

CABINET MEETING – 16TH JANUARY 2013 EXECUTIVE SUMMARY SHEET- PART I	
Title of Report: Revenue Budget Third Review 2012/2013	
Author(s): Executive Director of Commercial and Corporate Services	
Purpose of Report: To report details of the outcome of the Revenue Budget Third Review for 2012/2013.	
Description of Decision: Cabinet is recommended to - approve the contingency transfers proposed at Appendix A and budget transfers	
Is the decision consistent with the Budget/Policy Framework? Yes	
If not, Council approval is required to change the Budget/Policy Framework	
Suggested reason(s) for Decision: To respond to variations in expenditure and income which have arisen in 2012/2013 and enable effective budgetary control to be exercised.	
Alternative options to be considered and recommended to be rejected: No alternative options are proposed.	
Impacts analysed: Equality <input type="text" value="N/A"/> Privacy <input type="text" value="N/A"/> Sustainability <input type="text" value="N/A"/> Crime and Disorder <input type="text" value="N/A"/>	
Is this a “Key Decision” as defined in the Constitution? Yes Is it included in the 28 Day Notice of Decisions? Yes	Scrutiny Committee

Cabinet 16th January 2013

Revenue Budget Third Review 2012/2013

Report of the Executive Director of Commercial and Corporate Services

1. Introduction

This report advises Members of the overall Revenue position following the third review for 2012/2013 including proposed contingency transfers and budget transfers for the third quarter of 2012/2013.

2. Description of Decision

- 2.1. Cabinet is requested to approve contingency transfers proposed at Appendix A and Budget Transfers set out in Appendix B.

3. Revenue Budget Monitoring 2012/2013

Overall Position

- 3.1 In overall terms there continue to be challenges in delivering the savings requirement for 2012/2013. On-going mitigating actions have been put in place by Portfolio holders, which coupled with continued rigorous budget management and corporate actions agreed in relation to workforce planning, will ensure that a positive outturn position will be achieved.

A full review has been undertaken and a summary of the position following the third review is set out in the report for each Portfolio, together with the contingency allocations proposed for the third quarter.

In addition further one off savings of £5million are anticipated to arise in respect of capital financing charges due to both slippage in the capital programme and additional income from interest on investments as a result of continued robust treasury management. These savings will be used to meet the in year service pressures if required at outturn, with the balance set aside in the Strategic Investment Reserve to meet transitional costs arising in 2012/13 and 2013/14 and/or potential Equal Pay liabilities.. Any final underspendings on contingencies will also be transferred to support transitional costs arising from future years budgets.

3.2 Contingency Transfers

A full review has been undertaken for each service and full details of proposed contingency transfers are set out at Appendix A.

The workforce planning project has enabled the early release of £1.745m planned savings for 2013/2014 which have been captured corporately. As part of the 2013/14 budget planning process it is proposed this amount be used to support the 2013/14 budget on a one off basis.

Additional corporate savings have been realised through flexible working and smarter working arrangements.

3.3 Budget Transfers

Budget Transfers since the second review primarily relate to unification of budgets to reflect operational arrangements in accordance with Sunderland Way of Working principles.

3.4 Implementation of Savings Plans and Budget Pressures

3.4.1 The budget process for 2012/2013 took account of the requirement for reductions in expenditure of £25.86 million. Progress in implementing the proposals is being rigorously monitored in conjunction with Portfolio holders. Monthly monitoring of the budget is carried out at an enhanced level to ensure the position is understood and actions put in place to mitigate any impact.

3.4.2 In addition budget pressures are also being experienced across all portfolios for which mitigating actions have been and are actively being sought. This reflects the increasing challenge in delivering budget reductions faced by the Authority.

3.4.3 Portfolio holders and Directors have been considering the position in respect of pressure areas and actions are in hand to address the position ongoing. However given the demand pressures being experienced in relation to adult social care at this stage it is anticipated that some corporate funding is likely to be required. While the Directorate are actively seeking to ensure that this is minimised the position clearly remains very challenging.

3.4.4 In relation to savings targets the following is noted in overall terms:

- £16.965 million of the savings have been fully realised to date;
- £6.047 million of reductions are no longer to be achieved as originally intended however alternative actions have been identified which will realise the savings required on a permanent ongoing basis;
- £0.657 million of reductions are not yet scheduled for full implementation although good progress is being made with action plans developed, responsibilities assigned and timescales identified. At this stage therefore it is not anticipated this will impact on the overall financial position of the Council as the full year saving is still anticipated although it is imperative that these reductions are driven through to implementation in line with agreed timescales.
- £2.191 million is in respect of areas where issues have been encountered in relation to Adult Social Care and no alternative mitigating action has yet been identified.

- 3.4.5 In addition to the above, budget pressures have arisen across portfolios. While mitigating actions are being actively implemented to address the position, there remains a £3.070m pressure in relation to Adult Social Care pressures for which mitigating action is still being considered. This overall pressure of £5.261m on Adult Social Care remains a cause for concern.
- 3.4.6 Further details of these areas are included as appropriate within the relevant portfolio monitoring update below.

Portfolio Budget Monitoring 2012/2013

3.5 The following issues are drawn to Members attention:

3.5.1 Leader

No Issues to raise at this stage

3.5.2 Deputy Leader

No Issues to raise at this stage

3.5.3 Cabinet Secretary

No Issues to raise at this stage

3.5.4 Children's Services

Demand for external placements continues to increase resulting in a budget pressure of £2.303m. Earmarked reserves and contingencies are available to largely mitigate the position and Children's Services have identified in year efficiencies to ensure a balanced budget at year end. As part of the budget setting process for 2013/2014 proposals have been developed to provide for the continued pressures faced in external placements.

3.5.5 Health, Housing and Adult Services

Continued demand pressures in adult social care are leading to budget pressures totalling £7.423m. After proposed mitigating actions, there remains a shortfall of £5.261m in year with an ongoing impact into 2013/2014 currently estimated at £3.281m assuming some positive impact from actions underway over the final quarter of 2012/13. Work is continuing to mitigate this position. However at this stage it is anticipated that use of some corporate funding will be required in 2012/2013, with the ongoing position provided for as part of the 2013/2014 budget planning process.

The key issues are set out below:

Residential and Nursing Care (including Reablement and Independent Home Care)
As reported at the Second Revenue Review additional demand pressures are being experienced residential, nursing and home care budgets. The Directorate are reviewing progress in respect of the implementation of current strategies concerning alternative solutions in respect of care arrangements which are designed to both save costs and improve outcomes for people. The Directorate are to use delegated balances and other directorate underspends to reduce the shortfall to £4.683m in 2012/2013. The ongoing pressure into 2013/2014 of £2.800m has been taken into account in the 2013/2014 budget planning process.

Housing Related Support

As reported at second review, consultation and finalisation of arrangements in respect of a review of Housing Related Support Services is anticipated to lead to a temporary one-off shortfall which will be partially met from delegated balances and reserves with further options being considered to mitigate the remaining shortfall of £0.300m in 2012/2013. Actions have been identified to address the ongoing position into 2013/2014.

Care and Support

Costs arising from a review of operational arrangements will result in a shortfall which is to be partially met by use of delegated balances in year. Officers are considering options to address the remaining shortfall of £0.278m in 2012/2013 with the ongoing position taken into account in the 2013/2014 budget planning process.

3.5.6 Public Health, Wellness and Culture

No Issues to raise at this stage

3.5.7 City Services

No Issues to raise at this stage

3.5.8 Responsive Services and Customer Care

Customer Services End to End Service Reviews

As reported at the Second Revenue Review current planned reviews indicate a shortfall of £2.135m at the end of 2012/2013. It is anticipated the shortfall will need to be accommodated within the overall corporate position for the year while the ongoing position has been taken into account as part of the 2013/2014 budget planning process.

3.6 Other Corporate Issues

- 3.6.1 As reported to HR Committee and subsequently Cabinet in November the workforce planning project has enabled the successful and full mitigation of a projected overspending at year end of £5million and also enabled the early release of planned savings for 2013/2014. This additional saving in 2012/2013 of £1.745m will support the budget for next year. As reported to the HR Committee, costs in 2012/13 have been met from reserves earmarked for this purpose and the overall project demonstrated strong value for money for the Authority.
- 3.6.2 There continues to be a holistic approach to monitoring salaries costs across the council with savings arising from vacancies and flexible working arrangements captured corporately. These savings will be used to meet transitional costs and in year service pressures if required at outturn.
- 3.6.3 Municipal Mutual Insurance Ltd (MMI) were the leading local authority insurer until 1992 when they ceased underwriting operations however they continue to receive historic claims. They were the Council's Employers Liability insurer until 1992. MMI's accounts have shown an increasing deficit of liabilities over assets and an administrator has now been appointed. As such the arrangements put in place at the time to allow for it to continue to meet past claims (called the Scheme of Arrangement) means that a clawback of a percentage of previous claims paid relating to Sunderland City Council is likely. The exact levy is not known at this stage however the current best estimate is circa £1.6m and it is proposed to set aside a sum in this regard. This will be partially met from the annual actuarial review of insurance reserves as well as proposed underspendings on contingencies at year end.
- 3.6.4 As reported and endorsed by Cabinet, the Council is undertaking settlement discussions in respect of equal pay claims. It is likely that this will result in settlement payments being made from January 2013 onwards. Costs will be funded through a combination of sources including earmarked reserves, provisions and borrowing secured through capitalisation directions.

4. Reasons for Decision

- 4.1 To respond to variations in expenditure and income which have arisen in 2012/2013 and enable effective budgetary control to be exercised.

5. Alternative Options

- 5.1 No alternative options are proposed.

6. Impact Analysis

- 6.1 Impact assessments of Directorate actions to ensure the achievement of savings targets and a balanced budget position, will be undertaken within Directorates as each action is developed.

7. Other Relevant Considerations / Consultations

- 7.1 The report identifies a number of risks in relation to the delivery of budget savings. However, actions in place, and the identified use of available transitional fund resources and planned under spends are anticipated to be sufficient to mitigate the risks identified.

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Variations Necessitating Contingency Transfers 2012/2013

	Justification / Approval	2011/2012 £	Full Year Effect £
Deputy Leader			
Counsel fees	General Provision	246,240	0
Cabinet Secretary			
Counsels Fees	General Provision	56,076	0
Emergency Response to flooding at Houghton and Washington	General Provision	46,688	0
Port Dredging	Specific Provision	218,588	218,588
Children's Services			
Hendon Old Orphanage - Security	Specific Provision	38,800	93,120
Social Care Contract Inflation	Specific Provision	390,000	390,000
Public Health, Wellness and Culture			
Olympics Sunderland 2012 Events	Specific Provision	155,979	155,979
City Services			
Apprentices - Street Scene	Specific Provision	230,000	230,000
Waste Disposal - Landfill Tax and inflationary increase	Specific Provision	1,217,000	1,217,000
Corporate / Cross Cutting			
Rates – Empty Properties	Specific Provision	276,597	276,597
Utilities – Inflationary increase	Specific Provision	887,267	887,267
Improvement Programme Efficiencies			
Improvement Efficiencies		(715,285)	
Flexible Working Efficiencies		(66,591)	
Workforce Planning		(1,745,004)	
Portfolio Total		1,236,355	3,468,551

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Revenue Budget Position After Second Review 2012/2013

	Second Review 2012/2013	Budget Transfers	Transfers from Contingency fund	Third Review 2012/2013
	£'000	£'000	£'000	£'000
Portfolio				
Leader	6,876	(19)	(274)	6,583
Deputy Leader	4,678	372	5	5,055
Cabinet Secretary	6,135	(6)	(172)	5,957
Children's Services	53,619	1,919	79	55,617
Health, Housing and Adult Services	69,417	(332)	(132)	68,953
Public Health, Wellness and Culture	18,910	(12)	137	19,035
City Services	43,873	(1,905)	1,622	43,590
Responsive Services and Customer Care	4,055	(17)	(28)	4,010
Portfolio Expenditure	207,563	0	1,237	208,800
Contingencies and Provision for Transitional Costs and Service Pressures	27,489	5,000	(1,237)	31,252
Technical Adjustments	(22,976)	0	0	(22,976)
Levies	15,709	0	0	15,709
Capital Financing Costs:				
Revenue Contributions to Capital Programme	2,570	0	0	2,570
Debt Charges and Interest	16,959	(5,000)	0	11,959
Total Expenditure	247,314	0	0	247,314
Use of Balances	(2,272)	0	0	(2,272)
Net Budget Requirement	245,042	0	0	245,042