



AGENDA ITEM: 4

OVERVIEW & SCRUTINY BOARD

DATE: 6 MARCH 2007

2006/2007 3RD QUARTERS REVENUE BUDGET OUTTURN

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PURPOSE OF THE REPORT

1. To present to Overview and Scrutiny Board an estimate of the annual outturn for 2006/2007 based on the third quarters review of revenue expenditure against the current years Revenue Budget.

BACKGROUND AND EXTERNAL CONSULTATION

2. The Council set its revenue budget at £116.7 million in 2006/2007. No general fund balances were applied to support the overall expenditure of the Council. A Council Tax increase of 4.7% for Middlesbrough Council was applied.
3. In setting the 2006/2007 budget, approximately £1.5 million of efficiency savings were made. The Council approved an extra £1.3 million for free travel for pensioners, £0.5 million investment in Education, £0.8 for Vulnerable Children, £0.5 million in Social Care for older people and disadvantaged groups, £1.0 million in the Environment/Community Safety and £1.0 million support to regeneration initiatives.
4. On the 15th August 2006 the Executive approved the use of £2,659,000 from available balances as part funding for projects put forward by services. Information on the use of this additional funding was considered during the third quarter's review of revenue expenditure and where appropriate details are included in the service sections below.

5. A summary of the overall outturn variances from budget is shown below: -

	£'000s
Children, Families and Learning	+311
Social Care	0
Environment	-40
Regeneration	-10
Corporate Services	-328
Central Costs and Provisions	-294
	-361

6. A detailed breakdown of each service outturn position is given in the following sections of this report together with a summary of the position relating to corporate costs and central provisions.

Children, Families and Learning (CFL)

7. A net budget pressure of (+£311,000) is forecast for the Children, Families and Learning service area after a contribution of £250,000 from the budgeted 2006/2007 Social Services provision as summarised below: -

	£'000
Policy and Resources	-285
Capital and Assets	-14
School Improvement	-9
Excellence in Cities	-4
Pupil Support	+28
Community Education	-51
Strategic management	-59
Vulnerable Children	+1,205
Budget Mitigation	-250
Use of Balances	-250

8. **Policy and Resources (-£285,000)** Savings have been identified on the premature retirement compensation budget, on the Catering employees' budget and on the Standards Fund Grant Budget.
9. **Pupil Support (+£28,000)** There is a significant budget pressure on Home to School Transport of (+£141,000) as a result of additional transport needs for pupils with special needs, and the increased use of taxis for disruptive children. The Council's review of transportation and the CFL budget review are currently being undertaken and will aim to bring this service area back within its budget allocation.

10. Savings of (-£75,000) have arisen on Home/Hospital Extra District budgets due to the receipt of additional local authorities income. There are savings on staffing in the Admin support, Child Protection and Education Psychologists budgets totalling (-£48,000).
11. **Community Education (-£51,000)** This saving results from a combination of additional grant and salary savings in the Youth Service, offset by a pressure on running costs at Stainsacre.
12. **Strategic Management (-£59,000)** The proposed restructure of the CFL Senior Management Team has been delayed producing a part year saving on salary costs.
13. **Vulnerable Children (+£1,205,000)** There is a pressure within the Social Workers – Disabilities team of (+£20,000) resulting from the decision not to continue with the joint services arrangement with Redcar & Cleveland Council. A pressure of (+£82,000) is expected because of the loss of NRF and other grant income. New legislation has resulted in the replacement of the Area Child Protection Committee by the Local Safeguarding Children's Board. This has created a further pressure of (+£11,000). A pressure is also forecast on recharges from Stockton Council (+£23,000). There is a saving of (-£52,000) from use of the CAMHS Grant to fund a residential placement with mental health needs and there is a saving from the closure of St Hilda's Nursery of (-£25,000).
14. There is a pressure of (+£394,000) from additional residential placements. There are additional pressures of (+£67,000) on in-house fostering payments and (+£887,000) in respect of out of borough placements to independent fostering and agency fostering service. The Fostering spending pressures will be reduced by (-£74,000) through use of Choice protects grant.
15. Work is ongoing to produce a report of the changing trends within the out of borough, in-house and independent fostering areas of this budget. The outcomes of the report will be used to inform the Council's Medium Term Financial Plan and the budget review currently being undertaken by CFL.
16. There is a projected budgetary pressure of (+£95,000) in Family Support Services primarily as a result of the increase in expenditure on Section 17 and the change in service delivery of Agency Respite and Sharing the Caring to a direct payments basis
17. A pressure of (+£95,000) is forecast on Management Support budgets. This is mainly due to the fact that budgeted saving targets have not been achieved directly from this area.
18. The above pressures are partially offset by a predicted saving of (-£266,000) on Other Children and Family services. Savings on employee costs have exceeded budgeted targets, some contracts within the Leaving Care Service have not been renewed and fewer adoptions to external providers are being made.

19. **Budget Mitigation (-£250,000)** The service has set out an action plan to mitigate the net total service budgetary pressures estimated at £1.3m in August 2006. It is proposed to use (-£150,000) of the Parent Support Advisors grant to fund salary costs. In addition the review of all external grants is expected to release a further (-£100,000).
20. The service has requested a contribution of £250,000 from the budgeted 2006/2007 Social Services provision to accommodate demand led pressures.
21. Children, Families and Learning Gershon efficiency cashable savings will be achieved in 2006/2007. Further details are shown in Appendix B
22. An update as to Children Families & Learning 2nd Quarter Actions together with proposed new actions is set out in Appendix C.

Social Care

23. The service are predicting a nil variance after a contribution of £60,000 from the budgeted 2006/2007 Social Services provision as summarised below:

	£'000
Older people	+161
Older people with a mental health problem	-149
Physical disability /Sensory Impairment	+54
Learning Disabilities	+622
Mental Health	-36
Other Adults Services	+13
Asylum Seekers	0
Ayresome Industries	-320
Personal Care	+42
Holding Accounts	-327
Contribution from Social Services provision	-60

24. **Older People (+£161,000).** Vacancies within the Assessment & Care management function are anticipated to produce a saving of (-£56,000). Reduced home placements with nursing responsibilities are projected to save (-£59,000). There is a pressure on residential care costs of (+£210,000) mainly the result of temporary dual costs that will be incurred during the closure of Albert Cocks and Levick House.
25. Supporting People reviews of the Carelink Warden service have been carried out in September 2006 with a predicted implementation date of March 2007, creating a pressure of (+£80,000) in this year. This has been offset by additional income of (-£90,000) for a new work initiative absorbed within existing costs.
26. In addition there has been an increase in direct payments (23 clients) creating a pressure of (+£77,000)

26. **Older people with a mental health problem (-£149,000)** Reduced home placements with nursing responsibilities are projected to save (-£133,000.) A further saving, amounting to (-£88,000) is predicted following the review of external contracts.
27. In 2005/6 the Ambulance Service gave notice that it would increase transport costs associated with OPMH transportation by 70%. Alternative arrangements have therefore been made that were effective from November 2006 with a resultant pressure of (+£18,000). In addition additional placements in residential care homes have created a further pressure of (+£57,000).
28. **Physical Disabilities (+£54,000)** Vacancies within the service will lead to savings of (-£93,000) within staffing budgets. Revised contracting arrangements for residential care will produce savings of (-£22,000). Increased demand within residential care and Direct Payments will however, create pressures of (+£168,000)
29. **Learning Disabilities (+£622,000)** Increased demand (33 clients) will lead to financial pressures of (+£368,000) in 2006/2007. These are partly offset by savings within purchased community support and day care services of (-£95,000) and additional Independent Living Fund (ILF) income of (-£180,000).
30. The outcome of Supporting People Reviews of learning Disability services represents the most significant financial pressure facing Social Care. The reviews have lead to a much greater element of the overall package of care/support a client receives becoming the responsibility of Social Care. The impact is a net pressure of (+£503,000).
31. **Mental Health (-£36,000)** Staff vacancies savings and unexpected income totalling (-£84,000), the transfer of two nursing clients to Continuing Health Care status, saving a further (-£16,000), and the delay in awarding an employment contract saving (-£63,000) has offset pressures in other areas of this budget.
32. The outcome of Supporting People Reviews of Mental Health services took effect from October 2006. The reviews have lead to a much greater element of the overall package of care/support a Section 117 client receives becoming the responsibility of Social Care. The impact is a pressure of (+£110,000) in this financial year. In addition there is a further pressure of (+£32,000) in the Direct Payments budget.
33. **Other Adults (+£13,000)** A pressure of (+£13,000) has been identified due to the cost of 2 Direct Payment packages for people suffering substance abuse / addictive behaviour problems.
34. **Asylum Seekers (Nil Variance).** Demand led pressures in relation to Asylum Seekers (+£48,000) have been fully offset through new contracting arrangements.
35. **Personal care (+£42,000).** An increase in administrative costs relating to Direct Payments will lead to a pressure of (+£42,000).

36. **Ayresome Industries (-£320,000).** The Council has previously agreed to Ayresome Industries carrying forward any surplus from its activities. Given the need to reduce the Social Care revenue overspends an exercise to assess spare capacity within the surplus has been undertaken and a contribution of (-£320,000) is anticipated.
37. **Holding Accounts (-£327,000).** A pressure of (+£66,000) is anticipated in respect of an increased provision for bad debts. A pressure of (+35,000) on the Performance and Planning budget and Emergency Duty functions/Administrative support (+£31,000) are also anticipated. This is partly offset by an, underspend in relation to day care transport costs of (-£15,000) and Street Warden staff savings of (-£50,000).
38. Social Care has maintained a contingency budget to meet the changing requirements of service provision. This is being utilised to offset the above pressures (-£410,000) after allocating (-£70,000) to cover the costs of security at Netherfields.
39. **Fair Price for Care issues** - Costs incurred in relation to appointing external consultants to co-ordinate the FPC process are anticipated at (+£54,000). In addition costs of (+£14,000) are anticipated as a result of increases above 2%.
40. **Gershon** – The majority of the Gershon efficiencies have already been realised or are progressing satisfactorily. Some targets are likely to slip but a number of significant efficiencies not in the original Gershon saving targets have been identified which will compensate for this slippage. Further details are shown in Appendix B
41. An update as to Social Care Actions from the 2nd Quarters clinic 2006/2007 together with proposed new actions is set out in Appendix C.

Provision for demand led pressures. (CFL and Social Care)

42. In setting the 2006/2007 revenue budget the Council set aside a provision of £500,000 to meet costs associated with increased demand for Social Services (Children and Older people). Children Families and Learning have requested that £250,000 of this be applied to meet their pressures and Social Care have applied for £60,000. The balance remains to be applied.

Environment and Neighbourhood Services

43. The service is predicting a net budget saving of (-£40,000) as summarised below-

	£'000
Transport & Design	-80
Community Protection	+24
Streetscene – Revenue Funded	+101
Executive Director	0
Housing Residue	-85

44. **Transport and Design (-£80,000)** The cost of increased take-up of the revised concessionary scheme is (-£180,000) less than that predicted within the budget set aside by the Council. There are budget pressures caused by the non-achievement of the Dial-a-Ride Gershon saving target (+£50,000) and a drop in Bus Station service charge income coupled with increased costs of the Tandata System and by the non-achievement of the Gershon saving (+£48,000).
45. **Community Protection (+£24,000)** An income shortfall of (+£8,000) is projected because of the on-going decline of North Ormesby market. A further income shortfall of (+£15,000) is forecast on Street Trading. A budget pressure of (+£40,000) exists due to the cost of replacing Headstones over and above the existing budget. Staff vacancies are expected to produce a saving of (-£32,000) on Trading Standards/Advice Centre costs and (-£20,000) on Food, Health and Safety. There is also a saving (-£20,000) on Selective Licensing due to vacant posts.
46. **Clairville Stadium was reopened in May;** however there has been a loss of (£30,000) income as clients went elsewhere. Income from the hire of the football pitch at the Southlands Centre is also declining due to the need for a replacement pitch (+£40,000) and there is a projected loss of (+£20,000) on Southlands Centre catering facilities. A pressure of (+£30,000) has arisen on the Municipal Golf Centre principally as a result of vandalism, both directly and indirectly. The service is working on a plan to mitigate the pressure by a re-organisation of the management team leaving non-essential posts vacant.
47. A saving of (-£28,000) is forecast on Crime & Disorder budgets following a structural review of the activity.
48. **Streetscene (+£101,000).** Projected pressures of (+£101,000) have been identified on Horticulture, Parks and Leisure budgets. Additional staff have been employed to respond to concerns in respect of anti-social behaviour at the Prissick Plaza Skate Park (+£35,000). Landscaping income has also fallen, resulting in a pressure of (+£60,000).
49. **Residual Housing (-£85,000)** The saving is due to a favourable settlement of the final Housing Subsidy claim offset by various costs relating to the pre Housing Stock Transfer period.
50. **Streetscene Trading (-£40,000)** A surplus of (-£20,000) is predicted on Horticultural services. A deficit of (+£60,000) is forecast on Building Works but this is offset by a projected surplus on Building Security (-£10,000) and on Building Cleaning (-£70,000). The net trading surplus contributes towards the corporate target of £250,000.
51. **Gershon** All saving targets are expected to be achieved except for the Dial-a-Ride Joint scheme, Bus Station staffing review and the Building Works alternative Care taking Scheme. New Gershon savings have been sought and will provide the required level of savings. Further details are shown in Appendix B.

52. An update as to Environment Actions from the 2nd Quarters clinic 2006/2007 together with proposed new actions is set out in Appendix C.

Regeneration and Cultural Services

53. The service is predicting a net budget saving of (-£10,000) as summarised below -

	£'000
Planning & Regeneration	0
Cultural Services	-15
Economic & Community Regeneration	0
Libraries	+5
Museums	0

54. **Cultural Services (-£15,000).** Delays in recruiting staff to new posts created to develop and deliver the Cultural Vision of Middlesbrough have resulted in a projected saving of (-£40,000). This is partly offset by a requirement of (+£25,000) match funding for the Town Hall and Theatre feasibility study phase 2.
55. **Economic & Community Regeneration** There is a saving due to staff turnover and delay in appointments and savings on marketing and town branding budgets totalling (-£34,000). It is intended to use these savings to create a provision towards meeting potential grant repayments totalling (+£89,000) which may have to be made on the Building Bureau European project. The remaining potential pressure has not been included in the outturn figures at this stage.
56. **Libraries (+£5,000).** Higher than expected costs in transport, courier service and BVPI annual user survey reports have produced a pressure of (+£5,000).
57. The predicted outturn figures assume that approval will be given to carry forward to 2007/8 savings on the Archives budget (-£19,000), Local Development Framework budget (-£16,000) and Middlesbrough Town Centre Company budget (-£6,000). The predicted outturn figures also do not include the estimated redundancy and other costs relating to West Middlesbrough Neighbourhood Trust that cannot be funded from grant, the estimated amount being (+£70,000).
58. **Gershon** - All cashable efficiency savings are on target to be achieved. The non-cashable savings are below target at present but savings are actively being sought to replace them. The relocation of arts development staff will not be achieved at all and savings on planning applications will be partly achieved due to a delay in implementation. The increased visitor number in Libraries will not be achieved but has been replaced by an increase in visitor numbers at the Captain Cook Museum. Further details are shown in Appendix B
59. An up to date Regeneration actions from the 2nd Quarters clinic 2006/2007 together with proposed new actions is set out in Appendix C.

Corporate Services

60. The service group are predicting a net saving of (-£328,000) as summarised below-

	£'000
Legal & Democratic Services	-232
Strategic Resources	-21
Performance & Policy	-75

61. **Legal & Democratic Services (-£232,000)** Legal Services are predicting a saving of (-£37,000). A net saving of (-£54,000) is projected on the Property and Regeneration budget mainly due to an increase in net fee income. Further savings are predicted on Common Law mainly attributable to savings on salaries (-£14,000) and an increase in income of (-£43,000).
62. These savings are partly offset by an anticipated budgetary pressure of (+£33,000) on the General Service's budget, Electoral Registration budgets (+£34,000) and Senior Management budgets (+£6,000).
63. A budget pressure of (+£14,000) is forecast on the Coroners budget as a consequence of on-going efforts to reduce the backlog of cases and additional forensic costs.
64. A saving of (-£209,000) is predicted on Members Office Budgets. The budget for Members basic and special responsibility allowances is predicted to show a saving of (-£56,000). In addition, a saving of (-£28,000) is expected on the Members Development budget. A further saving of (-£21,000) is forecast on Scrutiny Team budgets as a result of an additional receipt from the Tees Valley Councils. A number of additional savings totalling (-£106,000) are also predicted on several other budgets including the Civic Hospitality budget.
65. **Strategic Resources (-£21,000)** Savings within the Housing Benefits budget (-£70,000), Local Taxation budget (-£143,000) from additional court costs income and Industrial and Commercial budget (-£150,000) from increased rent income have been offset by a number of pressures detailed in the paragraphs below.
66. Difficulties in recruiting staff in the Internal Audit section has led to a need to employ agency staff on short-term contracts, resulting in a projected budget pressure of (+£63,000). In addition the need to employ agency staff to carry out council projects has produced a pressure of (+£162,000).
67. Provision has been made for urgent asbestos work to corporate properties (+£100,000), Health and Safety repairs/monitoring to the Town Hall (+£50,000) and work on MIMA car park (+£40,000).
68. A pressure is also forecast on the Corporate Initiatives Fund (+£23,000).

69. A savings of (-£21,000) is predicted in the Strategic Commissioning and Procurement Unit resulting from changes in procurement processes and non-recoverable penalties from HBS.
70. **Performance & Policy** (-£75,000). There are savings of (-£75,000) predicted on the salary budget resulting from staff vacancies and delays in recruitment.
71. **Corporate Gershon Savings** The corporate services efficiency savings will be achieved. In addition there is a non-cashable council wide Gershon saving through a reduction in the level of sickness absence. Further details are shown in Appendix B
72. An update as to Corporate Services Actions from the 2nd Quarters clinic 2006/2007 together with proposed new actions is set out in Appendix C.

Central Costs and Provisions

73. The net outturn of (-£294,000) on Central Costs and Provisions is summarised below.

	£'000
Pay & Prices	+3
Trading Services Surplus	+210
Trading Services - non trading costs	+141
Designated Authority	-44
Capital Financing	-1,800
Custodian Properties	-25
Miscellaneous	-7
Unfunded Pensions	-162
Right to Buy receipts	-38

74. A review of the delivery costs of Building Schools for the Future has been undertaken, in conjunction with external consultants and Partnership for Schools. An additional requirement for £200,000 has been identified over the medium term. It is proposed that this amount be set aside from within the identified net savings
75. It is proposed to create the following provisions:

	£'000
Repairs & Maintenance	+205
Equal Pay Capitalisation	+500
Social Services Demand Led pressures	+221
Vat on Car Park Income	+502
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	+1,428 <hr/>

OPTION APPRAISAL / RISK ASSESSMENT

76. Not applicable to this report.

FINANCIAL, LEGAL AND WARD IMPLCATIONS

77. A net budget saving of (-£361,000) 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.

	£000s
Children, Families & Learning	+311
Environment & Neighbourhood Services	-40
Regeneration	-10
Social Care	+0
Corporate Services	-328
Central Costs and Provisions	-294
Net Contribution to Balances: -	-361

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

	General Fund £000s	Back Dated RSG £000s	Lane Rental Income £000
Opening Balance	5,593	1,866	889
Add			
Forecast Net Services Savings	361		
Lane Rental Income			0
RSG Income Backdated		2,459	
Less use in 2006/2007	793	1,866	445
Estimated Balances as at 31st March 2007	5,161	2,459	444

RECOMMENDATIONS

79. Overview and Scrutiny Board are asked to: -

- a) Note and consider the contents of report

REASONS

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

BACKGROUND PAPERS

The following papers were used in the preparation of the report

- 2006/2007 Service Budgets
- 2006/2007 2nd Quarters Revenue Outturn report to Executive
- 2006/2007 3rd Quarter Service budget monitoring reports

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REQUESTS FOR VIREMENTS

APPENDIX A

CHILDREN, FAMILIES AND LEARNING

Realign budgets where management has transferred between divisions	
	Amount
Policy and Resources	-£64,085
Strategic Management	+£64,085
Total	Net Nil

SOCIAL CARE

Transfer budget for service user age under 65 transferred to correct divisions	
	Amount
Social Care – Older People	-£15,600
Social Care – Learning Disabilities (Residential)	+£15,600
Total	Net Nil

To correct income budget re contributions from health in respect of an Occupational Therapist	
	Amount
Social Care – Performance & Modernisation/ Contingency	-£36,000
Social Care – Physical Disabilities	+£36,000
Total	Net Nil