

OVERVIEW AND SCRUTINY BOARD

3rd July 2007

2006/2007 REVENUE OUTTURN

PAUL SLOCOMBE – EXECUTIVE DIRECTOR

PURPOSE OF THE REPORT

1. To present the final outturn position for expenditure against the 2006/2007 Revenue Budget.

BACKGROUND AND EXTERNAL CONSULTATION

2. The Council set its revenue budget at £114.5 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 to support regeneration initiatives.
4. On the 13th March 2007 the Executive considered the 3rd Quarter Revenue Budget outturn report that projected a net budget saving of (-£361,000).
5. A summary of the overall outturn variances from budget is shown below:

	Qtr 3 £'000s	Outturn £'000s	Variance £'000s
Children, Families and Learning	+311	-100	-411
Social Care	0	0	0
Environment	-40	-671	-631
Regeneration	-10	-119	-109
Corporate Services	-328	-724	-396
Central Costs, Provisions and Reserves	-294	+1,308	+1,602
Total	-361	-306	+55

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

7. The service predicted a net budget pressure of (+£311,000) at the 3rd quarter budget clinic. The outturn position is a net pressure of (-£100,000) as summarised below: -

	Qtr 3 £'000s	Outturn £'000s	Variance £'000s
Policy And Resources	-285	-223	+62
Capital and Assets	-14	-30	-16
School Improvement	-9	-57	-48
Excellence in Cities	-4	-4	0
Pupil Support	+28	-24	-52
Community Education	-51	-12	+39
Strategic management	-59	-74	-15
Vulnerable Children	+1,205	+324	-881
Budget Mitigation	-250	0	+250
Use of Balances	-250	0	+250
Total	+311	-100	-411

8. **Policy and Resources (-£223,000)** There was savings on the Standards fund grant of (-£107,000), due to a change in Government rules whereby any underspend on certain Standards Fund grants is not clawed back. There were also savings on the performance planning staffing costs (-£30,000), Premature retirement compensation budget of (-£116,000), and other savings on running costs of (-£46,000). There was a pressure on the Catering budget of (+£73,000) due to the under recovery on Functions income and increased staffing costs due to sickness cover.
9. **Capital and Assets (-£30,000)** There was savings on the Accommodation and Admissions budget (-£26,000), Pupil support - outdoor centres (-£31,000) due to the maximisation of grant usage. A pressure occurred on the Joint arrangements outdoor centres budget of (+£29,000).
10. **School Improvement (-£57,000)** The saving has mainly been achieved by recharging salary costs to grant funded schemes.
11. **Pupil Support (-£24,000)** There was additional income from other Local Authorities (-£75,000), on Home/Hospital Extra Districts. The savings on Educational Psychologists (-£61,000) and Administration support (-£27,000) were due to the maximisation of grant and spending moratorium. These savings were partly offset by a pressure on Home / School transport (+£116,000) as a result of additional transport needs for pupils with special needs and the increased use of taxis for disruptive children and on Behaviour support (+£12,000).
12. **Community Education (-£12,000)** The savings resulted from a combination of additional grant and salary savings in Youth management, Youth projects, Youth

training & development, Area Youth (-£119,000) and within special sessional projects (-£18,000) There was pressure on the Head of Service's (+£46,000) budget from unexpected HBS trainees charges. There were also pressures on Community Centres (+£32,000), Stainsacre (+£26,000) and Voluntary Sector Grants (+£12,000).

13. **Strategic Management (-£74,000)** There was a saving of (-£74,000) on staff costs as a result of the delay in the proposed senior management restructure.
14. **Vulnerable Children (+£324,000)** There were major savings in Family support services (-£227,000), Other Children and Family services (-£327,000), Early Years and Childcare Management (-£55,000) and Management Support (-£55,000). The Sure Start grant (-£557,000), Children's Services Grant (-£218,000) and Supported Lodgings – Leaving Care Service funding (-£40,000) were applied to a number of areas within the Vulnerable Children's service area. There was also a reduction in the level of Agency Costs for Children Looked After of (-£64,000).
15. There were pressures on the Children Looked After budget of (+£913,000) and Assessment and Care Management (+£124,000). Family Support Services has additional savings of (-£44,000) due to additional staff vacancies (-£45,000) and moratorium savings (-£10,000). These are offset by an increase in Direct Payments (+£11,000).
16. Other Children and Family Services had additional savings of (-£9,000) from additional income to offset the reduction in the grant for Teenage Pregnancies. There was savings of (-£27,000) due to the closure of St Hilda's Playgroup. The maximisation of grant funding for Early Years and Childcare Management produced a saving of (-£56,000).
17. **Sure Start:** There was a significant underspend on the Sure Start Grant and it is expected that there will be a claw back of (£379,000) and a provision has been made to cover this.
18. **Dedicated Schools Grant** From 2006/07, new regulations introduced a ring fenced Dedicated Schools Grant (DSG). The 2006/07 DSG grant amounted to £72,479,000. Savings of (-£451,000) have been identified from within the LEA element of DSG. It is propose to carry forward £198,000 into 2007/2008, comprising £123,000 for Schools contingency balances and £75,000 to address the potential shortfall in DSG funding for 2007/2008. The balance of £254,000 is to be set-a-side as a reserve to meet the costs of developments in the future provision of schools

Social Care

19. The service predicted a nil variance at the 3rd quarter budget clinic. The outturn position is a net nil as summarised below:

	Qtr 3 £'000s	Outturn £'000s	Variance £'000s
Older people	+161	+375	+214
Older people with a mental health problem	-149	-133	+16
Physical disability / Sensory Impairment	+54	-31	-85
Learning Disabilities	+622	+453	-169
Mental Health	-36	-126	-90
Other Adults Services	+13	-32	-45
Asylum Seekers	0	0	0
Ayresome Industries	-297	-295	2
Ayresome Industries (Reserves)	-23	-25	-2
Personal Care	+42	+40	-2
Holding Accounts	-327	-141	+186
Service Strategy	0	+5	+5
Contribution from Social Services provision	-60	-90	-30
Total	0	0	0

20. **Older People (+£375,000)** Dual costs associated with the closure of Albert Cocks and Levick House resulted in a budgetary pressure of (+£152,000). Voluntary Redundancy and Early Retirement of Staff from these homes cost (+£262,000). This is partly offset by savings of (-£53,000) within the Assessment & Care Management function due to staff vacancies.
21. **Older People with a Mental Health Problem (-£133,000)** The numbers of Residential and Nursing Home placements in 2006/07 were lower than the number forecast when the budget was set generating savings of (-£154,000). Additional transport costs of (+£23,000) were incurred in the early part of the year due to the Ambulance Service increasing charges by 70%; Alternative arrangements were put in place from November.
22. **Physical Disabilities (-£31,000)** The saving on staff vacancies (-£87,000) was partly offset by demand pressures for increased levels of Residential Care and Direct Payments (+£57,000).
23. **Learning Disabilities: Outturn (+£453,000)** Increased demand on Learning Disability Residential Care and Direct Payments produced a pressure of (+£254,400). There was a pressure of (+£493,000) from Supporting People Reviews. These costs were partly offset by savings on the Community Inclusion Team (-£40,000) purchased Day Care Services (-£113,000) and additional Independent Living Fund income of (-£159,000).
24. **Mental Health (-£126,000)** Staff vacancies within the Assessment & Care Management function have produced savings of (-£83,000). There was additional Income from Middlesbrough PCT for Section 17 leave and Section 117 After Care of (-£38,000) for Sunningdale Hostel. Additional income of (-£41,000) was generated from recharging the TEWV NHS Trust. These savings are partially offset by additional costs associated with a new block contract for people with young on-set dementia (+£36,000)..

25. **Other Adults (-£32,000)** Savings have been generated by utilising available grant funding to cover staff costs..
26. **Ayresome Industries (-£320,000)** A contribution of (-£320,000) has been made from the Ayresome Industries workshop, (-£295,000) from the surplus generated during 2006/2007 and (-£25,000) from the Ayresome Industries reserve.
27. **Personal Care (+£40,000).** There was a pressure of (+£40,000) on Direct Payments.
28. **Adult Holding Accounts (-£141,000)** Savings on Street Wardens salary costs and additional income have resulted in a net saving of (-£95,000). In addition to this there is an unapplied balance on the service contingency budget.

Environment and Neighbourhood Services

29. The service predicted a net budget saving of (-£40,000) at the 3rd quarter budget clinic. The outturn position is a net saving of (-£671,000) as summarised below -

	Qtr 3 £'000s	Outturn £'000s	Variance £'000s
Transport & Design	-80	-19	+61
Community Protection	+24	+6	-18
Streetscene – Revenue Funded	+101	-145	-246
Executive Director	0	-3	-3
Housing Residual	-85	-510	-425
Total	-40	-671	-631

30. **Transport and Design (-£19,000)** The cost of increased take-up of the revised concessionary scheme was (-£135,000) less than the budget. There was a pressure (+£76,000) on Parking Solutions, due to an under achievement of income, coupled with the unbudgeted costs of the Residents Parking review. There was also a pressure caused by the part-achievement of the Dial-a-Ride Gershon saving target (+£39,000). It is proposed to create a provision of (£135,000) to support the future cost of the concessionary fare scheme.
31. **Community Protection (+£6,000)** The saving on staff vacancies of (-£65,000) in Trading Standards/Advice Centre and Selective Licensing was offset by pressures due to the on-going decline of North Ormesby market (+£12,000), an income shortfall of (+£15,000) on Street Trading, salary pressures of (+£11,000) on Pest Control and (+£33,000) from the construction of a new memorial wall in Crematorium & Cemeteries.
32. There was a shortfall in income due to the closure of Clairville Stadium early in the year (+£34,000). There were pressures due to declining football pitch income (+£25,000) and catering receipts (+£11,000) at the Southlands Centre. There was also a pressure of (+£53,000) at the Municipal Golf Centre as a result of vandalism. These pressures are offset by savings across a number of other areas amounting to (-£76,000). There was a saving of (-£56,000) in Crime & Disorder following a structural review of the activity.

33. **Streetscene (-£145,000)** There were pressures of (+£123,000) on Horticulture, Parks and Leisure budgets, mainly due to the fall in landscape income and the cost of additional staff in response to concerns regarding anti-social behaviour at the Prissick Plaza Skate Park.
34. There was a saving of (-£286,000) on Waste Services; as a result of a review of disposal arrangements, encouraging residents to recycle and the minimisation of extra costs for implementing new waste legislation.
35. **Residual Housing (-£510,000)** There was a favourable settlement of the final Housing Subsidy claim partly offset by costs relating to the pre Housing Stock Transfer period (-£225,000). A review of the Bad Debt provision released (-£285,000) from balances.
36. **Streetscene Trading (+£153,000)** There is a surplus of (-£27,000) on Horticultural Services, a deficit of (+£134,000) on Property Services & a deficit of (+£47,000) on Street Maintenance Trading. The overall deficit is mainly due to increased fuel charges and increased Depot costs schedule.

Regeneration and Cultural Services

37. The service predicted a net budget saving of (-£10,000) at the 3rd quarter budget clinic. The outturn position is a net saving of (-£119,000) as summarised below –

	Qtr 3 £'000s	Outturn £'000s	Variance £'000s
Planning & Regeneration	0	-29	-29
Cultural Services	-15	-8	+7
Economic & Community Regeneration	0	-109	-109
Libraries	+5	+17	+12
Executive Director	0	-7	-7
Museums	0	+17	+17
Total	-10	-119	-109

38. **Planning and Regeneration (-£29,000)** There was a saving on Middlehaven of (-£22,000) for consultancy work on the Supplementary Planning Document, and on the Stockton & Middlesbrough Initiative of (-£46,000) due to the delay in appointment of a project officer and planned development studies not taking place. The saving is offset by an under recovery of income on Housing Mortgage advances (+£28,000).
39. **Cultural Services (-£8,000)** This saving is due to delays in staff recruitment.
40. **Economic & Community Regeneration (-£109,000)** This saving is due to staff turnover and on the costs of marketing and town branding which have been offset by pressures of retirement packages following the merger of TVDC with Tees Valley Regeneration & industrial tribunal costs. It is proposed that a saving of (-£100,000) is to be transferred to a reserve created to meet potential grant repayments on European projects. The additional income of (-£22,000) generated

by the Enterprise Centres, is to be invested in a sinking fund for future development.

41. **Libraries (+£17,000)** The pressure is mainly due to an early retirement cost paid in full for a Library assistant of (+£25,000), offset by a small saving on running expenses.
42. **Executive Director (-£7,000)** The saving is due to minor savings on supplies and services budgets
43. **Museums (+£17,000)** The pressure of (+£18,000) and the variance is due to insurance charges for MIMA being greater than budget (+£9,000) and an increase in the provision for bad debts.

Corporate Services

44. The service predicted a net budget saving of (-£328,000) at the 3rd quarter budget clinic. The outturn position is a net saving of (-£724,000) as summarised below:

	Qtr 3 £'000s	Outturn £'000s	Variance £'000s
Legal & Democratic Services	-232	-173	+59
Strategic Resources	-21	-809	-788
Performance & Policy	-75	-60	+15
Corporate Services Recharges	0	318	+318
Total	-328	-724	-396

45. **Legal & Democratic Services (-£173,000)** The service received increased fee income on the Property, Regeneration and Common Law budgets along with savings on staff costs. These savings were partly offset by budgetary pressure of (+£55,000) on General Service's budgets, Electoral budgets (+£47,000) and Senior Management of (+£8,000).
46. The pressure of (+£59,000) on the Coroners budget was due to continuing efforts to reduce the backlog of cases and additional forensic costs. There has also been an increase in hospital storage and pathologists fees.
47. The Member's basic and special responsibility allowances rates were lower than the budgeted level producing a saving of (-£61,000). Savings were also being made on the Members Development budget (-£31,000), Speaker and Civic budgets (-£46,000) Political Assistant budgets (-£31,000) and other Member's Office budgets (-£52,000).
48. **Strategic Resources (-£809,000)** Significant savings were made on Housing Benefits (-£336,000) and Local Taxation (-£254,000) as a result of an increase in housing benefit overpayment recoveries, a revision of the bad debt provision for benefits (-£414,000) and higher than expected court cost recoveries (-£254,000). Savings were also made on the properties budgets (-£98,000), and the Loans & Investment's budgets (-£44,000).

49. These savings have been partially offset by the requirement to employ agency staff because of difficulties in recruiting staff (+£79,000) within Internal Audit. An additional pressure of (+£85,000) was incurred on the Senior Management budget as a result of changes in accounting requirements for external audit fees. There was also a pressure on the corporate initiatives budget of (+£64,000) principally as a result of WMNT redundancies.
50. There was a pressure on Strategic Accountants (+£54,000) and External Fees (+£78,000) budgets because of a requirement to employ additional agency staff on a number of projects across the council. There was an under recovery of (+£318,000) on recharges to trading areas.
51. **Performance & Policy (-£60,000)** There was a saving of (-£60,000) on staff costs, supplies & services and exam & course fees.

Central Costs and Provisions

52. Central Costs and Provisions predicted a net budget saving of (-£294,000) at the 3rd quarter budget clinic. The outturn position is a net saving of (-£1,001,000) as summarised below:

	Qtr 3 £'000s	Outturn £'000s	Variance £'000s
Pay & Prices	+3	+3	0
Trading Services Surplus	+210	+403	+196
Trading Services - non trading costs	+141	+153	+12
Designated Authority	-44	-42	+2
Capital Financing	-1800	-1,949	-149
Custodian Properties	-25	-25	0
Miscellaneous	-7	-44	-37
Unfunded Pensions	-162	-162	0
Right to Buy receipts	-38	-38	0
Environment Agency Levy	0	-16	-16
HST		-62	-62
Write Back of Education Reserve	0	-770	-770
EIC Retirement Provision		-80	-80
Repairs and Maintenance	+205	+205	0
Equal Pay Capitalisation	+500	+500	0
Social Care Demand Led Pressures	+221	+221	0
VAT on Car parking Income	+502	+502	0
Building Schools for the Future	0	+200	+200
Total	-294	-1,001	-707

53. It is proposed to create / amend the following provisions/reserves:

	£'000
European Projects Reserve (Para. 40)	100
Concessionary Fares Reserve (Para. 30)	135

Developments in the future provision of schools (Para. 18)	254
Building Schools for the Future	150
Job Evaluation / Equal Pay Capitalisation Reserve	2,000
Invest to Save / Change Programme Reserve	2,000
Less :	
Housing Revenue Balance	-2,076
DSG Resources identified in 2006/2007	-254
Total Provisions/Reserves	+2,309

54. The Council transferred its housing stock on the 15th November 2004 to Erimus. However, the former Office of the Deputy Prime Minister did not give consent to close the Housing Revenue Account (HRA) until 3rd April 2006. This has resulted in the Council carrying the residual balance on the HRA of (-£2,076,000) throughout 2006/2007. The Council has fully discharged its liability in respect of the HRA and the balance is part of the overall Councils resources.
55. Additionally, the Council undertook a debt rescheduling exercise. The HRA's share of the benefit of this exercise i.e. the net discounts received is (-£251,000). This amount can be apportioned over the life of the remaining MBC loans or transferred into the current year. It is proposed to transfer the remaining balance in 2006/2007.
56. Internal Audit in conjunction with the Children's, Families and Learning service have completed a review and reconciliation of the Education Schools Cheque Book balances. All Schools have now agreed and signed off their balances. This process has identified an overstatement on the cheque Book Schools balances of (-£382,000) in the Councils reserves. It is proposed that the balance of (-£382,000) be transferred to General Reserves.

Gershon Savings

57. The Council has embedded within its budget monitoring procedures reporting on Gershon savings. The Council has exceeded it's cashable savings by (£153,000) and it's non-cashable by (£304,000). The table below summaries the outturn position:-

	Cashable		Non-Cashable	
	Target	Outturn	Target	Outturn
	£000's	£000's	£000's	£000's
Children, Families and Learning	295	416	437	493
Social Care	319	391	653	626
Environment	255	203	210	200
Regeneration	102	100	125	224
Corporate Services	459	473	400	586
Total	1,430	1,583	1,825	2,129

Appendix A provides a detailed analysis across each service.

OPTION APPRAISAL / RISK ASSESSMENT

58. Not applicable to this report.

FINANCIAL, LEGAL AND WARD IMPLCATIONS

59. A net budget saving of (-£306,000) is forecast within general fund services for the year as summarised below:-

	£000s
Children, Families & Learning	-100
Social Care	0
Environment	-671
Regeneration	-119
Corporate Services	-724
Central Costs, Provisions and Reserves	+1308
Net Contribution to Balances: -	-306

60. 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
Prior Year Adjustment : School Cheque Book Balance	382		
Revised Opening Balance	5,975	1866	889
Add			
Forecast Net Services Savings	306		
HRA Discount	251		
RSG Income Backdated		2,459	
Less:			
Used in 2006/2007	793	393	445
Transfer to 2006/07 Initiatives Reserve		1,473	
Estimated Balances as at 31st March 2007	5,739	2,459	445

61. The Executive considered a report entitled "Reserves and Balances" on the 15th August 2006. It approved £2,659,000 expenditure on specific schemes. The transfer of £1,473,000 to the 2006/07 Initiatives reserve represents the unspent balance as at the 31st March 2007.

RECOMMENDATIONS

62. Executive are asked to

- a. Note and consider the contents of the 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 3rd Quarters Revenue Outturn report to Executive
- 2006/2007 3rd Quarter Service budget monitoring reports
- 2006/2007 Outturn Service budget monitoring reports
- 2006/2007 Reserves and Balances Report 15th August 2006

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