

CABINET MEETING – 9TH OCTOBER 2013

EXECUTIVE SUMMARY SHEET- PART I

Title of Report:

Revenue Budget Second Review 2013/2014

Author(s):

Executive Director of Commercial and Corporate Services

Purpose of Report:

To report details of the outcome of the Revenue Budget Second Review for 2013/2014.

Description of Decision:

Cabinet is recommended to approve the contingency transfers proposed at Appendix A and budget transfers set out in the report.

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 2013/2014 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 Privacy Sustainability Crime and Disorder

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 9th October 2013

Revenue Budget Second Review 2013/2014

Report of the Executive Director of Commercial and Corporate Services

1. Introduction

This report advises Members of the overall Revenue position following the second review for 2013/2014 including proposed contingency transfers for the second quarter of 2013/2014.

2. Description of Decision

- 2.1. Cabinet is requested to approve contingency transfers proposed at Appendix A and budget transfers set out in the report

3. Revenue Budget Monitoring 2013/2014

Overall Position

- 3.1 In overall terms financial progress towards delivery of the 2013/2014 savings requirement is very positive although there continues to be challenges. Where issues have been identified mitigating actions have been put in place by Portfolio holders, which, coupled with 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 second review is set out in the report for each Portfolio, together with the contingency allocations proposed for the second quarter.

In addition savings on capital financing charges as a result of slippage on the capital programme and income from interest on investments are anticipated to result in planned savings of approximately £5.0m at year end. It is proposed that these amounts and any further underspendings arising from unspent contingencies at the end of 2013/2014 are earmarked to support the overall 2013/2014 position and transitional costs arising from the 2014/2015 budget setting process.

3.2 Contingency Transfers

Members will recall from previous reports that transfers from the contingency fund take place on a quarterly basis to reflect expenditure actually incurred in respect of approved provisions. Details of proposed contingency transfers for the second quarter amounting to £0.483m are set out at Appendix A.

3.3 Budget Transfers

Budget Transfers since the first review primarily relate to transfers between Directorates to reflect operational arrangements in accordance with Sunderland Way of Working principles and budget realignments relating to the realignment of services within the people, place and economy service areas.

3.4 Implementation of Savings Plans and Budget Pressures

3.4.1 The budget process for 2013/2014 took account of the requirement for reductions in expenditure of £37.0m. Progress in implementing the proposals is being rigorously monitored in conjunction with Portfolio holders. Monthly monitoring of the budget continues at an enhanced level to ensure the position is understood early and actions put in place to mitigate any impact.

3.4.2 Overall progress continues to be very positive however there are budget pressures also being experienced across a number of portfolios for which mitigating actions are being implemented. This reflects the increasingly greater challenges the council faces in implementing changes as we progress through the third year of the spending review period.

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

- £29.5m of the savings have been fully realised to date as originally intended.
- £2.4m of reductions are no longer to be achieved as originally intended. Of this, £1.2m of alternative savings actions have been identified which will deliver in year and on-going savings. A further £1.2m of alternative actions have also been identified which will meet the remaining savings requirement in year, with actions to address the on-going requirement being progressed.
- £5.1m 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.

3.4.4 In addition to the above there are:

- on-going pressures from 2012/2013 totalling £3.1m in relation to Home Care and Community Support, and Culture, Sport and Leisure
- in-year service pressures totalling £1.0m which have mitigating actions identified to address the position in-year, with actions to address the on-going position being progressed.
- Although work is on-going to address these issues it is likely that corporate resource support will be required to balance the position in the current financial year.

- 3.4.5 Further details of issues are set out in the relevant sections below, which shows that work is being progressed in all areas. It is particularly noted that plans in relation to Adult Services pressures reported at the first review are now being finalised although there will be significant work to do to implement these plans to remove this budget overhang for the start of the 2014/15 financial year.

3.5 Portfolio Budget Monitoring 2013/2014

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

- The Children's External Placement budget continues to be volatile due to the uncertainty regarding the level of placements in any given year. Current projections for 2013/2014 indicate a pressure of £1.3m due to the required level of placements. Reserves earmarked for this purpose as part of the 2012/2013 outturn are available to meet this shortfall in year.

The number of Looked after Children has increased to 473 as at 19th August; an increase of 36 from April 2013. Officers continue to review and refresh the Looked after Children Strategy but at this stage there is a potential on-going pressure of £0.5m that will impact into 2014/2015 which will need to be considered as part of MTFS planning

- The Children Looked after Strategy has a 2013/2014 savings target of £0.2m in respect of the development of an alternative specialised children's home to reduce the number of distant, very expensive placements. For 2013/2014 this saving has been achieved through alternative mitigating actions. A working group has been established to identify an on-going alternative.

3.5.5 Health, Housing and Adult Services

- Home and Community Support and reduction in residential care places – £3.9m (on-going pressure from 2012/2013 £2.9m plus 2013/2014 pressure £1.0m)

The Directorate have achieved one off alternative mitigating actions to meet £1.0m of this saving in year. Significant work has been progressed over the last few months within the Directorate and in conjunction with the Executive Director of Commercial and Corporate Services and action plans are in the process of being finalised. With robust project planning it is anticipated that the actions will fully provide for the on-going pressure and contribute to future years savings targets. However, whilst part year savings will be made there is likely to be an in year shortfall which will need to be met from transitional funding whilst the permanent solutions are being put in place.

3.5.6 Public Health, Wellness and Culture

- As reported at first review, there is an ongoing pressure from 2012/2013 in relation to the Sport and Leisure Review. The service achieved in year reductions of £0.9m for 2012/2013 through one off measures with the intention that alternative on-going actions be put in place for 2013/2014.

£0.2m of this saving is currently considered at risk for 2013/2014 and the review is currently identifying further alternative saving options to balance the in-year position in year.

3.5.7 City Services

- The trading position on Building Services is being closely monitored and, at this stage, the service is forecasting to make a shortfall against budget of £0.5m. This shortfall has primarily arisen following a further reduction in client budgets in 2013/2014, resulting in reduced income for Building Services.

Actions have been taken elsewhere within the directorate in order to mitigate the budget shortfall in-year. At the same time, the service is working to deliver on a number of service improvements with a view to addressing this position on an on-going basis.

3.5.8 Responsive Services and Customer Care

There are no issues to raise at this stage

3.6 Other Corporate Issues

3.6.1 Workforce Planning

- A significant element of the savings plans are dependent upon implementation of workforce planning arrangements in the process of being implemented. Significant progress has now been made and savings targets are on track for full delivery with savings in a full year. Transitional funding will be utilised to support any in year shortfall.
- As reported as part of the budget setting process, transitional costs will arise during 2013/2014 as the organisation implements the continued improvement

programmes. At this stage these costs total £2.8m and can be met from resources set aside to meet transitional costs as part of the previous years outturn.

3.6.2 Treasury Management

Savings in Debt charge and interest on investments of £5m is anticipated at this stage due to slippage in the Capital Programme and additional investment income. It is proposed that this amount and any underspendings arising from unspent contingencies at the end of 2013/2014 are earmarked to support the overall 2013/2014 position and transitional costs arising from the 2014/2015 budget setting process.

4. Reason for Decision

- 4.1 To respond to variations in expenditure and income which have arisen in 2013/2014 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 and the need to address budget pressures. However, actions in place and the available transitional resources earmarked as part of previous years outturns are anticipated to be sufficient to mitigate the risks identified. Further confirmation of mitigating actions will be provided as part of the third review which will be reported to Members in due course.

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Variations Necessitating Contingency Transfers 2013/2014

	Justification / Approval	2013/2014 £
Leader		
Warm up North - Green Deal	General Provision	50,000
Health Housing and Adult Services		
Adult social care contract inflation	Specific Provision	695,000
Public Health, Wellness and Culture		
Summer Events	General Provision	250,000
Pay Award 2013/2014	Specific Provision	1,226,234
Improvement Programme Efficiencies		
Improvement Efficiencies		(1,500,000)
Flexible Working Efficiencies		(238,162)
Total Contingency Adjustments		483,072

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Revenue Budget Position After Second Review 2013/2014

	First Review 2013/2014	Budget Transfers	Transfers from Contingency fund	Second Review 2013/2014
	£'000	£'000	£'000	£'000
Portfolio				
Leader	7,665	930	(475)	8,120
Deputy Leader	4,370	(215)	(480)	3,675
Cabinet Secretary	7,823	198	(227)	7,794
Children's Services	64,961	17	154	65,132
Health, Housing and Adult Services	82,397	(10)	923	83,310
Public Health, Wellness and Culture	16,715	163	315	17,193
City Services	45,646	(157)	242	45,731
Responsive Services and Customer Care	3,864	(926)	31	2,969
Portfolio Expenditure	233,441	0	483	233,924
Contingencies	16,761	0	(483)	16,278
Technical Adjustments	(30,095)	0	0	(30,095)
Transfer to Reserves	6,097	0	0	6,097
Levies	17,820	0	0	17,820
Grants – Council Tax Freeze Grant, New Homes Bonus	(2,722)	0	0	(2,722)
Capital Financing Cost	26,066	0	0	26,066
Total Expenditure	267,368	0	0	267,368
Use of Balances	(2,572)	0	0	(2,572)
Net Budget Requirement	264,796	0	0	264,796