

AGENDA ITEM

REPORT TO EXECUTIVE SCRUTINY

5th AUGUST 2014

REPORT OF CORPORATE MANAGEMENT TEAM

MEDIUM TERM FINANCIAL PLAN UPDATE – MARCH 2014

SUMMARY

This report focuses on the financial performance and position at the end of the 2013/14 financial year and updates the Medium Term Financial Plan accordingly.

RECOMMENDATIONS

1. That the Medium Term Financial Plan (MTFP), the current level of General Fund balances and the allocation of £400,000 from the Transformation Reserve to fund transformation work supporting Adult Social Care be approved.
2. That the revised Capital Programme attached at **Appendix A** be noted.
3. Members note the increase in projected savings from the Spark of Genius Joint Venture to £600,000 per year and approve the allocation of an additional £450,000 from the transformation reserve to support the project's capital costs. Members also approve £400,000 from this reserve to support adult social care and £103,000 from the unallocated balance of schools capital funds for developments at Rosebrook School, and also endorse the bids for PSB programme funding.

DETAIL

FINANCIAL POSITION AS AT 31 MARCH 2014

General Fund – Non Big Ticket

1. The following table details the current MTFP position of each service. Officers have continued to be mindful of the financial pressures and have been continuing to monitor expenditure closely in all areas. In line with the updated approach to the Big Ticket areas, these budgets are not included in the figures below and are covered separately later in this Report.

Service Reserves (MS)/MC	Previously reported position at 31/3/14 (MS) / MC's £'000's	Outturn position at 31/3/14 (MS) / MC's £'000's	Projected Outturn position at 31/3/15 (MS) / MC's £'000's	Projected Outturn position at 31/3/16 (MS) / MC's £'000's
CESC	(2,161)	(2,591)	(885)	(236)
D & NS	(84)	(574)	0	0
RESOURCES	(839)	(988)	(440)	(289)
LAW & DEMOCRACY	(182)	(156)	(156)	(156)
TOTAL	(3,266)	(4,309)	(1,481)	(681)

Children, Education and Social Care

2. Members will note that the overall position for CESC (Non Big Ticket) has improved by £430,000 since the last report. The main reasons are set out below:

- Youth Service and Connexions - These services are to be reviewed as part of the agreed savings programme. In advance of those reviews, savings of £150,000 are being delivered through a combination of vacant posts, savings on supplies and services and external payments and additional income received from schools in respect of the Careers and Advice Service.
- Staff termination costs for schools were lower than budgeted by £115,000. This was due to a smaller number of schools making applications in the final months of the financial year and also a change to the accounting treatment of such costs.
- The costs of implementing system upgrades to the Care Director System in advance of the new government reporting requirements were lower than anticipated in the final quarter (£67,000). These resources will now be utilised in 2014/15 to support implementation and compliance with the new Care Act. Additional savings were made in advance of a review of this service and unbudgeted income was received from the DoH (£68,000).

Development & Neighbourhood Services

3. The position for DANS (Non Big Ticket) at the financial year end has improved by £490,000. The main reasons are explained below:

- Funding of £333,000 to fund specific activities will now be utilised in 2014/15. This included £184,000 to fund the Local Development Framework (LDF), £40,000 to fund additional external work on planning enquiries and £40,000 relating to the Enterprise Arcade.
- There were a number of small scale savings across the service, which cumulatively came to approximately £150,000, such as an increase in catering meals and a lower than anticipated requirement to purchase replacement bags and containers for refuse collection and recycling.

Resources

4. The position for Resources has improved by £149,000. The main factor being additional savings in Taxation and Administration due to increased court cost income and savings associated with employee costs through management of vacancies in advance of the agreed savings exercise.

Big Ticket Areas

5. The Medium Term Financial Plan in 2013 agreed the strategy that the Big Ticket Reviews would aim to stem the future financial pressures in the areas of Adult Social Care, Children's Social Care and Energy and Waste through reducing costs where possible and by stemming growth through examining alternative means of delivery.

6. A summary of the outturn position for each Big Ticket area is set out below:

Adult Social Care

7. The budget position at the end of December 2013, which was reported to members as part of the Budget Report in February 2014, was an estimated net saving of £1.65m. Within this figure some areas of the service continued to experience growth and associated financial pressures, while the Big Ticket Reviews had identified and delivered a significant number of savings.
8. The final position for the 2013/14 financial year was an overall net saving of £1.85m. This represents an improvement of £0.20m from the previous forecast of £1.65m.
9. The Medium Term Financial Plan (MTFP), Big Ticket Update and Savings proposals report to Cabinet on 16 May 2013, sought the approval of additional senior capacity to deliver the Adults Big Ticket programme. The MTFP report in February 2014 identified the significant progress that is being made across the Big Ticket reviews largely as a result of this additional senior capacity. The report went on to identify significant changes being introduced across Social Care particularly in relation to the Better Care Fund and the Care Bill. Further detailed work has begun on each of these and it is clear that this additional capacity will need to continue to March 2016. This will be funded from a combination of sources including an element from the Better Care Fund, but there will be a need for Council resources and it is recommended that £400,000 is allocated from the Transformation Reserve. We are also mindful that this needs to link into the Shaping the Brighter Future Programme and needs to be cognisant of any further changes nationally in relation to the Health/Social Care agenda and therefore an element of flexibility will be maintained.

Children's Social Care

10. Members will be aware from previous Cabinet updates of the increasing numbers of Looked After Children and the financial pressures this creates. The two key areas are External Placements and Independent Foster Care provision.
11. The MTFP Report in February identified that the estimated pressure for 2013/14, and the requirement to use the growth provision, was £2.3m. Pressure continued to be experienced in the costs of external residential placements in the final quarter of the year (£102,000), but this increase in cost was offset by a reduction in external legal fees (£314,000) resulting from family justice reforms that have led to more input at the pre-court stage. This resulted in the final call on the growth provision for the year being £2.1m with respect to Children's Social Care.
12. The service is still experiencing significant pressures and challenges in relation to capacity and a report will be presented to Cabinet in the near future covering this issue.

Energy and Waste

13. Additional savings have been achieved on the Big Ticket areas of Energy and Waste, amounting to £246,000. The mild winter weather conditions have resulted in a saving of £98,000 on utility costs. A reduction in waste tonnage led to an underspend of £120,000.

Summary - Big Ticket Areas

14. The report to members in February 2014 estimated that we would require £650,000 to be retained as a growth provision for this financial year. The actual call on the provision at the financial year end can be summarised as follows:

	£
Adult's Social Care	(1.85m)
Children's Social Care	2.10m
Energy & Waste	<u>(0.25m)</u>
Call on Provision	0.00m

Delivery of the savings associated with the Adult Social Care elements required expenditure on early retirement/voluntary redundancy costs amounting to £460,000 which is a call on the provision and this means that £190,000 is available as one-off resources to be added to general fund balances and this is covered below.

General Fund Balances

15. At the time that the 2014/15 budget was set, general fund balances were expected to be £10.8m at 31 March 2014. This was £2.3m above the 3% recommended target. This surplus of £2.3m was allocated and utilised as part of one off resources as agreed in the MTFP Report in February 2014. The position at outturn has improved by £220,000, partly as a result of higher than anticipated interest on balances and partly due to greater than expected achievement of EIT and Procurement savings. This means that there is £410,000 available in one-off resources, including the element of Big Ticket provision which was not required.
16. A separate report is included on this agenda in respect of the Eco scheme and this will be presented to Council in due course. This report is recommending that Council approve the allocation of £390,000 from one-off resources to support the scheme and if approved this would leave £20,000 available.
17. Members will be aware of the significant review programme approved by Council in June 2013 which is to deliver £9.4m by 2016/17. Members will also be aware that there has been a significant reduction in staff and capacity and whilst the majority of reviews will deliver the savings in line with the plan there are some areas where the impact on capacity may mean there are delays. Further details will be provided as part of the September financial update report.

Capital

18. The Capital budget for 2012/18 is shown at **Appendix A** and summarised in the table below:

CAPITAL PROGRAMME 2012-2018	Current Approved Programme	Programme Revisions	Revised Programme	Completed Schemes	Variiances (Completed Schemes)	Revised Programme
	£'000	£'000	£'000	£'000	£'000	£'000
Schools Capital	48,702	2,180	50,883	(2,082)	123	48,923
Housing Regeneration & Town Centres Schemes	58,030	108	58,138	(1,177)	(47)	56,914
Transportation	17,370	167	17,538	(3,410)	76	14,203
Other Schemes	36,874	1,333	38,208	(4,334)	25	33,899
Total Approved Capital MTFP	160,976	3,788	164,767	(11,003)	177	153,939

19. Members will also note that the programme has been updated to reflect the approvals within the 2014/15 Budget Report, most notably the £14m invest to save scheme for Street Lighting (shown within the current approved programme) and a number of schemes funded through external grants and contributions..

20. The Programme has been updated to reflect schemes which have completed in 2013/14 and details of these changes are shown at **Appendix B**.
21. Due to favourable tenders being received for St. Marks Primary School (Phase 2), a saving of £380,000 can now be reported. A scheme at Rosebrook Primary School presents an opportunity to address a pressing need for additional SEN/ASD Provision, but will require Council resources of £103,000. It is recommended that this is approved from the unallocated provision. The School will contribute £500,000 to the overall scheme. This now means that the unallocated balance has increased from £9.7m to £10.0m. As reported in February 2014, a further report to Cabinet will consider use of the unallocated resources alongside information on school place planning and capacity.
22. The Report to Council in February 2014 provided an update on the Transformation Reserve. It also alerted members to difficulties associated with the Spark of Genius Project in relation to purchasing properties which were causing delays in bringing children back to the Borough and that there may be an additional call on the Transformation Reserve.
23. Despite significant ongoing challenges, the Council have now purchased three properties. The property in Thorpe Thewles has been renovated and has received OFSTED registration. We are now commencing the process of identifying the children placed out of the Borough that will move back to the Home. The properties in Hartburn and Stillington were approved by Planning Committee on 18 June 2014.
24. The business plan has been updated and refined and the projected savings are now in excess of £600,000 per year compared to the original estimate of £400,000. There will however be a need for additional capital investment for the fourth property and the given the difficulties in identifying and purchasing properties the Council are now also exploring a self-build option. A bid has been submitted to Transformation Challenge Award programme for funding, however if this is not successful, it is recommended that additional resources are allocated from the transformation reserve of £450,000 in order that the full savings can be delivered.

Priority School Building Programme

25. The criteria and bidding details for the Priority Schools Building Programme were announced on 29th May 2014 and the deadline for submission of bids is 18 July 2014.
26. The bids are for funding in respect of schemes up to 2021. It is anticipated, from an initial review of the guidance, that bids should be in respect of schools that are in very poor condition and where maintenance funding will not resolve the problems.
27. Based on an evaluation of condition at the Borough's schools, it is proposed that bids are made in respect of Egglecliffe and Bishopsgarth secondary schools and Roseberry, Tilery, Pentland, Billingham South, Harrowgate and Oxbridge primary schools.

FINANCIAL IMPLICATIONS

28. To summarise the outturn position for 2013/14 and to update the MTFP accordingly.

LEGAL IMPLICATIONS

29. None

RISK ASSESSMENT

30. The update of the MTFP is categorised as low to medium risk and is covered by existing management arrangements.

COMMUNITY STRATEGY IMPLICATIONS

31. Not applicable

CONSULTATION INCLUDING WARD/COUNCILLORS

32. Not applicable.

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Background Papers

Ward (s) and Ward Councillors

Property