

Meeting: Overview & Scrutiny Organisation Committee
Policy & Resources Committee

Date: 19 July 2004
23 June 2004

Report of: Director of Finance and Property

Subject: Provisional Outturn 2003/2004

1. Purpose of the report

1.1 This report sets out the provisional outturn position for 2003/2004 for the General Fund and Housing Revenue Account, which is subject to external audit.

2. Recommendations

2.1 To note the provisional outturn for the General Fund and Housing Revenue Account for 2003/2004.

2.2 That Financial Regulation 13.2.1, requiring overspends to be carried forward, be set aside for this financial year for those budgets directly within the Council's control for the reasons set out at paragraph 4.3.

2.3 That Financial Regulation 13.2.1 and the terms of the Partnership Agreements for Section 31 pooled budgets be applied and the overspend on the Section 31 budget be carried forward.

3. Information/background

3.1 Table 1 shows the provisional outturn for the General Fund for 2003/2004.

Month 9 Forecast Variance £(000)	Department	Outturn Budget £(000)	Outturn Actual £(000)	Outturn Variance £(000)	Outturn Variance %
57	Housing & City Support	43,614	43,633	19	0.0%
2,368	Children, Families & Schools	118,706	121,019	2,313	1.9%
(504)	Corporate Services	22,637	21,691	(946)	-4.2%
446	Environment	34,249	34,338	89	0.3%
(110)	Communications & Democratic	9,717	9,626	(91)	-0.9%
2,257	Sub Total	228,923	230,307	1,384	0.6%
(1,358)	Centrally Managed Budgets	21,030	19,861	(1,169)	-5.6%
899	Total	249,953	250,168	215	0.1%

3.2 The overspend on the Section 31 Partnership at the year end was £1.480 million. This overspend will be reduced by the additional £0.4 million budget allocation agreed by this Committee in December 2003, which will be funded from general reserves. The remaining £1.080 million will be met from general reserves in 2003/04 but will be repaid into reserves over the next three years from savings generated by the Partnership.

3.3 Details of the individual departmental outturns are given in Appendix 1. Analysis of the outturns show that the pressures on the critical budgets for NHS/Community Care spend and Foster Care and Child Agency Placements continue to represent a key financial risk for the Council. In addition, the changes to the grant funding of Housing Benefits presents another risk, especially in areas not covered by the specific grant regime which will be monitored as a critical budget in 2004/05.

3.4 The provisional outturn for the Housing Revenue Account is shown in Table 2.

Month 9 Forecast Variance £(000)	Division	Outturn Budget £(000)	Outturn Actual £(000)	Outturn Variance £(000)
1,185	Expenditure	55,616	56,861	1,245

(1,345)	Income	(55,764)	(57,226)	(1,462)
(160)	Total	(148)	(365)	(217)

3.5 Detailed analysis of the Housing Revenue Account outturn is contained in Appendix 1.

4. Comments by the Director of Finance and Property

4.1 It is very pleasing to report the achievement of this breakeven position in a year of significant financial challenge. The provisional outturn position is a substantial improvement from the forecast overspend at the start of the year of £3.1m and from that forecast at budget setting time of £0.9m.

4.2 It is important for this committee to note that in the main this was achieved through strong controls over staffing costs and non-essential supplies and services expenditure and through some windfall items. The underlying trends on the corporate critical budgets for foster care and child agency placements and NHS & Community Care continue to pose a real threat to the financial stability of the council.

4.3 The corporate approach taken to budget management in 2003/04 has been successful in achieving this overall breakeven position. For this reason it is recommended that the requirement of Financial Regulation 13.2.1 to carry forward overspends to the next financial year be set aside for the council's directly managed budgets.

4.4 Although there was a small improvement in the position on the Section 31 budgets, which are managed by the Primary Care Trust and South Downs Health NHS Trust, the end of year overspend was £1.080m. This overspend should be carried forward to 2004/5 in accordance with Financial Regulations and the terms of the Partnership Agreements. The financial planning being undertaken by the partnership ensures that this will be paid back over a 3 year period.

5. Consultation

5.1 No specific consultation has been undertaken in relation to this report.

COMMITTEE REPORT APPENDIX

Meeting/Date	Policy and Resources Committee 23 June 2004	
Report of	Acting Director of Finance and Property	
Subject	Provisional Outturn 2003/2004	
Wards affected	All	
Financial implications	<p>Included within the body of the report <i>Finance Officer consulted: Steve Linnett, Date 28 May 2004</i></p>	
Legal implications	<p>In reaching its decisions in relation to its budget, the Council needs to have regard to a number of general points. It must provide the services which, statutorily, it is obliged to provide. Where there is power to provide services, rather than a duty, it has a discretion to provide such services. It must observe its other legal duties, such as the duty to achieve best value and comply with the Human Rights Act 1998. It must act in accordance with its general fiduciary duties to its Council Tax payers to act with financial prudence. Finally, it must bear in mind the reserve powers of the Secretary of State under the Local Government Act 1999 to limit Council Tax & precepts. <i>Legal Officer consulted: John Heys, Date 8 June 2004</i></p>	
Corporate/Citywide implications	The Council's financial position impacts on levels of Council Tax and service levels and therefore has citywide implications.	Risk assessment A risk assessment is undertaken in relation to the management of individual budgets.
Sustainability implications	There are no direct sustainability implications arising from this report. However, it is believed that the reputation of the Council's financial control framework and its ability to demonstrate sound budgetary control could have an impact on the willingness of other funding partners to invest in and with the Council. This could affect the level of inward investment in respect of projects that contribute towards sustainability.	Equalities implications There are no direct equalities implications arising from this report, although reductions in expenditure or service levels may reduce opportunities or access to services and employment for communities of interest. As previously stated, the Council's financial standing could affect opportunities for investment and partnership working, which could be advantageous to particular areas or groups.
Implications for the prevention of crime and disorder		
There are no direct prevention of crime and disorder implications arising from this report, although reductions in expenditure or service levels may impact on these issues.		

Background papers

- Detailed working paper files are held by Financial Services

COMMITTEE REPORT APPENDIX

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APPENDIX 1 – Outturn Analysis

Housing & City Support

Month 9 Forecast Variance £(000)	Division	Outturn Budget £(000)	Outturn Actual £(000)	Outturn Variance £(000)	Outturn Variance %
(15)	Director	151	132	(19)	-12.6%
(35)	Housing	11,744	11,815	71	0.6%
(253)	Customer Services	4,814	4,487	(327)	-6.8%
360	Adult Social Care *	26,905	27,199	294	1.1%
57	Total	43,614	43,633	19	0.1%

* This excludes £21.753 million in grant to the Section 31 Partnership

Key Variances

There is an overspend of £0.255 million on the Homelessness budget (Housing Strategy), compared to £0.158 million at month 9. The main reason for this has been an increase in the number of households in Bed and Breakfast accommodation from January to March.

Within Customer Services the under-spend improved by £0.074m mainly as a result of vacancy management and lower than expected discretionary benefit payments.

The overspend on Community Care has increased by £0.150m to £0.965m. This is due partly to an adjustment relating to the previous financial year because of the well-documented difficulties of estimating commitments in 2002/03 and partly as a result of revising the allocation of the (loss of) residential allowance grant monies. The latter revision resulted in more grant being paid to Older People's Mental Health (Section 31 Partnership) than previously estimated. Forecasting from the CareFirst system has significantly improved in 2003/04 for nursing and residential services but remains a challenge in relation to the more complex Home Care and Day Care services. The underspend for Delayed Transfers of Care has decreased by £0.132m to £0.107m and the estimated client figures for the January to March period have increased from 11 to an average of 26 clients per day. Savings on staffing budgets have increased by £0.348m to £0.564m. A major reason for this improvement is an increase of vacancy management savings (£0.089m) within Support Services and Service Strategy in response to financial recovery measures. Recharges from the Primary Care Trust in relation to various Health

APPENDIX 1 – Outturn Analysis

Improvement and Public Health posts were also £0.053m lower than planned. Recharge figures were not previously available from the PCT. Another area of underspending concerns projects relating to Performance Fund Grants. Many of these projects were originally intended to be funded from efficiency savings within the service (mainly Home Care), and were later augmented with Performance Fund Grants. However, due to the complexities of setting up and consulting on some of the services and difficulties in recruiting, the projects did not ultimately take up their full budget/grant allocation. Although underspent Performance Fund Grants have been carried forward to 2004/05, there have been significant underspends against the core budgets available for these projects of approx. £0.190m.

Older People residential budgets have also achieved better than expected savings. The Knoll House residual budget is underspent by £0.070m due to lower than estimated costs of re-providing services for displaced clients while works on the new service take place. Larchwood is also underspent due to higher than anticipated income from the Primary Care Trust to support transitional care beds (£0.050m). By contrast, as previously reported, the Adult Asylum Seeker Grant for 2003/04 was considered to be a high risk as the level of payments per client were expected to be much lower than 2002/03. This has now been confirmed and there is a resulting shortfall of £0.131m on this budget.

APPENDIX 1 – Outturn Analysis

Children, Families & Schools

Month 9 Forecast Variance £(000)	Division	Outturn Budget £(000)	Outturn Actual £(000)	Outturn Variance £(000)	Outturn Variance %
10	Director	762	767	5	0.7%
397	Strategy, Planning & Schools	88,093	88,459	366	0.4%
11	Quality, Standards & Leadership	6,719	6,645	(74)	-1.1%
(79)	Community & Family	5,760	5,648	(112)	-1.9%
2,027	Children's Social Care	19,852	21,962	2,110	10.6%
2	Child Protection	(2,480)	(2,462)	18	-0.7%
2,368	Total	118,706	121,019	2,313	1.9%

Key Variances

Within the Strategy, Planning and Schools division there were a number of areas of financial pressure. The Month 9 forecast overspend on Home to School transport increased by £0.042m to £0.255m. This was as a result of increased numbers of pupils and transport costs which was mitigated by improvements to the purchasing process. The forecast overspend on legal costs increased by £0.062m to £0.184m mainly due to the increases in the number of looked after children and higher than anticipated legal costs. The overspend on Educational Agency Placements was £0.239m due to an additional 19 placements and changes to the payment rules from the 19th birthday to the end of the academic year. These overspends were offset by increased savings from vacancy management.

The Foster Care and Child Agency Placements budget overspend increased by £0.147m from Month 9 to £1.646m. The overspend on independent foster agency placements, net of the release of £0.500m from corporate contingency, increased from £0.430m to £0.471. This was due to 11.8 FTE placements above the budgeted provision and a £0.096m shortfall in Leaving Care grant. The service pressure from the introduction of new payment rates from in-house foster carers was reduced by £0.042m to £0.746m. The overspend on Agency Residential Placements increased by £0.056m to £0.418m due to 5.2 FTE placements above the budget provision being made and unit cost increases above the budget provision.

The Month 9 forecast overspend of £0.135m on employees was subject to strong vacancy management and was turned around to an underspend overall of £0.103m.

APPENDIX 1 – Outturn Analysis

Schools balances declined by £0.590m, however this conceals changes to accounting arrangements for capital required by the DfES and on a like for like basis school balances actually increased. Within this the number of schools with deficit balances increased from 8 to 15.

APPENDIX 1 – Outturn Analysis

Corporate Services

Month 9 Forecast Variance £(000)	Division	Outturn Budget £(000)	Outturn Actual £(000)	Outturn Variance £(000)	Outturn Variance %
(36)	Deputy Chief Executive	319	267	(52)	-16.3%
(102)	Strategy & Governance	2,534	2,391	(143)	-5.6%
(273)	Project & Financial Services	2,017	1,680	(337)	-16.7%
(119)	Chief Finance Officer	3,117	2,962	(155)	-5.0%
36	Human Resources	2,786	2,960	174	6.2%
34	Major Projects, Venues & Proc	599	621	22	3.7%
10	Property & Design	1,275	858	(417)	-32.7%
-	Royal Pav, Libraries & Museums	5,524	5,554	30	0.5%
(54)	Economic Devlpmnt & Regen	4,244	4,030	(214)	-5.0%
-	Chief Executive	176	182	6	3.4%
-	Other Corporate Budget	46	186	140	304.4%
(504)	Total	22,591	21,691	(946)	-4.2%

Key Variances

The underspend for Corporate Services has increased by £0.402m since Month 9. This is due to the early introduction of the savings identified as part of the 2004/05 budget setting process which have produced savings on employee budgets in particular, as well as managed vacancies and freezing of non-essential supplies and services budgets.

The commercial property portfolio benefited from an unexpected windfall of £0.150m overage payment on the Aquarium due to an assignment request received from the tenant in late March that required all overage payments to be rendered before the assignment could be granted. Human Resources overspend increased by £0.138m and this related to the Learning & Development budget. Spend against this budget and related grant income was geared towards the last two months of the financial year which complicated forecasting. Improved budget profiles have already been established for 2004/05 to ensure that this is not repeated. The Other Corporate Budget relates to the service provided to schools for cover for long term absence. This is a demand led budget over which Corporate Services cannot

APPENDIX 1 – Outturn Analysis

exercise any control as it is dependent on the actions taken at individual school level. Consideration is being given to removing this service from 2005/06 or earlier if possible because it is no longer cost-effective to provide in this way.

APPENDIX 1 – Outturn Analysis

Environment

Month 9 Forecast Variance £(000)	Division	Outturn Budget £(000)	Outturn Actual £(000)	Outturn Variance £(000)	Outturn Variance %
25	Director	246	286	40	16.3%
517	Quality of Life & Green Spaces	6,478	6,788	310	4.8%
(198)	Sustainable Transport	4,396	4,357	(39)	-0.9%
(209)	City Planning	2,281	2,026	(255)	-11.2%
224	City Clean	18,120	18,221	101	0.6%
87	Public Safety	2,728	2,660	(68)	-2.5%
446	Total	34,249	34,338	89	0.3%

Key Variances

The overspend on Quality of Life and Green Spaces was reduced by £0.207m from Month 9. The costs of starting up the new in-house City Parks service are contained in this figure. Expenditure pressure was mainly in the area of Grounds Maintenance with other services producing some compensating savings, particularly Play, Sport and Art and reductions in payments to EML at the end of the Leisure contract.

Sustainable Transport's underspend reduced by £0.159m from Month 9. However, this is after covering £0.4m of unachievable LPSA bus usage income due to legislation being delayed, and making a £0.266m provision for possible legal action from the previous Street Lighting contractor who is contesting penalties imposed for poor performance. Parking overachieved income of £0.875m of which £0.271m was from Decriminalised Parking Enforcement and £0.604m from off-street parking. This was due to a mixture of the excellent summer and early autumn weather and better than expected returns from leased car parks. Income budgets for 2004/05 have been realigned to more accurately reflect income achievements in this area.

City Planning improved its underspend since Month 9 by £0.046m through continued vacancy savings and over achievement of income in building control and development control offset by the local plan inquiry costs.

APPENDIX 1 – Outturn Analysis

The overspend on City Clean has reduced by £0.123m through management of non-essential works such as gully emptying. The overall overspend is as a result of unachieved savings from the delayed introduction of new working methods and enhancements to Street Cleansing of £0.083m.

The Public Safety Division achieved an underspend for the year, a reduction in expenditure of £0.155m since Month 9. As well as containing the unbudgeted £0.125m cost of funding 10 Police Community Support Officers, further savings were achieved in Inspection and Enforcement and Trading Standards through vacancy management.

Communications & Democratic Services

Month 9 Forecast Variance £(000)	Division	Outturn Budget £(000)	Outturn Actual £(000)	Outturn Variance £(000)	Outturn Variance %
19	ICT	5,444	5,441	(3)	-0.1%
(25)	Tourism & City Marketing	1,767	1,741	(26)	-1.5%
(76)	Communications	799	730	(69)	-8.6%
(28)	Democratic & Leadership	1,707	1,714	7	0.4%
(110)	Total	9,717	9,626	(91)	-0.9%

Key Variances

Communications & Democratic Services underspend has reduced by £0.019m since Month 9.

ICT achieved savings of £0.022m by reducing supplies and services spending.

Tourism and City Marketing achieved an underspend of £0.026m from savings in premises and supplies and services costs.

Communications under spent by £0.069m as a result of savings measures and vacancy management.

Democratic and Leadership Support's position worsened by £0.035m due to unachievable salary savings and an increase in supplies and services and transport costs.

Centrally Managed Budgets

APPENDIX 1 – Outturn Analysis

Month 9 Forecast Variance £(000)	Division	Outturn Budget £(000)	Outturn Actual £(000)	Outturn Variance £(000)	Outturn Variance %
-	Bulk Insurance Premia	2,622	2,622	-	-
40	Housing & Council Tax Benefit	4,014	3,593	(421)	-10.5%
	Capital Financing Costs				
(152)	Financing Costs	8,445	7,920	(525)	-6.2%
-	Recharges to Services	(8,857)	(8,857)	-	-
(129)	Levies & Precepts	11,800	11,671	(129)	-1.1%
(1,117)	Other Corporate Items	3,006	2,286	(720)	-24.0%
(1,358)	Total	21,030	19,235	(1,795)	-8.5%

Key Variances

Housing and Council Tax Benefit payments levels were £0.461m less than forecast at Month 9. This was due to higher than budgeted levels of subsidy for Council Tax Benefits (£0.325m) and Housing Benefits which arose as a result of changes in subsidy rules.

The underspend on financing costs improved by £0.373m from Month 9. This was due to the structure of the Council's debt changing with more interest being payable by the HRA, less interest payable on schools balances, and higher than expected interest receivable on Local Authority Social Housing Grant transitional compensation and from HM Customs and Excise.

The underspend on Other Corporate Items was reduced by £0.397m from Month 9. This was as a result of additional set asides for bad and doubtful debts and potential liabilities under s.117 of the Mental Health Act. The underspend already took account of the final settlement figures being agreed with SITA for the termination of the refuse collection and street cleansing contract.

Housing Revenue Account

Month 9 Forecast Variance	Division	Outturn Budget £(000)	Outturn Actual £(000)	Outturn Variance £(000)	Outturn Variance %
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APPENDIX 1 – Outturn Analysis

e £(000)					
(137)	Employees	6,220	6,215	(5)	-0.1%
297	Premises – Repair	9,593	9,870	277	2.9%
(37)	Premises – Other	1,195	1,236	41	3.4%
161	Transport & Supplies	2,092	2,272	180	8.6%
(220)	HB Transfer Payments	22,256	21,933	(323)	-1.5%
-	Support Services	2,141	2,141	-	-
1,600	RCCO	3,818	5,418	1,600	41.9%
(479)	Capital Financing Costs	8,301	7,776	(525)	-6.3%
1,185	Net Expenditure	55,616	56,861	1,245	2.2%
50	Dwelling Rents (net)	(34,142)	(34,075)	67	-0.2%
(47)	Other rent	(906)	(966)	(60)	6.6%
(166)	Service Charges	(1,893)	(2,075)	(182)	9.6%
(59)	Other recharges & interest	(466)	(581)	(115)	24.7%
(1,123)	Grants including subsidy	(18,357)	(19,529)	(1,172)	6.4%
(1,345)	Net Income	(55,764)	(57,226)	(1,462)	2.6%
(160)	Total	(148)	(365)	(217)	146.6%

Key Variances

The employees underspend has reduced by £0.132m compared to month 9 forecast. The main reasons for the increased expenditure relates to the use of agency staff to cover vacancies, the filling of vacant posts and the restructuring of Housing Management and Strategy during 2003/04.

The repairs overspend of £0.277m mainly relates to repairs expenditure on Empty Properties. The increased expenditure is due to an increase in the number of Empty properties by 257 to 1,354 since last year, a 23% increase. The overspend has been offset by reduced expenditure on responsive and day to day maintenance and service contracts.

The Supplies & Services overspend has increased by £0.062m to £0.194m. The expenditure for consultants in respect of the Stock Options Appraisal process was less than anticipated and within budget. The main areas of overspend are additional legal costs, mainly in respect of debt collection and Right to Buy costs, which are recovered from capital receipts income.

APPENDIX 1 – Outturn Analysis

The Housing Benefits and Capital Financing forecasts are linked to the government subsidy calculation. The Housing benefits and capital financing underspends are offset by a reduction in subsidy income of £0.517m. However, the government grant subsidy entitlement calculation has been revised resulting in additional income relating to the current financial year (£0.616m) and the two previous financial years (£0.986m). In addition £0.103m grant funding has been received in respect of the LPSA 6 target.

Due to the additional revenue from housing subsidy and other underspends it was agreed, at month 9 TBM, to increase the Revenue Contribution to the Capital Programme by £1.600m towards meeting the Decent Homes Standard. This has been added to the Housing Stock Capital programme in 2003/04 (£0.300m) and 2004/05 (£1.300m).