

Overview and Scrutiny Board 1st November 2005

2005/2006 1st Quarters Revenue Outturn

EXECUTIVE MEMBER RESOURCES : Cllr N Walker

DIRECTOR OF STRATEGIC RESOURCES: Paul Slocombe

PURPOSE OF THE REPORT

1. To present the first quarters review of revenue expenditure against the 2005/2006 Revenue Budget.

BACKGROUND AND EXTERNAL CONSULTATION

2. The Council set its revenue budget at £175.1 million in 2005/2006. No General Fund balances were applied to support the overall expenditure of the Council. A Council Tax increase of 4.8% for Middlesbrough Council was applied.
3. In setting this year's budget approximately £1.1 million of efficiency savings were made. The Council approved an extra £1.7 million investment in education, £1.6 million in the Environment/Community Safety and £0.2 million support regeneration initiatives bringing investment to the town.

CHILDREN, FAMILIES & LEARNING

4. An overspend of £472k is projected for the service as follows: -

Policy & Resource	-£2k
Pupil Support	-£26k
Community Education	-£9k
ISB	+£14k
Vulnerable Children	+£418k
Strategic Management	+£7k

5. **Policy and Resources - £2k** resulting from the delay in appointing the new Head of Service.

6. There may be a need for early retirement costs from Excellence in Cities (EiC) funded by the LEA due to a change in government legislation. An exercise has been undertaken with HR to calculate the potential costs. These figures will be notified to the next budget clinic, but it will be later in this financial year before outcomes will be known.
7. An amount of £200k has been allocated from the 2005/2006 repairs and maintenance revenue budget towards the costs of consultancy fees for Building Schools for the Future (BSF). There is to be minimal expenditure on Secondary Schools this year and the amount allocated to BSF is consistent with that which would have been spent on Secondary Schools.
8. **Pupil support -£26k.** Savings exist within the Learning and Language support team -£15k due to a post receiving grant funding and also on the Independent Special Schools budget -£75k due to two pupils who were being educated in independent schools now being educated through Pathways. These savings are partially offset by extra costs within the City Academy special Unit +£21k as a result of the number of pupils with Moderate Learning Difficulties being higher than predicted, increased level of SEN statements +£20k and higher than expected staffing costs for the Sensory Impaired Service +£10k.
9. The numbers of excluded pupils that the service has to provide for is still increasing, in all sectors +£20k. Unity City Academy has just excluded 3 more pupils and the authority is still unable to obtain funding from the academy, unlike exclusions from LEA schools when the LEA can take back a percentage of pupil led funding from the school. The Head of Pupil Support is talking to schools about funded support and intervention programmes to try and reduce the numbers of exclusions.
10. **Community Education -£9k.** The saving on Nursery education grant payments of -£40k is offset additional Youth Management costs +£24k .
11. **Individual Schools budget +£14k.** Additional costs associated with security costs at Coulby Newham School until the building was demolished, and also one-off cleaning costs at Brackenhoe before the building was sold.

VULNERABLE CHILDREN

12. **Children Looked After +£418k** If in-house fostering payments remain at their current level it is expected that there will be an additional budget pressure of £37k; the main reason being the increased number of placements. In addition, based on current placements the agency fostering budget is estimated to have additional spending pressure of £100k by year-end. The placement of an additional child in a residential school at a cost of £98,000 has produced an expected pressure of £100k. An underachievement of stretch targets of £119k is currently being projected. A working group has been set up to develop a long-term strategy for this area. A report will be taken to CMT in the near future. Also work is ongoing to ensure that all grants are fully maximised.
13. Family Support Services First quarter spending on CLA Section 17 payments

indicates a possible £17k budget pressure. This budget is predominantly funding placements with extended family as directed by Court or as an alternative to being 'looked after'.

- 14 Other Children and Family Services +£74k Adoption placement fees is a very volatile budget, and the current level of spend indicates an overspend of £50k by the year-end. However, work is ongoing to produce a detailed schedule of known commitments and the time-lines for payments to the court system, to produce a more accurate assessment of the final outturn position.

ACTIONS:

- 15 a) Children, families & Learning is to Ring fence net savings to cover the fees for Building Schools for the Future;
b) Ongoing pressures in respect of Children looked After are expected. An assessment of the medium term position is to be provided for the next quarter's budget clinic.
c) Children, Families & Learning to prepare a paper on the following issues raised at the budget clinic concerning the vulnerable children budget:
- i) Application of grant funding;
 - ii) Allocation of Contingency funding;
 - iii) Progress against the Stretch Targets

ENVIRONMENT & NEIGHBOURHOOD SERVICES

- 16 Net pressures of £187k are projected for the group made up as follows: -

port & Design	£118k
community Protection	£60k
tscene	£9k

- 17 **Transport & Design +£118k** Additional inflationary pressures of £130k, associated with an increase in energy charges, have been identified and are proposed to be met from the Councils existing provision for pay and inflation. There is an additional budget pressure on concessionary fares and rural bus subsidy grant within the Transport & Policy of £55k has offset by salary savings of £10k and extra rent income within the bus station due to the increased number of lettings.
- 18 There will be an under recovery of car parking income +£70k due to the political decision not to increase car parking charges from 1 April 2005 Parking Solutions. The timing and level of future increases in car parking charges needs to be discussed and agreed to provide the service with a strategy for medium term business planning.
- 19 **Community Protection +£60k.** There is pressure within the Sports and Leisure due to lost income at Clairville Stadium +£40k, which is due to close for a time for major improvement work. There is also a £20k pressure regarding maintenance of gym equipment previously funded by ring fenced property R&M budget managed by HBS.

- 20 **Streetscene +£9k.** There is a pressure on the Waste Services budget of £30k in relation to the replacement and increased provision of litterbins. The implementation of the new Highways Code of Practice has increased the number of Highways Inspections as a result the Street Maintenance budget is expected to produce additional pressures of £60k more than provided in the Medium Term Financial Plan. It is proposed to fund this on a temporary basis from the existing Lane rental income provision. New legislation on Manual Handling procedures have produced potential pressures of £60k. The costs include £30k for the purchase of lifting equipment which and potentially £30k revenue operating costs. A capital bid will be made for the equipment leaving £30k additional revenue cost for which it is proposed to reduce levels to the budgeted amount pending review of service provision. There is also a pressure within the Street Lighting Responsive Maintenance budget of +£26k. This is partly offset by a surplus of –£47k on fleet services.
- 21 Streetscene Trading –£3k. Surpluses are forecast in horticultural services -£61k building security -£10k, and fleet services -£57k. However, Building Works is expecting a deficit of +£75k, mainly as a result of a reduction in work during the early part of 2005/2006 and increased salary/ASP costs are also predicted in 2005/06. Building cleaning is also anticipating a deficit +£160k which consists of a +£10k deficit on the scoped properties transferred back to Middlesbrough Council from HBS caused by difficulties in achieving the planned savings, increased central support charge of +£40k and a +£110k trading deficit due to the loss of the cleaning services work when the Housing Stock transfer to Erimus which took place on the 15th November 2004. The £110k trading deficit within Cleaning of Buildings will be accommodated within the councils existing provision for the costs of Housing Stock transfer.
- 22 **ACTIONS**
- a) That funding of £130k is provided from the central budget for Pay and Inflation to fund the identified inflationary costs for energy – street lighting. The Councils Medium term Financial Plan be updated to reflect inflationary pressures from increases in energy costs
- b) The pressure within the Highways Inspections budget is covered by a transfer of £60k from Lane Rental income in 2005/2006 and 2006/2007. A full VFM study (including delivery option appraisal) to be completed by 31 March 2006
- c) Environment prepare a paper on the proposal to increase Car Parking charges from April 2006 and setting out the service proposals for medium term future of the service.
- d) A bid for Street Maintenance health & safety equipment to be included in review of Environmental Services Capital programme. Revenue impact to be expressed both in terms of impact on outputs with existing resources and additional resources required to maintain previous outputs.
- e) A full VFM appraisal be prepared on the to be completed on contracting arrangements including the impact on the Council, PPP

(HBS) and other contractual arrangements. Particular attention to be given to Councils Health & Safety responsibilities

f) Environment to prepare a Full VFM appraisal to be completed on the Cleaning of buildings contracts. The review is to include an analysis of the impact on the Council, PPP (HBS) and other contractual arrangements.

g) A specific working group is to be set up consisting of Environment Services and Corporate Staff with Key member involvement. (Similar to arrangements within Social Services). The brief to be agreed between Director Of Environmental Services, Director of Resources and respective executive Board members

REGENERATION AND CULTURAL SERVICES

23 The group has a predicted spending pressures of £5k as shown below:

- Planning and Regeneration -
£73 K
- Economic & Community Regeneration
£78 k

24 The indications based upon fees received to date suggest that Development Control fee income will exceed budget targets by -£90k. There is a saving of -£8k forecast on the Regeneration Programmes budget due to the delay in appointment to the post of Regeneration programmes officer There is also an anticipated saving of -£25k on the Building Control budget due to increased fee income. A report will be prepared detailing a revised staffing structure, income projections for the next 3 years and the link to Planning Delivery Grant. The savings are offset by

a projected overspend on the Strategic Housing Function +35k due to an anticipated shortfall in Renewals fee income from Environmental works and assistance as certain areas of the Capital Programme do not attract fee income.

25 Transition costs including retirement packages following the merger of TVDC with Tees Valley Regeneration are an unbudgeted pressure of £10k. This is to be paid this year and following 2 years. The funding to the JSU has risen by +£5k partly due to Middlesbrough's revised population percentage apportionment.

26 There is an expected overspend due to the under recovery of rent income for Enterprise Centres of +£60k. A report on the future of the Enterprise centres is to be presented to a future budget clinic within 3 months of partnership issues being resolved. A review of prices is currently being considered which may reduce the deficit, however this needs to be discussed with tenants and an implementation date agreed.

37. ACTIONS

a) Regeneration is to provide a paper on the future position for planning fee income and service proposals.

b) That funding of £5k is provided from the central budget for Pay and Inflation to fund the identified inflationary costs for the funding to the JSU.

c) Regeneration completes a report on the future of the Enterprise Centres.

SOCIAL CARE

38. Overall a -£9k saving from budget is forecast for Social Care. However, a number of significant variances from budget are predicted across the service.

Older People	+£137k
Physical Disabilities	+£63k
Learning Disabilities	+£223k
Mental Health	+£4k
Personal Care	-£155k
Adults Holding Accounts	+£15k
Holding accounts	-£294k

39. **Older People +£137k** The delays in the older persons change programme and additional staffing costs associated with an improved intermediate care service will result in an overspend of +£250k. The planned closure of both Levick and Albert Cocks have been delayed as a result of delays in development of the Robert Huggins and Levick sites for extra care housing. This re-provisioning is however expected to bring future on-going long term savings when implemented. Offset against this are staffing vacancies -£10k and net savings from management action to reduce the number of purchased Independent sector older persons and EMI provision -£103k.

40. **Physical Disabilities £63k.** Pressures of +£81k have been identified on Physical Disabilities budgets. Mainly on Residential Care and care provided via Direct Payments. The pressure is partly offset by a projected saving of -£17.9k in assessment and care management as a result of 3 months vacancies.

41. **Learning Disabilities +£223k.** There has been more external placements in independent residential provision than expected resulting in a net pressure of £174k. A charge was made to Hartlepool and Redcar & Cleveland Councils in 2004/05 for the Forensic Service. These authorities are disputing this charge and have not paid the outstanding bills to date (a bad debt provision was made for the 2004/05 charge). An overspend for 2005/06 is forecast at +£49k.

42. **Mental Health +£4k** An underspend of -£37.6k is expected on nursing care as two placements are health funded. A small underspend of -£5.3k is also forecasted on residential care. This represents the achievement of the stretch target.

43. Assessment & Care Management is expecting net spending pressures of £9.7k. A charge was made to Hartlepool and Redcar & Cleveland Council's in 2004/05 for the Forensic Service. These authorities are

disputing this charge and have not paid the outstanding bills to date (a bad debt provision was made for 2004/05). Additional spending pressures of £62.7k for 2005/06 are forecast. Staff vacancies and additional income for seconded staff have created a projected underspend of -£53k.

44. **Personal Care -£155k** The budget was set at a usage of 4600 hours per week. Current spending is equating to 4500 hours per week. This decrease corresponds with the increase in direct payments, by which service users have transferred from using personal care arranged by the Council to arranging their own through a direct payment. Client income is expected to over-recover by -£36k and health income by -£119k.
45. **Holding Accounts -£294k.** The service has committed +£51k of the -£300k contingency provision. The remaining -£279 will be required to deal with the pressures identified across the service A small saving of -£30k is forecast across Modernisation & Performance budget headings on staffing costs and additional income from translation and interpretation -£15k. Cost associated with meeting the needs of failed asylum seekers is estimated at +£30k.

46. **ACTIONS**

- a) There are significant pressures in respect of the Learning Disabilities Budget both in year and in the longer term are expected. Social Care is to produce an assessment of the medium term position for the next quarter's budget clinic.
- b) Social Care to report the progress made with Hartlepool and Redcar & Cleveland Councils on the recovery of charges at the next budget clinic

CORPORATE SERVICES

37 The group has a predicted net saving of £375k as shown below: -

- | | |
|--------------------------|--------|
| • Legal Services | -£100k |
| • Members Office | -£60k |
| • Home Office Services | +£4k |
| • Strategic Resources | -£10k |
| • Service Middlesbrough | Nil |
| • Performance and Policy | -£209k |

38 A saving of -£100k is predicted on the **Legal services** budget. This is the result of an increase in fee income -£110k from the West Middlesbrough Neighbourhood Trust, Erimus Housing and Middlehaven. Further savings of -£76k on Common Law budgets and -£12k on Welfare budgets are forecast due to staff vacancies. These savings will be partly offset by a predicted pressure of +£40k on the General Services budget and the

proposal to employee additional staff +£98k to cope with the increased workload.

- 39 A saving of £60k is predicted on **Members Office** budget resulting from the fact that current payment rates for Members basic and special responsibility allowances are less than the budgeted level. The **Coroners budget** will overspend by £4k due to continued efforts to reduce the backlog of cases and increasing occurrence of drug screening tests.
- 40 In **Strategic Finance** the difficulties in recruiting Internal Audit staff have led to a need to employ external agency staff on short term contracts. A pressure of £84k is predicted as a consequence. This pressure is offset by projected savings arising from staff vacancies in Loans and Investments -£10k, Asset Management -£24k and Housing Benefits -£50k. For **Strategic Commissioning and Procurement** a saving of -£10k is predicted on staff costs due to a temporary reduction in contracted hours for a member of staff.
- 41 **Performance & Policy** -£209k. There are savings of -£222k predicted on the salary budget resulting from staff vacancies and delays in recruitment. However this is partially offset by the settlement of legal fees associated with the Corporate Identity which is expected to result in a budget pressure of £17k .
- 42 For a number of years the authority has paid an annual license fee to the OS for mapping products and services (under the OS SLA). These products underpin many mapping, Geographical Information Systems (GIS) and CAD type business critical functions. For mainly historical reasons this cost has been shared between Regeneration and Environment. It is now requested that this charge, and existing budgets, be transferred centrally to Performance and Policy. This is supported by the Regeneration and Environment services.

43 **ACTIONS**

- a) Legal service to prepare a report on the additional staffing requirements.

CENTRAL PROVISIONS

- 44 A surplus of £3k from Streetscene trading is expected leaving a projected shortfall of +£247k exists on the trading surpluses budget.
- 45 A review of central provisions has identified, at this stage of the year, a projected
Net saving of -£750k on Net Capital Financing costs.

OPTION APPRAISAL/RISK ASSESSMENT

- 46 Not applicable to this report.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

- 47 A net saving of -£93k 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
Children, Families & Learning	472
Environment & Neighbourhood Services	197
Regeneration	5
Social Care	-9
Corporate Services	-375
Central Provisions	-414
Total net savings	
Net Contribution to Balances: -	
General Fund net savings	-124

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

	General Fund £000s	Lane Rental Income £000
Opening Balance	4,865	1,603
Add		
Forecast Service Underspends	124	
Lane Rental income		0
Less planned use in 2005/2006		-714
Estimated Balances as at 31st March 2006	4,989	889

BACKGROUND PAPERS

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

- 2005/2006 Service Budgets

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Requests for Virements

REGENERATION

Transfer of employee budget for the Principal External Funding officer	Amount
Planning & Regeneration (Regeneration Programmes)	8,500
Economic Regeneration (Community Regeneration)	-8,500
	Net nil

CHILDREN, FAMILIES AND CHILDREN

Complementary Education Restructure	Amount
Primary Unit	-610
Fernwood	35,080
Ashdale	49,440
Hospital Teaching	-578,320
Stainsby	208,200
Pledge	44,370
Pathways	241,840
	Net nil

Realignment of Vulnerable Children Budget	Amount
Assessment & Care Management	164,290
Children Looked After	7,050
Family Support Services	-52,010
Youth Justice	-4,820
Other Children's & Family Services	50,180
Management Support	-164,690
	Net nil

Transfer of budget from Policy and Resource to new Service Area 'Capital and Assets	Amount
Policy & Resources	
Repairs & Maintenance	-701,760
Planning & Places: Accommodation & Admissions	-219,880
Planning & Places	-143,790
School Organisation Committee	-5,000
Vancouver House	-50,000
Asset Management Plan	-5,900
Capital and Assets	
Repairs & Maintenance	701,760
Planning & Places: Accommodation & Admissions	219,880
Planning & Places	143,790
School Organisation Committee	5,000
Vancouver House	50,000
Asset Management Plan	5,900
	Net nil

SOCIAL CARE

OTHER SUPPORT SERVICES Reallocate employers liability budget to central code	Amount
Older - Supported Accommodation	-37400
PM&M - Other Support Services	37400
Total	Net Nil

REPAIRS & MAINTENANCE Re-centralise R&M budgets	Amount
Older People - Residential	-22500
Older People - Day Care	-5000
Physical Disabilities - Day Care	-5000
Physical Disabilities - Other	-2000
Learning Disabilities - Residential	-7500
Learning Disabilities - Day Care	-7000
Mental Health - Residential	-7500
Mental Health - Day Care	-5000
PM&M - Repairs & Maintenance	61500
Total	Net Nil

DIRECT PAYMENTS Budget loaded in incorrect division	Amount
Physical Disabilities - Direct Payments	-10750
Older People - Direct Payments	10750
Total	Net Nil

COMMUNITY SUPPORT Budget loaded in incorrect division	Amount
Mental Health - Community Support	-51900
Mental Health - Supported Accommodation	51900
Total	Net Nil

FORENSIC SLA Re-allocate income budget against the posts to which it relates	Amount
Ass + CM Learning	95700
Ass + CM Mental	-95700
Total	Net Nil

ADULT HOLDING ACCOUNTS Budget loaded in incorrect division (Residential Allowance Grant)	Amount
Older People - Residential	508000
Adult Holding accounts	-508000
Total	Net Nil

Re-align budgets to reflect transfer from Dom Care to DP	Amount
Older People	46350
Physical Disabilities	28250
Learning Disabilities	-13900
Personal Care	-60700
Total	Net Nil

COMMUNITY CARE - RESIDENTIAL Disaggregate budget for ex Chelmsford Road service users	Amount
Learning Disabilities - Other	-109900
Older People - Residential	72500
Learning Disabilities - Supported Accom	37400
Total	Net Nil

CORPORATE

Transfer of budget for Community Council's	Amount
Children, Families and Learning (Policy & Resources)	-68,750
Regeneration (Economic Regeneration)	68,750
Total	Net Nil

Transfer of budget for Geographical Information Systems	Amount
Regeneration (Planning & Regeneration)	-15,780
Policy & Performance	15,780
Transport & Design	-15,300
Policy & Performance	15,300
Total	Net Nil

Transfer of budget for energy costs	Amount
Pay and Prices Inflation (corporate)	-130,000
Street lighting (Environment)	130,000
Total	Net Nil

Transfer of budget for JSU Funding	Amount
Pay and Prices Inflation (corporate)	-5,000
Regeneration	5,000
Total	Net Nil

Transfer of budget for JSU funding	Amount
Pay and Prices Inflation (corporate)	-5,500
Regeneration (Business support)	5,500
Total	Net Nil

Transfer of Housing Stock Provision	Amount
Housing Stock transfer costs	-110,000
Environment: Trading (Building Cleaning)	110,000
Total	Net Nil

Transfer of Single assessment Process	Amount
Corporate Resources Equipment	-99,800
Social Care – (Single Assessment Process)	99,800
Total	Net Nil