Outturn	Variance
	£'000	£'000	£'000
Capital Financing	10,644	10,580	-64
NEPO rebate	0	-115	-115
Ex Trading Pensions Backfunding	113	0	-113
Contributions from Reserves/Provisions	-4,363	-4,402	-39
Pay & Prices Contingency	930	0	-930
Duplicate Payments	0	-84	-84
Goods Receipting Write Back	0	-350	-350
Other	459	427	-32
Total	7,783	6,056	-1,727

43. A saving of (-£930,000) was made on the Pay & Prices contingency budget. Provision within this budget had been made for the non-achievement of budget reduction targets but these pressures have been absorbed and offset against service savings referred to in the earlier sections of this report. Full details of

performance against the 2013/14 budget reduction targets are set out in **Appendix B**.

Changes in Government Funding (+£480,000) pressure

44. The following transactions have been charged/credited to the revenue account as a result of changes in Government funding:-

	£'000
Share of Business Rates deficit	+1,140
New Homes Bonus	- 341
Grant Rebate	- 319

	+480

It should be noted that the New Homes Bonus and grant rebate income were one-off income receipts in 2013/14 only.

Early achievement of savings

45. Services have delivered £2.533 million early achievement of savings. These are in the main in respect of staffing savings. As posts have become vacant through natural turnover or as a result of Early Retirement/Voluntary redundancy they have not been replaced unless there was an immediate need to do so.. This will contribute to a sustainable approach to future Council budgets:-

Service	Saving
	£'000
Wellbeing, Care & Learning	1,026
Neighbourhoods & Communities	717
Transformation	790
Total	<u><u>2,533</u></u>

Transfers to/from Balance Sheet Reserves

46. Under the terms & conditions of the Public Health grant, any grant funding not used by the end of the financial year can be carried forward within a Public Health Reserve. The balance to be carried forward at the end of the 2013/14 financial year was £1.260 million.
47. Contributions have also been made to the Change Fund as a result of financing school capital projects from borrowing rather than from revenue (£2.266 million) and from savings on capital financing costs arising from investment decisions and slippage on the current capital programme (£1.1 million).

IMPACT ASSESSMENT (IA)

48. 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

49. This report sets out the year end position for 2013/2014. 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

50. The following table sets out a summary of the overall 2013/2014 Outturn.

	Budget	Outturn	Variance
	£'000	£'000	£'000
Wellbeing, Care & Learning	77,228	76,312	-916
Neighbourhoods and Communities Transformation	33,944	32,872	-1,072
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Changes in Government Funding	0	480	480
Total	140,402	136,804	-3,598

RECOMMENDATIONS

51. It is recommended that Overview & Scrutiny Board note the report.

REASONS

52. 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

The following background papers were used in the preparation of this report:

OR,

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

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