

# Overview and Scrutiny Board 30<sup>th</sup> November 2004

## 2004/2005 2<sup>ND</sup> QUARTER REVENUE BUDGET OUTURN

EXECUTIVE MEMBER RESOURCES : Cllr N Walker

DIRECTOR OF STRATEGIC RESOURCES: Paul Slocombe

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### PURPOSE OF THE REPORT

1. To present to Overview and Scrutiny Board Members the second quarters review of revenue expenditure against the 2004/2005 Revenue Budget.

### BACKGROUND AND EXTERNAL CONSULTATION

2. The Council set its revenue budget at £164.4 million in 2004/2005. No General Fund balances were applied to support the overall expenditure of the Council. A Council Tax increase of 6.9% for Middlesbrough Council was applied.
3. In setting this year's budget approximately £1.5 million of efficiency savings were identified. No cuts in services were proposed and an extra £0.6 million was provided for Education. This enabled the Education spending to be maintained at the level of our Formula Spending Share (FSS).
4. The 1<sup>st</sup> Quarters Revenue Budget Outturn report had a number of action points for services. Progress against these action points is incorporated within this report.

### EDUCATION

#### 5. 1<sup>st</sup> QUARTER ACTIONS - PROGRESS

- a) *Education is to provide a paper on the current position and options around the level of school balances*

A report was presented to Corporate Management Team on the 26<sup>th</sup> August 2004 that contained proposals that would help address the issues associated with the level of school balances in Middlesbrough.

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.

At the second Budget Clinic Education officers confirmed that this only related to 2004/2005 and was a result of the closure of St. Anthony's.

6. A saving of (£56,000) is projected for the service as follows: -

• Planning & Information	£12,000
• Standards	£2,000
• Inclusion	(£146,000)
• Lifelong Learning	(£4,000)
• Trading Accounts	£80,000
Service ice Saving	<u>(£56,000)</u>

7. **Planning & Information +£12,000.** Corporate Management Team approved a restructure of the Governors Development Service, at an additional cost of £12,000 provided that it could be met from within the overall Education Services Budget.

8. **Inclusion (£146,000).** Reduced numbers of Middlesbrough pupils in other authority special schools and units, and pupils being educated in the independent school sector have resulted in savings of (£188,000) and (£79,000). The secondment of the Learning and Language Support Team Leader will result in a further saving of (£45,000). Pressures from additional Home to School Transport costs £80,000 and the attendance of 2 hearing impaired and 2 visually impaired pupils at the King's Academy 6<sup>th</sup> form of £41,000 will offset the above savings.

9. **Lifelong Learning (£4,000).** A contribution towards the Head of Service salary costs from the Adult Education Service has given rise to savings of (£21,000). The Youth Service has an anticipated budget pressure of £11,000.

10. **Trading Accounts +£80,000.** The largest pressure in this section relates to the Catering Service of £50,000. The opening of salad bars to promote healthy eating in schools is leading to increased staff and food costs. In addition a deficit of £30,000 has arisen because of an increase in Schools insurance charges. Increased funding for this will need to be delegated to schools from 1<sup>st</sup> April 2005 to cover the shortfall.

11. **ACTIONS.**

a) Education to provide a paper on the issues relating to the Catering Service and options for dealing with the increase in costs.

## **ENVIRONMENT & NEIGHBOURHOOD SERVICES**

12. 1<sup>st</sup> QUARTER ACTIONS - PROGRESS

a) *The Councils Medium term Financial Plan be updated to reflect*

*inflationary and volume variances within Streetscene services*

The Director of Resources incorporated the Streetscene pressures into the Medium Term Financial Plan and this was reported to Members on the 9<sup>th</sup> November 2004 in the Budget Principles report.

13. An overspend of £180,000 - ignoring lane rental income of (£400,000) is projected for the group made up as follows: -

• Transport & Design	(£65,000)
• Community Protection	+£14,000
• Streetscene (Revenue Funded)	+£231,000
Service Overspend	<u>+£180,000</u>

14. The group has also identified additional income/surpluses from trading accounts of (£10,000) which contribute to the central trading surplus budget.

15. **Lane rental income (£400,000).** Anticipated from outstanding schedules and work on site up to 31<sup>st</sup> March 2004.

16. **Transport & Design (£65,000).** Additional income has been received from Section 74 charges to utility organisations (£60,000), and Architects and Engineers fees expect to generate income of (£110,000). These are offset by an under recovery of car parking charges due to the delay in the implementation of a price increase £80,000, budget pressure at the Transporter Bridge £15,000 arising from the pricing structure and budget pressure at the Bus Station £10,000 due to recent out of court settlement relating to a former tenant.

17. **Community Protection +£14,000.** A budget pressure still exists in relation to accommodation costs for Environment City £14,000. It is anticipated that there will be pressures on income targets for Clairville Stadium £31,000 and the Golf Centre £50,000 in 2004/5. These have been offset by savings in the other Leisure Centres and savings on vacant management posts. An exercise is currently being undertaken to review the budgets for this area of activity and make adjustments where required.

18. **Streetscene Revenue +£231,000.** There is pressure within the Waste Services budget of £150,000 of which £120,000 is in respect of inflationary pressures, particularly relating to increases in Landfill charges. The service has requested that funding, for an inflationary increase is provided in accordance with the Council's agreed 2004/2005 agreed Budget Strategy.

19. In addition Executive approved on 12 October 2004 a report including a request for funds for Waste Recycling and Junk Jobs in advance of the annual budget cycle to deal with immediate service requirements and the associated budget pressures. The report included both revenue and capital expenditure and funding sources for 2004/2005. Provision has been made in the Medium Term Financial Plan for future years costs.

20. There is pressure within the public conveniences budget of £25,000 due to increased water charges being received for the Cleveland Centre Toilets.

Initial investigations suggest that a leak or a faulty meter may exist. Discussions are currently taking place with Northumbrian Water to mitigate the loss and recover the potential overspend. There is a pressure within the Becks budget of £56,000 for which virement of £49,000 is requested from the Environment Agency Levy budget, together with a £7,000 contribution from the inflation provision.

21. **Streetscene Trading Services (£10,000).** Surpluses are forecast in horticultural services (£50,000), street maintenance (£85,000), building security (£5,000), and fleet services (£35,000). However, building works is expecting a deficit of £80,000, mainly as a result of a reduction in work from the corporate repairs and maintenance budget during the early part of 2004/2005. Building cleaning is also anticipating a deficit £85,000 which consists of a £30,000 deficit on the scoped properties transferred back to Middlesbrough Council from HBS caused by difficulties in achieving the planned savings and a £55,000 deficit due to the loss of the cleaning services work when the Housing Stock transfer to Erimus which took place on the 15<sup>th</sup> November 2004.

22. **ACTIONS:**

- a) That funding of £120,000 is provided from the central budget for Pay and Inflation to fund the identified inflationary costs within Streetscene for 2004/05.
- b) The pressure within the Becks budget of £56,000 is covered by virement from the Environment Agency Levy budget of £49,000 and from the inflation provision of £7,000.
- c) A review of the level of deficit within the cleaning services trading account be undertaken
- d) Environment to prepare a paper on the following issues raised at the budget clinic but not incorporated in the outturn report:
  - i) Highways Maintenance inspections;
  - ii) Erimus / Land transfer impact on Grounds Maintenance Street Cleaning;
  - iii) Energy costs for Street Lighting

### **HOUSING GENERAL FUND SERVICES**

23. The Housing General Fund is expected to outturn within budget a possible budget pressure on Bed and Breakfast was highlighted but officers are looking at new sources of accommodation to address the problem.

### **HOUSING REVENUE ACCOUNT**

24. The Housing Revenue Account is estimating savings of **(£91,000)**. There were additional costs of £100,000 on repairs and maintenance and lost rent income of £67,000 due to voids being higher than expected during the period. The bad and doubtful debts provision increased for Former Tenant Arrears by £45,000. These debts are retained by the Council
25. There is a projected saving of (£28,000) in the staffing budget plus a saving of (£25,000) due to the termination of a Management Co-operative. Debt Charges reduced by (£200,000) due to additional Right to Buy sales over the period. Additional interest on cash balances was (£50,000)
26. The Council may receive more or less subsidy than expected but it is not possible at this stage to estimate the amount. The interest rate may alter significantly due to the HRA Debt being repaid due to Stock Transfer. A change in the interest rate would affect both "Debt Charges" and Subsidy.
27. Provision of £3.4 million has been set aside, from within existing Housing Revenue Account (HRA) balances to meet the potential cost of the current pension Fund deficit associated with HRA staff
28. **ACTIONS.**
  - a) An estimate of the final balances on the HRA be provided after the 15<sup>th</sup> November 2004 transfer date and reported to all future 2004/2005 budget clinics..

## **REGENERATION AND CULTURAL SERVICES**

29. 1<sup>st</sup> QUARTER ACTIONS - PROGRESS
  - 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*

Regeneration has made a recent appointment to cover this area of the service. The officer is preparing a report on the future role of the Enterprise Centres and the potential financial implications for the Council.
  - b) *Regeneration to look at medium term financial planning for Development Control and Planning income prior to next budget clinic.*

Regeneration officers working on the forecasts for Development Control and Planning income have identified a number of related issues. A report is being prepared which sets out the issues and the service proposals.
30. The service group is expected to achieve a budget neutral position with no impact on the Council's General Fund.
31. There is an anticipated saving of (£25,000) on the Employment Initiatives Team budget due to the delay in appointment to the post of Senior Employment Initiatives Officer and savings on transport and supplies &

services. Business Support has a net saving of (£8,000) being a one-off saving of (£18,000) on the business grants budget as a contribution to the CADCAM pressure less an annual payment of approximately £10,000 towards the transition costs of the merger of TVDC with Tees Valley Regeneration. CADCAM will soon be in a position to wind up as a company and become dormant. Elements are still to be clarified but at this point in time the overspend on budget is estimated at £69,000. Pressure on the Properties budget is £60,000 but is less than expected in the previous quarter due to a higher occupancy level and several tenants being on the highest rent at the Multi-Media centre.

32. The indications based upon fees received to date suggest that Development Control fee income will exceed budget targets by (£125,000). It is estimated that Building Control fee income, net of overtime and temporary staff costs to meet the increased number of applications received, will exceed budget targets by (£8,000).
33. A report was submitted to the Joint Archives Committee on 4th August 2004 for a single action plan for implementing the recommendations of the National Archive inspection and the NEMLAC external consultant's report. There was a proposal for additional staffing resources for which each authority would need to pursue the funding, the amount forecast for Middlesbrough being £10,500.
34. There is an estimated pressure of £20,000 for the charges for Health & Safety charges and the Courier service. The budgets held for Leisure areas of Libraries, Museums and Culture for these activities were transferred in error as part of the contract.
35. **West Middlesbrough Neighbourhood Trust £40,000.** There is an issue around support service recharges and HBS recharges to the Trust.
36. **ACTIONS.**
  - a) Regeneration completes a report on the future of the Enterprise Centres.
  - b) Regeneration is to provide a paper on the future position for planning fee income and service proposals.
  - c) A paper is prepared, in consultation with other relevant local authorities, which identifies the potential costs associated with the recommendations of the National Archive inspectors report.
  - d) The Councils Medium Term financial plan be updated to cover the Health & Safety and Courier service charges pressures

## **SOCIAL SERVICES**

37. 1<sup>st</sup> QUARTER ACTIONS - PROGRESS

- a) *the Medium Term Financial Plan is reviewed on an ongoing basis in respect of inflationary increases for Independent Social Services sector price increases.*

The Service is currently negotiating future pricing levels with the independent sector providers.

- b) *a review of the contingency budget, together with performance against stretched targets within Social Services to be provided for the next budget clinic*

The progress against the stretched targets and the allocation of the contingency budget were included as separate appendices in the Social Services report to the budget Clinic.

38. A small net saving of (£30,000) is forecast for Social Services.

• Children's Services	£317,500
• Older People	(£281,200)
• Physical Disabilities	£101,400
• Learning Disabilities	£75,300
• Mental Health	(£71,500)
• Ayresome Industries	£50,000
• Adults Holding Accounts	£223,400
• Holding Accounts	(£445,100)
Service Underspend	<u>(£30,000)</u>

39. **Children's Services +£317,500.** The placement of two children in secure accommodation following court orders will result in an overspend of £100,300 and there has been a growth in Agency Fostering places estimated at £127,500. In addition to this, it was assumed when the budget was set that £128,000 of available grant monies could be used to fund mainstream expenditure. It has subsequently been established that this is not the case. These pressures are partially offset by some projected staff cost savings.

40. **Older People (£281,200).** There has been a significant increase in the number of older people requiring residential care resulting in a projected overspend of £273,900. There is also a net pressure of £50,000 on the Warden Service budget. Offset against this is additional income of approximately £600,000 received from the Primary Care Trust (PCT) in 2004/2005.

41. **Physical Disabilities +£101,400.** Pressures of £101,400 have been identified on Physical Disabilities budgets. Mainly on Residential Care and care provided via Direct Payments.

42. **Learning Disabilities +£75,300.** A net pressure of £75,300 is forecast on Learning Disabilities budgets. There has been a significant increase in the number of service users in receipt of community support services and day care costs resulting in a pressure of £368,800. A further pressure of £194,900 is due to the settlement of transactions with the PCT relating to

2003/04. Offsetting this, significant savings of (£478,600) are forecast on Residential Care provision and Independent Supported Living projects.

43. **Mental Health (£71,500).** A net saving of (£71,500) is forecast for Mental Health. Savings of (£176,300) are projected on Residential Care partially offset by budget pressures in Day Care and the settlement of transactions with the PCT relating to 2003/2004.
44. **Adults Holding Accounts +£223,400.** A budget pressure of £223,400 is projected as a result of increased demand for externally purchased and in-house personal care.
45. **Ayresome Industries +£50,000:** Negotiations to transfer the factory to Shaw Trust are ongoing, although an overspend of £50,000 is currently being projected in 2004/2005.
46. **Holding Accounts (£445,100).** The department has committed £62,000 of the (£500,000) contingency provision. The remaining (£438,000) will be required to deal with the pressures identified across the service. A small saving of £(7,000) is forecast across Modernisation & Performance budget headings.
47. **ACTIONS:**
- a) Social Services to look at medium term financial planning for Older People in residential care / Learning Disabilities / Physical Disabilities and the contributions expected from the PCT.
  - b) The allocation of the contingency budget, together with performance against stretched targets within Social Services to be provided for the next budget clinic

## **CORPORATE SERVICES**

### 48. 1<sup>st</sup> QUARTER ACTIONS - PROGRESS

- a) *The Medium Term Financial Plan is updated to reflect the Coroner's ongoing costs.*

The Director of Resources incorporated the Coroner's ongoing costs into the Medium Term financial Plan and this was reported to Members on the 9<sup>th</sup> November 2004 in the Budget Principles report

### 49. The group has a predicted a net saving of (£219,100) as shown below: -

• Legal Services	(£6,000)
• Home Office Services	+£43,300
• Members Services	(£83,500)
• Strategic Resources	(£105,600)
• Performance and Policy	(£67,300)
• Net Service Saving	<u>(£219,100)</u>



50. **Legal Services (£6,000).** Saving of (£29,000) due to an increase in legal fees is offset by pressure in General Services of £34,000 due to higher than expected costs.
51. **Home Office Services +£43,300.** The Coroners budget will overspend due to on-going efforts to reduce the backlog of cases and the increasing occurrence of drug screening tests. It has been addressed as an issue for the 2005/6 budget.
52. **Members Services (£83,500).** Saving of £(100,000) from lower than anticipated Members basic Allowance and Special Responsibility Allowances offset by pressure in the Resources Teams of £24,200 caused by lower than anticipated staff turnover. Other minor variances netted to a saving of £(7,700).
53. **Strategic Resources (£105,600).** Internal Audit savings of (£39,700) are attributable to staff turnover. Asset Management Team is showing a saving of (£34,000) due to a continued staff vacancy. Benefits saving is (£8,000) due to staff turnover.
54. **Performance & Policy (£67,300).** The Performance and Policy section was established last year and shows a number of savings resulting from staff turnover and management restructuring, amounting in total to (£83,800). The recharge of Chief Executive Office staff time to the Fire Authority is greater than expected by (£2,000). The saving of (£24,600) in the Chief Executive budget is due to income from Cleveland Fire Authority for which no budget currently exists. Savings are offset by a pressure of £43,100 on Miscellaneous HR Items due to the anticipated level of expenditure on trade union duties and on long service awards. This pressure is expected to continue, and potentially increase, in future years and needs to be addressed in the Medium Term Financial Plan.
55. **ACTIONS.**
- a) Ongoing pressures relating to Trade Union duties and on long service awards are expected. Policy & Performance service to prepare an assessment of the medium term position.

### **CENTRAL PROVISIONS**

56. The provision for the 2004/2005 pay award has been reduced by (£255,000) to reflect the actual level of pay award.
57. Other provisions are expected to generate a saving of (£300,000) in 2004/2005.
58. Currently a projected shortfall of £240,000 exists on the trading surpluses budget. Environment trading services are predicting a net surplus of £10,000 but no other trading surpluses have been declared to date.
59. A consultant is currently looking at the effect on the net capital financing costs of the Housing Stock Transfer. In the interim it has been assumed that the position is £nil.

## CONTRIBUTION TO BALANCES

60. Income from Lane Rental charges (£400,000) has been taken to a specific reserve, as the use is limited to certain activities.

## OPTION APPRAISAL/RISK ASSESSMENT

61. Not applicable to this report.

## FINANCIAL, LEGAL AND WARD IMPLICATIONS

62. A net saving of £(441,000) is forecast within general fund services for the year as summarised below. Environmental Lane Rental income is only available for specific purposes and therefore has not been included as general balances.

	<b>£000s</b>
Education	(56)
Environment & Neighbourhood Services	180
Housing Services	0
Regeneration	0
Social Services	(30)
Corporate Services	(220)
<b>Services Net saving</b>	<b>(126)</b>
Central Provisions	(315)
<b>Total Net Saving</b>	<b>(441)</b>
Net Contribution to Balances: -	
General Fund Net Saving	<b>(441)</b>

63. A comparison of the 1<sup>st</sup> quarters review of revenue expenditure with the 2<sup>nd</sup> quarters review is shown at Appendix A to the report

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

	<b>General Fund £000s</b>	<b>Lane Rental Income £000s</b>
Opening Balance	4,472	1,756
Add: Lane Rental income	0	400
Add: Forecast Service Saving	441	0
Less planned use in 2004/2005	260	(554)
<b>Balances as at 31<sup>st</sup> March 2005</b>	<b>4,653</b>	<b>1,602</b>

65. A statement of projected HRA balance is set out below: -

	<b>Housing Revenue Account £000s</b>
Opening Balance	3,696
Less Contribution towards repairs	(111)
	3,585
Less Set Aside Provision (Pension Deficit)	(3,400)
Add: Forecast Saving	91
<b>Anticipated Balances as at 31<sup>st</sup> March 2005</b>	<b>276</b>

## **RECOMMENDATIONS**

66. 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
  - b. consider the Action points within the report; and
  - c. consider the requests for virements as set out in Appendix A

## **REASONS**

67. To ensure that Middlesbrough Council reports on resource utilisation against approved budgets.
68. 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 1<sup>st</sup> Quarter Review report to Executive
- 2004/2005 2<sup>nd</sup> Quarter Review Service reports October 2004

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Requests for Virements

<b>Social Services</b>	<b>Amount</b>
<b>Assessment &amp; Care Management:</b>	
Re-invest slippage from Delayed discharge grant from fines to equipment:	
Assessment & Care Management	(25,000)
Phys Dis Equipment	25,000
<b>CAMHS GRANT:</b>	
Re-allocate grant fund to cover cost of Therapeutic Sessions:	
Assessment & Care Management	(20,000)
Other FSS	20,000
Total	Net Nil

<b>Environment</b>	<b>Amount</b>
Section 74 Income	15,000
Transporter Bridge	(15,000)
Inflation Contingency	(127,000)
Waste Services (Landfill Charges)	120,000
Environmental Levy	(49,000)
Beck Maintenance	56,000
Total	Net Nil

<b>Regeneration</b> – Temporary virement of £20k from the employees budget to the bookfund. The reason for the virement being the need to replace the bookstock at Acklam Library following the refurbishment programme and the expiry of the NRF budget for the bookfund.	<b>Amount</b>
Libraries (Employees)	£(20,000)
Libraries (Bookfund)	£20,000
Total	Net Nil