

Leicester
City Council

**CABINET (BUDGET REVIEW) SUB-GROUP
CABINET
SCRUTINY COMMITTEES**

**4th July 2003
21st July 2003
August 2003**

REVENUE OUTTURN 2002/03

REPORT OF THE CHIEF FINANCE OFFICER

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to show the summary position comparing spending with the budget for all General Fund Services and the Housing Revenue Account (HRA).
- 1.2 This is the third and final report in the annual cycle of budget monitoring and shows the outturn position for the General Fund against the revised budget of £312m, and the HRA against a gross budget of £72.3m.
- 1.3 The Council's processes provide for reports on the budget to be prepared twice during the year. Previous reports have therefore been presented in November and February to Cabinet and Scrutiny Committees, which have identified budgetary issues that have emerged during the year and the forecast outturn for the year-end.
- 1.4 Each Scrutiny Committee will receive this covering report and an appendix (or appendices), which relate to its portfolio. The Finance Resources and Equal Opportunities Scrutiny Committee will receive this report, the appendices which relate to its portfolio and a summary report considering the overall position for the whole Council.
- 1.5 The Cabinet will receive this covering report and the overall position for the Council.
- 1.6 Members of the Cabinet or the Finance, Resources and Equal Opportunities Scrutiny Committee wishing to see the appendices relating to any portfolio not appended to the report should contact the report author.

2. REPORT

- 2.1 At the end of the year, the net general fund outturn was an underspend of £0.9m against a net revised budget of £312m. The element that relates to service departments (excluding schools) shows that they have overspent their budgets by £0.4m, which represents 0.2% of the General Fund budget.
- 2.2 The position for the Housing Revenue Account (HRA) is that the amount of HRA balances at 31 March 2003 is £2.3m, which is in line with the original budget.

2.3 The Council's general reserves position at the end of the 2002/03 financial year is forecast to be £6.4m, although the uncommitted balance is £3.3m.

3. RECOMMENDATIONS

3.1 Cabinet is recommended to:

- a) note the final outturn for 2002/03 for each department and the Council as a whole;
- b) note the reasons for the variances between the 2002/03 budget and the final outturn;
- c) note the position of the Council's general reserve;
- d) note the position in respect of earmarked reserves;
- e) approve a contribution of £0.6m to the capital fund
- f) note the proposals for the use of underspends;
- g) approve proposed uses in excess of £100,000 and agree to support the carry forward of underspendings by the Resources, Access and Diversity Department pending resolution of the issues detailed in the supporting information (a waiver of Finance Procedure Rule 4.6.4);
- h) approve the drawing down of earmarked reserves to meet revenue costs incurred in 2002/03;
- i) approve the carry forward of £338k of NRF core funding as set out in paragraph 12.1.2;
- j) approve the establishment of new earmarked reserves (proposed in section 9.13 of the supporting information report);
- k) agree to carry forward £289,000 of corporate budgets which relates to underspendings on the £1m provision in 2002/03 for city centre improvements.

3.2 Scrutiny committees are asked to consider issues affecting their portfolio and make any observations to the Cabinet as they see fit.

3.3 The Finance, Resources and Equal Opportunities Scrutiny Committee is asked to consider the overall position for the whole Council and make any observations and recommendations to Cabinet that it sees fit.

4. FINANCIAL IMPLICATIONS

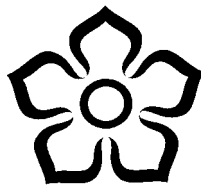
4.1 The report is concerned solely with financial issues.

5. OTHER IMPLICATIONS

5.1 There are no equal opportunity, sustainable and environmental, crime and disorder or human rights implications.

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CHIEF FINANCE OFFICER



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SUPPORTING INFORMATION

1. INTRODUCTION AND SUMMARY

1.1 The purpose of the report is to summarise the Authority's final outturn position for all departments and corporate budgets.

1.2 2002/03 has again been difficult. The following departments have experienced difficulties during the year, and despite taking measures to contain expenditure, they have spent in excess of budget:

- Social Care and Health has overspent by £1.4m. The pressures in this department have exceeded all others, and is a reflection of the experience in other Authorities. The Director had forecast an overspend of £1.7m and taken various measures to reduce it.
- Education and Lifelong Learning also had significant budget pressures and overspent by £0.8m. Earmarked funds have been drawn down to address this position and balance the budget.

For both the above departments, the overspend position was predicted and reported to members during the year. £1.1m of one-off monies were made available to Social Care and Health in the 2003/04 budget as a consequence.

1.3 A predicted underspend on corporate budgets of £1.6m has materialised largely as a result of savings made in capital financing costs. This figure was also taken into account when setting the 2003/04 budget.

1.4 The Housing Revenue Account (HRA) has achieved an outturn within its original budget, and balances of £2.3m exceed the agreed minimum balance of £1.5m.

1.5 Schools have spent £0.5m more than their budgets, representing 0.5% of schools' aggregate budgets (a figure which is not out of line with that of service departments). This is made up of a combination of some

schools underspending and adding to their balances, and some schools drawing on balances accumulated in earlier years. (Under fair funding legislation schools are entitled to retain their underspending from year to year). Schools balances now stand at £7.4m, and 2002/03 is the first year the total has not increased (high schools' balances are, for a variety of reasons, common to a number of authorities). A small number of schools, however, have deficit balances. Only one, however (New College) has a significant deficit balance of some £0.7m.

- 1.6 The Council's general reserves position at the end of the 2002/03 financial year is forecast to be £6.4m which is £1.4m more than the recommended working balance of £5m. From this, however, approximately £1.5m is expected to be required to pay the final costs of Swan Bridge, and £1.6m was used in the 2003/04 budget.
- 1.7 The only earmarked reserves which give cause for concern are:-
 - (a) The Insurance Fund, which we know to be under-resourced following an actuarial review. A strategy to replenish this from 2003/04 has been implemented;
 - (b) The Central Maintenance Fund, which is overdrawn by £1.1m. The supporting information identifies how this will be dealt with.
- 1.8 Under Finance Procedure Rules, underspending departments are allowed to carry-forward their underspends. Therefore, £0.756m will be carried forward to 2003/04. The Social Care & Health Department overspending of £1.4m will be carried forward and will be met from the Department's 2003/04 budget.

2. BACKGROUND

- 2.1 The net general fund budget (which pays for all services other than Council Housing) is divided into two components:
 - (a) Departments' service budgets, which are controlled by Corporate Directors and monitored by Scrutiny Committees;
 - (b) Corporate budgets which are managed centrally rather than being controlled by a Corporate Director.

All Directors are accountable to the Chief Executive and to the Cabinet for the use of their budgets.

- 2.2 Each Director is responsible for ensuring that the cost of service provision is contained within their department's budget, and for taking action (or recommending action to Cabinet) where it appears that a budget may overspend.

- 2.3 Under Finance Procedure Rules underspendings against a department's budget are carried forward by the department which generated the underspending. Some departments also have trading organisations, which "sell" services to other departments. Finance Procedure Rules allow departments to retain a proportion of their trading surplus, the balance being returned to the uncommitted general reserve.
- 2.4 Corporate budgets include:
- (a) capital financing charges – these are essentially the costs of interest and principal on debt raised for previous years' capital schemes, offset by interest earned on invested cash balances;
 - (b) levies to other bodies, including the fire authority, magistrates courts and flood defence;
 - (c) Miscellaneous budgets, such as bank charges, District Audit fees and Best Value inspection costs;
 - (d) the net recharges budget which represents income earned by the general fund from other parts of the Council (such as the Housing Revenue Account and trading units).

Underspends/overspends on corporate budgets are accounted for against the corporate reserves.

3. BUDGET 2002/03

- 3.1 The General fund budget for 2002/03 was originally set at £312,405,000. The budget has been adjusted to include the approved carry-forwards from 2001/02 of (£565,200) and £207,300 reflecting an increase in payments to recipients of Housing Benefit and Council Tax benefit. This is in accordance with Finance Procedure Rules, whereby the budget for these payments is increased or reduced to meet actual expenditure (which is demand led).

	Original Budget for 2002/2003	Approved Carry-Forwards	Virements	Revised Budget for 2002/2003
Department	£000	£000	£000	£000
Cultural Services & Neighbourhood Renewal	18,267.4	9.6	(3,834.7)	14,442.3
Chief Executives	2,594.6	89.2	(135.2)	2,548.6
Education & Lifelong Learning	150,970.2	0.0	4,155.5	155,125.7
Environment, Regeneration & Development	32,482.2	202.1	2,135.0	34,819.3
- Former Commercial Services	(211.8)	0.0	1.4	(210.4)
Housing – General Fund	5,593.7	93.8	1,585.4	7,272.9
Housing – Housing Benefits	2,694.1	0.0	0.0	2,694.1
Social Care & Health	64,925.7	(1,407.4)	23.1	63,541.4
Resources, Access & Diversity	18,295.5	447.5	(3,646.4)	15,096.6
Total Departments	295,611.6	(565.2)	284.1	295,330.5
Corporate Budgets				
Levies	7,230.9	0.0	0.0	7,230.9
Miscellaneous	2,638.3	0.0	(355.0)	2,283.3
Capital Financing	10,259.0	0.0	0.0	10,259.0
General Fund (Excl. Net Recharges)	315,739.8	(565.2)	(70.9)	315,103.7
Net Recharges	(3,127.5)	0.0	70.9	(3,056.6)
Net General Fund	312,612.3	(565.2)	0.0	312,047.1

4. SUMMARY OUTTURN

- 4.1 Appendix 1 sets out the final outturn position for the Council's General Fund.
- 4.2 Reasons for variations between Departments' budgets and actual expenditure will be set out in detail in the individual reports to Scrutiny Committees in the August/September cycle of meetings.
- 4.3 Section 5 of this report sets out the main issues arising from individual Departmental outturns and Appendix 2 identifies proposals for uses of underspends carried forward by Departments.

5. EXPLANATION OF VARIANCES – SERVICE DEPARTMENTS

5.1 Cultural Services & Neighbourhood Renewal

5.1.1 The department has delivered a small underspend. However, this was achieved after applying the Sports reserve of £54k and an allocation of £32k from the Cultural Services strategic reserve.

5.1.2 The position has been achieved by maintaining tight control over all non-essential expenditure, pooling budgets and holding a significant number of vacancies across the department. All requests to fill vacancies have been brought to the Departmental Management Team (DMT) for approval. Services have identified that many of the savings made in 2002/03 were difficult to deliver.

5.1.3 Services have managed the pressures identified in the year by achieving increased income or making compensatory savings. However, the significant variances are:

- A shortfall of income across all sports facilities, specifically the fitness suites and golf courses
- The cost of storm damage to trees on housing land and in parks (£69k)
- The costs of specific events (Baton Relay, Music Live, One Big Sunday, Humberstone bonfire). Despite increased sponsorship there was a net overspend on Festivals and Events (£118k)
- Under achievement of the DeMontfort Hall lettings target (£56k)
- Over achievement of car parking income within the parks service (£49k)

5.1.4 During 2002/03 the department received NNDR refunds backdated for several years. These have been put into a reserve, which has enabled premature repayment of a £0.3m loan (as per the 03/04 budget strategy). The balance will be used during 2003/04 to begin visible reinvestment in facilities and to upgrade the department's I.T network. The balance now stands at £0.7m.

5.2 Environment, Regeneration & Development

5.2.1 The department has an underspend for 2002/03 of £61,200. This figure is after accounting for a transfer of the surplus on the former Commercial Services trading units to the General Reserve and the Development Fund. The variances are explained below:-

5.2.2 The main variances include an overspend of £360,000 on the under achievement of advertising income on bus shelters due to the lengthy negotiation of the new contract, and continuing problems on waste disposal due to increases in tonnage, although this has partially been offset by government grant for the disposal of fridge/freezers. There

was also an overspend of £120,000 on Legal Services but this was partially offset by an underspend on Consultancy fees. These overspends were offset by vacancies in several areas, a reduction in the bad debt provision and an underspend in Traffic to provide for future costs.

5.2.3 The former Commercial Services trading units have made a surplus of £315,000. £126,000 has been transferred to general reserves (in accordance with Finance Procedure Rules), and £189,000 added to the department's development fund that will be used to offset budget pressures in 2003/04.

5.2.4 The main variances on the trading units include deficits of £55,000 on City Landscapes and £90,000 on Citywide Cleaning. The deficit on Citywide Cleaning has been reported throughout the year but good management of the situation has reduced the deficit. The main surplus of £330,000 was in Highways and Civil Engineering Operations. This arose due to the award of the Annual Minor Works contract and the associated increase in the volume of work.

5.2.5 The department intends to create new earmarked reserves from underspends elsewhere in the department, for cost pressures which are anticipated in future years. These are:

Existing earmarked reserves

	£000
Contribution to Leicester Regeneration Company	73
Traffic consultants	<u>120</u>
	<u>193</u>

New reserves:-

Local Plan Inquiry	78
Licensing Regulations	73
Moving the Consumer Advice Centre	30
Upgrade of IT	68
Signal maintenance & emission control	<u>25</u>
	<u>274</u>

Total **467**

The purposes of the new reserves are set out in paragraph 9.13 of this report.

5.3 Education & Lifelong Learning

5.3.1 The Education Department is reporting outturn at budget. There are a number of significant variances within the Department and an overspend was predicted. The underlying position at the year end was an overspend of £0.8m. Earmarked funds have been drawn down to address this position and balance the outturn. The main causes of the underlying overspend were:

5.3.2 Throughout 2002/03 the department has faced considerable budget pressures, and steps were taken to contain expenditure where possible. The overspend which has been funded from departmental earmarked reserves, has resulted from a variety of factors, the increased requirement for student support being the most significant.

5.3.3 The most significant budget issues, by division, are:

- Standards and Effectiveness: additional income generation from course fees and savings from vacancies.
- Lifelong Learning: the net position was a small underspend, however the division faced several pressures including overspends on Children's services and Voluntary Sector Grants. Compensating savings were achieved elsewhere in the division, and the 2003/04 budget reviewed to address some of the issues.
- Pupil and Student Support: this division overspent by £0.6m. The services provided are needs led and relate to statemented pupils either in LCC Mainstream Schools, or placed at Independent Schools. Both placement costs and numbers of pupils have risen significantly. The division also had reduced income as the number of pupils placed in City schools from other authorities has fallen.
- Policy and Resources: Both SEN and Mainstream transport costs have increased above inflation, and the numbers eligible for provision have also risen, with a resulting overspend of £0.3m. Insurance costs also increased by £0.3m.

5.4 Social Care & Health

5.4.1 The final result for 2002/03 was an overspend of £1.35m, after receiving a further 0.1m funding from year 1 of the Neighbourhood Renewal Fund (NRF).

5.4.2 This is in line with the forecast overspend of between £1.0m and £1.5m previously reported to Members. Funding from external sources such as the NRF (where £0.5m was anticipated) was lower than assumed in the forecast, hence the actual overspend was nearer to £1.5m than £1.0m.

5.4.3 The pressures on the budget had been well sign-posted throughout the year. A range of stringent measures to reduce spending was implemented, which restricted spending to only absolutely essential items, and maintained challenging activity targets for residential care placements. A number of one-off adjustments were made to increase income, such as substituting capital programme funding and a reduction in the departmental bad debt provision requirement.

5.4.4 The remaining overspend was mainly attributable to:

- The balance of the overspend brought forward from 2001/02, which at £0.4m was a first call on the 2002/03 resources
- Continuing pressures on the community care budget, which funds residential placements and non-residential services such as home care and mobile meals
- Demographic increases in the number of adults with learning disabilities, combined with significant increases in fees charged by independent sector providers
- The need to achieve national targets, such as minimising the number of delayed discharges from hospitals into community care.

5.4.5 The 2002/03 £1.4m overspend will be carried forward to 2003/04. As one-off additional funding of £1.1m was included in the Department's 2003/04 budget, there will once again be a net deficit as first call on 2003/04 resources.

5.5 Housing Department

5.5.1 The Housing department (excluding Housing Benefits) effectively broke-even. However, within the overall department there were some significant overspends which have been contained by corresponding underspends. These are:

Additional spending	£'000
➤ Considerable additional spending has been incurred in order to ensure that the council could respond effectively to the problems caused by the failure of the housing benefit DIP system. This was planned and has been met by underspends elsewhere in the department. Additional staffing has also been required to oversee the successful transfer of funding to the Government's new Supporting People arrangements. Additional staffing has also been needed to assist with the implementation of new revenues computer systems. Agency staff have been diverted to assist front line staff deal with rent arrears.	+ 566
➤ higher than expected central support costs and the additional cost of the Housing Needs Survey	+ 152
underspends	
➤ this saving is mainly the result of increased charges and very high occupancy levels in Council hostels	- 499
➤ the result of a change in funding regime following the introduction of the government's Supporting People initiative	- 219
Total	0

5.5.2 The budget for Housing Benefit payments overspent by £207,300 which had been anticipated during the course of the year. This budget is defined as demand-led under Finance Procedure Rules. Any variances in this budget are met from or returned to corporate reserves. Therefore the budget for this item has been adjusted to equal actual spending.

5.6 Resources, Access & Diversity

5.6.1 The Department has been forecasting an underspend, following the introduction of housekeeping measures last December. These measures were taken in the light of financial volatility in some services, particularly the Department's trading services, which could have led to some difficulties at the year-end. By the end of the year, many of the anticipated problems have proved less severe than expected although there were still some areas of significant overspend. The main areas of underspend were as follows:

- Directorate. e-mail review project to be reconsidered in 2003/04;
- Property Services. Vacancies following the transfer of the service from ER&D, and the subsequent service review;

- Democratic Services. Creativity Works transferred to RAD mid-year, projecting a significant trading loss. Remedial action was taken, but the extent of a backlog in customer invoicing was not known until late in the year. This has led to a surplus at outturn, which was not apparent until late in the year.
- Financial Services. A service review led to a number of posts being held vacant, in readiness for the introduction of a new structure in 2003/04. Finalising the Audit Partnership with PricewaterhouseCoopers was delayed, resulting in savings from deferring the first payments under the contract.
- Legal Services. Improved management control over charging procedures, including recovery of income from external sources.

The above items were partially offset by overspends in the Consultancy Services trading services and Democratic Services.

5.6.2 The most significant issue in the department, however, is the position regarding the Central Maintenance Fund, which has a deficit balance of £1.1m. The Central Maintenance Fund, which is used to pay for repairs and maintenance to the Authority's buildings, overspent in 2002/03. Controls failed to pick this up as early as they should. Because of the responsive and project-based nature of much of the work there is always a budget variance at the year-end and this is carried forward as an earmarked reserve.

5.6.3 The overspend on the fund in 2002/03 amounted to £1.1m, due to a number of factors, including an incidence of major emergency repair work which was much higher than forecast. This level of overspend is very high, and a full investigation is under way to ensure that the equilibrium of the fund can be restored. It seems likely, however, that the scale of the increase in reactive maintenance (needed to keep buildings in operational use) means that the accumulating backlog of maintenance has reached the point where substantial investment is needed; it may be that such investment is more cost-effective than escalating maintenance costs.

5.6.4 The Town Clerk has put measures in place which plan to leave the fund with a much smaller deficit of £0.4m by 31 March 2004, and to have fully cleared the deficit balance by the end of March 2005. The measures include freezing the planned use of the Resources, Access and Diversity carry-forward, as set out in Appendix 2, which can be released at the 2003/04 outturn once it is ascertained that the balance has reduced to £0.4m. These measures can only be successful if the reactive maintenance needed to keep buildings in use does not exceed the available resources.

5.6.5 The Council's Investment Property portfolio is managed by the Property Services division of the department. The portfolio generates a significant contribution to the general fund (approximately £3m) and in 2002/03 exceeded its target by £0.6m. This was due to an underspend on employee costs as the division continues to find it difficult to recruit valuers, and additional income from some properties (including backdated rents) and car parks.

5.7 Chief Executive's Office

5.7.1 The department achieved an underspend of £143,300. This was mainly as a result of small underspends across most cost centres, the delay of the MATV project and the most significant variance being due to vacancies within the Policy and Performance Team and the delay of I.T project work until 2003/04.

6. CORPORATE BUDGETS

6.1 Corporate budgets represent areas of expenditure which are not the responsibility of any service Department. The outturn position is an underspend of £1.9m.

6.2 A large element of the underspend on corporate budgets relates to capital financing. There was a gain from debt rescheduling (premature repayment of existing loans and their replacement with new cheaper loans). It also reflects the fact that base interest rates remain below levels forecast, good performance by our fund managers and the fact that the value of cash investments was higher than forecast.

6.3 One-off funding of £1m to improve the city centre was included in the 02/03 budget. £0.7m was spent during the year on additional weekend and night/early cleaning, the reconstruction of Hotel Street and the Market Place and renewed street furniture and resurfacing. The balance of £0.3m is committed to finishing schemes including litterbin improvements, the rationalisation and renewal of street furniture items, columns for banners and flags, surface grouting and retention monies.

7. SCHOOLS BALANCES

7.1 Revenue balances

7.1.1 As members will be aware, schools' budgets are delegated for local determination. 55 schools (49%) have drawn on balances, and the result is that schools balances have decreased overall by £0.5m during 2002/03. The total balances held by schools now stands at just under £7.4m. The following table shows the overall position:

	No.
Schools in deficit	6
Schools with reserves < 5% of their annual budget	39
Schools with reserves between 5% and 10% of their annual budget	36
Schools with reserves > 10% of their annual budget	32

7.1.2 Schools are advised by DFES that maintaining a 5% balance is prudent, while they also build up reserves for a range of reasons as set out below. Early indications are that schools will draw significantly on their balances in 2003/04. The main reasons for schools holding a surplus balance fall into the following categories:

- reserve for contingencies
- standards fund grant carry forward
- ICT investment
- building works
- staffing support (mainly to cover temporary staff costs)
- curriculum needs
- external improvements and security

7.1.3 Of the schools in deficit, the most significant source of concern is New College, with a deficit of £0.7m. The next highest deficit is £27,000.

7.2 Capital balances

7.2.1 Schools currently hold £2.75m of capital reserves. Of this total, £2.66m reflects the amount of funding currently being carried forward by schools in relation to the Standards Fund allocation for Formula Capital. Schools have a period of up to three years to use the funds and can carry unspent balances forward to the following year. The balance of £90,000 relates to the "Seed Challenge" capital initiatives, via Standards Fund, which is to be expended by 31st August 2003.

8. GENERAL RESERVES

8.1 The table below shows the effect of the outturn on the Council's general reserves:-

	Amount £m
Opening balance at 1.4.02	5.223
<u>Less:</u>	
Loan repayment from Education re. the former International Youth House	0.083
Underspend on Corporate budgets	1.571
40% share of Trading Surpluses	0.126
<u>Add:</u>	
Housing benefits overspend	(0.207)
Transitional costs adjustment	<u>(0.400)</u>
Closing balance at 31.3.03	<u>6.396</u>

8.2 The items in the above table may be further explained:

- a) the Education & Lifelong Learning department now manage the building which was formerly the International Youth House. This arrangement entailed a loan from the general reserve fund, to be repaid over an agreed schedule. This is the first repayment within that schedule;
- b) Corporate budgets reflect the total underspend described in paragraph 8 of this report.

8.3 It is essential that the Council holds some funds in reserve in order to meet unexpected events and the corporate budget strategy recommends a minimum of £5m. Whilst reserves currently exceed this, they will not do so in 2003/04.

8.4 Corporate reserves could be further increased by two “windfalls”:-

- (a) A repayment of a £0.3m “loan” from the Cultural Services department, originally scheduled to be repaid from 2004/05 to 2006/07;
- (b) Surplus income on the Council’s investment property portfolio of £0.3m (see para 5.6.5).

8.5 However, since approval of the budget and capital programme, the resource position for capital has deteriorated (due to changes in the Government’s single capital pot) and it is therefore recommended that these sums are transferred to the capital fund (which will put the capital resource projections back to the position they were in when the capital programme was set).

9. OTHER SIGNIFICANT EARMARKED RESERVES

- 9.1 This section of the report provides an overview of other significant sums of revenue money, which are held in reserves. These reserves are 'earmarked' for specific purposes, and are separate from the Council's "uncommitted" reserves.
- 9.2 **Schools Balances (revenue)** – As discussed in section 7.1, the amount of money held in this reserve has decreased from £7.9m to £7.4m following this year's outturn.
- 9.3 **Schools Balances (capital)** - £2.75m is held reflecting the delegation of Standards Fund to schools (see section 7.2).
- 9.4 **LMS Contingency** – This reserve holds funds allocated for in-year changes to schools formula funding resulting from the revised September pupil count. Any unspent allocation is ring-fenced for spending in schools. The balance currently stands at £0.8m.
- 9.5 **Secondary Review** – This reserve was created to meet one-off revenue costs associated with the review. It also includes funds for other strategic developments. The balance currently stands at £0.3m.
- 9.6 **Insurance Fund** – The Council's self-insured insurance fund stands at £6.4m. A recent actuarial review suggested the level of fund was previously inadequate and therefore the Council adopted a strategy to replenish it over three years. The first stage is to build the fund up to £6m by 31 March 2006, by which time a further Actuarial review will have been carried out. Although the fund currently stands at £6.4m it should be noted that there is currently a modest backlog of claims. When these are taken into account, the fund is likely to be below £6m.
- 9.7 **IT Fund (Resources, Access & Diversity)** - The Resources department holds an IT fund which stands at £0.4m. IT development expenditure cannot be spent in equal annual amounts, and the fund smoothes out the peaks and the troughs. The fund is held for various departmental and corporate IT developments which include the purchase of new software (e.g. anti-virus) and hardware (e.g. SUN server), fire suppression equipment and costs relating to the on-going Business Continuity Project (BCP) improvement programme.
- 9.8 **Central Maintenance Fund (Resources, Access & Diversity)** – The fund is maintained to hold monies earmarked for repairs and maintenance of operational buildings. It is 'topped-up' with additional funds each year by means of a contribution from the budget. This reflects the fact that work is undertaken on a programmed basis. The fund incurred a significant overspend in 2002/03 which is detailed in section 5.6, and is currently overdrawn by £1.1m.

- 9.9 **Other RAD reserves** – separate reserves are held for the relocation of the Registration Office, cost of elections and other Departmental developments. The balance on these reserves totals £0.7m.
- 9.10 **On-Street Parking Reserve** – this reserve is held by the Environment, Regeneration & Development Department. In accordance with the Road Traffic Regulation Act 1984, such a fund can only be used for transport related objectives. The current balance is £0.73m and is intended to be spent on issues such as the support of local bus subsidies and the associated costs of implementing residents parking schemes, as noted at the Highways and Transport Scrutiny Committee in December 2002.
- 9.11 **Cultural Services Strategic Reserve** – The reserve is controlled by the Cultural Services Department and was approved by Cabinet during the year. It will allow planned funding of any future, fortuitous income, for example backdated NNDR refunds as a result of property revaluation, to be used to fund planned one-off projects and budgetary issues (see paragraph 5.1.4). The year-end balance is £0.7m.
- 9.12 There are various other individual departments' reserves established in accordance with Finance Procedure Rules. The figure stands at £3.3m (including the new reserves detailed below).
- 9.13 The following earmarked reserves have been set up during the year and require approval from Cabinet:

Housing Department

- The Tenancy Support Building Reserve

The budget for 2002/03 included provision for setting up area offices and carrying out the resulting building alterations. It was not possible to carry out the work last year so the department has set aside the funds for the work to be done in 2003/04 without resorting to the Capital Programme (year-end balance £0.18m).

Education Department

- Standards Fund Match Funding

Standards Fund grant paid to the Council in a financial year can be expended over 17 months. Some Standards Funds require match funding of approximately 50%. The reserve has been established to regularise the accounting treatment of the match funding allocations. This is essential to enable the grant to be accessed, and to allow completion of projects in schools where staff may have been employed for the academic year. The year-end balance is £0.6m.

Environment, Regeneration and Development Department:

- Leicester Regeneration Company Reserve
To fund the costs of the regeneration company for which Cabinet has agreed a three year rolling programme (Balance at year-end £73k)
- IT Services Reserve
Replacement and upgrade of the server and other back-up equipment in the department (£38k)
- Area Traffic Control Signal Maintenance
The maintenance cost of traffic signals - as costs increase with the number of signals installed in the City (£15k)
- Pollution
To carry out vehicle emission monitoring (£10k)
- Licensing
Preparation for becoming a licensing authority - additional staffing for developing policies and procedures (£73k)
- Consumer Protection
Refurbishment of Bishop Street Consumer Advice Office and provision of disabled access (£30k)
- Development Control
Upgrade of the development control planning system (the Datawright system) (£21k)

10. HOUSING REVENUE ACCOUNT

- 10.1 The Housing Revenue Account (HRA) incurred a deficit for the year of £413,000 (as compared to a deficit budget of £420,000), which has resulted in a balance on the HRA reserves of £2.3m. A brief summary of the significant variances are set out below:

	£'000
<p>→ Landlord services This comprises of a number of variances including a contribution from the HRA to the Council Tax/Housing Management Systems Renewal Fund</p>	+ 255
<p>→ Repairs and Maintenance This is due to additional 'day to day' repairs costs including those arising from a backlog of gas servicing works from the previous year</p>	+ 228
<p>→ Capital Financing Charges This comprises of: (a) Reductions in interest charges due to increased Right to Buy (RTB) capital receipts; and (b) Reductions in interest charges due to a slightly lower actual rate than that used for the budget.</p>	- 408

10.2 Members are reminded that the Council has set minimum HRA balances at £1.5m to meet any unforeseen expenditure or shortfall in income. Balances at 31st March 2003 of £2.285m are therefore £785,000 above the minimum. This latter amount should be earmarked for future use, including: (a) rent restructuring; (b) meeting the government's decent homes standard; and (c) introduction of Global Positioning System (GPS) within the Housing Repairs Trading services.

11. HOUSING REPAIRS TRADING SERVICE

11.1 The surplus for the year was £153,000 compared with a budgeted surplus of £200,000.

12. SPECIFIC PROGRAMMES

12.1 Neighbourhood Renewal Fund

12.1.1 The spend for the year amounted to £5.6m, against a budget of £6.3m. This represents an underspend of £731k, or 11% of the programme, which may be compared with guidance which sets a maximum carry forward limit of 15%.

12.1.2 Bids to carry forward the sum of £309k in relation to specific projects have been approved through the NRF sub-group in accordance with agreed procedures, and a further £338k is requested from "Core" funding. This funding covers the plans for culture change, the neighbourhood co-ordinators and their areas, the core project team and the Customer Services Centre at New Parks.

12.2 Single Regeneration Budget (SRB)

12.2.1 The authority currently has six schemes in operation. The total revenue spend across all SRB programmes in 2002/03 was £4.1m. Capital spend was £2.9m and therefore total SRB expenditure for the year was £7m. For this spend, the achievements include:

- ✓ Construction work began on the £3.8m Highfields Youth & Community Centre
- ✓ A state of the art computer suite was opened at St Matthews Neighbourhood Centre
- ✓ Phase 3 of the Safe Neighbourhood Project, tackling community safety issues within residential areas
- ✓ Home Farm Shopping Centre remodelled, with improved community safety and delivery vehicle access
- ✓ Establishment of the Beaumont Leys Community Development Trust
- ✓ Securing additional funding eg £1m from New Opportunities funding to create 3 healthy living centres
- ✓ Establishment of Saffron branch of the Credit Union
- ✓ Providing security for homes through a burglary reduction project
- ✓ Tackling neighbour nuisance
- ✓ Opening of the @UR centre, a UK online centre on Uppingham Road
- ✓ Opening of Belgrave's new Business Advice Centre

13. OTHER IMPLICATIONS

Other implications	Yes/No	Paragraph referred
Equal Opportunities	No	-
Sustainable & Environmental	No	-
Crime & Disorder	No	-
Human Rights Act	No	-
Elderly/People on low income	No	-

14. CONSULTATION

14.1 All Departments have been consulted in the preparation of this report.

15. BACKGROUND PAPERS

15.1 2002/03 outturn working papers held in the Accountancy section.

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Date: 27th June 2003

Mark Noble
Chief Finance Officer

PROVISIONAL OUTTURN 2002/03

	Adjusted Budget £'000	Actual Spend £'000	Contrib. to/(from) Reserves £'000	Total Outturn £'000	Variance £'000	(Under)/ Overspent %age	C/fwd Permitted £'000	Spend Charged to Reserves £'000
Departments (Excl. Schools)								
Cultural Services & Neighbourhood Renewal	14,442.3	13,422.1	1,018.0	14,440.1	(2.2)	-0.02%	(2.2)	0.0
Chief Executive's Office	2,548.6	2,569.5	(164.2)	2,405.3	(143.3)	-5.62%	(143.3)	0.0
Education & Lifelong Learning	41,453.7	40,655.9	797.8	41,453.7	0.0	0.00%	0.0	0.0
Environment, Regeneration & Development	34,819.3	34,188.2	569.9	34,758.1	(61.2)	-0.18%	(61.2)	0.0
- Former Commercial Services	(210.4)	(654.5)	444.1	(210.4)	0.0	0.00%	0.0	0.0
Housing Department	7,272.9	6,939.8	333.6	7,273.4	0.5	0.01%	0.5	0.0
Housing Benefit Payments	2,694.1	2,694.1	0.0	2,694.1	0.0	0.00%	0.0	0.0
Social Care & Health	63,541.4	64,892.0	0.0	64,892.0	1,350.6	2.13%	1,350.6	0.0
Resources, Access & Diversity	15,096.6	14,574.4	(187.9)	14,386.5	(710.1)	-4.70%	(384.0)	(326.1)
Total	181,658.5	179,281.5	2,811.3	182,092.8	434.3	0.24%	760.4	(326.1)
Schools	113,672.0	114,201.4	0.0	114,201.4	529.4	0.47%	0.0	529.4
Sub-Total	295,330.5	293,482.9	2,811.3	296,294.2	963.7	0.33%	760.4	203.3
Corporate Budgets								
Levies	7,230.9	7,201.2	0.0	7,201.2	(29.7)	-0.41%	0.0	(29.7)
Miscellaneous	2,283.3	1,982.7	0.0	1,982.7	(300.6)	-13.17%	(288.6)	(12.0)
Capital Financing	10,259.0	8,658.0	0.0	8,658.0	(1,601.0)	-15.61%	0.0	(1,601.0)
Net Recharges	(3,056.6)	(2,984.6)	0.0	(2,984.6)	72.0	-2.36%	0.0	72.0
TOTAL	312,047.1	308,340.2	2,811.3	311,151.5	(895.6)	-0.29%	471.8	(1,367.4)

Service Committee's Underspending, 2002/2003
Proposed use of Carry Forwards

Resources, Access & Diversity

	£'000
<u>To meet budgetary pressures in 2003/04</u>	
1. One-off pressures arising from the restructuring of Financial Services	73
2. Residual costs arising from the restructuring of Property Services	54
 <u>To fund Departmental and Corporate priorities 2003/04</u>	
3. To continue the development of customer access improvements, including the Customer Service Centre and telephone access	104
4. To fund a joint service review of the debt recovery process	100
5. To meet the Council's legal obligations under developing legislation including the Freedom of Information Act	30
6. To fund the major work programme of the Management Development Unit (approved through SRG)	23
	384

As referred to in paragraph 5.6.4, these underspends will be "frozen" and not used for these purposes pending the 2003/04 outturn.

Environment, Regeneration and Development

	£000
1. To meet budget pressures in 2003/04	61

Chief Executive's Office

	£000
1. To commence projects which were not undertaken in 2002/03 and to deal with general budgetary pressures	70
2. Development of Performance Indicator Database for the management of Performance over the Council.	17
3. Communication Improvement Plan and related publications.	20
4. Best Value performance plans, work on equality standards and consultancy support	37
	144

Cultural services & Neighbourhood Renewal

£000

1. To meet budget pressures in 2003/04

2

Corporate Budgets

£000

1. To complete works outstanding on the £1m City Centre Improvements budget from 2002/03

289
