

FINAL REVENUE AND CAPITAL OUTTURN 2007/08

PORTFOLIO RESPONSIBILITY: RESOURCES

CABINET

29 MAY 2008

Wards Affected

Countywide.

Purpose

The purpose of this report is for Cabinet to consider and approve:

- a. The final outturn position for 2007/08.
- b. Joint Management Team's proposals for carry forward of unspent budget into 2007/08.
- c. The creation of new reserves and provisions in the 2007/08 accounts.

Key Decision

This is not a Key decision.

Recommendations

That Cabinet approve:

- (a) the final outturn for 2007/08;
- (b) the Joint Management Team's recommendations for carry forward of unspent budget into 2008/09; and
- (c) the movements to new reserves outlined in the report.

Reasons

- 1 Whilst work continues on the range of tasks necessary to prepare the Council's statutory Statement of Accounts for 2007/08, it is sufficiently advanced for Cabinet to consider the final outturn for the revenue account.
- 2 On 20 June 2008 the full Statement of Accounts for 2007/08 will be presented to the Audit and Corporate Governance Committee for formal approval. This will ensure the Council meets the statutory deadline for the approval of the accounts.

Considerations

DIRECTORATE BUDGET OUTTURNS FOR 2007/08

3 An overall summary of the outturn position for directorate budgets is as follows:

	£000
Directorate outturns 2007/08	
Adult & Community Services – an over spend	22
Children & Young People’s Services	0
Corporate & Customer Services – an over spend	1,176
Environment – an over spend	60
Human Resources – an under spend	-15
Resources – an under spend	-585
Corporate budgets – an under spend	-118
Bellwin threshold related to Environment – an over spend	360
Net directorate over spend	900

4 The above table shows that the final outturn position for 2007/08 was an over spend of £900k on directorate budgets after adjustments for use of revenue contingencies. The explanation of significant variances is included in the summary covering each directorate.

5 It is important to distinguish between the financial performance of directorates and the final overall revenue outturn of the Council. The following table gives the overall position after allowing for transactions not under the control of directorates:

	£000
Net directorate outturn 2007/08 – an over spend	900
Additional income from Financing Transactions	-804
Additional dividend income from West Mercia Supplies	-44
Unbudgeted income from the Local Authority Business Growth Incentive scheme	-581
Former local authority debt	-31
Unused Invest to Save allocation	-31
Net revenue under spend	-591

6 The overall position is an under spend of £591k on the Council’s 2007/08 revenue account. This compares to a forecast outturn for the year in the final Integrated Performance Report (IPR) of an over spend of £578k.

7 The Council has now established a consistent approach to managing budgets where cash is treated as a corporate resource by all levels of the Council. Service managers have been encouraged and supported by staff in the Resources

Directorate to concentrate their energies on delivering improved services at or below the available budget in line with corporate priorities rather than on protecting resources for their own particular service area.

- 8 The outturn position provides some additional flexibility for matching cash resources to corporate priorities into the future. The above tables demonstrate that the under spend is overwhelmingly accounted for by corporate activity. This overall directorate over spend is largely accounted for by the cost of the Community Network upgrade. If this is set to one side it is clear the overall position is a balanced budget for directorates. This has been significantly assisted by the allocation of £3.5m to help service improvement in 2007/08 and the £1.3m central contingency for social care.
- 9 A summary of the key variations between outturn and budget for each directorate is provided in the following paragraphs.

ADULT & COMMUNITY SERVICES

Final outturn summary

	March 2008 Net over or (-) underspending £000	Outturn 2008 Net over or (-) underspending £000
Adult Services	+3,575	+3,092
Needs Analysis expenditure	0	+521
Strategic Housing	-1	+33
Community Services	+285	+324
Commissioning and Improvement	-177	-182
Less Invest to save funding	-500	-2,712
Less Social Care contingency	0	-1,054
Total	+3182	+22

Adult Services

- 10 The final outturn for the directorate is a £22k over spend after the application of the central revenue contingency and unused spend to save contingency. Details of the major variances with Adult Services are as follows:
- Learning Disabilities - £2.274 million over spend
 - Physical Disabilities - £0.576 million over spend
 - Mental Health - £1.120 million over spend
 - Older People - £0.595 million under spend
- 11 The position within Learning Disabilities improved at year end due to a number of

costs previously charged against revenue being transferred to the Learning Disability Fund held by the PCT. There have also been reductions in the overall level of packages with some assumed commitments not actually being incurred.

12. During 2007-08 a number of new schemes and initiatives intended to modernise Adult Social Care have been funded from the invest to save budget, with the spend featuring in the overall Integrated Performance Report (IPR) summary rather than being included in the directorate summary. In addition, £500k invest to save funding was allocated to fund specific short-term packages. For the purposes of this outturn report both the needs analysis expenditure and invest to save funding are now included in the final directorate outturn position.
13. In recognition of the demographic pressures in social care (both adults and children's) a centrally held contingency of £1.3m was set aside. The final outturn shows £1,054k allocated against Adult Social Care to offset the over spend position.
14. For 2008/09 the Adult Social Care Transformation Programme Board is overseeing a range of projects designed to change the way in which services are provided. This will see a move away from residential care towards more cost effective community based solutions. As well as reducing costs, income generation schemes including fairer charging are being implemented and a more stringent assessment process introduced. Further mitigation is from Supporting People funding where agreement in principle has been reached to identify cases where such funding would be appropriate. A review of all existing clients is being carried out in conjunction with the PCT.

Strategic Housing

15. The projected outturn for Strategic Housing is an over spend of £33k, this is due to the position within homelessness where there was an overall over spend of £140k which was mitigated by one-off savings in other areas due to vacancies and grants that drop out in 2008-09. Homelessness remains a major challenge for 2008-09 and work is on-going to develop a budget recovery plan.

Community Services

16. The final outturn on Community Services was an over spend of £324k. The main reason for this was the HALO Job evaluation payment issue which resulted in a net over spend of £227k. The other main area of over spend was the cost of maintaining public access PCs within libraries that has been previously reported.
17. The increase in over spend from the previous forecast is the result of higher than anticipated costs for tourism projects where expected levels of funding have not been achieved.
18. The outcome of the 'Article 10' audit by Government Office of the ARCH (Actively Regenerating Communities in Herefordshire) programme will not be known until 2008/09 and any grant clawback will be applied within the next financial year.

Commissioning & Improvement

19. This area under spent by £182k due to delayed recruitment following a restructuring and economies derived from carrying out a data cleansing exercise in-house rather than using external resources. Some ICT expenditure will be funded by grant funding which further improves the position.
20. Following changes to management arrangements this area will be reported as part as the overall Adult Social Care heading in IPR reports for 2008/09.

CHILDREN & YOUNG PEOPLE'S SERVICES

Final Outturn Summary

	March Net over or(-) Underspending £'000	Outturn 2008 Net over or(-) Underspending £'000
Central directorate budgets	-28	+134
Invest to Save expenditure	0	+390
Safeguarding and Assessment	+860	+536
Less Invest to Save Funding		-812
Social Contingency		-248
Total	+832	0

- 21 The overall outturn position achieved at the end of 2007/08 is a balanced budget after application of unused spend to save budget and an element of the £1.3m social care contingency.

Directorate Central Budget

- 22 The Dedicated Schools Grant (DSG) does not fund the remaining education services such as strategic management, SEN assessment, asset management and transport.
- 23 The Council is required to meet any redundancy costs arising from within schools and the outturn on these costs show that the Council has incurred an over spend of £466k. This budget was overspent by £285k last year. It is anticipated that this budget will continue to spend at this level in future years.
- 24 School transport route reviews continue to deliver welcome savings and this year savings of £575k have been achieved. One off savings of £229k are largely due to the windfall arising from the transfer from Standards Fund academic year funding to financial year funding in the LAA.

Children's Social Care/ Safeguarding and Assessment Services

- 25 Following the application of an element of the social care contingency and the balance of the spend to save funding, the final outturn is one of a balanced budget.
- 26 Within the overall position financial pressure continued against agency budgets. The number of agency placements shows a rise from 24 in April 2006 to 29 at the end of 2007/08 (including 1 in secure accommodation). Similarly fostering and respite placements have risen from 112 in April 2007 rising to 126 in November before falling to 112 in March 2008. The Council has a statutory responsibility to meet the needs of individual children if such placements are necessary. These placements can be expensive and typically each one costs in excess of £150k. This is a key pressure for 2008/09 financial year and unless placements can be reduced there will be a continuing cost pressure.

Dedicated Schools Grant

- 27 The Dedicated Schools Grant (DSG) has under spent in total by £1.2m and this has been carried forward as required by the grant regulations and its allocation will be determined by the Schools Forum.

Analysis of main variances:

Under spends:	£'000
Extra funding 2007/08 (due to more pupils)	(416)
Carried forward from 2006/07	(223)
Fees to independent schools/Out of County placements	(435)
Others contingencies	(360)

Over spends:	
Banded Funding	134
Nursery Education Funding	239

- 28 The final outturn figure for Nursery Education Funding to Private, Voluntary and Independent providers is an over spend of £239k arising from an additional week's payment in this financial year and a temporary rise in numbers.
- 29 Special Needs Banded Funding final outturn over spend was £134k due to higher numbers of allocations at funding panel. This is offset by savings on fees to Independent Schools for SEN placements due to leavers and delayed new placements.
- 30 Legislation means that Dedicated Schools Grant is ring-fenced and must be spent on schools and specific services to schools. The Budget Working Party of the Schools Forum has agreed that £700,000 will be distributed to schools at £32 per pupil immediately and £499,000 held in reserve in case the final DSG notification for 2008/09, (expected in mid-June) is less than the provisional grant allocation. The Schools Forum will consider these proposals on the 2nd June 2008.

CORPORATE & CUSTOMER SERVICES

Final Outturn Summary

	March 2008 Net over or (-) under spend £000	Outturn 2008 Net over or (-) under spend £000
Herefordshire Partnership	20	20
Communications	20	20
Director and Administration	0	-40
Emergency Planning	5	10
Legal and Democratic Services	100	160
Info by Phone	-100	70
Policy & Performance	-30	-45
Information Services	5	5
Corporate ICT Projects	-325	-325
ICT Trading Account	0	0
Corporate Programmes	205	200
Community Network Costs	1,100	1,100
TOTAL	1,000	1,175

- 31 At the start of 2007/08 the budget review of ICT removed several vacant posts from the establishment, reduced contractors from 27 to five, and put all vacancies on hold. In order to make the cost of ICT more transparent internal charging between ICT projects and the trading account has been stopped. Spending and income is now matched with the correct budget ensuring that in 2007/08 the trading account will balance.
- 32 The early part of 2007/08 also saw a review of Corporate Programmes. This had included seven consultants but this has been reduced during the year to two.
- 33 The Info by Phone outturn includes capital costs relating to the Hereford Centre. Work is continuing with directorates to identify those services which will become part of the Customer Services function during the next year. Until the end of 2008/09 there is £500k of additional funding for Customer Services and securing base budget provision from the transferred services beyond 2008/09 is a priority for the directorate. To date budget projections indicate that 50% is secure in 2008/09.
- 34 In Legal and Democratic Services the 2007/08 over spend arose in part because of the purchase of new computers and training for all members after the election.

These will balance out over the next three years. Operating costs in Members' Services continue to rise in support of increasing numbers of meetings. It is also evident that some assumptions about income will not be realised.

- 35 Investigations into the planned funding for the community network upgrade have established that the annual revenue cost is £1.6m, reduced to £1.1m after contributions from school funding. However, work is in progress to challenge elements of the Siemens contract in order to reduce the cost. The overall position is offset by reduction of £185k to directorates for line rental and call charges, and a further £160k for Schools.

ENVIRONMENT

Final Outturn Summary

	March 2008 Net over or (-) under spend £000	Outturn 2008 Net over or (-) under spend £000
Environmental Health and Trading Standards	-800	-917
Planning	306	417
Highways and Transportation	330	920
Directorate Management & Support	0	0
Less Bellwin threshold allocation		-360
TOTAL	-164	60

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Environmental Health and Trading Standards

- 36 The final position on the Waste Disposal budget is an under spend of £693k. In previous years there has been significant under spend and until the new contract variations are agreed this position will continue. However, the cost of the new contract will be considerably higher than at present. In previous years the under spend on the contract has been transferred to reserves to meet future waste management pressures. However for 2007/08 the under spend will be used to mitigate over spends within Highways and Transportation and Planning.
- 37 Several areas within Environmental Health have generated under spends totalling some £96k. A significant element of this fell to Commercial Services where there was an under spend of £63k due to additional income received in the current year in relation to the Cadbury's compensation.
- 38 There is also an under spend of £49k in relation to licensing, due to income exceeding budgets. This increase in income was intended to fund additional staff but the directorate has not been able to recruit.
- 39 There is an under spend of £45k on Trading Standards, this relates to the receipt of unbudgeted grant from the Food Standards Agency.
- 40 Cemeteries, crematorium, traveller sites and trade waste also under spent. However there were over spends on recycling, domestic waste collection and management

costs.

Planning

- 41 Fee income for both the Building Control and Development Control areas fell short of the budgeted income targets (£36k and £37k respectively). The position in building control was offset by staff savings and operational cost savings giving an overall under spend of £22k. Within Development Control there were also significant over spends on IT scanning and legal costs, resulting in an overall net over spend of £216k.
- 42 The over spend in relation to IT SLA charges in Planning was £75k. In the previous year, on a one-off basis, this pressure was met by Planning Delivery Grant however there is no capacity to do this in the current year.
- 43 There is also an additional over spend of £43k in relation to a revenue contribution to capital for the purchase of land at Belmont.

Highways & Transportation

- 44 Concessionary travel overspent by £33k. This is due to inflationary increases during the year on fares of 10% and an increase in use of 5%.
- 45 Winter Maintenance overspent by £175k. This reflects the costs for an average winter.
- 46 Car Parking fell short of the income target by £95k and also overspent on expenditure budgets by £63k.
- 47 Street lighting overspent by £177k mainly as a result of £160k payment to Amey Wye Valley Ltd relating to contract uplift adjustments on all work carried out by them since September 2003.
- 48 There were various over spends on road maintenance totaling £77k.
- 49 The expenditure incurred on flood damage within the Bellwin threshold level has been funded through central budgets and is shown as an overall adjustment to the directorate position.

HUMAN RESOURCES DIRECTORATE

Final Outturn Summary

	March 2008 Net over or (-) underspending £000	Outturn 2008 Net over or (-) underspending £000
Human Resources	-30	-15

- 50 The under spend is due to less costs incurred for corporate training.

RESOURCES DIRECTORATE

Final Outturn Summary

	March 2008 Net over or (-) underspending £000	Outturn 2008 Net over or (-) underspending £000
Asset Management & Property Services	99	41
Audit, Benefit and Exchequer and Financial Services	-25	-626
Total	74	-585

Asset Management & Property Services

- 51 Additional expenses for office accommodation created the over spend.

Audit Services, Benefit and Exchequer Services and Financial Services

- 52 At the end of the year benefit subsidy income was higher than budgeted which created a £581k under spend against a total Benefit budget of almost £40m. This resulted from an improved income from housing benefits and a lower spend on rent allowances. The increased performance for the Benefits area has produced increased subsidy. In addition some anticipated costs have not materialised. It should be noted that the subsidy position cannot be accurately calculated until after the accounts have been closed.

CORPORATE BUDGETS

Final Outturn Summary

	March 2008 Net over or (-) underspending £000	Outturn 2008 Net over or (-) underspending £000
Corporate Budget	17	-118

- 53 Savings on corporate subscriptions, insurance, audit commission fees and Environment Agency levies have created a surplus.
- 54 The remaining corporate capacity budget and agency staff efficiency savings will be allocated in the 2008/09 base budget to directorates.

DIRECTORATE BUDGET CARRY FORWARD PROPOSALS

- 55 The following table summarises JMT's proposals for use of the under spend on the general fund:

	£000
Total under spend available	591
Less:	
Reserve for interim accommodation strategy	<u>(591)</u>
Total under spend for carry forward after proposal	<u>0</u>

- 56 It is proposed that the under spend is used to fund a reserve for the corporate priority to improve office accommodation jointly with the PCT.

GENERAL RESERVES

- 57 Having considered the outturn position for 2007/08 it is now possible to update Cabinet on the level of general reserves as at 31st March 2008.
- 58 The overall level of general reserve had reduced by £1.295m to £6.728m. The reduction was part of the overall Council budget and includes the use of Local Authority Business Growth Incentive funding (£1.0m), the Hereford City grounds maintenance contribution (£138k) and using the 2006/07 carry forward (£157k) agreed as part of the budget.

SPECIFIC RESERVES

- 59 The Director of Resources requests that Cabinet approve the following new reserves in the accounts:

Title	£000	Reason
Accommodation Reserve	591	A specific reserve to help support future changes arising from the accommodation strategy.
Safeguard Children Board Reserve	48	The statutory Safeguarding Children Board includes contribution from several partners. The carry forward supports the overall financial model that sees all partners commit to ringfencing under spends on their contribution.
LPSA2 Reward Grant	1,148	There is a high degree of certainty that the Council will receive £1.148m of revenue reward grant for its LPSA2 performance. It is appropriate to put this in a reserve pending discussions about its use.
Edgar Street Grid	41	To be set up to support project management requirements for ESG.
Whitecross PFI	108	To help address any potential variances in the annual unitary charge associated with the contract.

2007/08 CAPITAL PROGRAMME OUTTURN

OVERALL POSITION

- 60 The capital programme outturn for 2007/08 totals £54.2m, which represents an overall increase of £1.014m from the previous capital programme forecast outturn for 2007/08 as at 14 April 2008. The change represents a decrease in children's services outturn on the Riverside amalgamation and Sutton Primary replacement school capital schemes. In addition slippage in adult and community services in relation to the Friar Street museum and resource centre and the disabled facilities grant outturn position has been offset by the inclusion of devolved school capital expenditure of £4.314m. The original capital programme forecast for 2007/08 totalled £65.462m, this excluded devolved formula capital spend and included expected expenditure on Herefordshire Connects. The impact of the outturn on futures years' capital programme forecasts will be reported in the next report to Cabinet.
- 61 A summary of the overall capital outturn position for 2007/08 is provided in table D1. Detailed capital programmes for directorates are reported to the relevant scrutiny committees. A summary of the overall capital programme changes is provided in this report.
- 62 Details of total capital scheme costs, funding thereof, outturn position and any potential issues for capital schemes with an outturn for 2007/08 exceeding £500k are provided in table D2.

Prudential Borrowing Outturn

- 63 A summary of the Prudential Borrowing position is set out below.

		£'000
2007/08 Original Prudential Borrowing Allocation		£16,988
Add: Slippage from 2006/07		£16,288
Less: Slippage into future years	(£24,735)	
No longer required	(£1,056)	
Funded by available SCE(R)	(£125)	(£25,916)
Use of Prudential Borrowing in 2007/08		<u>£7,360</u>

Capital Receipts Reserves Outturn

- 64 The capital receipts reserve totalled £17.945m as at 31 March 2008. Commitments over the next three years funding the original capital programme forecast total £12.196m which includes funding strategic housing, Rotherwas Futures and the provision of a cattle market.

FUNDING OF 2007/08 CAPITAL OUTTURN

Capital Programme Area	2007/08 Outturn	SCE(R)	Prudential Borrowing	Grant	Revenue Contribution	Capital Receipts Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Children & Young People's Services	9,168	2,163	2,275	3,221	131	1,378
Devolved Formula Capital Spend	4,314	-	-	4,314	-	-
Resources	2,692	-	318	2,046	-	328
Corporate and Customer Services	523	-	320	10	193	-
Social Care Solution	292	-	292	-	-	-
Herefordshire Connects	68	-	-	-	68	-
Environment Services	27,599	7,582	3,287	16,096	52	581
Adult and Community Services	9,544	218	867	3,586	88	4,785
Total Outturn	54,200	9,963	7,360	29,273	532	7,072
<i>March Forecast</i>	<i>53,186</i>	<i>9,963</i>	<i>8,895</i>	<i>26,571</i>	<i>306</i>	<i>7,451</i>
<i>Change from March</i>	<i>1,014</i>	<i>-</i>	<i>(1,535)</i>	<i>2,702</i>	<i>226</i>	<i>(379)</i>

<u>Reported to date</u>						
<i>Original Budget</i>	<i>65,462</i>	<i>9,963</i>	<i>28,256</i>	<i>18,358</i>	<i>170</i>	<i>8,715</i>
<i>July 2007 Forecast</i>	<i>62,433</i>	<i>9,963</i>	<i>15,926</i>	<i>25,781</i>	<i>54</i>	<i>10,709</i>
<i>Sept 2007 Forecast</i>	<i>61,602</i>	<i>9,963</i>	<i>16,503</i>	<i>25,291</i>	<i>54</i>	<i>9,791</i>
<i>Nov 2007 Forecast</i>	<i>53,168</i>	<i>9,963</i>	<i>9,296</i>	<i>26,645</i>	<i>161</i>	<i>7,103</i>
<i>Jan 2008 Forecast</i>	<i>53,418</i>	<i>9,963</i>	<i>9,277</i>	<i>26,880</i>	<i>161</i>	<i>7,137</i>
<i>Feb 2008 Forecast</i>	<i>52,821</i>	<i>9,963</i>	<i>8,675</i>	<i>26,571</i>	<i>161</i>	<i>7,451</i>
<i>Mar 2008 Forecast</i>	<i>53,186</i>	<i>9,963</i>	<i>8,895</i>	<i>26,571</i>	<i>306</i>	<i>7,451</i>
<i>Outturn</i>	<i>53,186</i>	<i>9,963</i>	<i>8,895</i>	<i>26,571</i>	<i>306</i>	<i>7,451</i>

Schemes with an outturn exceeding £500k in 2007-08

Scheme Detail By Directorate	Whole Scheme Cost £'000	Funded by	Original forecast £'000	2007-08 outturn £'000	Comments
Children & Young People's Services					
Sutton Primary Replacement School	2,515	Grant, Parish Council & receipts	936	1,702	Scheme expected to complete in May, any under spend will be carried forward
Riverside Amalgamation	8,294	Grant & capital receipts	4,620	3,696	Scheme expected to complete in September, any under spend will be carried forward
Condition property works	n/a	SCE®	900	899	Annual programme of works at various sites committed on a highest need first basis
Resources					
Property Purchase	1,422	Grant	-	1,422	Purchase under Edgar St Grid development
Environment Services					
Rotherwas Access Road	12,780	Grant, LTP, receipts & borrowing	500	7,686	Planned completion in May, compensation events under negotiation
Crematorium	3,150	Prudential borrowing	2,000	1,125	Work currently 1 week behind, completion (excluding retention) expected in March
Road Maintenance	n/a	LTP allocation	5,417	6,096	Annual programme of works completed
Hereford Flood Defences	2,172	Private developer	-	2,172	Capital scheme complete
Footways	n/a	LTP allocation	1,065	884	Annual programme of works completed
Ross on Wye Flood Alleviation	7,047	Grant	5,000	5,237	Scheme in progress, completion (excluding retention) expected in September
Assessment Strength of Bridges	n/a	LTP allocation	700	753	Annual programme of works completed

Scheme Detail By Directorate	Whole Scheme Cost £'000	Funded by	Original forecast £'000	2007-08 outturn £'000	Comments
Adult & Community Services					
Cattle Market	8,000	Capital receipts	1,650	1,868	Land purchase completed, update report expected in June
Affordable Housing Grants	n/a	Capital receipts	3,500	2,276	Annual allocation of grants
Private Sector Housing	n/a	Grant	1,000	786	A tightening of the eligibility criteria has resulted in the slowing of grant approvals
Friar St Museum and Resource Centre	2,040	Grant, borrowing & capital receipts	1,323	1,021	Final contractor payment outstanding, further works and moves to be completed
Disabled Facilities Grant	n/a	60% grant & 40% capital receipts	525	689	Continued increasing demand on this budget
Aylestone Hill Park	627	Prudential borrowing & private developer	96	533	Phase complete, future phases will commence upon receipt of developer funding
Total			29,232	38,845	
Schemes with an outturn in 2007/08 of less than £500,000			36,230	15,355	
Total			65,462	54,200	

Risk Management

65 The Council is required to publish end of year BVPI outturns by 30 June and to ensure the closure of accounts within statutory deadlines. Failure to do so carries a reputation risk for the Council in relation to its corporate governance role.

Consultees

66 The relevant internal officers have been consulted. No external consultation was considered necessary.

Background Papers

None identified.