

MIDDLESBROUGH COUNCIL

SCRUTINY REPORT

OVERVIEW & SCRUTINY BOARD

Report Title: Revenue Budget 1st Review 2015/2016

Executive Member - Finance and Governance- Councillor Nicky Walker

Executive Director - Commercial and Corporate Services – Tony Parkinson

Date 8th September 2015

PURPOSE OF THE REPORT

1. To present the 1st review of the projected revenue outturn for 2015/2016 to the Overview & Scrutiny Board.

SUMMARY OF RECOMMENDATIONS

2. It is recommended that:-
 - a) Members note the projected net budget pressure of (+£1.142 million).
 - b) Members note the approved virements set out in **appendix C**.

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

BACKGROUND AND EXTERNAL CONSULTATION

5. On the 4th March 2015 the Council set its revenue budget for 2015/2016 at £119.9 million. A Council Tax increase of 1.82% was approved for the Council.
6. In setting the 2015/2016 budget, budget reductions of approximately £14.1 million were identified.

7. The Council approved an extra £4.6 million gross investment in key services (before any budget reductions) including the following :-
- £2.175 million for care for children and young people
 - £1.533 million for care for older people and vulnerable adults
 - £0.4 million for capital investment
 - £0.47 million for the living wage

8. The projected outturn position is summarised below:-

	Budget	Outturn	Variance
	£'000	£'000	£'000
Economic Development & Communities	14,530	13,809	-721
Wellbeing, Care & Learning	67,391	66,791	-600
Commercial & Corporate Services	27,992	29,892	1,900
Total Service Outturns	109,913	110,492	579
Central Costs	10,004	10,567	563
Total	119,917	121,059	1,142

9. The £1.142 million pressure represents 1.0% of the budget.
10. Explanations for projected variances from budget of £100,000 and above are set out in the following section of the report. A full analysis is attached at **Appendix A** and a summary of progress against budgeted savings targets is attached at **Appendix B**. Action points arising from the Directorate revenue monitoring meetings are attached at **Appendix D**.

Economic Development & Communities: (-721,000) saving

Outcome 1 - Economic Development

11. A summary of the projected outturn position for Economic Development is set out in the table below.

	Budget	Outturn	Variance
	£'000	£'000	£'000
Economic Growth	-926	-1,038	-112
Culture	1,415	1,365	-50
Highways & Transportation	8,902	8,787	-115
Total	9,391	9,114	-277

12. **Economic Development & Planning** **-£112,000**
 A number of major development scheme applications including those at Hemlington Grange and Stainsby Hall Farm are anticipated. It is forecast that there will be a Development Control income surplus of approximately (-£100,000) if these applications are submitted and completed by the end of the financial year.

13. **Highways & Transportation** **-£115,000**
 An income surplus of (-£326,000) is forecast for Off Street Car parks. Income to date is comparable with that received in the first quarter of 2014/2015 and the projection assumes that this trend will continue for the remainder of the financial year. The budget for this saving will be transferred to central resources, with a corresponding deduction in savings targets for this outcome area being factored into the three year budget allocations for Outcome 1.

14. The above saving is partially offset by a projected pressure of (+£250,000) on the Integrated Transport Unit budget. The pressure is mainly as a consequence of demands being made on the service by the Wellbeing, Care & Learning Directorate. A number of special education needs (SEN) pupils have been found placements in schools outside Middlesbrough thus incurring additional transport costs. Demand for placements within SEN schools is increasing year on year and many such schools in Middlesbrough are operating to capacity, hence the need to transport SEN pupils to schools outside the area. The total number of journeys via taxis and minibuses has increased from 1,207 in 2012/2013 to 1,336 in 2014/2015. The service currently transports 27 Pupils to out of area establishments. The transportation of pupils aged 16+ from schools to social care establishments has also contributing towards the increase in expenditure.

Outcome 2 - Supporting Communities

15. A summary of the projected outturn position for Supporting Communities is set out in the table below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Stronger Families	3,152	2,840	-312
Stronger Communities	2,530	2,530	0
Total	5,682	5,370	-312

16. **Stronger Families** **-£312,000**
 Staffing cost savings of (-£126,000) are forecast as a result of vacant posts. Further staffing cost savings totalling (-£124,000) are expected. This is a result of employers pension contributions being lower than budgeted for as a number of staff are not members of the Local Government Pension Scheme, staff not being paid at the top of scale and due to staff being on maternity leave.

Outcome 3 – Improving Public Health

17. A summary of the projected outturn position for Improving Public Health is set out in the table below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Public Health Grant Funded Services	-1,050	-1,050	0
Public Protection	244	149	-95
Other Public Health Services	263	226	-37
Total	-543	-675	-132

18 **Public Health Grant Funded Services:** The Council has received an initial Public Health grant allocation of £16.378 million and a part year allocation of £1.398 million for Children’s 0 – 5 Services in 2015/2016. However the Chancellor of the Exchequer announced on 4th June 2015 that there will be a further nationwide cut of £200 million in Public Health grant for the current year. A consultation paper on how this cut should be allocated to individual authorities has just been issued by the Department of Health with a closing date for responses on 28th August 2015. The preferred option is a standard flat rate reduction of 6.2% which equates to a cut of £1.102 million in grant funding for Middlesbrough in 2015/16. The service has plans in place to ensure that spending on Public Health Grant funded services will not exceed the reduced grant allocation by reducing the budget for investment on early intervention and prevention.

19. **Public Protection/Other Public Health Services** **-£132,000**
 Staffing costs savings of (-£132,000) are predicted mainly as a result of vacant posts.

Wellbeing, Care & Learning: (-£600,000) saving

Outcome 4 – Learning & Skills

20. A summary of the projected outturn position for Learning & Skills is set out in the table below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Commissioning & Resources	-50	0	50
Achievement	-581	-426	155
Intergrated Working	-141	-131	10
Schools Budget	51,165	51,165	0
Middlesbrough Community Learning	-347	-347	0
DSG Grant	-51,688	-51,688	0
Total	-1,642	-1,427	215

21. **Achievement** **+£155,000**
 It is estimated that there will be a reduction of (+£158,000) in the amount of Education Services Grant the Council receives following the conversion of eleven schools to academy status. Grant shortfalls arising from schools converting to academy status have previously been funded corporately and it is requested that this budget pressure is funded in the same manner in 2015/2016.

Outcome 5 – Safeguarding & Children’s Care

22. A summary of the projected outturn position for Safeguarding & Children’s Care is set out in the table below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Assessment & Care Management	4,561	4,728	167
Children Looked After	18,217	17,308	-909
Family Support Services	2,020	2,226	206
Other Children & Family Services	1,662	1,864	202
Management Support	52	42	-10
Youth Justice	231	231	0
Other Safeguarding Services	1,075	1,076	1
Total	27,818	27,475	-343

23. **Assessment and Care Management** **+£167,000**
 The low level of staff vacancies has meant that the abatement target of (+£196,000) will not be achieved.

24. **Children Looked After** **-£909,000**
 As referred to in paragraph 7 of this report, the service received an additional budget allocation of £2.175 million to fund pressures arising from increases in demand. In addition to this, the service has applied £1 million of demand mitigation measures such as reducing the number of residential placements and increasing the number of adoptions which have been deducted from service budgets. The service now has a demand led contingency budget of (-£3,012,000). This budget is being used to fund the pressures referred to in paragraphs 25 and 26 and an overall net saving of £920,000 is forecast on demand led budgets.

	£000's
Demand led contingency budget	-3,012
Independent Fostering Agency (IFA) placements budget (pressure) (Paragraph 25)	+928
In-House Fostering placements (saving) (Paragraph 25)	-462
Residential Agency Budget (pressure) (Paragraph 26)	+1,626
Total saving demand led budgets	-920

25. A pressure of (+£928,000) is forecast on the Independent Fostering Agency (IFA) placements budget. The service’s strategy is to reduce the number of IFA placements but courts’ decisions to maintain placements with IFAs rather than to move children to In-House provision is making this difficult to achieve. Currently the service has 140 IFA placements against a budgeted target of 134. This pressure is partially offset by an anticipated saving of (-£462,000) on In-House Fostering placements. The service currently has 117 In-House placements against a budgeted target of 132.

26. An increase in demand is expected to give rise to a pressure of (+£1,626,000) on the Residential Agency budget. The budget was based on a target of 54 placements whereas there are currently 65 placements.
27. **Family Support Payments** **+£206,000**
A pressure of (+£180,000) is projected on the for Regular Payments budget. This has resulted from an increase in Residence Orders, Special Guardianship Orders and the numbers of Looked After Children with Family and Friends.
28. **Other Children & Families Service** **+£202,000**
There is a projected pressure of (+ £197,000) relating to the Staying Put legislation introduced in April 2014 of maintaining placements for young people until they are 21. A one-off grant allocation helped to fund this pressure in 2014/2015 but no grant funding has been made available for 2015/2016 and future years.

Outcome 6 – Social Care

29. A summary of the projected outturn position for Social Care is set out in the table below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Service Strategy	1,073	1,128	55
Prevention Access & Provider Services	4,389	4,208	-181
Specialist & Lifelong Services	4,283	3,984	-299
Purchasing & Demand Budgets	31,470	31,423	-47
Total	41,215	40,743	-472

30. **Service Strategy** **+£55,000**
The savings target relating to the Better Care Fund (BCF) will not be achieved resulting in a pressure of (+£500,000). The BCF is a section 75 agreement with South Tees Clinical Commissioning Group and is ring fenced with any savings achieved required to be carried forward and utilised on agreed BCF projects. Alternative savings proposals such as increasing health income contributions towards services and maximising the use of grants to fund mainstream expenditure are being explored.
31. A saving of (-£354,000) is predicted on the Supporting People budget based on the value of current contract payments. Savings are also forecast on staffing costs (-£100,000).
- Prevention, Access & Provider Services** **-£181,000**
32. Staffing cost savings of (-£155,000) are predicted. This is mainly the result of staff not being in the Local Government Pension scheme, staff not being paid at the top of scale and savings on travel costs.
33. **Specialist & Lifelong Services** **-£299,000**
A saving of (-£215,000) is forecast on staffing costs. This is a result of vacancies, staff not being in the Local Government Pension scheme, staff not being paid at the top of scale and savings on travel costs.

Commercial & Corporate Services: (£1,900,000) pressure

Outcome 7– Environment, Property & Corporate Services

34. A summary of the projected outturn position for Environment, Property & Corporate Services is set out in the table below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Environmental Services	11,314	11,571	257
Property & Commercial Services	271	465	194
Leisure Services	-149	-14	135
Strategic Asset Management	1,514	1,563	49
General	-371	-356	15
Total	12,579	13,229	650

35. **Environmental Services** **+£257,000**
It is currently predicted that there will be a shortfall of (+£100,000) against the budgeted savings target for Fleet Services in 2015/16. Work is ongoing to reduce this deficit as part of three year plan for these services. A further pressure of (+£150,000) is projected on Waste Disposal relating to the extended kerbside recycling contract with Biffa. The on-going impact of this is currently being assessed. This pressure will be met from corporate resources.
36. **Property & Commercial Services** **+£194,000**
A pressure of (+£186,000) is projected on the Building Maintenance budget. This is due to a large proportion of the Property and Commercial Services savings being budgeted for in this area prior to the three year outcome delivery plan for the service being fully developed. A three year plan for these services has been prepared for approval by the Executive. This will realign the budget savings and mitigate the pressure. It is anticipated that any remaining pressure will be addressed through the introduction of a new commercial strategy which is currently being prepared for Executive consideration.
37. A pressure of (+£143,000) is forecast on the Ayresome Industries' budget. This service was taken over by Property & Commercial Services in 2014 and it has become apparent that the current business model is unsustainable with many of the existing contracts operating at significant losses. An internal audit has been commissioned in advance of a full service review of Ayresome Industries, and is due to commence shortly. These pressures are partially offset by a projected surplus of (-£140,000) on Bereavement Services' budget. This has resulted from a revised approach to customer service and income generation since the service was taken over by Property & Commercial services in 2014, resulting in the maximum retention of business and income despite the opening of the new facility at Yearby. The service is also anticipating savings from vacancies and efficiencies from the forthcoming wider service review which will contribute to the three year budget reduction plan for the service. The budget for this saving will be transferred to corporate resources, with a corresponding deduction in savings targets for this outcome area being factored into the three year budget allocations for Outcome 7.

38. **Leisure Services** **+£135,000**
 It is currently predicted that there will be a shortfall of (+£135,000) against the budgeted savings target for Sport & Leisure Services. This is due to the effect of the new Sports Village opening in late May and the staffing complement being in post from April. Therefore the Village will incur twelve months staffing costs but only benefit from ten months income. Work is ongoing to close this deficit further and the Sports Village is performing extremely well in the initial months since opening.

39. **Strategic Asset Management** **+£49,000**
 A pressure of (+£109,000) is expected on the Carbon Emissions Reduction Scheme budget. This is a consequence of a change in the emissions target calculation that now requires unmetered street lighting to be included. This pressure will be met from corporate resources.

Outcome 8 – Finance & Investment

40. A summary of the projected outturn position for Finance & investment is set out in the table below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
General Finance & Investment	1,173	1,173	0
Commissioning	931	931	0
Partnership	3,002	3,034	32
Council Tax & Housing Benefits	-404	-274	130
Local Tax Collection	-441	-441	0
Community Support	800	762	-38
Valuations	144	144	0
Total	5,205	5,329	124

41. **Housing Benefits** **+£130,000**
 Based on trends identified in 2014/2015, it is expected that there will be a shortfall on the recovery of overpaid Housing Benefits of approximately (+ £130,000). This represents a variance of 0.2% against the total DWP income budget of £80.422 million. Measures will be put in place to address this pressure in 2015/2016.

Outcome 9 – Organisation & Governance

42. A summary of the projected outturn position for Organisation & Governance is set out in the table below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Chief Executive & Executive Directors	664	639	-25
Organisation & Governance Services	1,642	2,727	1,085
Legal Services	841	771	-70
Democratic Services	1,943	2,079	136
Registrars & Coroners	297	297	0
Partnership	4,821	4,821	0
Total	10,208	11,334	1,126

43. **Organisation & Government Services** **+ £1,075,000**

It is currently assumed that the savings target for administration staff will not be met in full and a pressure of (+£762,000) is forecast. A virement request is included in Appendix C of this report to transfer a proportion of the administration savings target to the other eight outcome areas who will subsequently become responsible for delivering administration costs savings within their service areas. Of the total council wide pressure of £762,000, it is estimated that the pressure relating to Organisation & Government Services is in the region of £235,000. This will reduce the pressure in this area to £548,000.

44. There is a projected pressure of approximately (+£160,000) against the budgeted savings target for ICT. This will be addressed through work undertaken on the service promise and in scoping the service to be outsourced.

45. The budgeted savings target for Marketing is not expected to be achieved in full in 2015/2016 and a budget pressure of (+£152,000) is currently predicted. The review of Marketing will deliver the full saving required from 1st April 2016.

46. **Democratic Services** **+£136,000**

A pressure of (+£136,000) is forecast against the budgeted savings target. This is because it was agreed that the service review should be deferred until September 2015 due to the 2015 elections and significant changes that were likely to occur following those elections. This was a planned decision taken due to the possible impact of the elections on this target.

Central Costs:(+£563,000) pressure)

47. A summary of the projected outturn position for Central Costs is set out below:

	Budget	Outturn	Variance
	£'000	£'000	£'000
Capital Financing	9,767	10,317	550
DRF Contributions from Schools	-1,500	-1,487	13
Unfunded Pensions	1,564	1,564	0
Contributions from Reserves/Provisions	-1,529	-1,529	0
Pay & Prices Contingency	1,621	1,621	0
Custodian Properties	8	8	0
Designated Authority Costs	40	40	0
Environment Agency	126	126	0
Business Rates Initiatives Grant	-435	-435	0
Ex DSO Trading	328	328	0
Parish Precepts	14	14	0
Total	10,004	10,567	563

48. **Capital Financing Costs** **+£563,000**

A requirement for additional borrowing has resulted in a pressure on the capital financing budget. Half of this pressure arises from the decision to finance the Hemlington Electricity Supply and Prissick Car Park and Link Road capital projects from borrowing. The remainder of the pressure has resulted from the impact on cash flow from 2014/2015 slippage on the capital programme.

IMPACT ASSESSMENT (IA)

49. Not applicable.

OPTION APPRAISAL/RISK ASSESSMENT

50. This report sets out the projected year end position for 2015/2016. If the projected year end pressure is not mitigated it will reduce the Council's general balances. Options to address the projected pressures need to be considered.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

51. The following table sets out a summary of the overall projected outturn position for 2015/2016.

	Budget	Outturn	Variance
	£'000	£'000	£'000
Economic Development & Communities	14,530	13,809	-721
Wellbeing, Care & Learning	67,391	66,791	-600
Commercial & Corporate Services	27,992	29,892	1,900
Total Service Outturns	109,913	110,492	579
Central Costs	10,004	10,567	563
Total	119,917	121,059	1,142

52. The projected pressure is based on the first review and all information available at this current point in time. It is expected that this position will improve following actions to be taken during the remainder of the year. A second review will be reported to Executive in December.

RECOMMENDATIONS

53. It is recommended that:-

- a) Members note the projected pressure against the 2015/2016 revenue budget of £1.142 million.
- b) Members note the approved virements attached at Appendix C.

REASONS

54.
 - 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

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

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