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REVENUE OUTTURN 2003/04

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**Report of the Chief Finance Officer**

**1. Introduction**

- 1.1 The purpose of this report is to give information to the Cabinet, which may assist in responding to the resolution of the Resources and Equal Opportunities Scrutiny Committee.

**2. Scrutiny Committee Resolution**

- 2.1 Below is a minute of the scrutiny committee meeting:

“The Chief Finance Officer submitted a report showing the final summary outturn position comparing spending with the budget for all General Fund Services and the Housing Revenue Account (HRA). It was noted that there had been a minor underspend on departmental budgets.

It was noted that there had been a £1.4m underspend on corporate budgets (largely as a result of savings made in capital financing costs). The Chief Finance Officer explained that the underspend was due to interest on high levels of cash balances, which had been largely anticipated earlier in the year. He advised that cash balances had further increased in 2004/05. Councillor Willmott expressed the view that the administration had exaggerated the extent of the financial difficulties facing the Council.

It was proposed by Councillor Willmott, seconded by Councillor Karim and

**RESOLVED:**

- (1) That the Committee felt that views expressed previously about a crisis in the Council’s finances had been exaggerated, leading to greater cuts than were necessary, and
- (2) that the Committee request that the Cabinet take note of their view in light of future budget discussions.”

### 3. Reasons for the Underspending

3.1 The Council did underspend its corporate budgets in 2003/04. The effect of the underspending on corporate reserves is shown below:

	<b>Amount £m</b>
<b>Opening balance at 1.4.03</b>	<b>6.719</b>
<b><u>Add</u></b>	
Loan repayment from Education re: the former International Youth House	0.083
Underspend on corporate budgets	1.427
<b><u>Less</u></b>	
Housing benefits overspend	(0.500)
Swan Bridge payments	(1.508)
Contribution to the 2003/04 budget	(1.600)
<b>Closing balance at 31.3.04</b>	<b>4.621</b>

3.2 The underspend was largely predicted, and arises from higher than expected interest on cash balances, which itself arises from higher than anticipated cash balances. It is noted that such cash balances have increased even further in 2004/05 (which was reported to you in the revenue monitoring report you received on 27 September). Growth in cash balances is being experienced by other urban authorities, who are similarly underspending.

3.3 At the time the budget was set, it was envisaged that the Council would have £3.9m in reserves at the end of 2003/04. This figure is now £4.6m.

3.4 On the basis of an estimated £3.9m, the Council (at the budget meeting on 25 February) agreed the following strategy to replenish reserves to the minimum recommended working balance of £5m:

- (a) a contribution of £0.3m from the Housing Department's expected 2003/04 underspend;
- (b) contributions from the revenue budget of £0.3m in each of 2004/05, 2005/06, and 2006/07.

3.5 Given the increase, the contributions in 2005/06 and 2006/07 will no longer be required.

### 4. Financial Implications

4.1 This report is solely concerned with financial issues.

**5. Other Implications**

<u>Other Implications</u>	<u>Yes/No</u>	<u>Paragraph References within Supporting Papers</u>
Legal	No	
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime & Disorder	No	
Human Rights Act	No	
Elderly People/People on Low Income	No	

**6. Report Author/Officer to Contact**

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