



Overview and Scrutiny Board 1st September 2004

2004/2005 1ST QUARTERS REVENUE BUDGET OUTURN

EXECUTIVE MEMBER RESOURCES : Cllr N Walker

DIRECTOR OF RESOURCES: Paul Slocombe

PURPOSE OF THE REPORT

1. To present to Executive Board Members the first quarters review of revenue expenditure against the 2004/5 Revenue Budget.

BACKGROUND AND EXTERNAL CONSULTATION

2. The Council set its revenue budget at £164.4m in 2004/2005. No balances were applied to support the overall expenditure level of the Council. A Council Tax increase of 6.9% for Middlesbrough Council was applied.
3. In setting this year's budget approximately £1.5m of efficiency savings were identified. No cuts in services were proposed and an extra £0.6m was provided for Education. This enabled the Education spending to be maintained at the level of our Formula Spending Share (FSS).

EDUCATION

4. An underspend of £63,000 is projected for the service as follows: -
 - Planning & Information (£4,000)
 - Inclusion (£64,000)
 - Lifelong Learning (£25,000)
 - Trading Accounts +£30,000
5. **Planning & Information (£4,000)** Reflects a potential charge of salary costs to the Workforce Remodelling Grant within Standards Fund for work undertaken in this area

6. **Inclusion (£64,000).** Savings exist within the Learning and Language support team (£45,000) due to a post receiving grant funding and also within the Sensory Impairment Unit (£27,000) due to vacancies. These savings are partially offset by extra costs within the City Academy Unit (+£8,000) as a result of the number of pupils with Moderate Learning Difficulties being higher than predicted.
7. **Lifelong Learning (£25,000)** The saving is as a result of salary costs being charged to Adult Education, and receiving 100% grant funding from the LSC.
8. **Trading Accounts +£30,000** The increase in schools insurance charges in 2003/04 will also impact on 2004/05 accounts. Increased funding for insurance will need to be delegated to schools.
9. **School Balances:** Concern was expressed as to the level of School balances that are continuing to rise.
10. **ACTIONS:**
 - A) Education is to provide a paper on the current position and options around the level of school balances
 - B) Ongoing pressures in respect of Home to school Budget are expected. Education is to produce an assessment of the medium term position for the next quarter's budget clinic.

ENVIRONMENT & NEIGHBOURHOOD SERVICES

11. An overspend of £205,000 (ignoring lane rental income of £500,000) is projected for the group made up as follows: -

• Transport & Design	+£25,000
• Community Protection	(£6,000)
• Streetscene (Revenue Funded)	+ £186,000
Service Overspend	+ £205,000
12. The group has also identified additional income/surpluses from trading accounts of (£150,000) which contribute to the central trading surplus budget.
13. Transport & Design (+£25,000) Lane rental income of £500,000 is anticipated from outstanding schedules and work on site up to 31st March 2004. These resources will be available to support corporate requirements.
14. Additional income has been received from Section 74 charges (£60,000), and vacancy savings in Traffic and Road Safety will generate a saving of £20,000. These are offset by an under recovery of car parking charges

(£80,000) and the Laboratories continues to face budget pressures of £25,000 as reported in 2003/4. The laboratories are under review with other joint arrangements.

15. Community Protection (£6,000) a budget pressure still exists in relation to accommodation costs for Environment City (+£14,000). Savings in Consumer Services of £20,000 due to vacancies has offset this. It is anticipated that there will be pressures on income targets for Clairville Stadium (£50,000) in 2004/5. An exercise is being undertaken to review budgets in this area and make adjustments where required.
16. Streetscene Revenue +£186,000 Waste Services is predicting an overspend of £150,000 arising from increased amounts of waste combined with an increased charge per tonne. In addition costs of kerbside recycling are unfunded but essential to meet national recycling targets. There is a pressure within the Becks budget of £56,000 for which a transfer is requested from the Environment Agency Levy budget held centrally. These costs are slightly offset by additional income recovery for Landscape Services (£20,000).
17. Streetscene Trading Services (£150,000) Surpluses are forecast in horticultural services (£50,000), street maintenance (£90,000), building cleaning (£45,000), building security (£10,000), and fleet services (£35,000). However, building works is expecting a deficit of £80,000 mainly as a result of a substantial reduction in work being received (mainly from HBS) a review is taking place in this area and the results should shortly be available.

18. ACTIONS

- a) The Councils Medium term Financial Plan be updated to reflect inflationary and volume variances within Streetscene services

HOUSING GENERAL FUND SERVICES

19. The Housing General Fund is expected to outturn within Budget. A possible budget pressure on Bed and Breakfast was highlighted, but officers are working to alleviate this problem. Housing DSO is anticipated to break even.

HOUSING REVENUE ACCOUNT

20. The Housing Revenue Account is estimated to be within budget. There is a budget pressure in respect of internal works to High Rise Blocks, to be funded from the HRA working balance and also repair work to facilitate letting of void properties, to be funded from the repairs budget. As yet these pressures have not been quantified and will be reported to the next clinic.

REGENERATION AND CULTURAL SERVICES

21. There is an expected overspend due to the under recovery of rent income for Enterprise Centres of £80,000. Other pressures have been identified by the service but it is hoped that they can be contained by delays in appointments to vacant posts. Other issues have been identified which need to be addressed such as support service recharges and HBS recharges.
22. No forecast of planning and development control income was included in the report. In previous years these budget heads have considerably exceeded their target.
- 23. ACTIONS**
- a) The Medium Term Financial Plan is to be updated to address the unrealistic income target for Enterprise Centres. A three year plan to be prepared by Regeneration
- b) Regeneration to look at medium term financial planning for Development Control and Planning income prior to next budget clinic.

SOCIAL SERVICES

24. Overall a nil variance from budget is forecast for Social Services. However, a number of significant variances from budget are predicted across the service divisions.
- | | |
|---------------------------|------------|
| • Service Strategy | Nil |
| • Children's Services | (£113,000) |
| • Older People | (£26,000) |
| • Physical Disabilities | +£39,900 |
| • Learning Disabilities | (£304,700) |
| • Mental Health | (£79,400) |
| • Ayresome Industries | +£200,000 |
| • Adults Holding Accounts | +£326,000 |
| • Other | (£42,800) |
25. Savings of £113,000 are forecast on Children's services. This is mainly the result of the continued work to reduce the number of children in high cost residential placements and to seek joint funding from outside agencies.
26. Learning Disabilities budgets are projected to underspend by £305,000. The position regarding the charging and funding arrangements for those in Independent Supported Living projects, together with the potential impact on residential Care provision has become much clearer during the first quarter and significant savings are now forecast. Savings are also predicted on Mental Health budgets (£79,400) reflecting a continuation of the saving initiatives started in 2003/4 within in-house residential care (reduction in staffing, increase in charges to other L.A.s).

27. Offsetting this, significant budget pressures are projected on Ayresome Industries (+£200,000) and Adults Holding Accounts (+£326,000). The decision to suspend significant elements of the window replacement programme will have a significant effect on Ayresome Industries financial performance. Work is on-going between Social Services and Shaw Trust representatives to fully explore the potential impact of this. Moves made to maintain packages of care at home have led to predicted pressures on £238,000 on externally purchased personnel care budgets. A further overspend of £88,000 is anticipated on Assessment & Care Management as plans to achieve budgeted savings targets have yet to be finalised.
28. Concern was expressed as to potential inflationary increases within the Independent Social Services Sector.

29. ACTIONS

- a) the Medium Term Financial Plan is reviewed on an ongoing basis in respect of inflationary increases for Independent Social Services sector price increases.
- b) a review of the contingency budget, together with performance against stretched targets within Social Services to be provided for the next budget clinic

CORPORATE SERVICES

30. The group has a predicted underspend of £131,200 as shown below: -
- | | |
|---|------------|
| • Legal Services | 0 |
| • Home Office Services | +£28,000 |
| • Strategic Finance | (£110,400) |
| • Strategic Commissioning and Procurement | +£7,800 |
| • Service Middlesbrough | (£2,200) |
| • Performance and Policy | (£54,400) |
31. Home Office Services +£28,000 The Coroners budget will overspend by £28,000 due to continued efforts to reduce the backlog of cases and increasing occurrence of drug screening tests.
32. Strategic Finance (£110,400). There are significant savings in Insurance & Risk Management (£71,700) resulting from recharging costs of the section to the Insurance Fund, as was the case in 2003/4. There are also savings, mainly due to vacant posts, in Internal Audit (£20,000), Benefits (£4,600) and Asset Management (£14,100).
33. Strategic Commissioning and Procurement +£7,800 There is an ongoing pressure within running expenses in relation to the NEPO portal of £7,800. The unit is also currently absorbing costs such as advertising and printing for the procurement of corporate contracts, if the work continues or increases then the unit will overspend.

34. Service Middlesbrough (£2,200) Service penalties of £2,200 have resulted in reduction to contract payments to HBS. To date the full impact of the pay award upon contract payments have not been contractually agreed. It is however, expected that a saving will be reported at the next clinic.
35. Performance & Policy (£54,400) The Performance and Policy section was established last year and shows savings from staff turnover and management restructuring (£76,000). These savings are partially offset by a pressure on Miscellaneous HR items
- 36. ACTIONS**
- a) the Medium Term Financial Plan is updated to reflect the Coroner's ongoing costs.

CENTRAL PROVISIONS

37. Currently a projected shortfall of £100,000 exists on the trading surpluses budget. Environment trading services are predicting surpluses of £150,000 but no other trading surpluses have been declared to date.
38. The 2004/05 budget assumed an efficiency savings of £200,000, to date forecast financial performance has identified a net overspend against service budgets. It is expected that savings will accrue through the year and therefore no variance is reported to date.
39. A central provision of £1.250m is included within the 2004/2005 budget to meet the potential cost of Job evaluation. The exercise will not be completed until later in the financial year and it is expected that there will be a significant underspending on the budget. At this stage an underspending of £400k has been assumed.

CONTRIBUTION TO BALANCES

40. Income from lane rental charges (£500,000) has been taken to a specific corporate balance, as the use is limited to certain activities.

OPTION APPRAISAL/RISK ASSESSMENT

41. Not applicable to this report.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

42. A net underspend of £209,000 is forecast within general fund services for the year as summarised below. Environmental lane rental income rental income is only available for specific purposes and therefore has not been included as general balances.

	£000s
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Education	-63
Environment & Neighbourhood Services	205
Housing Services	-
Regeneration	80
Social Services	-
Corporate Services	-131
Central Provisions	-300
Total underspend	-209
Net Contribution to Balances: -	
General Fund underspend	191

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

	General Fund £000s	Lane Rental Income £000
Opening Balance	4,472	1,756
Add		
Forecast Service Underspends	209	
Lane Rental income		500
Forecast Service Underspend		-338
Balances as at 31st March 2005	4,681	1,918

RECOMMENDATIONS

44. Overview and Scrutiny Board members are asked to
- note and consider the contents of the report; and implications on the resources available to the authority
 - consider the Action points within the report; and
 - consider the requests for virements as set out in Appendix A

REASONS

45. To ensure that Middlesbrough Council reports on resource utilisation against approved budgets
46. To consider implications upon the Medium Term Financial Plan.

BACKGROUND PAPERS

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

- 2004/2005 Service Budgets
- 2004/2005 1st Quarter Review reports July 2004

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Appendix A

Requests for Virements

Social Services – budget load corrections/re-allocation of grant and saving initiatives	Amount
Service Strategy	0
Childrens Services Commissioning and Social Work	-415,351
Children Looked After	700,900
Family Support Services	-293,149
Youth Justice	0
Other Children and Families Services	1,388,700
Older People	-529,800
Physical Disability or Sensory Impairment	-126,100
Learning Disabilities	149,300
Mental Health	89,100
Other Adults	43,700
Asylum seekers	
Supported Employment	
Holding Accounts	-998,300
Total	Net Nil

Education Services – Transfer of Funds for Reading Recovery Programme	Amount
ISB	100,000
Standards Service	-100,000
Total	Net Nil