

**AGENDA ITEM**

**REPORT TO EXECUTIVE  
SCRUTINY COMMITTEE  
26 SEPTEMBER 2006**

**REPORT OF CORPORATE  
MANAGEMENT TEAM**

**FINANCIAL POSITION UPDATE**

**SUMMARY**

The report provides Members with information on the projected outturn position based on information to the end of June 2006 and the medium term financial position (MTFP).

**DETAIL**

**Projected Outturn**

1. The position for 2006/07 is structured around three “ring-fenced” financial areas:
  - a. General Fund
  - b. Housing Revenue Account
  - c. Capital

Summary projected outturn information for each service grouping is attached at **Appendix A**, including a detailed variance analysis.

**General Fund**

2. The projected position on the service element of the General Fund is given below where it can be seen that the Council will be carrying forward a Managed Surplus of £1.873m into 2007/08 compared to £1.182m Managed Surplus reported to Cabinet in July 2006.

3. The following table details the current MTFP position.

**MTFP (MS / MC) - JUNE 2006 OUTTURN**

Service Reserves (MS)/MC	Approved Position at 31/03/2007 (MS) / MC's £'000's	Projected Outturn Position at 31/03/2007 (MS) / MC's £'000's	Projected Outturn Position at 31/03/2008 (MS) / MC's £'000's	Projected Outturn Position at 31/03/2009 (MS) / MC's £'000's	Projected Outturn Position at 31/03/2010 (MS) / MC's £'000's
CESC	0	(587)	0	0	0
D & NS	(1,201)	(1,149)	(130)	0	0
RESOURCES	(86)	(117)	(64)	0	0
TES	223	133	92	68	0
LAW & DEMOCRACY	(45)	0	0	0	0
POLICY & COMMUNICATIONS	(73)	(153)	(45)	0	0
<b>TOTAL</b>	<b>(1,182)</b>	<b>(1,873)</b>	<b>(147)</b>	<b>68</b>	<b>0</b>

Note: The above table takes account of the utilisation of Managed Surpluses within Development and Neighbourhood Services, Resources and Policy and Communications as part of the budget process.

The above figures assume that efficiency savings amounting to £6.8 million, including £3.5 million within Development and Neighbourhood Services and £2.5 million within Children, Education and Social Care, will be made within service groupings over the medium term financial plan. These savings will be required to maintain a balanced budget to cover inflationary and service pressures within our services. This will be a difficult task and a considerable strain will be placed on our services to achieve these efficiencies.

4. Key movements since the last reported position are as follows:

Children, Education and Social Care

The Service Grouping is currently projecting a £587,000 Managed Surplus at the end of the year. The major variations identified in June are:

- Early Years and Sure Start (underspend of £336,000) due to vacancies and staff turnover;
- Agency Placements (underspend of £173,000). Changes in placements for existing and new pupils placed in independent special schools and greater than anticipated contributions from other services;
- Children's Complex Care Packages (overspend of £322,000). Increasing placement costs reflecting, in particular, the costs of one specialist placement.
- Children's Leaving Care Services (£157,000 underspend). Vacant posts and a lower than anticipated number of care leavers receiving payments due to changes in their eligibility under the Care Leavers Act and movements out of the borough.
- Adults Learning Disability Complex Care Packages (overspend of £342,000) due to an increasing demand for complex care packages. A small number of these packages are currently subject to discussions regarding health funding, which may reduce this overspend.
- Integrated Children's System (£145,000 underspend). The underspend will be carried forward into 2007/08 to fund the ongoing implementation of this IT development including software and consultancy.
- Youth Offending Service (£185,000 underspend). This includes £140,000 of the Managed Surplus that was brought forward from 2005/06. Further savings of £45,000 generated in year due to staff vacancies and the utilisation of LPSA monies to offset expenditure. These savings will be carried forward into 2007/08.

During 2007/08 the Managed Surplus (£587,000) will be utilised, subject to the appropriate approval, to fund the procurement and implementation of the Integrated Children's System (£145,000), the Youth Offending Service (£185,000) and phased funding of the Archive Service (£35,000). It is intended that the balance will be utilised to fund pressures arising from increased demand for Complex Care Packages.

Development & Neighbourhood Services

The managed surplus for Development and Neighbourhood Services is £1,149,000. The major variations expected during the year are as follows:

- Heating, Ventilation and Electrical – (£327,000) increase in income due to additional contract works within the Electrical Domestic and Project areas arising from successful tendering;
- Housing Homelessness Hostels – (overspend of £83,000) due to increasing demand within the service (£63,000) and a reduction in supporting people grant (£22,000);

- Planning – (£98,000 underspend) arising within the Development Control section of Planning due to vacant posts and higher than anticipated planning fee income.

The Managed Surplus will be utilised over the medium term to fund pressures within the service.

### Training and Employment Services

The MTFP position for 2006/07, as reported to Cabinet in July, remains uncertain and a report will be presented to Cabinet when the issues have been resolved and more information is available.

### **General Fund Balances**

- The Council's current policy is to hold 3% of General Fund expenditure as balances. In the report to Cabinet in July the forecast level of working balances was £8.1million. At June the position has improved to £8.9 million (3% requirement equates to £6.9m) and the major reason for the change is the improved position within our interest on balances arising on long and short-term investments. The overall position on balances can be summarised below:

	£m Final Position at 31 March 2007	% of General Fund
Corporate Working Capital	(8.942)	(3.9)
Net (MS)/MC	(1.873)	(0.8)
<b>Net Working Balances</b>	<b>(10.815)</b>	<b>(4.7)</b>

- It should be noted that £300,000 of the £8.9 million in working capital has been approved to be utilised as part of the Medium Term Financial Plan in 2007/08, which leaves available corporate working balances at £8.6 million (3.8%). A number of potentially significant pressures and opportunities, including Single Status and increasing energy costs, have been identified in earlier reports to Members. The Council is currently evaluating its options with regard to Building Schools for the Future (BSF), which may also require resources to fund certain up front costs.
- Officers will be shortly starting to review the MTFP, including a quantification of these pressures, as part of the 2007/08 budget setting process and the level of reserves will be reviewed as part of this process.

### **Housing Revenue Account**

- The projected position is in line with the report presented to Cabinet on July, which is a surplus of £1.0 million at the 31 March 2007.

## Capital

9. The 2006/07 budget, approved by Council on 1<sup>st</sup> March 2006, included the approval of £425,000 to support repairs and maintenance schemes, with the schemes to be undertaken to be subsequently agreed by Cabinet.
10. Officers are currently reviewing the outstanding repairs and maintenance on buildings and prioritising the work required in order to inform the allocation of funds. One scheme that has been identified is the need to replace a boiler, which serves Thornaby Pavilion, library and rent office. This has been identified as a high risk with urgent replacement required (see Project Brief attached at Appendix B). It has been recommended to Cabinet that this scheme be approved with an allocation of £155,000, with the balance retained and approved at a future Cabinet Meeting following further consideration of outstanding repairs.
11. The Capital budget for 2006/07 is outlined in the following table:

	Approved Budget £000's	Outturn £000's	Variance £000's
Children, Education and Social Care	12,698	12,698	0
Development & Neighbourhood Services	43,847	43,847	0
Resources	235	235	0
Total Programme	56,780	56,780	0

12. At the present time, no significant items of slippage or cost variations have been identified. A further report will be presented to the December meeting based on financial information to the end of September.

## Financial and Legal Implications

To update the MTFP and outline the projected outturn position as at 31 March 2007 on General Fund, Capital and the HRA and complies with the requirements of the Accounts and Audit Regulations 2006.

## Risk Assessment

This review of the MTFP and projected outturn report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

## **Community Strategy Implications**

The report supports the Community Strategy.

## **Consultation including Ward/Councillors**

Not applicable.

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Background papers: MTFP Files and Reports