
REVENUE OUT-TURN 2005-06

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 2005/06 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 Collection Fund and Housing Revenue Account out-turn.

Information

2. The Council's 2005/06 revenue accounts are close to being finalised, subject to Audit. This is the earliest that the previous year's out-turn has ever been available, which is a significant achievement and builds further on the major improvements made in recent years. The financial results for 2005-06 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 2005-06 are satisfactory. Corporate reserves are £0.010M better than the agreed MTFP and departmental reserves are in total £0.364M better than MTFP.

General Fund

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

Table 1 General Fund Outturn 2005/06		Budget £M	Outturn £M	Variance	
				£M	%
	<i>Departmental Resources</i>				
1	Education	55.774	55.916	0.142	0.3
2	Social Services	24.065	24.066	0.001	0.0
3	Community Services	9.965	9.884	(0.081)	-0.8
4	Development & Environment	9.675	9.688	0.013	0.1
5	Chief Executives Office	0.950	0.976	0.026	2.7
6	Corporate Services	8.342	8.046	(0.296)	-3.5
7	<i>Total Departmental Resources</i>	108.771	108.576	(0.195)	-1.2
	<i>Corporate Resources</i>				
8	Joint Bodies & Levies	0.553	0.553	0.000	0.0
9	Financing Costs	2.524	2.346	(0.178)	-7.1
10	Headroom	1.600	1.600	0.000	0.0
11	Development Fund	0.325	0.138	(0.187)	-57.5
12	<i>Net Expenditure</i>	113.773	113.213	(0.560)	-65.8
	<i>Reserves</i>				
13	Planned use of General Fund Reserve (MTFP)	(1.236)	(1.236)	0.000	0
14	In-year approvals	(0.367)	(0.367)	0.000	0
15	Dolphin Centre Refurbishment re-phasing	0.220	0.220	0.000	0
16	Revised Financing Costs	0.418	0.418	0.000	0
17	Planned use of Departmental Reserves	(0.940)	(0.940)	0.000	0
18	<i>Total Resources</i>	111.868	111.308	(0.560)	-0.5

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 overall changes from the previously reported projections are favourable.
6. In March 2006, Council approved carry-forward of resources from 2005-06 totalling £0.469M.
7. Table 2 shows that year-end departmental balances had increased from planned £0.469M (column 1) to £0.665 (column 2). In addition to the established policy of carrying forward departmental deficit balances and previously approved surpluses, Members are requested to approve the following specific carry forward of resources to 2006-07: -
 - (a) An improvement in Corporate Services' year-end balance has been achieved by careful management of vacancies, improved income from work done for other authorities, improved income collection and increased turnover in Reprographics. In addition, expenditure planned in 2005-06 on Corporate Training and contractual payments on the Customer Relationship Management system have slipped from 2005-06 to 2006-07. The Departmental balance at 31st March 2006 is £0.296M higher than approved in the MTFP. Under resource carry-forward arrangements 50% of that figure would normally be returned to corporate reserves. Cabinet is, however, requested to approve carry forward of the full £0.296M to meet approximately £0.090M of slippage and to help to fund the following high priority projects :-
 - (i) initial development costs of the proposed partnership working with Stockton Borough Council, which is planned to achieve savings of £1.1M over the MTFP and £0.5M per annum thereafter;
 - (ii) support to Leading Edge projects, Corporate Services has roles in virtually all Leading Edge projects as seconded team members and/or professional support. Meeting back-filling and other costs from departmental resources will help to ease pressure on the Development Fund; and
 - (iii) payroll system implementation and the introduction of a new procure to pay system to deliver efficiency savings via procurement and the administration review, which are planned to realise £1.8M over the MTFP and £0.6M per annum thereafter.
 - (b) Community Services out turn position has improved by £0.081M above the approved carry forward. This is, however, almost entirely due to slippage on ICT projects in Housing and Cabinet is therefore requested to approve the carry forward of the additional £0.081M.
8. Members are further asked to approve additional resources of £0.142M to fund additional costs associated with the closure of Rise Carr Primary School and £0.026M to meet a shortfall in income to fund Darlington Partnership.
9. Taking into account the established policy, MTFP and if the requests in paragraphs 7 and 8

are agreed, Table 2 summarises departmental balances as at 31st March 2006. The revised departmental carry forwards are shown in column 3 and the amount of additional contributions from corporate reserves are shown in column 4.

Table 2 - Departmental Balances as at 31st March, 2006

	MTFP Approved Carry- forward	Balance of Resources at 31/3/06	Approved Carry Forward Total	Contributions from General Fund reserve
	(1)	(2)	(3)	(4)
	£M	£M	£M	£M
1 Children's Services	0.000	(0.142)	0.000	0.142
2 Community Services	0.187	0.268	0.268	0.000
3 Development & Environment	(0.071)	(0.084)	(0.084)	0.000
4 Chief Executives Office	0.000	(0.026)	0.000	0.026
5 Corporate Services	0.353	0.649	0.649	0.000
6 Total	0.469	0.665	0.833	0.168

Corporate Reserves

10. In March 2005, Council approved the use of £1.236M of General Fund reserves for 2005-06. During the year, Cabinet and Council approved additional resources totalling £0.367M.
11. In March 2006, Council approved the following revisions to the 2005-06 budget when setting the revenue MTFP for 2006-07 to 2009-2010: -

Table 3 – MTFP Revisions Approved March 2006 – Contributions to / (from) General Fund Reserve

	£M
1 Transfer to Single Status Reserve	(0.900)
2 Projected Corporate underspends (principally Financing Costs)	0.418
3 Dolphin Centre Refurbishment – re-phasing	0.220
4 Receipt of Business Growth Incentive Grant	0.660
5 Transfer of PFI Grant surplus to General Fund Reserve	0.800
6 Transfer from Insurance Reserve to General Fund Reserve	1.000
7 Total revisions to 2005-06 budget approved in March 2006 – Net transfers to General Fund Reserve	2.198

12. Taking all of the above into account, the net approved contribution to General Fund reserves in 2005-06 is £0.595M, summarised in Table 4 below (lines 2 to 5). The planned level of General Fund Reserves at 31st March 2006 on which the current MTFP is predicated is £11.649M.

13. Additional resources requested in paragraph 8 would, if approved, reduce the General Fund reserve by £0.168M.
14. Underspending against corporate budgets (principally financing costs) totals £0.178M, which increases the General Fund Reserve.
15. Subject to Audit, the General Fund reserve at 31st March 2006 is £11.659M, which is 9.7% of 2006-07 net revenue budget. This is in line with the MTFP and is in accordance with the Council's Policy on Reserves, approved in March 2006. Paragraphs 10 to 15 are summarised in Table 4: -

Table 4 - General Fund Reserve as at 31st March 2006

	£M	£M
1 Opening General Fund Reserve – 1st April 2005		11.054
2 Use of GF Reserve approved March 2005	(1.236)	
3 Additional Approvals during 2005-06	(0.367)	
4 Revision Approved March 2006	<u>2.198</u>	
5 Approved Contribution To Reserves 2005/06		<u>0.595</u>
6 Planned GF Reserve at 31 st March 2006 (1)		11.649
7 Additional Resources requested in this report		(0.168)
8 Corporate budgets - underspends		<u>0.178</u>
9 General Fund Reserves as at 31st March 2006		<u>11.659</u>
10 Improvement in General Fund Reserve compared with MTFP		0.010

(1) In MTFP approved by Council 9th March 2006

16. Based on the 2005/06 outturn and proposals in this report, the projected General Fund Reserve at 31st March 2007 is £9.270M, which is in line with the MTFP and Council policy on reserves.
17. The Development Fund of £0.325M approved in March 2005 continues to be used to help to fund the change agenda that is being implemented through the Council's Leading Edge programme. It is proposed therefore that Cabinet be requested to approve carrying forward to 2006-07 the balance of £0.187M.

Collection Fund

18. The Collection Fund is a statutory account for Council Tax and Non-domestic Rates (NDR) collection and distribution. Pooling arrangements mean that the local impact of NDR collection is generally neutral. Council Tax collection, however, impacts directly on the resources available to the Council, Police and Fire authorities. Subject to Audit, the Collection Fund out-turn for 2005-06 is a surplus of £0.126M, which is very close to the projected £0.117M. There is, therefore, no material impact on the MTFP.

Housing Revenue Account

19. The closing balance on the Housing Revenue Account (HRA) is £0.641M compared with a budgeted balance of £0.505M. In addition to the improved closing balance, an extra £0.600M has been contributed from the revenue account to fund capital expenditure as a result of increased subsidy income, reduced financing costs and reduced expenditure on management and supervision.
20. The working balance on the HRA continues to show a healthy position at 4% of turnover.

Other Reserves

21. *School balances*, which are effectively ring-fenced under legislation, have increased from £2.787M at 1st April 2005 to £2.893M at 31st March 2006. At 6% of schools' delegated budgets this is a healthy but not excessive balance. 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. Children's Services are working with individual schools to review levels and planned uses of balances.
22. *Single-Status Reserve* was established by resolution of Council in March 2006 to fund backdated costs in 2005-06. Implementation of Single Status had by 31st March 2006 reached a stage whereby an obligation to pay backdated costs effectively existed. Provision has, therefore, been included in 2005-06 accounts for these costs from the Single Status Reserve.

Legal Implications

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

Section 17 of the Crime and Disorder Act 1998

24. 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

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

Outcome of Consultation

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

Decision Deadline

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

Conclusions

28. The overall revenue budget results for 2005-06 are very satisfactory. The Council's financial position is further improved by these outturn results.

Recommendations

29. It is recommended that :-

- (a) The positive revenue outturn for 2005-06 and improved revenue balances at 31st March 2006 be noted.
- (b) Approval be given to the carry forward of departmental balances as detailed in paragraph 7.
- (c) Approval be given to the allocation of additional resources as detailed in paragraph 8.
- (d) Approval be given to the carry forward of the Development Fund balance as detailed in paragraph 17.

Reasons

30. 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

2005/06 Revenue Budget and Accounting Records.

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