



# Overview and Scrutiny Board 1<sup>st</sup> September 2004

## FINAL REVENUE BUDGET OUTTURN 2003/2004

**EXECUTIVE MEMBER RESOURCES : Cllr N Walker**

**DIRECTOR OF RESOURCES: Paul Slocombe**

### **PURPOSE OF THE REPORT**

1. To present to Overview and Scrutiny Board the final outturn position for expenditure against the 2003/2004 Revenue Budget.

### **BACKGROUND AND EXTERNAL CONSULTATION**

2. The revenue budget for the year was set at £167,426,000. This included a contribution to spending of £1,700,000 from reserves and a budgeted efficiency savings target of £500,000 for the year.
3. The budget monitoring exercise completed in the third quarter of 2003/2004 identified a potential net overspend of approximately £600k within services. A number of corporate measures were put in place to reduce the spending pressures in 2003/2004, which included a vacancy panel to consider appointment of staff, strict controls over equipment and furniture purchases and controls over additional service requests within the "Service Middlesbrough" arrangement.

### **EDUCATION**

4. An underspend of £546,000 is projected for the service made up as follows: -

• Planning & Information	(£362,000)
• Standards	(£3,000)
• Inclusion	(£63,000)
• Lifelong Learning	(£28,000)
• Individual Schools Budget	(£158,000)
• Strategic Management	+£6,000
• Trading Accounts	+ £62,000

5. **Planning & Information (£362,000)** The largest area of underspending in this section relates to the 2002/2003 Standards Fund allocation not spent. It has been confirmed that the balance of £176,000 does not need to be returned to the Department for Education and Skills (DFES). Further savings on Premature Retirement Costs (£121,000), Head of Service (£22,000), Cleveland Open Learning Centre (COLU) (£18,000) and the Music Service (£30,000).
6. The savings are partly offset by a budget pressure of £144,000 on Vancouver House refurbishment after the contribution of £50,000 from the corporate repairs and maintenance budget. The overall cost of the scheme has risen to approximately £250,000 and the balance of £50,000 is included in the 2004/05 budget.
7. **Inclusion (£104,000)** the costs of educating Individual Children has resulted in a budget pressure of £231,000. This has been offset by savings in Voluntary Schools (£87,000).
8. Additional income for Sensory Impaired Units has resulted in further savings on Extra District (£113,000). Savings on Administrative Support (£30,000) and Home/Hospital Extra District (£38,000). The savings are partly offset by a pressure of £46,000 from Behaviour Support Units due to a change in legislation regarding excluded pupils.
9. **Lifelong Learning (£28,000)** A contribution towards the Head of Service salary costs from the Adult Education Service has given rise to savings of £25,000. Further savings of £24,000 have been realised by Early Years. A budget pressure of £23,000 on Youth Service in respect of Stainsacre and repairs to Youth Centres has reduced the saving to £28,000.
10. **Individual Schools Budget (£158,000)** The closure of Brackenhoe and Coulby Newham schools this year has resulted in credit balances of £158,000 being returned to the LEA, similar closures in the previous year resulted in additional costs at a similar level to the LEA.
11. **Trading Accounts +£62,000 (Net)** A deficit of £103k has arisen because of the continued shortfall in the buy back of services for Multi-Disciplinary Teams and Education Social Workers within the Psychological Service. This pressure has been partly offset by staffing savings (£41k) from not filling associated vacant posts. There has also been an additional pressure relating to Insurance Premiums for Schools.
12. **Windfall** A provision of £170k has been created for the unspent balance of "windfall" funding brought about by the schemes being delayed in 2003/04.

## **ENVIRONMENT & NEIGHBOURHOOD SERVICES**

13. The service underspent by £185,000 (ignoring lane rental income of £788,000) as summarised below: -

Transport & Design	(£161,000)
Community Protection	(£28,000)
Streetscene (Revenue Funded)	+ £288,000
Streetscene (Trading)	(£287,000)
Other	+ £3,000
<b>Service Underspend</b>	<b>(£185,000)</b>
<b>Less Contrib. to Corporate Target</b>	<b>£250,000</b>
	<b>£65,000</b>

14. **Transport & Design (£161,000)** Recent court decisions have removed the uncertainty regarding the recovery of lane rental charges from the utility companies, £788,000 of additional income, net of costs, is due to the Council. The resources will be available to support Corporate requirements
15. Additional income has been received for Architects/Engineers fees (£134,000) due to additional activity on major work schemes and Car Parking (£35,000) net of set up costs for Decriminalised Parking Enforcement. Savings from vacant posts in Traffic and Road Safety (£62,000) and efficiency savings within Management and Admin (£5,000) have also been made. Mitigation action has reduced the pressure in Laboratories from the £60,000 reported at Q3 clinic to an outturn position of £25,000. The service is under a joint review with a number of other joint arrangements. Highways Maintenance has overspent by £50,000 arising from increased expenditure on Highways Maintenance Works of £23,000 and a net pressure on the Transporter Bridge of £27,000, a business plan for development of the visitor centre has enabled a balanced budget to be set for 2004/05.
16. **Community Protection (£28,000)** Savings have been made against Street Wardens (£63,000) due to tight controls on spending and CCTV (£40,000) by fully utilising available grant funding. North Ormesby Market overspent by £60,000 reflecting a further decline in stallholder attendance and increased costs. In setting the budget for 2004/05, £75,000 has been provided from Corporate Growth for this. The market is still however subject to decline and consideration needs to be given to its long-term future. Overspends within Environment City (+£14,000), Consumer Services (+£3,000) Community Support Team (+£10,000) and Community Protection general (+£6,000) have been partially offset by savings in Environmental Health (£11,000) and general licensing (£7,000).
17. Leisure Centres outturned to budget, however, within this there are significant pressures on income targets for the Golf Centre (£35,000) and Clairville Stadium (£67,000). These pressures have been offset in the year by savings against vacant management posts. Consideration needs to be given to the funding of these income shortfalls in the short term.
18. **Streetscene Revenue Funded +£288,000** Waste Services overspent by £123,000 due to higher than anticipated activity levels, a higher charge from Fleet Services than expected and savings from black sacks not quite covering wheeled bin leasing costs. Set up costs for the Policy, Development and Intervention Unit led to an overspend of £99,000; a

revised budget for 2004/05 has been set. Street Maintenance overspend of £58,000 was primarily due to accruals for 2002/03 not being made. Other small net overspends totalled £8,000 across the service.

- 19 **Streetscene Trading Services (£287,000)** A contribution of £250,000 has been used to offset the corporate trading surplus budget leaving £37,000 surplus within the Streetscene service. A higher throughput than forecast at Q3 has increased the surplus in Horticultural Services to (£170,000) whereas lower activity than expected in Street Maintenance decreased the forecast surplus slightly to (£62,000). Building works (£2,000), Building Cleaning (£46,000) and Building Security (£7,000) all generated surpluses.
- 20 The surplus in fleet Services (£166,000) has been redistributed to service users on a throughput basis as per CIPFA regulations.

### **HOUSING GENERAL FUND SERVICES**

- 21 The Housing General Fund has outturned with an underspend of £29,000, made up of Housing General Fund (£25,000) and Housing Repairs trading accounts (£4,000).

### **HOUSING REVENUE ACCOUNT**

- 22 The Housing Revenue Account underspent by £1.022m. This surplus will be transferred to the working balance and has no impact on the general fund.
- 23 There is a Budget shortfall of £269,000 on rental income due to the level of right to buy sales. This has been offset by a number of savings in particular a £566,000 saving on debt charges due to changes in the level of capital receipts due to RTB sales. In addition a saving of £398,000 on supervision and management costs and a further £98,000 on repairs and maintenance have been achieved through management action. Additional income was received for commercial rents (£57,000) and interest on balances (£45,000) whilst the level of subsidy was £242,000 over budget.

### **REGENERATION AND CULTURAL SERVICES**

- 24 The service group was underspent by £327,000 made up as follows: -

• General	(£4,000)
• Cultural Services	+ £28,000
• Development Unit – Neigh. Ren	(£88,000)
• Libraries	(£155,000)
• Museums and Galleries	+ £3,000
• Planning and Development	(£169,000)
• Regeneration (former CSU services)	+ £50,000
• Neighbourhood Renewal Fund	+ £8,000

- 25 **Cultural Services +£28,000** A net overspend of £28,000 for Cultural Services was due to unrealistic income targets at the Entertainment

venues, this was offset by a surplus on the programming budget which was highly successful in 2003/04. Budgets have been realigned for 2004/05 to account for unrealistic income targets at the Town Hall, Theatre and Tourist Information Centre.

- 26 **Neighbourhood Development Unit (£88,000)** The underspend is mainly due to staff vacancies and the tapering of grant payments to Voluntary organisations.
- 27 **Libraries (£155,000)** The underspend of £155,000 for the Library Service is mainly due to staffing with delays in appointments to the new structure, staff turnover and closure of libraries for refurbishment.
- 28 **Planning & Development (£169,000)** The underspend is mainly due to the over-achievement of income for building control (£10,000) and development control fees (£134,000) with a significant number of larger non domestic applications being received in the year.
- 29 **Regeneration – Former CSU Services +£50,000** There were overspends due to the under recovery of rent income for Enterprise Centres, promotion of Regeneration activities, a business loan guarantee and a contribution to Tees Valley Regeneration totalling £158,000. Staff vacancy savings of £112,000 in the Economic Regeneration section offset this.
- 30 **Neighbourhood Renewal Fund +£8,000** There was an overspend against the approved allocation and balance brought forward from the previous year.

## **SOCIAL SERVICES**

- 31 Overall the service overspent its budget by £979,000. This is an improvement of £430,000 from the projected position reported at the least budget clinic and reflects the work undertaken to clarify the level of recharges to Middlesbrough Primary Care Trust for joint packages of care. The overspend is made up as follows: -

• Children's Services	+£875,100
• Older People	(£538,900)
• Physical Disabilities	+£299,000
• Learning Disabilities	(£257,500)
• Mental Health	(£109,200)
• Support Services and other	+£710,800

- 32 Children's services overspent by £875,100. This principally reflects the cost of a number of specialist and secure placements that could not be provided in-house. These placements are extremely expensive. Some significant savings have been made in the division to partly offset this particularly on the adoption service placement budget due to the service arranging more placements in-house.

- 33 Further overspends occurred on Physical Disabilities services (+£299,000) due to the loss of a major source of grant funding. Support services also overspent (+£653,000) mainly as a consequence of unbudgeted costs in relation to Assessment and Care Management, Training and Quality and Performance operations. A one-off charge to correct errors in the bad debt provision calculation in previous years was also a contributory factor.
- 34 Partly offsetting this, a number of savings were made across the service. Services for Elderly underspent by £539,000 reflecting direct management action promoting independence by placing packages of care at home. Savings were also made on Home Care costs due to management action to reduce the growth of lower level care packages and the implementation of revised Fairer Charging policies.
- 35 Savings were made on Learning Disabilities budgets of £275,000 mainly due to alternative arrangements being made for expensive 'out of area' placements and on Mental Health budgets (£109,000).
- 36 Management action to improve financial performance is on-going and the service expects to achieve a balanced budget in 2004/05.

### **CORPORATE SERVICES**

- 37 The group underspend of £750,000 is made up as follows: -
- Legal & Democratic Services (£138,000)
  - Resources (£282,000)
  - Performance & Policy (£178,000)
  - Corporate Services Recharge (£152,000)
- 38 **Legal & Democratic Services (£138,000)** The Members Office is showing a net saving of £220,000 on Members allowances following the decision not to implement the proposed increase in allowance rates. Staff vacancy savings in the Scrutiny Team has funded pressures on Resources Team and Governance Team budgets.
- 39 Home Office Services has suffered a budgetary pressure of £66,000 resulting from the costs associated with the Judicial Review of the Coroners Service and the effects of on going efforts to reduce the backlog of cases.
- 40 A net pressure of £16,000 has occurred in Legal Services. A pressure of £66k is due to the cost of Equal Pay legal fees, which has been largely offset by an increase in income from legal fees and some staff savings.
- 41 **Resources (£282,000)** Strategic Finance has made savings of £256,000. There are significant savings in Insurance & Risk Management (£66,000) resulting from recharging costs of the section to the Insurance Fund. There are also savings, mainly due to vacant posts, in Senior Management (£100k). Further savings have occurred for Benefits

(£32,000), Local Taxation (£17,000), Asset Management Team (£13,000) and Properties (£22,000).

- 42 Service performance penalties of £19,000 and a retrospective adjustment to the contract price of £8,000 has produced a saving of £28,000 against the Service Middlesbrough budget.
- 43 **Performance & Policy (£178,000)** The Performance and Policy section is newly established and shows a number of variances resulting from staff turnover and management restructuring.
- 44 Savings, mainly resulting from recharges to the Fire Authority, have occurred against the Chief Executive and Chief Executive's Office budgets, amounting to £36,000 and £56,000 respectively. The savings in other areas of Performance and Policy are offset by a pressure of £21,000 on Miscellaneous HR Items due to unanticipated expenditure on trade union duties.
- 45 **Corporate Services Recharges (£152,000)** Additional income has been received largely as a result of the effect of service reconfiguration within Service Middlesbrough on the usage of support services by front line services such as the Housing Revenue Account, Trading Services and Teesside Pension Fund.

#### **CENTRAL PROVISIONS & CORPORATE COSTS**

- 46 There is a net cost of £348,000 within corporate provisions and central costs, as outlined below: -

• Central provisions	(£368,000)
• Unfunded Pensions and Early Retirement costs	+£133,000
• Capital financing costs	+£84,000
• Provisions for future costs	+£502,000
• Trading Surpluses	(£40,000)
• DSO non-trading costs	(£6,000)
• Designated authority costs	(£15,000)
• Environment Agency Levy	+£53,000
• Write-offs	+£5,000

- 47 Central provisions show a net saving of £368,000.
- 48 There is an underspend on Unfunded Pensions of £26,000, whilst the corporate cost of early retirements is £159,000.
- 49 Capital financing costs and showing an overspending of £84,000 largely the result of higher than expected costs of external interest payments and early loan redemption fees.
- 50 The net movement on the Councils provisions has resulted in a charge of £502,000. This is predominantly the result of the establishment of provisions for future costs such as SAP Development (£250,000), Legal

Fees for Equal Pay (£250,000) and DDA Access (£100,000), plus minor changes to other provisions.

- 51 The trading surpluses budget has been exceeded by £40,000.
- 52 A saving of £6,000 has occurred against the DSO non- trading costs budget.
- 53 A saving of £15,000 has occurred against the Designated Authority running costs.
- 54 The Environment Agency levy is overspent by £53,000.
- 55 There has been a small net write off of £5,000.

### **CONTRIBUTION TO BALANCES**

- 56 One off payments of £197,000 and £187,000 have been received in 2003/2004 in respect of Fire Authority balances and Public Service Agreement (PSA) grant respectively.
- 57 The opening of the 2nd City Academy has netted the Council a windfall of £1.6m, £600,000 has been allocated to fund the Streetscene Hotspot team.
- 58 Income from lane rental charges (£788,000) has been taken to an Earmarked Reserve along with a prior year adjustment relating to the equivalent income for 2002/2003 (£968,000).

### **OPTION APPRAISAL/RISK ASSESSMENT**

- 59 Not applicable to this report

### **FINANCIAL, LEGAL AND WARD IMPLICATIONS**

- 60 There was a net underspend of £650,000 within general fund services for the year as summarised below. The general contribution to balances will increase by £2.8m as a result of one off items of income in 2003/2004.

	£000s
Education	-546
Environment & Neighbourhood Services	65
Housing Services	-29
Regeneration	-327
Social Services	979
Corporate Services	-750
Central Provisions and Corporate Costs	348
<b>Total underspend</b>	<b>-260</b>

- 61 A statement of projected revenue balances is set out below: -



	£000s	Lane Rental Income £000s
Opening Balance	4,528	968
Less		
Budgeted Contribution From Reserves	1,700	
Add:		
General Fund Surplus	260	
Education Windfall	1,000	
Fire authority contribution	197	
PSA Award Grant	187	
Lane Rental		788
<b>Balances as at 31<sup>st</sup> March 2004</b>	<b>4,472</b>	<b>1,756</b>

## RECOMMENDATIONS

62 Overview and Scrutiny Board Members are asked to

- a. note and consider the contents of the report; and implications on the resources available to the authority

## REASONS

63 To ensure that Middlesbrough Council reports on resource utilisation against approved budgets

64 To consider implications upon the Medium Term Financial Plan.

## BACKGROUND PAPERS

The following papers were used in the preparation of the report: -

- 2003/2004 Service Budgets
- 2003/2004 outturn reports July 2004

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