

Leicester
City Council

**CABINET
SCRUTINY COMMITTEES**

**13th June 2005
August 2005**

REVENUE OUTTURN 2004/05

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 £356.9m, and the HRA against a gross budget of £59m.
- 1.3 Previous reports have been presented to the Cabinet and Scrutiny Committees in September 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 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 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.
- 1.6 The report shows a year-end position of a £4.1m underspend against a revised budget of £356.9m, which is largely as expected and anticipated in the 2005/06 budget. The element that relates to service departments (excluding schools) shows that they have underspent their budgets by £0.3m, which represents 0.2% of their budgets.

2. RECOMMENDATIONS

- 2.1 Cabinet is recommended to:
- a) note the final outturn for 2004/05 for each department and the Council as a whole
 - b) note the reasons for the variances between the 2004/05 budget and the final outturn
 - c) note the position of the Council's general reserve
 - d) approve a contribution of £1.1m to the capital fund resulting from surpluses generated by investment property, general fund traded services and net recharges
 - 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 2004/05
 - h) approve the establishment of new earmarked reserves (proposed in section 10.16 of the supporting report)
 - i) approve virements as detailed in section 4.2 of the supporting report.
- 2.2 Scrutiny committees are asked to consider issues affecting their portfolio and make any observations to the Cabinet as they see fit.
- 2.3 The 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.

3. FINANCIAL & LEGAL IMPLICATIONS

- 3.1 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.

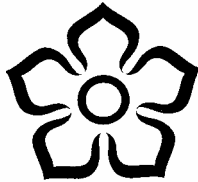
4. OTHER IMPLICATIONS

- 4.1 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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DECISION STATUS

Key Decision	No
Reason	
Appeared in Forward Plan	No
Executive or Council Decision	Executive (Cabinet)



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City Council

**CABINET
SCRUTINY COMMITTEES**

**13th June 2005
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REVENUE OUTTURN 2004/05

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 an overspend position in many departments. During the course of the year these departments tightly controlled their expenditure and took various management action 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 £3.8m has materialised on corporate budgets largely as a result of savings made in capital financing costs. This saving in the capital financing budget is partly due to a successful debt restructuring but primarily due to a large net inflows of cash into the authority, i.e. cash receipts in excess of cash expenditure. This has led to lower levels of net debt than forecast, and hence lower net interest. A substantial underspend was anticipated when the budget for 2005/06 was set, although this has been exceeded. If the proposals in this report are accepted, uncommitted general reserves will stand at £5.9m, compared with £5.2m when the budget was set.

- 2.4 The Housing Revenue Account (HRA) has achieved an overall surplus of £1.9m, against a planned surplus of £0.4m. The main reason for the increased forecast surplus of £1.5m is due to it being possible to fund the 2004/05 HRA capital programme without utilising the £1m budget set-aside as a revenue contribution. HRA balances therefore stand at £4.5m.
- 2.5 Schools have again spent £1.8m less than their budgets, representing 1.4% 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 £11m. Schools have been asked to supply information so that the composition of these balances can be understood. Further details are in paragraph 10.2. Under the newly revised scheme of delegation to schools, the authority can clawback "excessive" balances from individual schools, but it is not expected that significant sums can be clawed back in the first years. Such sums must, furthermore, be spent for the benefit of schools.
- 2.6 The Council's general reserves position at the end of the 2004/05 financial year is forecast to be £7.6m. £1.8m of this balanced has already been committed to support the 2005/06 budget.

3. BACKGROUND

- 3.1 The net General Fund budget (which pays for all services other than Council Housing) is divided into three 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.
 - (c) Budgets, which are delegated to schools.
- 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 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 reserve.

4. **BUDGET 2004/05**

4.1 The General fund budget for 2004/05 was originally set at £356,252,000. The budget has been adjusted to include the approved carry-forwards from 2003/04 (of £828,000), 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 The following table shows the original and revised budget for 2004/05:

	Original Budget for 2004/2005	Approved Carry-Forwards	Virements/ Housing Benefits adj.	Revised Budget for 2004/2005
<u>Department</u>	£000	£000	£000	£000
Chief Executive's Office	2,546.5	136.2	(97.5)	2,585.2
Education and Lifelong Learning	181,587.8	0.0	13.6	181,601.4
Regeneration and Culture	49,772.0	70.8	1,814.0	51,656.8
Housing	6,336.1	514.2	89.1	6,939.4
Housing Benefit	300.0	0.0	(233.4)	66.6
Social Care and Health	81,649.6	28.7	(10.6)	81,667.7
Resources, Access and Diversity	15,851.7	22.3	1,559.3	17,433.3
Total Departments	338,043.7	772.2	3,134.5	341,950.4
<u>Corporate Budgets</u>				
Levies	615.0	0.0	–	615.0
Miscellaneous	6,326.6	55.8	(3,558.1)	2,824.3
Capital Financing	13,866.7	0.0	–	13,866.7
General Fund (Excl. Net Recharges)	358,852.0	828.0	(270.2)	359,409.8
Net Recharges	(2,600.0)	–	270.2	(2,329.8)
Net General Fund	356,252.0	828.0	(153.4)	356,926.6

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 Chief Executive's Office

- 6.1.1 The Chief Executives office underspent by £0.1m. Variations were across all cost centres with underspends in the Directorate, the Voluntary Sector Transitional Fund (set up to support voluntary bodies losing funding) and the Policy and Performance Team being slightly offset by an overspend in Communications. These variations were predominantly in supplies and services costs.
- 6.1.2 The underspend was anticipated following the clawback of Transitional Fund allocations as a result of the re-consultation exercise with voluntary sector projects and delays in policy driven projects both occurring towards the end of the year. There are no underlying problems within the budget for the current year and savings identified this financial year can all be achieved. However the need to respond to the new CPA methodology, as it is confirmed, will require consideration in the development of the future budget strategy for the Chief Executives Office.

6.2 Education and Lifelong Learning.

- 6.2.1 The department has managed its outturn at budget, however to achieve this required the use of departmental reserves of £0.2m. The service areas with significant overspends were the Lifelong Learning Division and Pupil and Student Support.
- 6.2.2 The main reason for the overspend on Pupil & Student Support (£0.4m) continues to be due to needs led expenditure supporting pupils with special educational needs. An overspend of £0.5m was incurred on statemented pupils requiring additional support in mainstream schools. A further overspend of £0.2m arose due to an increase in the number of pupils placed in independent schools – each placement can

cost up to £60k. Underspends in the education psychology, student support and special needs teaching service and education welfare service have helped to mitigate these extra costs. The net overspend on schools block services has been approved as areas qualifying for resourcing from the schools block contingency this year by the Schools Forum.

- 6.2.3 Following the divisional organisational review carried out in 2004, the Lifelong Learning Division has overspent by £1.2m. An analysis of the causes of the overspend is being conducted as part of a wider review of the ongoing budgetary issues in Lifelong Learning and Community Development.
- 6.2.4 Other divisions underspent, largely due to staff vacancies which helped to manage the budget pressures in other areas of the department.
- 6.2.5 There has been a net increase of £1.3m in Schools Block Reserves (excluding schools balances). This is due to an increase of £1.3m in monies largely earmarked for schools and will have to be distributed. It includes unspent secondary review monies (£0.4m) which will be used towards the BSF project, unallocated ISB (£0.4m) part of which is allocated for 2005/06 commitments and unused contingency monies.

6.3 Regeneration and Culture

- 6.3.1 The Department managed actual net expenditure across all services to within £37k (less than 1% of its budget).
- 6.3.2 Community Protection and Wellbeing division underspent by £95k despite a major fire at the Bursom ball-mill that disrupted and delayed the new waste management arrangements. The main reason for this was the waste management service's underspend of £250k due to a lower volume of waste being processed that resulted in a price adjustment to the Biffa Contract. This more than covered a number of small overspends within other services.
- 6.3.3 In Cultural Services, Sports and Divisional Management matched overspends in Museums and Arts services. The Division achieved the successful opening of Braunstone Leisure Centre offsetting the unbudgeted costs of running the LCB Depot and the lower than anticipated income on two replacement shows at De Montfort Hall.
- 6.3.4 The Environment Division overspent by £111k, as a consequence of the costs incurred in a year of significant change in Operational Transport (a traded service). Higher than expected income generation within Development Control helped partially offset this.
- 6.3.5 Within Highways and Transportation one-off costs for restructuring and accommodation moves and overspends on staff costs in Transport Development and Transport Strategy were largely offset by savings within Highways Management. The two traded services (City Highways and Transport Fleet) together contributed a small net surplus of £61k.

- 6.3.6 Staff savings within the Regeneration Division together with higher than expected income within Community Safety offset additional spend from managing the increasing levels of activity in the Cultural Quarter.
- 6.3.7 The Resources Division managed their day-to-day services within budget offsetting the additional costs of exiting Recreational Transport and staff exit costs following the merger of the former departments.
- 6.3.8 The above position has been achieved through the use of £724k of reserves mainly to cover costs arising from the delay in implementing the Advice Services review and IT costs necessary for the integration of the former departments. Reserves have also been utilised for specific projects such as the introduction of the new liquor licensing arrangements, external costs of developing the Local Transport Plan and some smaller projects in Cultural Services all of which were exceptional but planned during year. The costs of subsidised bus services in Highways and Transportation were also higher than anticipated and has been funded by greater use of on-street parking income; a further report will be brought before members for approval of this approach and to assess the impact on other schemes.
- 6.3.9 It is proposed that for future years the department creates an earmarked reserve for any unbudgeted net income, up to £50k, arising from the Markets service to be utilised for further improvements to the facilities and service provided. The amounts involved are expected to be relatively small (there was no surplus in 2004/05 and £7k in 2003/04).
- 6.3.10 As the department has drawn down its' departmental reserves, it therefore must draw from its' earmarked reserves in order to fund the small overspend of £37k. Therefore Cabinet, in accordance with Finance Procedure Rules, is recommended to approve the drawing of the above sum from the Asset Replacement Fund, in order to achieve a balanced outturn.

6.4 Housing Department

- 6.4.1 The department marginally overspent by £23k. The main budgetary issues during the year have stemmed from the introduction of the Open Revenue computer system for housing benefit and local taxation. This resulted in the need to deploy agency staff and overspent the budget by £0.2m. This was largely offset by additional income from hostels due to higher than expected occupancy levels.
- 6.4.2 The department does not have any departmental reserve and therefore must draw from its earmarked reserves in order to fund the overspend. Therefore Cabinet, in accordance with Finance Procedure Rules, is recommended to approve the drawing of the above sum from the Night Shelter earmarked reserve, in order to achieve a balanced outturn.

6.4.3 The housing benefit budget is classified as demand-led and therefore any underspend or overspend accrues to the general reserve. For 2004/05 the housing benefit budget underspent by £0.2m, which is only 0.25% of a £93m gross budget. However, the finalising of the 2003/04 and 2004/05 grant claims remain outstanding and subject to audit qualification, any resulting adjustments made by the government will affect this budget in future years. As such, a provision of £1.4m has been established in the final accounts representing 1% of the value of the outstanding claims in order to minimise the impact of any reduction in grant.

6.5 Resources, Access & Diversity

6.5.1 The Coroner's service and the Land Charges service have both overspent significantly, by £220.5k and £190.5k respectively as previously forecasted. The underlying causes of the overspend will, in both cases, continue into 2005/06 due to external factors and the Department will be giving early consideration to how these problems can best be managed over the coming 12 months.

6.5.2 These overspendings have been offset by savings in Financial Services, which together with a contribution from the Department's investment reserve, has covered the overspends in other areas.

6.5.3 The Property division is also responsible for managing the authority's investment property portfolio, which contributes a net budgeted surplus to the general fund. The portfolio performed particularly well in 2004/05 and produced a surplus of £0.5m. Finance Procedure Rules allow for 50% of this surplus to be retained by the department, with the balance being a corporate resource. Some increase in investment income was anticipated in the 2005/06 budget strategy.

6.5.4 The department also manages 10 trading units that "trade" predominantly within the Council, although some external income is also generated. The majority of trading units achieved a surplus at year end, which, when aggregated, resulted in an overall surplus of £272k. Finance Procedure Rules determine that the department may retain 25%, with the balance contributing to the general reserve.

6.6 Social Care & Health

6.6.1 The Department underspent by £96,100, and the Youth Offending Service by £115,400. This was a significant achievement given the pressures on the Department's services, and only one in five social services departments nationally is expected to achieve similar results.

- 6.6.2 This achievement was due to both the Council's investment in the budget over recent years and to effective activity and budgetary control in the Department. The main pressure areas continued to be around community care for adults and older people, services for children at risk and those in the Council's care, and service user transport. However, these pressures were managed within the budget by proper application of the eligibility criteria, maximising external and partnership funding opportunities, management of staffing levels and the time lag in getting new initiatives fully operational. Monitoring information was scrutinised on a monthly basis by senior managers, which enabled activity and spending to be kept in line.
- 6.6.3 Members may recall that in January, Cabinet approved a contribution of £300,000 to an earmarked reserve towards the costs of redeveloping Butterwick House into an intermediate care facility. It is proposed as part of this report to also contribute £275,000 to an earmarked reserve for future Children's Services costs, principally to provide for a potential one-off cost of withdrawing from partnership arrangements with Northamptonshire County Council for the provision of secure accommodation for young people. Both of these contributions have been taken into account in arriving at the reported underspend above, which further evidences the Department's success in managing its finances such that one-off costs and investment in services can be provided for.
- 6.6.4 These pressures are expected to continue into 2005/06, and a number of initiatives implemented part way through 2004/05 will have a full year cost. As reported to Council in February by the Chief Finance Officer, further work is required to demonstrate how the expected savings arising from the transport review will be achieved, which means that service user transport costs will continue to be a significant risk. There may also be some expense associated with national developments in the structure and delivery of services to children, adults and older people. It is therefore proposed that the 2004/05 underspends be carried forward and set aside to meet such costs in 2005/06.

7. CORPORATE BUDGETS

- 7.1 Corporate budgets represent areas of expenditure, which are not the responsibility of any service Department. The underspend on corporate budgets has resulted in £3.0m being transferred to the general reserve, with uncommitted reserves standing at £5.9m.
- 7.2 A large element of the underspend on corporate budgets relates to capital financing. This is partly due to successful debt restructuring but primarily due to large net inflows of cash into the authority. i.e. cash receipts in excess of cash expenditure. This has led to lower levels of net debt than forecast, and hence lower net interest.

- 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 £0.6m was largely the result of costs being passed out of the General Fund and a reduction in costs charged back in.
- 7.4 Other miscellaneous underspends contribute to the overall position.

8. SCHOOLS BALANCES

- 8.1 During 2004/05 schools, generally predicted that they would be drawing on their balances. The actual position is that 65 schools (58%) have increased their balances, and the result is that schools' balances have increased overall by £1.8m during 2004/05. The total balances held by schools now stand at £11m.
- 8.2 It should be noted that these balances will include unspent Standards Funds Grant, as under DfES guidance these can be spent up until August. This does mean that the balances are artificially enhanced and there may be more schools that are actually in deficit. It is also expected that part of their reserves will also be for outstanding commitments not yet paid for, expected retrospective budget adjustments, sums earmarked for items in the school development plan and general contingencies. Nonetheless, the continuing trend for reserves to increase is a cause for concern. The following table shows the overall position with the 2003/04 position shown in brackets:

	04/05	03/04
Schools in deficit	5	(6)
Schools with reserves < 5% of their annual budget	28	(31)
Schools with reserves between 5% and 10% of their annual budget	33	(35)
Schools with reserves > 10% of their annual budget	46	(41)

- 8.3 On the raw figures, there are 5 schools in deficit, 4 of which are in deficit below £20,000. The largest deficit is St Paul's at £170,000. The school is working with a managed budget plan in order to recover the deficit in the next two years.
- 8.4 The financial position at New College has improved during 2004/05 but, although the raw figures suggest a surplus, included in this is approximately £350k unspent standards fund. In reality, therefore, the school is in a deficit position of around £250k. LEA officers are working closely with the school to continue to monitor the situation.

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 1.4.04	4.621
<u>Add:</u>	
Capital finance underspend	2.753
Underspend on other corporate budgets	.373
Housing Benefit budget underspend	.233
04/05 budget contribution	.600
Loan repayment (re. the former International Youth House)	.087
<u>Less:</u>	
Cabinet approved commitments:	
- Performing Arts Centre fees (11 th January 2005)	(.500)
- Support service review (8 th November 2004)	(.400)
- Budget Increases (20 th December 2004)	(.080)
- New Walk museum (14 th February 2005)	(.063)
Closing balance at 31.3.05 (of which £5.9m is uncommitted)	<u>7.624</u>

9.2 Five items in the above table need further explanation:

- a) In February 2004, the Council agreed to make a one-off contribution to reserves of 0.6m (£0.3m of which was an underspending by the Housing Department in 03/04).
- b) 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 final repayment within that schedule;
- c) During the course of the financial year, Cabinet have approved additional items of expenditure. These are detailed in the above table, and were all approved to be funded through the predicted underspend arising from the capital financing budget (also identified above).
- d) The housing benefit budget is defined as demand-led. Therefore any under or overspend accrues directly to the general reserve.
- e) Budget increases approved by Cabinet on the 20th December 2004 and resulted in some use of reserves in 2004/05. This includes £20k for the abolition of toilet charges, £10k for the abolition of Guildhall entrance fees and £50k additional grant to Leicester Regeneration Company.

- 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 considerably in excess of this level, the 2005/06 budget requires a contribution from reserves of £1.8m, leaving £5.9m uncommitted.
- 9.4 Members are also reminded that corporate budgets are amongst the most volatile in the Council. There is no guarantee that any of the windfall savings achieved in 2004/05 will continue and therefore a prudent approach to the use of reserves must remain. I have undertaken to review the minimum level of reserve policy during 2005/06 to take into account risk and uncertainty in the medium term. My recommendations will form part of the 2006/07 budget strategy.
- 9.5 Three “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 £0.3m;
 - (c) Favourable variance on net recharge income of £0.6m (as described in paragraph 7.3).
- 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 that 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 £9.1m to £11m following this year’s outturn. This money is, by law, ring fenced to individual schools. Schools have been asked to supply information, by the 20th May 2005, so that the composition of these balances can be understood and these returns will be analysed. It is anticipated that part of their reserves will be for unspent Standards Fund money, which can be spent up until August 2005, 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. Officers will also determine the extent to which schools’ balances can be clawed back under the new scheme of delegation.

- 10.3 **Ring-fenced schools block reserves** – These reserves incorporate the LMS contingency fund holding 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 secondary review fund and the behaviour support plan fund. The balance currently stands at £3.4m.
- 10.4 **Education Departmental Reserve** – This reserve was set-up in 2003/04 to deal with budget and other pressures. The balance currently stands at £1.1m of which £420k is committed. This leaves an uncommitted balance of £680k (or 0.35% of net controllable expenditure), which is not unreasonable for a department of this size and with a number of volatile budgets. There may also be scope to use some of this uncommitted balance to offset the over-commitment in the Lifelong Learning Division to the extent that this leads to an overspend in 2005/06.
- 10.5 **Standards Fund Match Funding** – The reserve balance of £0.6m is the unallocated match funding for 2004/05 Standards Fund grant, which can be expended up to 31st August 2005.
- 10.6 **Insurance Fund** – The Councils' self-insured insurance fund stands at £10.5m, which is set-aside to pay insurance claims. An actuarial review conducted in September 2003 indicated that the fund was adequate and stable at that time. It is believed that the insurance fund is now healthier than it has been for some considerable time, reflecting improved performance on management of risk and consequently our ability to defend claims. However, there is always an element of uncertainty about the right size of the fund, particularly given growth in the "claims culture" in recent years and the length of time it takes for claims to be negotiated (and, sometimes, received). The fund is due to be assessed again by the actuaries in the summer, with a report due in autumn in time for next year's budget process.
- 10.7 **IT Fund (Resources, Access & Diversity)** - The Resources department holds an IT fund which stands at £0.6m. 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 including AS400 costs (rationalising recharges over the remaining life of the machine), improvements to the intranet (following up on the staff survey) and improvements to PC procurement arrangements, leading to a better, more responsive service to customers.
- 10.8 **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 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 budget for CMF work increased to £6.209m following the injection of an

additional £1.5m as part of the 2004/05 budget, and an in-year underspend of £0.3m has been transferred to the reserve. This has cleared the deficit in accordance with the action plan and leaves a relatively small balance of £0.2m.

- 10.9 **Other RAD reserves** – separate reserves are held for the future cost of local elections, the rationalisation of property occupation, financial services IT requirements and other departmental developments. The balance on these reserves totals £1.1m.
- 10.10 **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 £0.2m.
- 10.11 **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 £0.5m and will be used as part-funding of the Multi-Disciplinary Centre.
- 10.12 **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 £0.4m.
- 10.13 **Housing Maintenance Traded Service (Housing)** – the balance on the reserve is currently £0.5m. The purchase of a new radio system will require a contribution of £0.3m. The balance is available to fund future capital programme works.
- 10.14 **Job Evaluation (Corporate)** – An earmarked reserve was established during the course of the year to build a suitable provision to manage the expected costs of the implementation of a revised job evaluation scheme and the costs of salary protection once a scheme is implemented. The budgeted contribution for 2004/05 was £1m, from which costs associated with the development of the scheme have been charged, as agreed, leaving a year end balance of £0.7m.
- 10.15 There are various other individual departments' reserves established in accordance with Finance Procedure Rules. The figure stands at £3.4m (including the new reserves detailed below).
- 10.16 The following earmarked reserves have been set up during the year and require approval from Cabinet:

Regeneration & Culture

- Surplus Market Income - for the purpose of earmarking income in excess of budget generated by Markets and reinvesting them in the business;
- Community Cohesion – to earmark the unspent 04/05 provision of £0.6m for this specific purpose, for which slippage had been anticipated due to the need to consult and the bidding and evaluation processes involved;

Social Care & Health

- Future Children's Services Costs - principally to provide for a potential one-off cost of withdrawing from partnership arrangements with Northamptonshire County Council for the provision of secure accommodation for young people (£0.3m);

11. HOUSING REVENUE ACCOUNT

11.1 The Housing Revenue Account generated a surplus for the year of £1.9m. This has resulted in a balance on the HRA reserves of £4.5m. There are a number of factors that have contributed to this much improved position, with the two key issues being:

- (a) Additional income from dwellings and shops (£0.5m) due to the extremely low levels of void (empty) properties, the slowing down of the "Right to Buy" sales in the latter part of the year, and rent reviews and higher level of occupancy of shops on Council estates; and
- (b) That it has been possible to finance the 2004/05 HRA capital programme without a budgeted contribution from the revenue account of £1m being required.

11.2 Other variances include an underspend on repairs and maintenance of £0.2m, an overspend on landlord services of £0.4m, a reduced bad debt provision requirement (underspend) of £0.4m due to improved performance in collecting rents and some capital financing savings (although these figures are significant, they are largely offset by the negative effect this has on housing subsidy grant).

11.3 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 2005 of £4.5m are therefore £3m 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;
- introduce of a new Communication and Tracking System;
- Allow for any future restriction of rental income due to the operation of the government rent restructuring systems; and
- To meet the costs of moving television services from analogue to digital in line with government policy.

12. HOUSING REPAIRS TRADING SERVICE

12.1 The trading service slightly exceeded its' budgeted surplus of £0.3m by £45k. This is a small variance in the context of turnover in excess of £20m. The budgeted surplus amount of £0.3m has been used to finance HRA capital expenditure, with the balance being transferred to the trading service earmarked reserve.

13. SPECIFIC PROGRAMMES

13.1 Neighbourhood Renewal Fund

13.1.1 The outturn for 2004/05 (£7.643m) shows an underspend of £734,312 or 9% against the budget allocation of £8.377m. It is assumed that the Government will agree to carry forward 5% (£419k) to 2005/06, although this will not be confirmed until June 2005 at the earliest.

13.1.2 The underspend in 2004/05 was partly due to late advice from government on the carry forward policy and also projects in Social Care and Education failing to spend their allocation. There was insufficient time to reallocate this to other projects.

13.1.3 In addition £406k was approved as a carry forward from 2003/04, of which £349k or 86% has been spent.

13.2 Single Regeneration Budget (SRB)

13.2.1 The authority spent £2.9m of its £3.1m allocation from EMDA's Single Regeneration Budget in 2004/05. Capital expenditure was £1m and revenue expenditure was £1.9m. The £0.2m underspend mainly relates to its capital allocation within the Greater Humberstone programme. EMDA has yet to decide whether this underspend can be carried forward into 2005/06.

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

- 14 capital projects
- 70 revenue projects including 43 which were supporting groups;
- 131 jobs created
- 62 people trained and obtained qualifications
- 150 people engaged in voluntary work
- 616 young people benefiting

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 2004/05 outturn working papers held in the Accountancy section.

Report Authors: Alison Greenhill / Devanshi Mavani
Date: 9th May 2005

Mark Noble
Chief Finance Officer

Outturn 2004-05

APPENDIX 1

Departments	Adjusted Budget £'000	Actual Spend £'000	Contrib. To / (from) Reserves £'000	Outturn £'000	Variance (under) / overspend £'000	(Under)/ Overspend %	C/fwd Permitted £'000
Chief Executive's Office	2,585.2	2,478.1	(13.4)	2,464.7	(120.5)	(4.7)%	(120.5)
Education & Lifelong Learning (Excl Schools)	49,430.0	48,125.7	1,304.3	49,430.0	0.0	0.0%	-
Regeneration & Culture	51,656.8	52,417.8	(761.0)	51,656.8	0.0	0.0%	-
Housing Department	6,939.4	6,923.4	16.0	6,939.4	0.0	0.0%	-
Housing Benefit Payments	66.6	66.6	0.0	66.6	0.0	0.0%	-
Social Care & Health	81,667.7	80,881.1	575.0	81,456.1	(211.6)	(0.3)%	(211.6)
Resources, Access & Diversity	17,433.3	16,994.3	439.0	17,433.3	0.0	0.0%	-
Departmental Total	209,779.0	207,887.0	1,559.9	209,446.9	(332.1)	(0.2)%	(332.1)
Schools (ISB)	132,171.4	130,352.5	1,818.9	132,171.4	0.0	0.0%	-
Total	341,950.4	338,239.5	3,378.8	341,618.3	(332.1)	(0.1)%	(332.1)
Corporate Budgets							
Levies	615.0	549.4	0.0	549.4	(65.6)	-	-
Miscellaneous	2,824.3	1,239.7	1,277.7	2,517.4	(306.9)	-	-
Capital Financing	13,866.7	11,113.6	0.0	11,113.6	(2,753.1)	-	-
Net Recharges	(2,329.8)	(2,975.7)	0.0	(2,975.7)	(645.9)	-	-
Corporate Budgets Total	14,976.2	9,927.0	1,277.7	11,204.7	(3,771.5)	-	0.0
TOTAL	356,926.6	348,166.5	4,656.5	352,823.0	(4,103.6)	(1.1)%	(332.1)

APPENDIX 2

Service Department's Underspending, 2004/2005 Proposed use of Carry Forwards

Chief Executive's Office

£000

- | | | |
|----|--|-------|
| 1. | To complete policy and communication projects (including the performance management framework implementation and the complaints system). | 120.5 |
|----|--|-------|

Social Care and Health

- | | | |
|----|--|-------|
| 1. | To fund budgetary pressures arising in 2005/06 and for expenses associated with national developments. | 211.6 |
|----|--|-------|