
REVENUE OUT-TURN 2004/05

Responsible Cabinet Member(s) – Councillor Don Bristow, Resource Management Portfolio

Responsible Director(s) – Paul Wildsmith, Director of Corporate Services

Purpose of the Report

1. To present the revenue out-turn for 2004/05 and to allow Members to consider the results in light of the Council's Medium Term Financial Plan (MTFP) for the General Fund and also consider the Housing Revenue Account out-turn.

Information

2. The Council's 2004/05 revenue accounts have been finalised, subject to Audit. The financial results for 2004-05 are an important part of the continuous cycle of financial management that includes resource allocation, budgeting, budget management and review.
3. The overall financial results for 2004/05 are satisfactory and year-end balances are £0.030M better than the agreed MTFP.

General Fund

4. Table 1 summarises budgets, out-turns and variances by Department :-

Table 1 - General Fund 2004/05 Out-turn

	Budget	Out-turn	Variance	
(1)	(2)	(3)	(4)	(5)
	£000	£000	£000	%
<u>Departmental Resources</u>				
1 Education	53,201	53,201	0	0
2 Social Services	22,245	22,245	0	0
3 Community Services	9,126	8,784	(342)	(3.7)
4 Development & Environment	8,721	8,599	(122)	(1.4)
5 Chief Executives Office	844	864	20	2.3
6 Corporate Services	7,744	7,585	(159)	(2.0)
7 Total Departmental Resources	101,881	101,278	(603)	(0.6)
<u>Corporate Resources</u>				
8 Joint Bodies and Levies	709	679	(30)	(4.2)
9 Financing Costs	1,778	1,434	(344)	(19.3)
10 Headroom	468	468	0	0
11 Net Expenditure	104,836	103,391	(977)	(0.9)
14 Contribution To/(From) Balances	728	1,705	977	
15 Total Resources	105,564	105,564	0	0

Departmental Resources

5. It is pleasing that the out-turn figures are close to the figures from the monthly revenue budget management exercise that were reported to Cabinet in March and that changes from the previously reported projections are favourable.
6. In March 2005, Council approved carry-forward of resources from 2004/05 totalling £517,000.
7. Table 2 shows that year end departmental balances had increased from £517,000 (column 1) to £1,120,000 (column 2). Compared with planned departmental balances, the increases are in Community Services, Development and Environment and Corporate Services and there are no significant reductions.
8. In addition to the policy of returning 50% of non-planned departmental surpluses to corporate balances, members are requested to approve the following specific carry forward of resources to 2005-06: -

(a) Development and Environment

Highway Maintenance, £62,000 – Slurry works on carriageways were planned and orders placed early in 2005, but due to adverse weather conditions, including snow every time the contractor tried to start the work it had to be abandoned and it is requested that funding is carried forward.

Highway Asset Management Plan, £60,000 – A dispute between contractor and subcontractor has delayed the highway survey and it is requested that funding is carried forward.

(b) Chief Executive's Office

The Chief Executive's Office has incurred costs of £25k in 2004/05 recruiting to the Chief Executive's post and the release of additional resources is requested to meet this cost.

(c) Corporate Services

Corporate Training courses, £57,000 – an authority-wide budget for corporate training initiatives including senior management development, which is a key part of the Organisational Development Strategy. Due to time constraints preventing implementation of parts of the programme in 2004/05, this resource needs to be carried forward to meet commitments in 2005/06.

ICT Training, £16,000 – essential training for ICT staff to keep pace with changing technology. Time constraints have prevented implementation of

parts of the programme in 2004/05 and it is requested that funding is carried forward.

Financial Services, £17,000 – planned development of the Council's financial management ICT system has been delayed pending further evaluation of the most cost effective way forward. This development is highly desirable to improve the efficient management of resources.

Audit Services, £17,000 – approval is sought to carry forward resource to fund implementation of Audit Management Software, which will further improve effectiveness and efficiency particularly in Risk Management, electronic working papers and portability.

(d) Community Services

The under spend of £75,000 on the Youth Services has been reported throughout the year and was caused by a number of vacant posts. The results from the recent inspection clearly highlighted a number of weaknesses in this area and a number of projects have been identified to assist in improving the services. The projects identified total £64,000 and cannot be contained within the 2005/06 revenue budget. It is therefore requested that £64,000 of the under spend be carried forward to 2005/06 in full to enable the projects to go ahead.

Eastbourne Sports Complex under spent slightly due to slippage in works on the all weather pitch due to poor weather conditions. It is therefore requested a balance of £35,000 is carried forward in full to 2005/06 to fund the remaining works

A cautious view had been taken of Fraud Incentives Grant received in 2002/3 and 2003/04, which had been carried forward each year. It is now safe to take £179,000 received in those two years into the 2004-05 accounts and it is proposed that this is returned to corporate balances. It is proposed the balance from 2004/05 of £64,000 be carried forward to Community Services MTFP to help address the pressure on Benefits Fraud investigation and prevention, and ensure the services Key Performance Indicators are maintained in 2005/06.

9. Taking into account the established policy, MTFP and if the requests in paragraph 8 are agreed, the revised departmental carry forwards are shown in column 3 with the amount returned to corporate balances being shown in column 4.

Table 2 - Departmental Balances as at 31st March, 2005

	MTFP Approved Carry- forward	Balance of Resources 31/3/05	Approved Carry Forward Total	Return to Corporate Balances
	(1)	(2)	(3)	(4)
	£000	£000	£000	£000
1 Education	0	0	0	0
2 Social Services	150	150	150	0
3 Community Services	183	525	346	179
4 Development & Environment	0	122	122	0
5 Chief Executives Office	(5)	(25)	0	(25)
6 Corporate Services	189	348	322	26
7 Total	517	1,120	940	180

Corporate Balances

10. In November 2004 the ODPM gave approval to capitalise the equal pay costs. These costs were originally earmarked from revenue balances and £3.8M will now be returned. The reserve of £1.756M set aside for the superannuation fund is no longer needed and will also be returned to balances. Council approved a provision of £0.5M in 2003/04 for Social Services clients. The provision has been re-assessed and £0.286M has been returned to balances..
11. Council made additional resource approvals totalling £0.314M during the year. The MTFP approved by Council on 10th March, 2005 includes a reduction in financing costs of £1.049M
12. Underspending against corporate budgets (principally financing costs) totals £0.374M. Assuming approval of the recommendations regarding departmental balances, a further £0.180M will be transferred into corporate balances. The overall balances position is improved by £0.630M compared with the MTFP.
13. Members will recall that Cabinet approved a change to the Government grant funding mechanism for the Education Village on 15th March, 2005. This meant that over the 25 years of the concession the Council saved over £12M. However, Members were alerted to the fact that there was a negative cash flow of £2.1M to be managed up to 31st March, 2013 (this will be more than replenished after that date by the increased Government grant). As Council balances are £0.6M more than planned, this would be an opportune time to earmark some funds for this purpose. In addition £0.4M of resources from the Capital MTFP can be set aside. This will cover financial years 2005/06 to 2007/08. Therefore, it is recommended that a PFI Reserve of £1.0M be created.

14. The General Fund balance at 31st March 2005 is £11.054M, which is 9.88% of 2005/06 net revenue budget in line with the planned use of balances in the MTFP.

Table 3 - General Fund Balances as at 31st March 2005

	£000	£000
1 Opening General Fund Balance – 1st April 2004		4,523
2 Additional Approvals during 2004-05	(314)	
3 Reduction in Financing Costs (1)	1,049	
4 Contribution From Balances 2004/05	<u> </u>	735
5 Provision for Equal Pay claims	3,800	
6 Pensions Reserve	1,756	
7 Social Services s117 Provision	<u> 286</u>	
		5,842
8 Transfers From Departmental Resources		180
9 Corporate budgets - underspends		374
10 Earmarked PFI Reserve		(600)
11 General Fund Balances as at 31st March 2005		<u>11,054</u>

(1) approved in MTFP by Council 10th March 2005

15. Based on the 2004/05 outturn and proposals in this report, projected revenue balances at 31st March, 2006 will be £9.8M, which is in line with Council policy on balances.

Housing Revenue Account

16. The closing balance on the Housing revenue Account (HRA) is £477,000 compared with a budgeted balance of £715,000. The principal reason for the overspend is the reduction in rent income as a result of council house sales and additional costs associated with repairs and maintenance.
17. The working balance on the HRA continues to show a healthy position at 3.4% of turnover.

18. Schools balances, which are effectively ring-fenced under legislation, have increased from £1.116M at 1st April, 2004 to £2.784M at 31st March, 2005. At 6.1% of schools' delegated budgets this is a healthy but not excessive balance. The increase during 2004-05 is consistent with the experience in other authorities and the balance at 31st March 2005 is marginally below the typical level of balances of authorities for which we have information. The largest single increase is the elimination of Eastbourne's deficit (£0.3M) as agreed in the MTFP. Under the schools' financing scheme, all schools with balances of more than 5% of their annual budget are required to give explanations of the purposes for which balances are being held.

Legal Implications

19. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members.

Section 17 of the Crime and Disorder Act 1998

20. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

Council Policy Framework

21. The issues contained within this report do not represent change to Council policy or the Council's policy framework

Outcome of Consultation

22. No formal consultation was undertaken in the production of this report.

Decision Deadline

23. For the purpose of the 'call-in' procedure this does not represent an urgent matter.

Conclusions

23. The overall revenue budget results for 2004/05 are very satisfactory. The Council's financial position is further improved by these outturn results.

Recommendations

24. It is recommended that : -

- (a) The positive revenue outturn for 2004/05 and improved revenue balances at 31st March, 2005 be noted.
- (b) Approval be given to the carry forward of departmental balances as detailed in paragraph 9.
- (c) Council be recommended to approve establishing a PFI Reserve of £1.0M including £0.400 to be transferred from capital resources to revenue.

Reasons

25. The recommendations are supported in order to continue the Council's financial management arrangements and to make effective use of the Council's resources.

Paul Wildsmith
Director of Corporate Services

Background Papers

2004/05 Revenue Budget and Accounting Records.

David Hall : Extension 2303