

## FINAL REVENUE OUTTURN 2004/05

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### Purpose

1. To consider the final outturn position for 2004/05.

### Introduction

2. 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.
3. The 2004/05 Statement of Accounts must be approved by members before 31st July 2005. This year's statement is expected to be available by 30th June 2005, which means we are on course to meet the statutory deadline of 30th June for 2005/06 and future years. 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 11th July 2005. The report will be accompanied by supplementary reports on early retirements, redundancies and bank accounts changes during 2004/05. The external audit of the accounts is expected to begin in early July.

### Considerations

4. 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. The net position shows a net variation in the amount transferred to and from reserves of £6,472,000 which may be summarised in the following table:

	<b>£000</b>	
<b>Net Programme Area underspendings carried forward</b>	3740	
<b>Programme Area transfer to Reserves</b>	728	
<b>Financing transactions</b>		
Additional interest		
Treasury Management including interest received	1,837	
Transfer to and from earmarked reserves	(115)	
Other Charges	<u>282</u>	<u>6,472</u>

5. In addition, funding resources have been switched between revenue and capital to ensure the optimum use of conditional funds, which would otherwise be lost, and to provide flexibility for the future. Whilst the sum will feature in the Council's reserves as at 31st March 2005, the amount will be utilised to finance the approved Capital Programme in 2005/06
6. With regard to carry forwards, the following table shows the position by Programme Area (with overspends shown in brackets):

	<b>£000</b>	<b>£000</b>
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Economic Development	479	
Childrens Services	1,998	
Environment	491	
Social Care	(714)	
Social Development:		
General	224	
Leisure contracts	(134)	
Strategic Housing	(27)	
Policy and Finance		
Chief Executive inc Development Fund	96	
Support Services	196	
Central Services for the public	191	
Director of Policy and Community	1467	
Property	(594)	
Other including Corporate	<u>67</u>	
Net underspending carried forward		<u>3740</u>

7. The above figures take into account the funding from reserves in accordance with the Council's Financial Regulations of the overspending in excess of 2% on Social Care (Adult and Children's Services) of £770,000 and Strategic Housing (£208,000). The total overspending on these services was in fact £1,484,000 Social Care (Adult and Children's Services) and £235,000 (Strategic Housing).
8. The carry forward is an underspending of £3,740,000 or just over 2% of the Council's net budget for the year. Whilst on the face of it the net carry forward is substantial, there are significant commitments against this sum. For example, the firm commitments against the Education carry forward total of £1,998,000 are approximately £1,445,000 and the other carryforwards are also similarly heavily committed. A full analysis of commitments against the carry forward is being prepared.
9. For items shown in the "to balances" column, on Appendix 1 attached carry forward arrangements are inappropriate by virtue of the nature of the items (e.g. precepts and levies) or where previous approval has been given for expenditure to be met from reserves (e.g. Land Charges, Job Evaluation). The main transfers to reserves are the underspending on the Waste PFI contract (£906,000), the amount included in the 2004/05 base budget for Job Evaluation (£400,000), Magistrates Courts PFI credit (£298,000) and a underspending on precepts and levies (£111,000) together with the Housing Benefits net surplus of £96,000. The main charges to reserves were the £770,000 in respect of Social Care (Adult and Children's Services) and Strategic Housing (£208,000). The net transfer to General Reserves was therefore £728,000.
10. There is a net transfer to reserves of £3,352,000 in respect of non-programme areas expenditure, income including interest receivable and the funding resource transfer referred to in paragraph 5 above.

## **Economic Development**

11. The underspending of £479,000 reflects the significant level of vacancies during the year as well as the fact that significant committed amounts (£308,000) are being carried forward to be spent in 2005/06.

## **Children's Services**

12. The gross projected carry forward for Education other than schools is an underspending of £1,998,000. The majority of the underspend, however, is committed to the Standards Fund (£636,000), which is accounted for on a school year basis, a job evaluation supplement for schools (£484,000) to fund costs in excess of budget in 2005/06, Pupil Referral Unit balances (£235,000) which are similar to school balances and the Schools' sickness scheme (£92,000) which is 'owned' by schools. The net outcome is a much smaller one off surplus of £553,000, which is in line with the budget monitoring reports.
13. The schools delegated budget carry forwards, including standards fund have increased from £5,703,679 to £7,215,023 after the addition of interest for the year. The end of year balance can be split between Primary (£4,899,979), Secondary (£1,980,689) and Special (£334,356). These balances represent 11.7% of the schools 2004/05 budget, an increase of 2.2% from 2003/04. Schools have a statutory right to carry these balances forward however, proposals to manage school balances (whilst recognising legitimate budget pressures arising from job evaluation and workforce reform) will be taken forward to the next meeting of the Schools Forum.
14. Schools have, in addition, balances in respect of Devolved Capital grants of £1,576,028 which is an increase of £434,982 during the year and £127,604 in respect of extended schools.

## **Environment**

15. The outturn for the Environment Programme Area is an underspending of £1,397,000. However, as the underspending on the Waste PFI contract of £906,000 due to delays in implementing waste minimisation schemes and completing the ongoing negotiations regarding the Waste PFI contract itself is transferred to balances, the carryforward into 2005/06 is reduced to £491,000.
16. Environment Regulatory shows a net underspending £170,000 largely due to the receipt of additional income on most services.
17. Environment General shows a net overspend of £439,000, after excluding the underspending on the Waste PFI, largely due to overspendings on road maintenance (£320,000), waste collection (£104,000) and street cleaning (£116,000), offset by additional car park income (£131,000).
18. Planning Services significantly underspent as expected by £759,000 due to additional fee income (£375,000), conservation projects being delayed (£55,000), staff savings (£37,000) and other savings (£51,000). In addition £241,000 of Planning Delivery grant is being carried forward into 2005/06.
19. The first claim on the carry forward of £518,000, after deducting the Planning Delivery Grant which must be used for planning purposes, is to meet, as anticipated, the £400,000 Planning Fee budget reduction for 2005/06. Some additional fee income may well be received in 2005/06 but not necessarily anything like £400,000.

## **Social Care and Strategic Housing**

20. The outturn for Social Care is an overspend of £1,484,000. The report to Cabinet on 19th May regarding the Social Care budget based on the period to February 2005 indicated a projected overspend of £1,514,000. The report of 19th May set out the key factors that lead to the escalation of the overspend over the projections previously reported, the conclusions from the review carried out by County Treasurers, and the impact on 2005/06.
21. The two major areas of overspending were Learning Disabilities (£1,515,000) and Children's Social Care (£523,000).
22. Savings against other service areas resulted in the final overspend position of £1,484,000.
23. Older Peoples Services, an area of increased investment in 2004/05 came in within the budget target and successfully yielded a number of developments as discussed in the previous budget monitoring report to Cabinet.
24. There have been exceptional items of expenditure, totalling £892,000 that relate to the risks identified during the year, as follows
  - **PCT Contributions to Pooled Budgets-** The financial risks for 2004/05 on the pooled budgets are now shown as attributable to the partner whose service element the overspend relates to. The Mental Health overspend reported by Social Care, even though the PCT manages the service, is now included in the Social Care position (*impact £290,000-being the net effect of the Mental Health overspend offset by PCT contributions on it's share of the Learning Disabilities pool*). Negotiations on risk sharing for 2005/06 and beyond have now been agreed with a joint commitment to move to full implementation of the host commissioner taking responsibility for the budget.
  - **Continuing Care Contributions** for qualifying Learning Disability service users- includes a £250,000 contribution from the PCT. The costs attributable had been calculated at approximately £400,000( *impact £150,000*). The PCT has acknowledged this and agreed a £400,000 contribution for 2005/06.
  - **Statutory Obligations** The Council has needed to review its funding decisions for some individual cases as a result of legal challenge. This has created additional expenditure of £89,000.
  - **Loss of Grant** The Directorate has suffered a loss of Supporting People Grant income of £175,000. It has been a challenge to manage commitments within budget.
  - **Prior Year Adjustments-** Invoices totalling £152,000 have been received, which relate to the 2003/04 financial year.
  - **NHS Emergency Support** - Additional funding of £36,000, to enable discharges from community hospitals to free beds at the Acute Trust, given the pressures in November 2004 and January 2005.

## **Summary**

25. The year end position for Social Care, is an overspend of £1,484,000, (4.2% of the Social Care budget) with exceptional items of £892,000. Cabinet agreed on 19th May that £714,000 of this overspend (2% of budget as recommended under Financial Standing Orders) is to be carried forward into 2005/06 pending further review.

## **Strategic Housing Budget 2004/05**

26. The outturn for Strategic Housing budget is an overspend of £235,000 (17% of the net budget), of which £49,000 is an exceptional item relating to 2003/04 homelessness expenditure.
27. The identified risk in 2004/05 was homelessness expenditure, the issues and challenges on this for future years is to be the subject of a separate report. The budget on temporary accommodation has overspent by £454,000, but robust management action reduced the overspend down to £235,000 for the overall Strategic Housing budget.
28. Under Financial Standing Orders £27,000 of this overspend (2% of budget) will be carried forward into 2005/06.

## **Social Development**

29. In total, Social Development was underspent by £60,000. The main variations were an overspending on Parks and Countryside (£134,000) due to the cost of adoptions, inflation, Britain in Bloom and security costs, libraries services staff costs (£73,000) and the Leisure Services deficit (£134,000). The overspending on parks and Countryside would without a considerable element of the commuted sums reserve being applied have been well in excess of £200,000. The problem is solvable in year but it is at least in part due to increased volumes. The Leisure Services deficit will be reclaimed from the Halo Leisure Trust. These overspendings have been offset by underspendings on the Youth Service (£94,000) Leisure Client (£162,000) where £130,000 has been ring fenced for Leominster Pool and Management and Admin due to reductions in partnership activities following renegotiations and savings from vacancies.

## **Policy and Finance**

30. The outturn for Policy and Finance General shows an underspending of £2,847,000. Underspendings include Policy and Community Services (£1,467,000), including ICT (£909,000) the Development Fund (£96,000), Members' Services (£36,000), Support Services (£196,000), Magistrates Court PFI credit (£298,000) Civic and Corporate costs (£341,000), the base budget provision for Job Evaluation (£400,000) Precepts and Levies (£111,000) and Central Services to the public (£258,000).
31. The Policy and Community includes in addition to ICT (£909,000), the Policy Development Fund (£81,000), External Funding Grants received (£155,000) and various staffing and other savings.
32. Additional costs of Job Evaluation implementation (£90,000) are being met from reserves. In addition there is an extra cost of externalisation (£271,000) due to the Herefordshire Jarvis mobilisation costs contributions being suspended until September 2005 initially and then subject to the profitability of the joint venture company.
33. In total, Property Services overspent by £595,000 which is an increase on the

amount brought forward of £433,000 although but for “corporate” additional property costs the overspending would have at least remained stable. Admin Buildings overspent by £387,000 partly at least due to additional spending in the later part of the year on Plough Lane, accommodation moves and associated I.T costs and dilapidations payments following leases being terminated. It is proposed that various one-off costs totalling £175,000 including the cost of the dilapidation claim on Kemble House and relocation, removal and extra ICT costs are funded from General Reserves.

34. Markets and Fairs overspent by £303,000 but this includes a deficit of £379,000 brought forward from 2003/04 so the deficit has reduced during the year.
35. Property Management and Administration underspent by approximately £146,000 owing to increased recharges to capital and additional income.
36. The Property Maintenance Pool allocation overspent by £186,000 during the year despite a concerted effort to keep spending within budget. There remains a significant backlog in Property Maintenance.
37. There was an accumulated deficit of £178,000 on Industrial Estates income although the level of income has been rising. Additional income received from retail properties totalled £209,000.

#### **ICT**

38. The ICT service accumulated £858,000 in reserves in the 2003/04 accounts through efficiency measures implemented. These funds were all earmarked for re-investment back into the ICT Service in order to benefit and improve the overall service provided.
39. At the close of 2004/05 accounts the ICT Service was £101,000 in deficit for the year leaving £757,000 in the reserve. This money has been committed for spend and is awaiting fruition of contracts, the majority being against the new back office project and the remainder against a variety of corporate initiatives. This reserve will be spent in its totality in 2005/06.

#### **IEG Underspend**

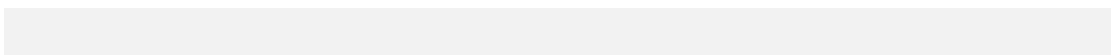
40. The IEG underspend of £909,000 was highlighted within the Cabinet report of the 2nd December 2004.
41. The underspendings are, largely due to the delayed decision by Advantage West Midlands on the e-Gateway project following their reported revenue budget position and the knock on impact for staff recruitment, particularly in the knowledge management service.
42. The underspendings highlighted in the December 2nd report have with the exception of £70,000 contingency funds all been committed for spend in 2005/06 against a variety of corporate IEG priorities including Electronic Records and Document Management, corporate GIS and email systems, and the corporate customer services strategy.

## **Financing Transactions**

43. A surplus on the Interest Receivable budget has been generated during 2004/05 totalling £715,000. An underspend on Capital Financing costs has been achieved totally £1,122,000. These are primarily as a result of taking opportunities for debt rescheduling, significant slippage in the capital programme and anticipated increases in interest rates not materialising. Greater and earlier capital receipts were generated compared to the original budgets prudent expectations. This has contributed to a better cash flow position and enabled improved investment income.

## **Commitments against Underspendings Carried Forward**

44. In accordance with the good practice adopted last year Directors and Departmental Managers are requested to give information about the level of commitments against the amounts carried forward for their services.
45. Once again the carried forward amount should be split between:-
- (a) Contract commitments
  - (b) Other unavoidable commitments
  - (c) Earmarked sums
  - (d) Amounts currently committed



## SUMMARY POSITION IN RELATION TO PROGRAMME AREAS

The net 2004/05 underspending for the Councils programme areas of £4,468,000 was made up as set out below.

Also shown are the amounts actually carried forward after transfers to reserves.

	<b>Underspending</b>	<b>Amount</b>
	<b>£000</b>	<b>Carried Forward</b>
		<b>£000</b>
Children's Services (excluding schools)	1,998	1,998
Environment	1,397	491
Strategic Housing	(235)	(27)
Social Care	(1,484)	(714)
Policy and Finance	2,847	2,017
Property	(594)	(594)
Economic Development	479	479
Social Development	60	90
	<b><u>4,468</u></b>	<b><u>3,740</u></b>

The net underspending during the year was £4,468,000 but after taking into account transfers to and from reserves £632,000 the amount carried forward was £3,740,000.

The amounts transferred to Reserves includes the underspending on the Waste PFI contract (£906,000), an underspending on precepts and levies of £409,000 and various corporate savings of £354,000. These amounts were offset by the transfers to reserves of overspendings in excess of 2% in accordance for Social Care (£770,000) and Strategic Housing (£208,000) for with the Councils Financial Regulations.

Although the carry forward at £3.740 million or just over 2% of the Councils Budget, a large proportion of this amount (xxxx) was already fully committed when the accounts were closed.