

SCRUTINY REPORT

OVERVIEW & SCRUTINY BOARD

6th January 2015

2014/2015 Revenue Budget Projected Outturn Update – 2nd 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 second 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 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 saving of £1,737,200 is projected for 2014/2015. This represents a 1.3 % saving against the 2014/2015 revenue budget. The projected outturn position is summarised below:

	KEY AREAS net variance	BUDGETED SAVINGS net variance	TOTAL net variance	TOTAL net variance - 1st Review
	£	£	£	£
Economic Development	-134,000	0	-134,000	-331,800
Supporting Communities	-1,024,000	0	-1,024,000	-659,000
Improving Public Health	-94,000	-55,000	-149,000	-805,000
Total Economic Development & Communities	-1,252,000	-55,000	-1,307,000	-1,795,800
Learning & Skills	-108,000	0	-108,000	-205,000
Safeguarding & Children's Care	-231,600	-240,000	-471,600	-73,500
Social Care	-1,266,600	-125,000	-1,391,600	334,500
Total Wellbeing, Care & Learning	-1,606,200	-365,000	-1,971,200	56,000
Environment, Property & Commercial Services	-360,600	275,000	-85,600	49,200
Finance & Investment	-655,700	613,000	-42,700	1,378,900
Organisation & Governance	-205,700	1,375,000	1,169,300	649,700
Total Commercial & Corporate Services	-1,222,000	2,263,000	1,041,000	2,077,800
Provision for cross-cutting savings		500,000	500,000	
TOTAL KEY BUDGET MONITORING AREAS	-4,080,200	2,343,000	-1,737,200	338,000

9. The second review shows an improved position from that reported previously.

The key elements of the change are in respect of:

a) Net Additional Secured External Funding

Since the first review, the Council has secured additional net external funding totalling £900,000. This includes funding received from the Clinical Commissioning Group (CCG) to fund Adult Social Care Services, contributions from schools towards funding capital projects and Public Health grant.

b) Demand Mitigation

Measures taken to mitigate the impact of demand from Service Users in Children's Services and Adult Social Care have resulted in additional savings of £820,000 since the first review.

c) Additional Staffing Cost Savings

Additional savings have been generated as a result of services not appointing to fill vacant posts prior to the Council agreeing budget reduction proposals for 2015/16. The Council is appointing to fill essential posts. This action has resulted in additional savings of £460,000 since the first review.

d) Supplies & Services Costs

Additional savings of £340,000 have been generated since the first review as a result of services reviewing supplies & services expenditure and cutting all non-essential spending.

e) Other

Additional net pressures of £400,000 have been incurred since the first review principally as a result of the non-achievement of budgeted savings targets..

IMPACT ON THE MEDIUM TERM FINANCIAL PLAN

10. Vacant posts associated with 2015/16 budget proposals are being held awaiting the outcome of the budget reduction proposals which are currently undergoing consultation.
11. In addition, it has been assumed that a £1million estimated surplus of Public Health funding will be ring fenced and carried forward for future Public Health expenditure over the Medium Term.
12. There is a shortfall of planned cross cutting savings in 2014/15 which are mainly a consequence of delayed implementation of the Legal Services, Performance & Policy, Marketing, Payroll and Administration reviews. It is considered that this will have an impact in 2015/16. A provision of £500,000 has been assumed.

Explanations for the main variances from budget for each outcome area are included in the following sections of this report.

13. Economic Development & Communities

Outcome 1 – Economic Development

KEY AREAS

- Car Parking income is expected to exceed the budgeted target by (-£200,000).
- Total savings of (-£70,000) are projected for Development Control mainly as a result of additional income.
- A savings of (-£170,000) is predicted following the transfer of Mima to Teesside University on 1st September 2014 (full year saving £410,000).
- Further savings are forecast in Economic Development (-£45,000) and Planning Policy (-£58,000).

- The continued closure of the Transporter Bridge is expected to result in an income shortfall of (+£89,000) but this is partially offset by salary and supplies & services savings of (£19,000).
- A pressure of (+£228,000) is forecast for the Integrated Transport Unit due to additional demands for the service. This will be partially offset by projected savings of (-£88,000) on employee costs.
- Income shortfalls are predicted within Traffic Engineering (+£110,000) and Civil Engineering (+£136,000) principally because of a reduction in the amount of work chargeable to capital projects. A further income shortfall is forecast as a result of the impact of the transitional arrangements for the MTLC (£60,000).. Savings have been identified within Civil Engineering on employee and supplies \ services costs (-£44,000)

BUDGETED SAVINGS

- 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 2 - Supporting Communities

KEY AREAS

- Significant savings are forecast as a direct consequence of the creation of the 0-19 Service which began operating on 1st April 2014. These include savings on salaries (-£421,000), supplies & services costs following a spending freeze (-£112,000) and additional income in excess of budgeted targets (-£112,000).
- Within Community Regeneration, savings of (£50,000) are anticipated principally as a result of the receipt of additional income.
- Savings are also projected on Integrated Working salary costs (-£145,000) and on the Sustainability budget (-£62,000) as the service has ceased.
- Additional work is being undertaken to verify the level of savings in this outcome area.

Outcome 3 – Improving Public Health

KEY AREAS

- There are projected staffing cost savings across the service of (-£70,000).
- Supplies & service cost savings, estimated at (-£24,000), have been identified within Public Protection.

BUDGETED SAVINGS

- An overachievement of (-£55,000) is forecast for the savings target relating to the merger of Environmental Health and Trading Standards management and administration due to the number of ER/VRs and vacancies in this area.

Wellbeing, Care & Learning

Outcome 4 – Learning & Skills

KEY AREAS

- Savings are forecast on early retirement costs (-£68,000) and on supplies & services costs across the department (-£40,000).

- The level of Education Services Grant is expected to exceed the budgeted target by (-£200,000). Given the overall favourable outturn position, it is assumed that this surplus will be used to create an earmarked reserve to fund the department's contribution to North East Challenge (+200,000).

Outcome 5 – Safeguarding & Children's Care

KEY AREAS

- There is a projected net pressure of (+£282,000) on Children's Care made up as follows :

New Demand for External Residential Care and External Fostering for Children since 1/4/14 (9 new residential placements and 22 new External Foster placements)	(+£570,000)
Saving on In-House Fostering	(-£301,000)
Pressure on Adoption due to increases in adoption fees	(+£151,000)
Children's Homes saving	(-£138,000)
Total Children Looked After	(+£282,000)

- This is offset by savings identified on the Youth Offender Service (-£206,000) as a result of ceasing a number of contracts and providing services in-house.
- The department has also received an additional Troubled Families grant contribution of (-£200,000), and savings are forecast on the Locality Team supplies and services and agency staff budgets (-£155,000).

BUDGETED SAVINGS

- The overall savings target for the service is expected to be exceeded by (-£240,00) primarily due to an additional saving relating to the Middlesbrough project for residential placements .

Outcome 6 – Social Care

KEY AREAS

- Based on activity in the current financial year to date and projections using past performance patterns/trends, a net saving of (-£391,000) is projected on the demand led budget. Reasons for the saving and the implications for the Medium Term Plan are being investigated.
- A saving of (-£175,000) is predicted on the Supporting People budget following a review of all contracts. Additional service user contributions have given rise to a projected saving of (-£72,000) on the Fairer Charging budget.
- Savings of (- £468,000) are forecast due to the use of non-recurring unbudgeted contributions from South Tees Clinical Commissioning Group to fund mainstream expenditure.
- There is an anticipated saving of (-£170,000) across the service as a result of vacant posts. Further savings are predicted as a result of staff not being in the local government pension scheme and salaries being budgeted at the top of scale (-£140,000).
- Significant savings are forecast on supplies & services costs due to the service restricting spending to essential services only (-£202,000).
- Legislative changes following on from the Cheshire West Supreme Court judgment regarding Deprivation of Liberty safeguards have resulted in a projected pressure of (+£244,000). This is due to a requirement to back-fill 3

Social Worker best value assessors' posts and the cost of Doctors fees for the assessments.

- A shortfall in client income and additional staffing costs are the main reasons for a projected budget pressure of (+£71,000) on the Connect Service. A further pressure of (+£50,000) is forecast on staffing costs at Middlesbrough Intermediate Care Centre due to a requirement for sickness cover.

BUDGETED SAVINGS

- There is an anticipated overachievement of (-£125,000) on the savings target for Supporting People (Homelessness & Welfare advice).

Commercial & Corporate Services

Outcome 7 – Environment, Property & Commercial Services

KEY AREAS

- A saving of (-£35,000) is projected for Streetscene Services mainly due to a reduction in the use of casual staff.
- 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 (+£41,000) is anticipated on running costs for the Depot. The department will seek to make further savings to reduce this pressure by the end of the financial year.
- It is currently predicted that there will be a saving of (-£57,000) on the Waste Disposal budget due to general waste tonnages continuing to decrease and recyclable waste tonnages increase under the new collection arrangements.
- A net saving of (-£180,000) is forecast for the Crematorium budget due to the reduction in income following the opening of the new crematorium at Yearby being lower than that forecast when the budget was set.
- There is a projected net pressure of (+£40,000) on building cleaning and security / CCTV budgets. This is mainly as a result of the level of income being lower than expected partly offset by reduced expenditure and savings on CCTV equipment and maintenance agreements.
- A saving of (-£10,000) is projected for building maintenance due to increased net income from a greater throughput of jobs.
- An increase in net income following the granting of new funding for free school meals for 4 to 6 year olds is expected to result in a saving of (-£80,000) on the Catering budget.
- Additional income is also projected to give rise to savings on the Commercial Properties budget (-£64,000) and on Architects fees (-£15,000).
- Further savings are projected for Environmental Protection mainly due to a member of staff being on maternity leave (-£25,000) and on the contribution to Environment City for running costs (-£10,000).

BUDGETED SAVINGS

- There is a projected pressure of (+£108,000) for the Leisure Services savings target, mainly due to the staffing reviews being delayed due to the need to incorporate the Middlesbrough Sports Village. It is expected that the required saving of £700,000 per annum will be achieved in full from 2015/16 onwards. There is also a projected pressure of (+£35,000) arising from the closure of Clairville Stadium as the saving obtained has not been as high as originally anticipated.

- A pressure of (+£107,000) exists for Property Savings. This is due to delays in the merger of property services structures. A full review of all property and related functions will need to be undertaken to determine the level of savings which might be possible in future years.
- A pressure of (+£25,000) is predicted for Fleet Services.. With continued capital investment in new replacement vehicles, which will potentially reduce expenditure on parts and external vehicle hires, it should be possible to achieve the full required saving in future years.

Outcome 8 - Finance & Investment

KEY AREAS

- Additional one -off funding for Housing Benefits has created a saving of (-£99,000).
- A saving of (-£145,000) is projected for capital financing costs. The re-profiling of a significant amount of capital expenditure from 2013/14 to 2014/15 has reduced the Minimum Revenue Provision (MRP) charge for 2014/15.
- There is an uncommitted balance of (-£137,000) on the Corporate Initiatives budget. This will be an on-going saving and will be put forward as part of the proposed and has been put forward as part of the proposed 2015/16 budget reduction proposals on an on-going basis. Savings are also forecast on the backfunded pensions budget (-£125,000).
- New Homes Bonus income is expected to exceed the budgeted target by (-£55,000).
- One-off savings are forecast as a result of a NEPO rebate (-£64,000) and a windfall refund from Vodafone (-£33,000). The sale of Prissick Base has generated additional Valuers' fees (-£31,000).

BUDGETED SAVINGS

- The delay in implementing the Commissioning Review is expected to result in a pressure of (+£328,000) against the savings target.
- The target payroll saving of (+£252,000) 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

KEY AREAS

- There is a projected saving of (-£30,000) due to the rollout of the new WAN System. Further savings are anticipated in 2015/16 as the new system is embedded.
- Staffing cost savings of (-£61,000) as a result of a number of staff not being in the pension scheme and the fact that all posts are budgeted at the top of the incremental scale.
- Further savings are projected on the People Strategy (-£47,000), Training (-£50,000) and Registrars (-£30,000) budgets.
- A pressure of (+£22,000) is projected on the Coroners budget. The large backlog of cases has now been cleared and the introduction of a new operating model will ensure that the budget will not overspend in future years.

BUDGETED SAVINGS

- The savings targets for Legal, Performance & Policy and Marketing and Communication are not expected to be achieved in full in 2014/15 due to delays in commencing the service reviews. A pressure of (+£1,008,000) is predicted as a consequence of this. It is expected that as the Middlesbrough Manager model is introduced, the savings will be achieved on an on-going basis.
- The start of the Administration Review has been delayed and only phase one of the review will commence in 2014/15. This has resulted in a projected budget pressure of (+£367,000).

Full details of all the projected savings and pressures on the key service areas and budgeted savings targets are attached at **Appendices A & B**. Progress on the actions required from the 2014/2015 1st and 2nd review budget monitoring meetings are shown in **Appendix C**. Details of the virements approved by Executive on 9th December 2014 are shown in **Appendix D**.

SERVICE REVIEW TRANSFERS

14. CMT approved a number of amendments to the original scoping exercise. The required transfer of savings targets attached to these changes are set out in the table below. Virements will be actioned to transfer these targets to the correct service division

	Target Movements Inwards £	Target Movements Outwards £	Net £
Performance & Policy	12,290	-160,771	-148,481
Commissioning	0	-138,097	-138,097
IT Support	29,711	-40,380	-10,669
Administration	55,099	-45,057	10,042
Democratic Services	66,024	0	66,024
Sport & Leisure	25,886	0	25,886
Marketing & Communications	0	-104,479	-104,479
Cashless Council	0	-16,355	-16,355
Community Services	12,778	0	12,778
Customer Access	0	-48,403	-48,403
Highways	21,328	0	21,328
Adult Social Care	76,452	0	76,452
Community Learning	10,736	0	10,735
School Support	35,454	0	35,454
0-19 Service	60,338	0	60,338
Streetscene	32,318	0	32,318
TCES	5,205	0	5,205
Property Services	3,201	0	3,201
Building Cleaning	10,769	0	10,769
Culture	19,867	0	19,867
Public Health	65,043	0	65,043
Fleet	6,015	0	6,015
Out of Scope (MIMA)	5,031	0	5,031
TOTAL	553,542	-553,542	0

IMPACT ASSESSMENT (IA)

15. Not applicable to this report.

OPTION APPRAISAL / RISK ASSESSMENT

16. Not applicable to this report.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

17. Overall savings of (-£4,080,200)) are forecast across the Council on key service area budgets. This is however offset by a predicted net pressure of (+£2,343,000) on budgeted savings targets resulting in a net projected saving of (-£1,737,200). The savings generated in 2014/15 will be used to help mitigate future budget reduction requirements over the medium term.

RECOMMENDATIONS

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

a) Note and consider the contents of report

REASONS

19. 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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