

MIDDLESBROUGH COUNCIL

SCRUTINY REPORT

OVERVIEW & SCRUTINY BOARD

21st October 2014

2014/2015 Revenue Budget Projected Outturn Update – 1st Review

Deputy Mayor & Executive Member for Finance & Governance

Executive Director - Commercial & Corporate Services

PURPOSE OF THE REPORT

1. To present to the Overview & Scrutiny Board, the first review of the estimated revenue outturn position for 2014/2015.

SUMMARY OF RECOMMENDATIONS

2. a) that Members of the Overview & Scrutiny Board note and consider the contents of the report

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 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 and £1.8 million of demand mitigation for Wellbeing Care & Learning.

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 for income shortfalls
8. A net revenue pressure of £338,000 is projected for 2014/2015. This represents a 0.26% pressure against the 2014/2015 revenue budget. The projected outturn position is summarised below:

	KEY AREAS net variance	BUDGETED SAVINGS net variance	TOTAL net variance
	£	£	£
Economic Development	-331,800	0	-331,800
Supporting Communities	-659,000	0	-659,000
Improving Public Health	-50,000	-755,000	-805,000
Total Economic Development & Communities	-1,040,800	-755,000	-1,795,800
Learning & Skills	-205,000	0	-205,000
Safeguarding & Children's Care	-409,500	336,000	-73,500
Social Care	114,500	220,000	334,500
Total Wellbeing, Care & Learning	-500,000	556,000	56,000
Environment, Property & Commercial Services	-196,800	246,000	49,200
Finance & Investment	976,900	402,000	1,378,900
Organisation & Governance	6,700	643,000	649,700
Total Commercial & Corporate Services	786,800	1,291,000	2,077,800
TOTAL KEY BUDGET MONITORING AREAS	-754,000	1,092,000	338,000

9. **KEY BUDGET MONITORING AREAS**

Economic Development & Communities

Outcome 1 – Economic Development

- A saving of (-£179,000) is predicted in 2014/15 (full year saving £410,000) following the impending transfer of Mima to the University. This is based on an estimated transfer date in September 2014.
- There is a predicted saving of (-£55,000) due to the New Homes Bonus income allocation being higher than expected.

- An income surplus of (-£20,000) is expected on Development Control planning fees
- Savings of (-£18,000) are projected due to lower than anticipated charges from Tees Valley Unlimited, and there are also staff savings of (-£65,000) due to staff leaving under the ERVR scheme.
- There is a predicted pressure of (+£44,000) on the Transporter Bridge income targets due to the works required in respect of repainting being more significant than identified in the original conditions survey. .

Outcome 2 - Supporting Communities

- Savings are forecast on Service 0-19 years budgets due to vacant posts (-£405,000) and on supplies and services costs (-£210,000).
- Staffing cost savings are expected in Libraries due to employees not being in the pension scheme and the buying back of holidays (-£20,000). Savings are also predicted in Community Development due to Charlbury Road management committee disbanding at the start of 2014/15 (-£21,000).
These savings are additional generated as a direct consequence of the creation of the 0-19 service which began operating on 1st April 2014.

Outcome 3 – Improving Public Health

- There are projected staffing cost savings across the service of (-£35,000).
- Projected supplies & service cost savings of (-£15,000) have been identified within Public Protection.

Wellbeing, Care & Learning

Outcome 4 – Learning & Skills

- The service has received additional one-off Educational Services Grant (-£200,000) due to the delay in academy conversions.

Outcome 5 – Safeguarding & Children’s Care

- There is a projected net pressure of (+£94,000) on Children Looked After made up as follows :

New Demand for External Residential Care and External Fostering for Children since 1/4/14 (9 new residential placements and 20 new External Foster placements)	+£481,000
Saving due to External Fostering placements which have/or are expected to cease in 2014/15	(-£287,000)
Children’s Homes saving	(-£100,000)
Total Children Looked After	(+£94,000)

- This is offset by savings identified on the Youth Offender Service (-£241,000), Troubled Families grant contribution (-£200,000) and other miscellaneous cost savings across the department (-£50,000).

Outcome 6 – Social Care

- There is an anticipated pressure of (+£196,000) due to a shortfall in residents / client contributions in Independent Supported Living accommodation following the review and amendments to the Social Care special charging policy.
- Legislative changes following on from the Cheshire West Supreme Court judgment regarding Deprivation of Liberty safeguards have resulted in a projected pressure of (+£65,000). This is due to a requirement to back-fill 3 Social Worker best value assessors' posts for a period of 3 months and the cost of Doctors fees for the assessments.
- A saving of (-£148,000) is predicted on the Supporting People budget following a review of all current contracts.
- There are expected staff savings across the service of (-£53,000) due mainly to members of staff not being in the local government pension scheme, and salaries being budgeted at the top of scale.
- There is an anticipated pressure of (+£36,000) on the Connect service due to an estimated shortfall in client income.

Commercial & Corporate Services

Outcome 7 – Environment, Property & Commercial Services

- A saving of (-£130,000) is forecast for the Crematorium budget due to the lost income relating to the new crematorium at Yearby not being as high as previously forecast. There is also a projected increase in income of (-£20,000) for the Cemeteries budget due to an increase in the number of burials.
- It is currently predicted that there will be a saving of (-£75,000) on the Waste Disposal budget due to general waste tonnages continuing to decrease and recyclable waste tonnages increase under the new collection arrangements.
- A saving of (-£50,000) is projected for Catering due to increased net income, following the granting of new funding for free school meals for 4 to 6 year olds.
- A pressure of (+£35,000) is projected for Cargo Fleet Depot security costs. The installation of CCTV and fencing at the Depot has now been completed which will remove this pressure in future years. A further pressure of (+£38,000) is anticipated for the Depot. The service will seek to make further savings on running costs and maintenance expenditure to reduce this pressure.
- A pressure of (+£36,000) is predicted for Fleet Services due to expenditure on parts being greater than expected.

Outcome 8 - Finance & Investment

- Additional government funding for Housing Benefit Administration will result in a saving of (-£66,000).
- Income from short term lending is expected to exceed the budgeted target by (-£99,000).
- A recent review has resulted in an increase in the cost of the NEPO contract, creating a projected pressure of (+£46,000).
- A pressure of (+£1,100,000) is forecast for Schools Contribution to Capital projects based on the current projects within the capital programme. This is due to the fact that currently the number of schools capital projects is below the expected level. It is anticipated that further school capital projects may emerge

to reduce the pressure. This pressure is partially offset by reduced borrowing costs.

Outcome 9 - Organisation & Governance

- There is a projected saving of (-£35,000) due to the rollout of the new WAN System. Further savings are anticipated in 2015/16 as the new system is embedded.
- A pressure of (+£40,000) is projected on Paralegal fee income.

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

10. **BUDGETED SAVINGS TARGETS**

Economic Development & Communities

Outcome 1 - Economic Development

- A bid has been put forward to the Council's capital programme for investment in LED street lighting retro fits. If successful, this will contribute an estimated saving of (-£240,000). If unsuccessful the service will identify substitute savings.

Outcome 3 – Improving Public Health

- A further (-£700,000) of Public Health funding has been earmarked to fund mainstream Council services that align to Public Health outcomes.
- An overachievement of (-£55,000) exists for the saving related to merging Environmental Health and Trading Standards management and administration due to a greater number of ERVRs and vacancies in this area.

Wellbeing, Care & Learning

Outcome 5 – Safeguarding & Children's Care

- The target for increasing in-house fostering carers and reducing external placement fees will not be achieved resulting in a net budget pressure of (+£200,000). It was estimated that 30 new in house carers would be matched with external placements during 2014/15. Since 1st April, 14 new carers have been approved and another 16 prospective carers are undertaking the training and assessment process. The service is also looking to identify alternative savings and it is expected that the budget pressure will reduce significantly by the end of the financial year.
- The target to increase adoption placements and reduce external placement fees will not be achieved resulting in a net budget pressure of (+£213,000). It was estimated that 24 adoption placements would take place during the year. Currently 17 adoptive placements have been made this year. Since 1st April, 12 new adopters have been approved and another 18 are being assessed. The service is also looking to identify alternative savings to reduce the projected budget pressure.
- An alternative saving has been identified on In-House Fostering costs (-£100,000) to alleviate the budget pressures identified above.

Outcome 6 – Social Care

- There is a pressure on the budget reduction target for mitigation of demand led pressures of (+£220,000) partly due to a delay in implementing proposals. Targets have been identified in relation to High Cost Placement's, Continuing Health Care, Assistive Technology, Personal Care and Direct Payments.

Commercial & Corporate Services

Outcome 7 - Environment, Property & Commercial Services

- There is a projected pressure of (+£64,000) for the Leisure Services savings target mainly due to reviews not being fully completed until September 2014. It is expected that the required saving of £700,000 per annum will be achieved in full from 2015/16 onwards.
- A pressure of (+£182,000) exists for Property Savings. This is mainly due to the fact that the review of reducing cleaning standards has not yet been fully completed.

Outcome 8 - Finance & Investment

- A pressure of (+£15,000) is forecast against the Commissioning savings target. Work is ongoing to identify further savings against this target.
- The target payroll saving of (+£387,000) will not be achieved in 2014/15. A new integrated accounting system will be implemented in 2015/16 which will incorporate HR and Payroll.

Outcome 9 - Organisation & Governance

- The savings target for Legal, Performance & Policy and Marketing and Communication is not expected to be achieved in full in 2014/15 leaving a pressure of (+£535,000). It is expected that as the Middlesbrough Manager model is introduced that the savings will be achieved on an on-going basis.
- A shortfall is also expected against the Members' Services savings target (+£109,000).

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

11. The overall projected pressure of £338,000 is manageable and further reports will be presented to Executive on the Medium Term Financial Plan (MTFP). A special CMT will also be arranged on the MTFP. The actions required from the 2014/2015 1st review budget monitoring meetings are shown in **Appendix C** and details of the virements approved by Executive on 9th September 2014 are attached at **Appendix D**.

IMPACT ASSESSMENT (IA)

12. Not applicable to this report.

OPTION APPRAISAL / RISK ASSESSMENT

13. Not applicable to this report.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

14. Overall savings of (-£754,000) are forecast across the Council on key service area budgets. This is however offset by a predicted net pressure of (+£1,092,000) on budgeted savings targets resulting in a net projected pressure of (+£338,000). The impact on the Council's General Fund balance is set out below:

	General Fund
	£ million
Opening Balance as at 1 st April 2014	6.035
Add net underspend in 2013/14	3.598
Less Forecast Net Pressure	-0.338
Estimated balance as at 31st March 2015	<u>9.295</u>

The savings generated in 2014/15 will be used to help mitigate future budget reduction requirements over the medium term.

RECOMMENDATIONS

15. Members of the Overview & Scrutiny Board are asked to: -

a) Note and consider the contents of report

REASONS

16. 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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