

AGENDA ITEM

REPORT TO EXECUTIVE SCRUTINY

2 AUGUST 2011

REPORT OF CORPORATE MANAGEMENT TEAM

FINANCE OUTTURN REPORT 2010/11

SUMMARY

This report outlines the Council's financial position at the end of the 2010/11 financial year in respect of the Council's General Fund, Housing Revenue Account and Capital position.

RECOMMENDATIONS

1. That the updated Medium Term Financial Plan (MTFP) be noted.
2. In order to support the infrastructure work in pursuit of the Town Centre Prospectus and Masterplan, Members note the allocation of £2million of one-off resources (£1.3million capital and £700,000 from corporate balances), and the authorisation of the Corporate Director of Development & Neighbourhood Services in conjunction with the Cabinet Member for Regeneration, to allocate this to individual schemes.

DETAIL

FINANCIAL POSITION

General Fund

1. The following table details the current MTFP position of each service. Recent reports have identified the difficult financial position facing the Council and officers are more than ever considering carefully expenditure in all areas with particular focus on areas where funding is known to be reducing or services which are in the process of an EIT review.

Service Reserves (MS)/MC	Previously reported position at 31/3/2011 (MS)/MC's £'000's	Projected Outturn position at 31/3/2011 (MS)/MC's £'000's	Projected Outturn position at 31/3/2012 (MS)/MC's £'000's	Projected Outturn position at 31/3/2013 (MS)/MC's £'000's
CESC	(972)	(2,569)	(1,420)	0
D&NS	(1,109)	(1,765)	(192)	(88)
RESOURCES	(70)	(501)	(37)	(37)
LAW & DEMOCRACY	(99)	(220)	(121)	(21)
POLICY & COMMUNICATIONS	(509)	(508)	(136)	(109)
TOTAL	(2,759)	(5,563)	(1,906)	(255)

Children, Education and Social Care

2. The directorate started the year with a managed surplus position of £2,712k. Reports throughout the year identified a number of pressures within this area and the position at December was anticipated to be £972,000 (MS). Although pressures remain specifically relating to children services, there have been a number of changes and actions taken which have reduced these pressures and identified savings which mean that the managed surplus at outturn is £2,569k. The service has also been able to fund redundancy costs associated with EIT reviews concluding up to 31 May 2011. The main reasons for the movement in the final quarter are summarised below:-

- Investment in reablement and measures to support hospital discharge have secured in excess of £400k in reduced spend.
- Surplus balances of £150k on individual budgets which were unspent at the year end have been returned to the Council.
- A combination of additional income and reduced spending resulted in an underspend of £184k across the Community Transport service.
- Within Mental Health and Learning Disabilities, savings on the Development Fund, commissioned day care and additional funding contributions for placements under Section 117 of the Mental Health Act amounted to £175k.
- Members will be aware of a number of areas where the level of specific grants received by the Council in 2011/12 have reduced significantly. In planning for these reductions and for EIT reviews, officers have been managing these budget areas carefully, holding vacant posts and monitoring all expenditure, and this has resulted in savings of £800,000 in 2010/11. This will contribute to achieving the savings incorporated into the 2011/12 – 15 MTFP, and future years resource allocations have been reduced accordingly.

The CESC EIT reviews have progressed well, however, in the Year 1 FAC's review there is likely to be a delay in the delivery of the planned savings due to the extensive successful consultation process so the Managed Surplus will be utilised to fund the gap. There is also a delay in respect of delivering savings on Child Placements due to the time taken in developing in-house provision and also the recruitment of the marketing post. The impact of these planned savings and service pressures in this area will be factored into the review of the MTFP.

Looking ahead there are many uncertainties and potential risks facing the service. The Munroe report on the Review of Child protection reported in May but at this stage the financial implications are not yet known. Whilst measures are being taken to recruit more foster carers it will be sometime before the benefits are realised but in the meantime we have to manage the overspend from the existing level of placements. Increased volumes of work relating to safeguarding and looked after children together with increased statutory responsibilities, for example on the review team are causing financial pressures in the current year. Care home fees have been frozen for the last two years and are due for renegotiation from 1 October against a backdrop of relatively high levels of inflation. There are potential pressures due to changes being considered by Government such as the transfer of financial responsibility for young offenders on remand being transferred to LA's, transfer of public health functions and the pilot of payment by results in early years. There is also a review (Dilnot) into the funding system for care and support and the outcomes of this may also impact on the Council. The Managed

Surplus will support the Council in managing any transition and financial risks associated with the changes.

Development & Neighbourhood Services

3. Officers are continuing to monitor the financial position closely and the financial position has improved by £650,000. The main reasons for the change are:
 - The overall position within Care for Your Area has improved by £135,000 mainly to negotiation of a new contract for the sale of recyclables and savings within Highways and Grounds Maintenance.
 - Community Protection saw an improvement of £155,000 in the quarter. This was due to increases in external income within Security Services and Care Call client numbers. Some funding for new equipment was awarded late in the financial year so purchases will now fall in 2011/12
 - The income associated with Technical Officers charges within Technical services was £120,000 higher than previously anticipated.
 - Across the service, officers have been reviewing areas of expenditure, maximising income streams and holding posts with a view to the forthcoming EIT reviews. This has helped the budget position in this financial year and will contribute to the savings incorporated into the medium term financial plan.

Resources

4. Although the position in Resources has seen the managed surplus at year end increase by £430,000, the majority of this change is caused by delays in completing property maintenance schemes, and the £340,000 in question will be spent in this financial year.

Law and Democracy

5. The managed surplus has increased by £121,000 in the final quarter. This has arisen largely due to additional income of £100,000 being received, mainly in respect of work associated with the Housing Stock transfer.

General Fund Balances

6. Members will recall that at the time of setting the 2011/12 budget in February 2011, the general fund balances were anticipated to be £11.3m. This was £3.4m above the required level of 3% and members approved the utilisation of this surplus to balance the 2011/12 budget and contribute to a reserve to manage redundancy and transformation costs, leaving £7.9m. The position on balances has however improved since the last report and they stand at £10.1m, which means there is a further £2.2m available. The main reasons for the improvement are as follows:
 - The Council has been in discussions with Department for Communities and Local Government in relation to the payment of the Performance Reward Grant. At the time of the February report, there was a significant risk that this funding would not be received. Through successful lobbying, £1.8m has now been received, with £585,000 being capital and the remainder revenue funding.

- The Council has benefited from the sale of Landfill Allowances (£344,000) and also the costs of rent allowances in respect of Housing Benefits are lower than anticipated (£250,000).
- Following the Housing Stock transfer and a review of housing reserves, the Saffron computer development reserve will no longer be required and this has therefore improved the balances position by £360,000.

Despite the Council's planned approach to the current financial climate, there is still significant uncertainty in the future funding position, not least due to the ongoing review of Local Government Finance. There are also likely to be a range of future pressures and investment requirements of the Council, and it is therefore suggested that this resource be retained and considered as part of the planning for the 2012/13 budget. It needs to be remembered however, that this is a one off resource and can not be used to support ongoing revenue expenditure.

Housing Revenue Account

7. Following the successful transfer of the Council's Housing Stock to Tristar Homes/VELA Group the Council will close the Housing Revenue Account at the end of 2011/12. Previous reports have outlined that the balance on the Housing revenue Account would be used to mitigate the costs to the Council associated with the transfer and this will be the case. The Council took a prudent approach when estimating the levels of subsidy payable in the year of transfer, and now this exercise has been completed, it is anticipated that upon closure of this account, there will be a of £2m which will transfer to the Council's General Fund and be available to fund one off expenditure in 2012/13.

Capital

8. The Capital position for 2010/11 is outlined in the following table:

	Approved Budget £000's	Revised Budget £000's	Outturn £000's	Variance £000's
Children, Education and Social Care	11,251	10,900	9,747	(1,153)
Development & Neighbourhood Services	47,391	44,790	40,930	(3,860)
Resources	2,785	3,526	2,467	(1,059)
Total Programme	61,427	59,216	53,144	(6,072)

9. The majority of the variance above relates to schemes which have been reprofiled and where expenditure will be incurred in a different financial year. These are shown at **Appendix A**. There were some schemes however where there were changes to the level of expenditure and the scheme itself:

Hardwick Regeneration scheme has been re-assessed and the Council will not now acquire a church site which will result in a saving (£250,000).

Tees Valley Bus Networks (£229,000) – Additional funding has been secured to complete the works on Mandale triangle.

Splash £171,000 – A re-assessment of the cost of prudential borrowing has resulted in additional expenditure being undertaken on the kitchen and café area, and these costs are covered within the total approved borrowing.

White Water Course - £120,000. The latest estimate indicates that the final costs of the scheme will be at the level of the overall scheme funding allocation which is higher than the original budget allocation.

10. At the time of the budget report in February, the Council had £450,000 available capital resources. Since then, the Council has received the PSA reward grant (paragraph 6), of which £585,000 related to Capital, and have also benefited from Capital Receipts of £300,000. The current level of available Capital Resources, which are again one off, is £1.3m.

Overall Financial Position

11. Although there are a number of positive indications within this report, Members will be aware from the report in February that the Council still faces a potential funding gap of £6.3m by 2014/15. There are also a significant number of uncertainties currently facing the Council which could impact on the Council's position:

- Review of Local Government Finance
- Universal Benefits
- Localisation of Council Tax Benefit and funding reduction of 10%
- Changes in Health and in particular transfer of Public Health responsibilities to local Authority
- A range of service specific changes (e.g. Munro Review).
- Uncertainty surrounding Education Capital funding following the James review.

Work is ongoing to reassess the Council's MTFP to develop plans to address the estimated budget gap and this will be constantly reviewed and adapted to reflect decisions on the above areas.

12. Members will also be aware that the MTFP incorporates a range of savings associated with EIT reviews. The Council has either implemented or is in the process of implementing recommendations for Year 1 and 2 EIT reviews and is embarking on the Year 3 reviews. The position for Years 1 and 2 is extremely positive and all areas have or are on target to achieve savings with the exception of the FACS review and Child Placement review which have been previously mentioned.
13. The report outlines that one off resources of £1.3m (Capital) and £2.2m (surplus balances) are available. A report outlining the results of the consultation process in respect of Stockton Town Centre is elsewhere on this Agenda, and there will be a further report outlining the programme and funding plan. In advance of this report and in order to commence infrastructure work in pursuit of the Town Centre prospectus and Masterplan, it is recommended the Council earmarks £2m to this initiative from the one off resources, with any expenditure from this budget delegated to Corporate Director of Development and Neighbourhood Services in consultation with the Cabinet Member for Regeneration.

FINANCIAL IMPLICATIONS

14. To update the MTFP and outline the financial position at the end of the 2010/11 financial year.

LEGAL IMPLICATIONS

15. None

RISK ASSESSMENT

16. The outturn report is categorised as low to medium risk.

EQUALITIES IMPACT ASSESSMENT

17. The report was not subject to an EIA. The report does not seek approval for any policy change.

CORPORATE PARENTING

18. Not Applicable

CONSULTATION INCLUDING WARD/COUNCILLORS

19. Not applicable

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Reprofiled Capital Schemes

CESC

City Learning Centres – Due to the ending of the revenue grant, the future operation and management of the CLC's is under review. Planned capital expenditure of £260,000 was therefore not undertaken and the utilisation of this grant funding will be re-assessed in 2011/12 in line with the future operation of the centres.

Primary Capital Programme – The schemes at Bewley and Whinstone Primary, (£640,000) schools will be completed in 2011/12.

HOUSING

The level of acquisitions on Mandale, Parkfield, and Swainby Road housing regeneration schemes have been lower than anticipated in 2010/11 (£1.2m) and this will be progressed in 2011/12. The schemes are under constant review and acquisitions are subject to market forces. Members will be aware from the report elsewhere on the agenda of the funding bid to progress the Parkfield scheme and once approved, this will be incorporated into the Capital Programme.

DNS OTHER

Integrated Transport (£170,000) – Castle Eden Walkway Extension scheme has been delayed due to original contractor going into administration. Has now been re-tendered and work is on-going.

Tees Valley Bus Networks (£166,000) – Re-profiling of a number of schemes within the programme, will be completed early 2011/12.

Billingham Forum Refurbishment (£720,000) – A slight revision to timescales meant that some costs were incurred in 2011/12. The scheme has now been successfully completed and the facility is now open to the public.

Preston Hall – This scheme progressed in advance of original plans which meant that £168,000 additional expenditure was incurred in 2010/11. There are no costs however to the scheme overall.

Vehicle Fleet Replacement (£322,000) – Replacement vehicle requirements have been lower than anticipated. Funding will be carried forward and utilised in 2011/12

Park Schemes – Play equipment on a number of schemes was delivered earlier than expected with £168,000 spent in 2010/11.

REOURCES

Stockton Central Library Refurbishment (£720,000) – The scheme has been re-profiled with these costs now incurred in 2011/12. The scheme is on target for completion in September 2011.

Office Accommodation Review (£219,000) – Expenditure has been re-profiled whilst reviews of accommodation needs have taken place and expenditure will now be incurred in 2011/12.