

# FINAL REVENUE OUTTURN 2003/04

## PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

1ST JULY 2004

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### Wards Affected

County-wide

### Purpose

To consider the final outturn position for 2003/2004.

### Key Decision

This is not a Key Decision.

### Recommendation

**That the report be noted.**

### Reasons

The final outturn for 2003/04 has a bearing on the Council's finances in 2004/05.

### Considerations

1. Whilst work continues on the range of tasks necessary to prepare the Council's statutory Statement of Accounts, matters have been sufficiently progressed to enable the final outturn picture to be presented. Annex 1 attached to the report summarises the position.
2. The Statement of Accounts, which will be available by mid July, must be approved by members before 31st August 2004. This year's closedown reflects a further improvement in the timely closure of the Council's accounts and good progress towards the deadline of 30th June for closing the 2005/06 accounts. In accordance with the requirements of the Statement of Auditing Standard SAS610, a report, together with the Statement of Accounts, will be presented to the Statutory Accounts Committee on 2nd August 2004. The report will be accompanied by supplementary reports on early retirements, redundancies and bank accounts changes during 2003/04. The external audit of the accounts is expected to begin in early September.
3. Annex 1 differentiates between those over or underspends to be carried forward under financial regulations and items where a transfer to or from reserves is proposed. Net position shows a net variation in the amount transferred to and from reserves of £5,388,000 which may be summarised in the following table:

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Further information on the subject of this report is available from  
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	£000	£000
<b>Net Programme Area underspendings carried forward</b>		-3,543
<b>Programme Area transfer from Reserves</b>		11
<b>Reserves</b>		
Movement on earmarked reserves	<u>367</u>	367
<b>Financing transactions</b>		
Additional interest	-580	
Other financing transactions	<u>-427</u>	-1,007
<b>Other</b>		
Capital financing adjustments	-1,604	
Other transactions	<u>388</u>	
		<u>-1,216</u>
		<b><u>-5,388</u></b>

4. With regard to carry forwards, the following table shows the position by Programme Area (with overspends shown in brackets):

	£000	£000
Economic Development		<b>365</b>
Education		<b>1,415</b>
Environment		<b>371</b>
Social Care		<b>(245)</b>
Social Development:		
General		<b>157</b>
Leisure contracts		<b>(146)</b>
Strategic Housing		<b>60</b>
Policy and Finance		
Chief Executive		<b>37</b>
Support Services		<b>421</b>
Central Services		<b>234</b>
Director of Policy and Community		<b>942</b>
Property		<b>(433)</b>
Other (including Corporate Development Fund)		<b><u>365</u></b>
Net underspending carried forward		<b><u>3,543</u></b>

5. The carry forward is an underspending of £3,543,000 or just over 2% of the Council's net budget for the year. Whilst on the face of it the net carry forward looks healthy, there are significant commitments against this sum. For example, the firm commitments against the Education carry forward total are approximately £1,000,000. For items shown in the "to balances" column, on Annex 1 attached, carry forward arrangements are inappropriate by virtue of the nature of the item, (e.g. precepts and levies), or where previous approval has been given for the expenditure

to be met from reserves (e.g. Land Charges, Job Evaluation). This amount includes £300,000 earmarked to meet the potential additional costs following renegotiation of the Waste PFI contract.

6. The sum being transferred from reserves in respect of Programme Area expenditure is £11,000 including the additional cost of job evaluation work, land charges, asset management, grounds maintenance and precepts and levies. These calls on reserves are more than offset by a transfer to reserves of £480,000 which is the underspending on waste disposal and recycling.
7. There is a net transfer to reserves of £1,856,000 in respect of non-programme areas expenditure and income including interest receivable. Included in this figure is £1,604,000 of notional revenue underspendings generated by the decision to use capital reserves instead of revenue contribution to capital thereby ensuring that no conditional resources are lost to the authority. This is a technical accounting adjustment, switching funds to ensure that, within the Council's overall reserves, sufficient revenue sums are available to meet known commitments. It does not represent an increase in the Council's overall reserves. The net transfer also reflects an underspending of £803,000 on IT, together with the earmarking of an equivalent sum for IT costs and developments in 2004/05. Included in the balance remaining is additional interest received during this year (£580,000), primarily as a consequence of delayed capital spending and debt rescheduling.

### **Economic Development**

8. An underspending of £365,000 is reported owing to the carry forward from 2002/03, savings resulting from vacancies and secondments and contributions towards the cost of projects budgeted for in 2003/04 but not required until 2004/05.

### **Education**

9. The gross projected carry forward for Education other than schools is an underspending of £1,415,000. The majority of the underspend, however, is committed to the Standards Fund (£425,000), which is accounted for on a school year basis, the Schools' sickness insurance scheme (£166,000) which is 'owned' by schools, and continuing ring-fenced grants for the Whitecross PFI scheme (£164,000). A number of other small commitments (£257,000) rolled forward mean that the net outcome is a small surplus of £403,000, which is very much in line with the budget monitoring reports.
10. The schools delegated budget carry forwards, including Standards Fund, have increased from £3,956,079 to £5,703,679 after the addition of interest during the year. The end of year balance can be split between Primary Schools (£3,653,448), Secondary (£1,596,914), Special (£287,602) and Pupil referral Units (£165,715). These balances represent just over 9.5% of the schools 2003/04 budget. Schools have a statutory right to carry these balances forward.
11. Schools have, in addition, balances in respect of Devolved Capital grants of £1,141,046 which is an increase of £393,000 during the year.

### **Environment**

12. The anticipated out-turn for the Environment Programme area overall shows an underspending of £851,000. However, as the underspending on the Waste PFI contract of £480,000 is transferred to balances, the carry-forward into 2004/05 is reduced to £371,000. The Waste PFI underspending was partly because volumes were lower than expected (£180,000) and because £300,000 provided for the costs of the contract following re-negotiation was not needed.

13. Environment General, including highways, shows a net overspending of £97,000 after excluding the underspending on the Waste PFI. The main variations are the increased income from new roads and street work fees (£78,000), and the increased cost of public rights of way (£21,000), street lighting (£23,000) and public conveniences (£61,000). The road maintenance budgets were approximately £67,000 overspent.
14. Further underspendings have occurred in crematorium (£62,000) and cemeteries (£62,000), due largely to increased income, and street cleansing (£23,000)
15. Environment Regularity shows an underspending of £31,000. Underspendings on most services were offset by spending on street trading.
16. Planning Services underspent by £437,000 largely owing to additional fee income (£206,000) and Building Control staff savings (£82,000). In addition, a proportion of the Planning Development Grant for 2003/04 will be carried forward into 2004/05 (£165,000).

### **Social Care and Strategic Housing**

17. The final Social Care outturn is expected to be an overspend of £245,000 (including £582,000 carried forward). This is 0.7% of the budget and will be carried forward to the financial year 2004/05.
18. The objective to keep expenditure within the social care budget has been a considerable challenge. It should be acknowledged how difficult this has been for all staff and for users and the public waiting for services. This pressure on older peoples services in particular will impact on the 2004/05 financial year.
19. The key risk area of children's agency placements has been identified as an issue in previous reports. This budget has naturally been particularly difficult to predict. Children's Services managers are already planning for some **more** flexibility within our own fostering service placements to meet children's needs rather than more expensive options.
20. The projected end of year Strategic Housing underspend to be carried forward to 2004/05 is £60,000 (after incorporating the 2002/03 underspend). It is not expected that there will be an underspend in future years. The reason for the underspend in this year is the time taken to review services and recruit to posts within the new Strategic Housing function and also reflects the cautious approach taken in committing to expenditure in the first year following transfer.

### **Social Development**

21. In total, Social Development was overspent by £89,000 although this becomes a carry-forward of an £11,000 underspending when the charge to reserves in respect of grounds maintenance is taken into account. The main variations were underspendings on the Youth Service (£159,000), Leisure Client (£65,000) and Heritage Services (£64,000). These were planned carry forwards in order to achieve service objectives in 2004/05. The only significant overspending was on Parks and Countryside (£155,000) which was previously identified both as an expected overspending and a budget pressure for 2004/05.

### **Policy and Finance**

22. The outturn for Policy and Finance General shows an underspending of £1,692,000. Underspendings include Policy and Community Services (£942,000) including almost £500,000 in the modernisation budget and £40,000 in Policy and Communication

committed to projects in 2004/05, the Development Fund (£163,000), Members' Services (£11,000), Support Services (£421,000), Civic and Corporate costs (£38,000) and Central Services to the public (£119,000). These underspendings are offset by an overspending on Precepts and Levies of £39,000 owing to the Combined Fire Authority issuing a supplementary levy during 2003/04.

23. Against these underspendings there are significant commitments in 2004/05 and future years including upgrading the Council's debtors system, together with the replacement housing benefit and council tax system. Government funding for the later project is available but it does not meet the full cost.
24. A provision for £80,000 has been set up to meet the legal costs associated with an uninsured legal claim. No provision is being made in the accounts for any damages associated with this case, which are being treated as a contingent liability.
25. In total, Property Services overspent by £517,000 largely as a result of a virtually identical carry-forward from 2002/03 although the overspending carried forward does fall to £433,000 because of allocations from reserves. The recovery plan involving additional car park income is only making a modest contribution towards improving the position at present.
26. Markets and Fairs overspent by £382,000 but this includes a deficit of £379,000 brought forward from 2002/03. The deficit has largely been contained but not reduced during the year.
27. Property Management and Administration underspent by approximately £236,000 owing to increased recharges to capital and additional income.
28. The Property Maintenance Pool allocation was spent in full during the year, although very strict management has been necessary to keep spending within budget. There remains a significant backlog in Property Maintenance.
29. There is a deficit of £493,000 on Industrial Estates owing to a continuing shortfall in rent income. Against this deficit can be offset by additional income received from retail properties, including those transferred from the Housing Revenue Account (£247,000).

#### **Housing Revenue Account**

30. Following the Housing Stock Transfer in 2002/03, the ODPM gave the Council permission to formally close the Housing Revenue Accounts during 2003/2004. The Account was, therefore, closed on 31st March 2004.
31. When the account was closed it showed a deficit of £475,000, including £318,000 brought forward from 2002/03, which has been funded initially from general reserves. This deficit will be repaid to general reserves from future Housing Right to Buy receipts. Right to Buy receipts for this sum have already been earmarked.

## **Insurance provision**

32. The Council maintains an insurance provision to meet the costs associated with the insurance claims (e.g. policy excesses) which can be submitted some years after the event. An independent review of the amount provided for the period 1st April 1998 onwards suggests the provision for this period is not quite sufficient. The accounts, therefore, reflect an additional contribution of £125,000 to address this shortfall.

## **Conclusion**

The underspending carried forward into 2004/05 is at £3,500,000, significantly better than the figure previously reported, partly because anticipated spending has been delayed and secondly because an over cautious approach has been taken in our forecasting the end of year position which involved highlighting potential overspendings while assuming carry forwards would be spent in year.

## **Alternative Options**

There are no alternative options.

## **Risk Management**

Not applicable.

## **Consultees**

None identified.

## **Background Papers**

None identified.