

Leicester
City Council

**CABINET
SCRUTINY COMMITTEES**

**21st June 2004
August 2004**

REVENUE OUTTURN 2003/04

REPORT OF THE CHIEF FINANCE OFFICER

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to show the final summary outturn 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 £343m, and the HRA against a gross budget of £59.9m.
- 1.3 Previous reports have been presented to the Cabinet and Scrutiny Committees in October and January, which outlined budgetary issues that had emerged during the year.
- 1.4 Each Scrutiny Committee will receive this covering report, and appendices which relate to its' portfolio. The Cabinet and Finance, Resources and Equal Opportunities Scrutiny Committee will receive a summary report considering the overall position for the whole Council.
- 1.5 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 The report shows a year-end position of a £2.5m underspend against a net revised budget of £343m. The element that relates to service departments (excluding schools) shows that they have underspent their budgets by £0.8m, which represents 0.4% of their budgets.
- 2.2 All departments have kept spending within their budgets, often in difficult circumstances.

3. RECOMMENDATIONS

- 3.1 Cabinet is recommended to:
- a) note the final outturn for 2003/04 for each department and the Council as a whole
 - b) note the reasons for the variances between the 2003/04 budget and the final outturn
 - c) note the position of the Council's general reserve
 - d) approve a contribution of £0.3m to the capital fund resulting from surpluses generated by investment property and general fund traded services
 - e) note the position in respect of significant earmarked reserves
 - f) note the proposals for the use of underspends
 - g) approve the draw down of earmarked reserves to meet revenue costs incurred in 2003/04
 - h) approve the establishment of new earmarked reserves (proposed in section 10.17 of the supporting report).
 - i) approve the carry forward of the residue of the city centre improvements money which was set up in 2002/03 to pay the final costs of the projects.
 - j) approve virements as detailed in section 4.2 of the supporting report
- 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 Committees 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 & LEGAL IMPLICATIONS

- 4.1 The report is solely concerned with financial issues. There are no direct legal implications in this report. Tom Stephenson, the Town Clerk has been consulted in the preparation of this report.

5. OTHER IMPLICATIONS

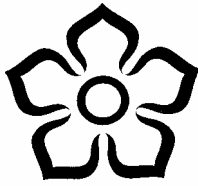
- 5.1 There are no equal opportunity, policy, sustainable and environmental, crime and disorder or human rights, elderly /people on low income implications.

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MARK NOBLE
CHIEF FINANCE OFFICER

DECISION STATUS

Key Decision	No
Reason	N/A
Appeared in Forward Plan	Yes
Executive or Council Decision	Executive (Cabinet)



Leicester
City Council

**CABINET
SCRUTINY COMMITTEES**

**21st JUNE 2004
August 2004**

REVENUE OUTTURN 2003/04

SUPPORTING INFORMATION

REPORT OF THE CHIEF FINANCE OFFICER

1. PURPOSE OF THE REPORT

- 1.1 This is the third and final report to members in the annual cycle of budget monitoring. Previous reports have been made in September and January, which identified budgetary issues that had emerged during the year and the forecast outturn for the year end.

2. REPORT

- 2.1 Most departments have experienced difficulties during the year. Early forecasts predicted a break-even position in most departments with the exception of the Education and Lifelong Learning and Regeneration and Culture departments. During the course of the year these departments tightly controlled their expenditure in order to achieve a balanced outturn.
- 2.2 The resulting outturn figures show that all departments have managed to achieve an outturn of at or below budget, although in some cases this has been facilitated by drawing on various departmental reserves. This is a pleasing result, and departments have done well to manage their budgets and achieve a balanced outturn.
- 2.3 An underspend of £1.4m has materialised on corporate budgets largely as a result of savings made in capital financing costs. This is above that which was previously forecast due to a number of factors including savings in capital financing being in excess of that previously predicted,

and additional net recharges generated due to an increased value of transactions between the General Fund, Housing Revenue Account (HRA) and traded services. The amount, which can be contributed to reserves, however, needs to be offset by an overspending of £0.5m on housing benefit payments. (See section 6.5.3)

- 2.4 The Housing Revenue Account (HRA) has achieved an overall surplus of £0.3m which is an underspend of £0.7m when compared to budget. HRA balances therefore stand at £2.6m.
- 2.5 Schools predicted to draw heavily on their balances during 2003/04 (in the region of £3.6m). The outturn shows that in fact schools have spent £1.6m less than their budgets, representing 1.2% of schools' aggregate budgets. 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' revenue balances now stand at £9.2m, with a further £4.2m held as capital balances. Schools have been asked to supply information so that the composition of these balances can be understood. Further details are in paragraph 10.2.
- 2.6 The Council's general reserves position at the end of the 2003/04 financial year is forecast to be £4.4m.

3. BACKGROUND

- 3.1 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 Cabinet for the use of their budgets.

- 3.2 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.
- 3.3 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.

3.4 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.

4. **BUDGET 2003/04**

- 4.1 The General fund budget for 2003/04 was originally set at £342,794,200. The budget has been adjusted to include the approved carry-forwards from 2002/03 of (£471,800), virements between departments during the course of the year and to reflect the Housing Benefits outturn position. (Housing Benefits is the only budget of the Council which is treated as demand led, and for which the budget is set to equal expenditure at the year-end).
- 4.2 Cabinet is asked to approve a virement of £143,500 from Cultural Services to Education and Life Long Learning. This is for the libraries services.
- 4.3 The following table shows the original and revised budget for 2003/04:

	Original Budget for 2003/2004	Approved Carry-Forwards	Virements/ Housing Benefits adj.	Revised Budget for 2003/2004
Department	£000	£000	£000	£000
Cultural Services & Neighbourhood Renewal	15,628.6	2.2	933.5	16,564.3
Chief Executives	2,499.0	143.3	(6.1)	2,636.2
Education & Lifelong Learning	172,570.1	0.0	257.3	172,827.4
Environment, Regeneration & Development	35,129.4	61.2	(1,691.2)	33,499.4
Housing – General Fund	6,641.8	(0.5)	39.9	6,681.2
Housing – Housing Benefits	2,580.7	0.0	509.3	3,090.0
Social Care & Health	73,955.7	(1,350.6)	78.8	72,683.9
Resources, Access & Diversity	15,042.4	384.0	423.7	15,850.1
Total Departments	324,047.7	(760.4)	545.2	323,832.5
Corporate Budgets				
Levies	7,641.1	0.0	74.0	7,715.1
Miscellaneous	1,865.4	288.6	(508.2)	1,645.8
Capital Financing	12,314.0	0.0	0.0	12,314.0
General Fund (Excl. Net Recharges)	345,868.2	(471.8)	111.0	345,507.4
Net Recharges	(3,074.0)	0.0	398.3	(2,675.7)
Net General Fund	342,794.2	(471.8)	509.3	342,831.7

5. SUMMARY OUTTURN

- 5.1 Appendix 1 sets out the final outturn position for the Council's General Fund.
- 5.2 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.
- 5.3 Section 6 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.

6. EXPLANATION OF VARIANCES – SERVICE DEPARTMENTS

6.1 Cultural Services & Neighbourhood Renewal

6.1.1 The former department has delivered a small underspend of £0.1m representing a saving of 0.4% against a budget of £16.6m. This is after contributing £0.2m to fund activities in the former Environment, Regeneration and Development Department.

6.1.2 The position has been achieved by maintaining tight control over all non-essential expenditure and holding a significant number of vacancies across the department pending confirmation of the future services' structure and the budget strategy. All requests to fill vacancies were brought to the management team for approval.

6.1.3 Services have managed the tight budgetary pressures faced during the year by achieving increased income, and/or making compensatory savings. A few notable variances remain:

- Over achievement of income targets has been delivered in golf courses, sports centres, car parking within parks, Saffron Hill Cemetery, Gilroes Crematorium and De Montfort Hall.
- Festivals and Events have overspent by £0.1m. Despite increased sponsorship, the cost of supporting festivals without a budget provision (One Big Sunday, Leicester City Football Club Bus Tour, and Community Day) have contributed to this overspend.
- Travellers' issues and additional reactive buildings maintenance costs have contributed to a net overspend in the Parks Service of £0.1m.
- Closure of Braunstone Recreation Centre contributes £0.1m towards an overall underspend in Sports Service of £0.2m.

6.1.4 Further expenditure of £0.3m was incurred in making visible reinvestment in facilities and to upgrade the department's IT network; this cost was reimbursed from the department's strategic reserve. The department also supports numerous projects and initiatives funded by the Neighbourhood Renewal Fund (NRF) and has charged the fund £1.4m to cover the cost of these activities.

6.1.5 During 2003/04 the Department received NNDR refunds backdated for several years of £0.2m. These have not been reflected in revenue during the year, but have been put into a strategic reserve which will be used during 2004/05 to further progress towards making visible reinvestment in facilities and to upgrade the department's IT network.

6.1.6 Following the decision to merge the two departments, £0.2m has been utilised to fund activities within the former Environment, Regeneration and Development Department. The remaining underspend of £0.1m

will be carried-forward into 2004/05 and will be utilised to support further budgetary pressures in a year of significant change.

6.2 Environment, Regeneration & Development

6.2.1 The former department managed to achieve a break-even position after utilising the reserves from the Development Fund and some of the underspend from the former Cultural Services & Neighbourhood Renewal Department (now part of the merged Regeneration and Culture Department).

6.2.2 Budget pressures prevailed throughout the year and steps were taken to realise savings across a number of areas to maintain the budget.

6.2.3 On the positive side a number of areas over-achieved the income budget by £0.2m, including Licensing and Development Control. Trading Services generated a surplus of £0.3m of which £0.2m will be used in the department to reduce the overspend. The balance of £0.1m is treated as corporate money in accordance with Finance Procedure Rules.

6.2.4 Despite these positive achievements, a few major areas of overspend remain:

- General increase in the costs of waste disposal, installation of turnstiles at public conveniences and additional cleansing costs led to a waste management overspend of £0.3m.
- Delay in implementation of the bus shelters contract resulted in a shortfall in advertising income of £0.3m. This contract has now been let, and further shortfalls are not expected in future years apart from a small deficit in 04/05;
- Transitional premises (£0.1m) and IT costs (£0.1m) associated with restructuring and moving staff from the depot at Abbey Meadows to Leycroft Road contributed to spending pressures. The budget exposure has been managed by using the Development Fund reserves of £0.1m and savings of £0.2m from budgets of the former Cultural Services & Neighbourhood Renewal Department.

6.3 Education & Lifelong Learning

6.3.1 The Education Department is reporting a small overspend of £90k, which has been funded from departmental reserves. The final outturn is the aggregate of all overspends and underspends, some of which were significant and is a significant improvement on the previously reported position. The service areas with overspend were Pupil and Student Support and Lifelong Learning and Community Development.

- 6.3.2 The majority of the overspend on Pupil and Student Support (£0.8m) was incurred on needs-led budgets including home to school transport (£0.6m) and mainstream statementing (£0.3m). The overspend on Lifelong Learning and Community Development of £0.2m was mostly due to increased demand for the Nursery Education Grant.
- 6.3.3 Significant underspends were achieved within the Policy and Resources division (£0.7m). This was due to a combination of factors including increased income from schools, salary savings due to reduced staffing levels pending the outcome of reviews and the conservation of resources to provide for potential costs in preparation for major projects including Building Schools for the Future. Further savings were achieved in the Standards and Effectiveness Division of £0.2m as a result of staff vacancies and the use of additional Standards Fund income to offset costs.
- 6.3.4 The department has increased its departmental reserves, for two reasons. The first is the setting aside of unspent sums within the schools block that have to be retained for schools. This includes formula funding that is unallocated at the end of the financial year and will be allocated to schools in future years, and the contingency for needs led schools block expenditure such as SEN. The other contributions to reserves are for identified projects within the Department where funding has been earmarked for use in 2004/05. (such as Building Schools for the Future) and premature retirement costs.

6.4 Social Care & Health

- 6.4.1 The Department recorded a small overspend (£0.04m), which is a significant achievement given the national and local pressures on social care. This reflected the stringent measures taken to manage levels of activity across all services, and to ensure that only absolutely essential spending took place. These measures were reported to Cabinet and Scrutiny throughout the year. Particular pressures continued to be experienced on community care services for adults and older people, whilst the national focus on child protection placed increasing demands on children's services.
- 6.4.2 Cost pressures in adults and older people's services were well signposted during the year, and reflect the pressure on externally purchased community care services. Overspends in this area were offset by savings arising from management action on in-house budgets. The profile of these budgets in 2004/05 is being reviewed, so that relative budgets and spending levels are better aligned.
- 6.4.3 The Youth Offending Team (YOT) underspent by £0.07m, which resulted from slippage on service developments. This funding will need to be carried forward to 2004/05 to ensure a balanced budget, as the

demands on the YOT continue to increase, whilst all partner agencies are under increasing financial pressure.

6.5 Housing Department

6.5.1 The Housing department (excluding Housing Benefits) underspent by £0.5m, which is close to earlier predictions. In accordance with the approved 2004/05 budget, £0.3m of this will be transferred to corporate reserves. The main budgetary issues for the department have stemmed from the introduction of new I.T systems in Housing Benefits and Local Tax, and the need to clear backlogs. This has resulted in additional expenditure of £0.4m. An overspend in Tenancy Support of £0.1m also occurred as a result of reduced income following the closure of two sheltered housing units.

6.5.2 There have, however, been significant compensating savings elsewhere which have resulted in the overall outturn position. These include:

- Hostels and Community Care (£0.7m underspend) as a result of increased charges and very high occupancy levels;
- Housing Options (£0.1m underspend) due to the fall in the need to provide temporary bed and breakfast accommodation;
- Local taxation (£0.2m underspend) from problems with recruitment and staff turnover and reduced overheads, particularly I.T, following the implementation of a new computer system;
- Miscellaneous Service Provision (£0.1m underspend).

6.5.3 The budget for Housing Benefit payments is currently being finalised but is anticipated to overspend by £0.5m. 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.

6.6 Resources, Access & Diversity

6.6.1 The Department has recently been forecasting a break-even position, following action to avoid a small overspend that was previously predicted. The final underspend figure of £22k is derived after deducting 50% of the surplus on the Investment Property activity which is treated as corporate.

6.6.2 The department's underspend for 2002/03 (which would normally have been carried forward) has been kept in abeyance during the year to meet a shortfall on the Central Maintenance Fund (CMF), should the plan to restore the equilibrium of the CMF be unsuccessful. The recovery plan has been successful, and the 2002/03 underspend of £0.4m can now be applied to the new pressures facing the Department in 2004/05, including:

- The need to rationalise the Department's use of accommodation, as its contribution to the efficiency review
- The development of service-related IT systems, in particular in Property Services, Financial Services and Legal Services
- The shortfall in the resources for addressing the new needs of the Freedom of Information Act.

6.6.3 The Corporate Director proposes that the small underspend achieved in 2003/04 be retained in order to help finance the introduction of a new resource/fee management system within the Property Services division.

6.7 Chief Executive's Office

6.7.1 The Chief Executive's Office underspent by £0.1m. Variations occurred across all cost centres, particularly in employment costs and supplies and services. The underspend was slightly more than anticipated due to unplanned delays in some projects towards the end of the year, staffing changes throughout the year and a lower demand from reviews and inspections due to the Council's Corporate Performance Assessment (CPA) rating. There are no underlying problems within the budget and savings identified this financial year can all be achieved.

7. CORPORATE BUDGETS

7.1 Corporate budgets represent areas of expenditure, which are not the responsibility of any service Department. The underspend on the corporate budgets has resulted in £1.4m. being transferred to the general reserve.

7.2 A large element of the underspend on corporate budgets relates to capital financing. This was due to greater than anticipated returns on investments and a lower amount of interest paid on outstanding debt. The former is not due to levels of interest achieved but to unprecedented levels of cash balances, which have been increasing all year. These balances arise from a number of sources, including grants, capital receipts, and other income which is banked before it is spent.

7.3 An underspend on the net recharge budget was also achieved. This budget represents the effect of transactions between the General Fund, HRA and traded services. An underspend of £0.3m was largely the result of costs being passed out of the General Fund and a reduction in costs charged back in. The outturn for this area is especially difficult to predict and has, in previous years, overspent.

7.4 Other miscellaneous underspends contribute to the overall position. These include an underspend of £0.1m on the residual city centre improvement budget, originally carried forward from 2002/03. It is requested that these monies be carried forward to 2004/05 to pay for the final completion of various projects.

8. SCHOOLS BALANCES

8.1 Revenue balances

8.1.1 At period 7, schools predicted that they would be drawing heavily on their balances resulting in a reduction from £7.6m to in the region of £3m. The actual position is that only 42 schools (37%) have drawn on balances, and the result is that schools' balances have increased overall by £1.6m during 2003/04. The total balances held by schools now stand at £9.4m. The following table shows the overall position:

	No.
Schools in deficit	6
Schools with reserves < 5% of their annual budget	31
Schools with reserves between 5% and 10% of their annual budget	35
Schools with reserves > 10% of their annual budget	41

8.1.2 Of the schools in deficit, New College has reduced its overdrawn balance in 2003/04, to a deficit of £498K (once unspent standards funds are taken into account). This is a planned underspend to help balance the 2004/05 budget as agreed with the LEA. The expected deficit balance at the end of 2004/05 is £730K. Reducing pupil numbers mean the position of the school remains very difficult financially and it is not yet possible to see how the deficit will eventually be repaid. The LEA is working closely with the school to address this situation. Other schools with a deficit include St. Paul's which stands at £206k and Piper Way at £46K.

8.2 Capital balances

8.2.1 Schools currently hold £4.2m of capital reserves. This total reflects the amount of funding currently being carried forward by schools in relation to the Standards Fund allocation for Formula Capital (see section 12.3 on earmarked reserves).

9. GENERAL RESERVES

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

	Amount £m
Opening balance at 1.4.03	6.719
<u>Add:</u>	
Loan repayment from Education re. the former International Youth House	0.083
Underspend on Corporate budgets	1.423
<u>Less:</u>	
Housing benefits overspend	(0.500)
Swan Bridge payments	(1.508)
Contribution to the 2003/04 budget	(1.600)
Commutation Adjustment	<u>(0.148)</u>
Closing balance at 31.3.04	<u>4.469</u>

9.2 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 second repayment within that schedule;
- b) Corporate budgets reflect the total underspend described in paragraph 7 of this report.

9.3 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 are currently below that level, the following contributions have been included in the 2004/05 budget: -

- £0.3m set aside within the budget itself,
- £0.3m being a transfer from an anticipated underspend in the Housing Department (now realised).

9.4 The amount in reserves is higher than the £3.9m anticipated at the time the budget for 2004/05 was set, and members are reminded that corporate budgets are amongst the most volatile in the Council.

However, the anticipated contributions of £0.3m in each of 2005/06 and 2006/07 will not now be required unless reserves need to be spent in 2004/05.

- 9.5 Two “windfalls” are not included in the above:-
- (a) Surpluses arising from the favourable outcome of the Council’s general fund traded services of £0.2m;
 - (b) Surplus income on the Council’s investment property portfolio of £0.1m.
- 9.6 It is recommended that these sums are contributed to the capital fund, given the overall pressures in respect of capital, which have arisen due to setting aside money to cover the risk in respect of the Performing Arts Centre, and the growing number of schemes which are highly levered in respect of external contributions.

10. OTHER SIGNIFICANT EARMARKED RESERVES

- 10.1 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.
- 10.2 **Schools Balances (revenue)** – As discussed above, the amount of money held in this reserve has increased from £7.6m to £9.2m following this year’s outturn. This money is, by law, ring fenced to individual schools. Schools have been asked to supply information so that the composition of these balances can be understood. Over 90% of schools have sent their returns; further analysis is necessary but initial work shows that a significant proportion of the balances (£2.0m) is due to unspent Standards Fund money, which can be spent up until August 2004. Other explanations include outstanding commitments not yet paid for, expected retrospective budget adjustments, sums earmarked for items in the school development plan and general contingencies. Officers will be in discussion with individual schools where the level of contingency appears high and will be monitoring schools’ use of carry-forwards to be satisfied that these are spent as reported in a timely manner.
- 10.3 **Schools Balances (capital)** - £4.24m is held reflecting the delegation of Standards Fund to schools (see section 8.2). The increased balance reflects the profiling of capital expenditure as schools have 3 years and 5 months in which to spend each year’s allocation.
- 10.4 **LMS Contingency** – This reserve holds funds allocated for in-year changes to schools formula funding resulting from the revised September pupil count and any unspent allocation is ring-fenced for spending in schools. The balance currently stands at £0.8m.

- 10.5 **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 £1.0m.
- 10.6 **Education Departmental Reserve** – This reserve was set-up in 2003/04 to deal with budget and other pressures. The balance currently stands at £0.9m.
- 10.7 **Standards Fund Match Funding** – The reserve balance of £0.7m is the unallocated match funding for 2003/04 Standards Fund grant, which can be expended up to 31st August 2004.
- 10.8 **Insurance Fund** – The Council's self-insured insurance fund stands at £8.4m, which is set-aside to pay insurance claims. The fund has been under pressure in previous years, as claims costs have increased, and a strategy to replenish the fund over 3 years has been adopted. An actuarial review was conducted in September 2003, which indicated that the fund was now adequate and stable, as a result of previous actions. Close monitoring of the fund position will be maintained to ensure that the stability and adequacy are maintained.
- 10.9 **IT Fund (Resources, Access & Diversity)** - The Resources department holds an IT fund which stands at £0.4m. Annual ICT development expenditure can vary enormously each year, this fund smoothes out the peaks and troughs. The fund is held for various corporate ICT infrastructure developments primarily Business Continuity Project (BCP) related.
- 10.10 **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 is currently overdrawn by £60k.
- The fund was significantly overdrawn at the end of 2002/03, and an action plan was put in place to restore its' equilibrium over 2 years. The underspend in 2002/03 for the RAD department was frozen in case the plan was unsuccessful. However, the plan has been successful and the fund is now only overdrawn by £60k. The RAD departments' 2002/03 underspend is now available for the department to use.
- 10.11 **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 £1.6m.
- 10.12 **On-Street Parking Reserve** – This reserve is held by the Regeneration & Culture 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 £0.6m and is intended to be

spent on improvements to the Haymarket car park.

- 10.13 **Cultural Services Strategic Reserve** – The reserve is controlled by the Regeneration & Culture Department and its' creation was approved by Cabinet during the year. It will allow 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 para 6.1.4). The year-end balance is £0.6m.
- 10.14 **Leicester Night Shelter (Housing)** – The surplus generated by the operation of the Night Shelter is transferred annually to this reserve. The reserve currently stands at £0.7m and will be used as part-funding of the Multi-Disciplinary Centre.
- 10.15 **Tenancy Support Building Reserve (Housing)** – the cost of providing offices for providers of Supporting People is being funded through grant from the Supporting People Fund. The reserve will be used to pay for such accommodation, and currently stands at £0.8m.
- 10.16 There are various other individual departments' reserves established in accordance with Finance Procedure Rules. The figure stands at £2.6m (including the new reserves detailed below).
- 10.17 The following earmarked reserves have been set up during the year and require approval from Cabinet:

Housing Department

- Supporting People Fund (£570K) - The Office of the Deputy Prime Minister has given permission for any unused grant from 2003/04 to be carried forward and added to the 2004/05 budget.

Resources Access and Diversity Department

- VAT and Taxation Reserve - To create a reserve to pay for the cost of specialist advice on specific VAT and taxation issues, to be funded from the overpaid tax recovered by the authority that cannot be attributed to specific service departments

Education & Lifelong Learning

- Building schools for the future (BSF) - Leicester City Council is a reserve authority in the Government's BSF scheme. A requirement of this is that preparation work is undertaken so that the authority is ready to implement a BSF programme should one of the other authorities withdraw from the scheme, or if funding is identified for the reserve authorities. The balance on the reserve is £0.2m and has been established to part fund the preparation costs.

11. HOUSING REVENUE ACCOUNT

11.1 The Housing Revenue Account generated a small surplus for the year of £0.3m (as compared to a deficit budget of £0.4m), which has resulted in a balance on the HRA reserves of £2.6m. A brief summary of the significant variances are set out below:

- Rent – Dwellings (overspend of £0.3m) due to extremely high Right to Buy (RTB) sales in 2002/03 and 2003/04;
- Capital Financing Costs & Negative Subsidy (underspend of £0.5m) due to various financing actions including high RTB sales, offset in part by an increase in interest charges (due to rate increases) and an increase in debt management expenses related to debt rescheduling;
- Revenue Contribution to Capital (underspend of £0.5m), which was not required to support the HRA capital programme due to the availability of other additional financing resources (particularly high RTB receipts).

11.2 Members are reminded that Cabinet have set minimum HRA balances at £1.5m to meet any unforeseen expenditure or shortfall in income. Balances at 31st March 2004 of £2.577m are therefore £1.1m above the minimum. The HRA is ring-fenced and the reserves will be required to help meet the Government's Decent Homes Standard by 2010 and the introduction of a new Communication and Tracking System.

12. HOUSING REPAIRS TRADING SERVICE

12.1 The surplus for the year was £25,000 compared with a budgeted surplus of £200,000. This is a small variance in the context of the turnover of the trading service, which is £20.5m.

13. SPECIFIC PROGRAMMES

13.1 Neighbourhood Renewal Fund

13.1.1 NRF shows a total underspend of £680,375, which is 8.1% of the NRF sum allocated to Leicester in 2003/04. This falls within the Government's maximum allowance applied nationwide of 10%.

13.2 Single Regeneration Budget (SRB)

13.2.1 The authority fully spent its £5.5m allocation from EMDA's Single Regeneration Budget in 2003/04. Capital expenditure was £1.8m and revenue expenditure was £3.7m. A further £3.6m was secured as contributions from the private and public sector to complement the £5.5m SRB grant.

13.2.2 The programme has many achievements. Some of these are listed below:

- 40 capital projects including the opening of 3 new learning centres;
- 127 revenue projects including 70 which were supporting groups;
- 491 people trained;
- security upgraded to 2,255 dwellings

14. 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	-

15. CONSULTATION

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

16. BACKGROUND PAPERS

16.1 2003/04 outturn working papers held in the Accountancy section.

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Date: 19th May 2004

Mark Noble
Chief Finance Officer

Outturn 2003-2004

APPENDIX 1

Departments	Adjusted Budget £'000	Actual Spend £'000	Contrib. (to)/from Reserves £'000	Total Outturn £'000	Variance £'000	(Under)/Overspent %age	C/fwd Permitted £'000	Charge to GF Res £'000	Charge to Oth Res £'000
Cultural Services & Neighbourhood Renewal	16,564.3	16,520.5	24.9	16,495.6	(68.7)	(0.4)%	(68.7)	0.0	0.0
Chief Executive's Office	2,636.2	2,507.3	7.3	2,500.0	(136.2)	(5.2)%	(136.2)	0.0	0.0
Education & Lifelong Learning (Excl Schools)	47,539.8	45,286.3	(2,253.5)	47,539.8	0.0	0.0%	0.0	0.0	0.0
Environment, Regeneration & Development	33,499.4	34,109.2	611.8	33,497.3	(2.1)	(0.0)%	(2.1)	0.0	0.0
Housing Department	6,681.2	4,771.3	(1,395.7)	6,167.0	(514.2)	(7.7)%	(514.2)	0.0	0.0
Housing Benefit Payments	3,090.0	3,090.0	0.0	3,090.0	0.0	0.0%	0.0	0.0	0.0
Social Care & Health	72,683.9	72,655.2	0.0	72,655.2	(28.7)	(0.0)%	(28.7)	0.0	0.0
Resources, Access & Diversity	15,850.1	15,304.1	(523.7)	15,827.8	(22.3)	(0.1)%	(22.3)	0.0	0.0
Departmental Total	198,544.9	194,243.8	(3,528.9)	197,772.7	(772.2)	(0.4)%	(772.2)	0.0	0.0
Schools	125,287.6	121,934.7	(3,352.9)	125,287.6	0.0	0.0%	0.0	0.0	0.0
Schools Total	125,287.6	121,934.7	(3,352.9)	125,287.6	(772.2)	(0.2)%	0.0	0.0	0.0
Corporate Budgets									
Levies	7,715.1	7,728.3	0.0	7,728.3	13.2	0.2%	0.0	13.2	0.0
Miscellaneous	1,645.8	1,396.4	0.0	1,396.4	(249.4)	(15.2)%	(55.8)	(193.6)	0.0
Capital Financing	12,314.0	11,425.5	0.0	11,425.5	(888.5)	(7.2)%	0.0	(888.5)	0.0
Net Recharges	(2,892.4)	(3,246.7)	0.0	(3,246.7)	(354.3)	12.2%	0.0	(354.3)	0.0
Corporate Budgets Total	18,782.5	17,303.5	0.0	17,303.5	(1,479.0)	(7.9)%	(55.8)	0.0	0.0
Capital Charges	216.7	(40.9)	0.0	(40.9)	(257.6)	(118.9)%	0.0	0.0	(257.6)
TOTAL	342,831.7	333,441.1	(6,881.8)	340,322.9	(2,508.8)	(0.7)%	(828.0)	(1,423.2)	(257.6)

Service Committee's Underspending, 2003/2004
Proposed use of Carry Forwards

Resources, Access & Diversity

£'000

- | | | |
|----|---|----|
| 1. | To help finance the introduction of a new resource/fee management system within the Property Services Division. | 23 |
|----|---|----|

Chief Executive's Office

£000

- | | | |
|----|---|-----|
| 1. | To commence projects not undertaken or completed in 2003/04 | 136 |
|----|---|-----|

Regeneration & Culture

£000

- | | | |
|----|-------------------------------------|----|
| 1. | To meet budget pressures in 2004/05 | 69 |
|----|-------------------------------------|----|

Corporate Budgets

£000

- | | | |
|----|---|----|
| 1. | To complete works outstanding on the £1m City Centre Improvements budget from 2002/03 | 56 |
|----|---|----|

Housing

- | | | |
|----|--|-----|
| 1. | Funds required for the creation of new affordable housing. | 215 |
| 2. | Sums transferred for the 2004/05 Budget | 300 |

Social Care and Health

- | | | |
|----|---|----|
| 1. | To fund budgetary pressures for the Youth Offending Team in 2004/05 | 28 |
|----|---|----|