

Meeting:	Cabinet
Date:	23 June 2005
Subject:	Provisional Revenue Outturn 2004-2005
Responsible Officer:	Director of Financial & Business Strategy
Contact Officer:	Myfanwy Barrett
Portfolio Holder:	Councillor Sanjay Dighe, Business Connections and Performance
Key Decision:	No
Status:	Part 1

Section 1: Summary

Decision Required

The Cabinet is asked to:

- (a) receive the provisional 2004-2005 revenue outturn and
 - (b) approve the carry forward of budgets from 2004-2005 to 2005-2006
- as set out in this report

Reason for report

The Cabinet is asked to give early consideration to the provisional accounts for 2004-2005 to enhance good governance and financial stewardship.

Benefits

Reporting expenditure and monitoring of the revenue budget are a major part of the strategic principle of providing proper management and stewardship of all the Council's resources.

Cost of Proposals

Detailed financial information is set out within the report and attached in the appendices.

Risks

None associated with the decision.

Implications if recommendations rejected

Financial management will be impaired.

Section 2: Report

2.1 The Council's revenue accounts for 2004-2005 have now been provisionally closed, subject to audit. The next stage is the preparation of the Statement of Accounts for the Audit Committee in July. This report informs the Cabinet of:

- (a) the provisional 2004-2005 revenue outturn and
- (b) reasons for major variations to the approved budget.

2.2 The provisional outturn position indicates an overall underspend of £0.062m on the Council's approved net budget of £246.6m.

2.3 The provisional outturn is now reasonably certain, although there may be some variations as the Statement of Accounts is prepared, and in particular as variations in internal support charges are finalised, adjustments made in respect of FRS17 pension requirements and bad debt provisions reviewed.

2.4 Appendix 1 sets out a summary of the revenue outturn compared to the approved budget. The approved budget has been adjusted to reflect the effect of technical adjustments for changes in capital charges where increases in service expenditure are offset by compensatory adjustments in the Asset Management Account. Directorate variances between the outturn and the approved budget are set out in appendices 4 to 9 which have been put on deposit.

2.5 Budget Monitoring Issues

The final position for 2005-2006 is broadly in line with the budget. However there are a number of variations which were not reported earlier in the year and have only become apparent in the closure of the accounts. The capacity to monitor budgets effectively has improved considerably in People First, although there is more work to do, particularly in children's services. The underspend in Urban Living is being investigated to see if there are implications for 2005-2006 and steps are being taken to enhance the monitoring process. In corporate directorates

(Chief Executive's Office, Business Connections and Organisational Development) there are a number of issues and budget monitoring is being strengthened.

Core Directorates

Corporate:

Overall this area did not fully achieve required budget reductions, particularly in respect of procurement targets as reported to Cabinet in February. Work is in progress in 2005-2006 to fully implement other reductions in the base budget. For other areas (e.g. the print unit) work is in hand for the necessary reviews to implement change.

Sickness absence reduced significantly in 2004-2005 by 7% compared to the prior year (9.9 days in 2003-04, 9.2 days in 2004-05 compared to the national average of 10.4 days). The savings are reflected in directorate underspends in staffing budgets rather than in the corporate budget. This budget will be allocated to service areas in 2005-2006.

Business Connections:

Reduced interest costs to the Insurance budget resulted in savings to the approved budget provision. Revenue costs in respect of IT work from additional capitalisation as reported in quarter three monitoring are reflected in the provisional outturn schedules. Additional Housing and Council Tax benefit grant was also generated by the change in subsidy regime to 100% funding. The full grant entitlement is not available until the year-end.

Organisational Development:

Additional staffing costs were offset by increased recovery of payroll costs.

Chief Executive's Office:

Local Land Charges reduced due to the downturn in the housing market as previously reported. Additional income was received from citizenship ceremonies. There has been an under-recovery on general legal costs which is offset by funds retained in other directorate budgets.

People First:

There are a wide range of variations, most of which were reported during the year. Variations include staff vacancies off-set by base budget expenditure pressures.

Urban Living:

The main areas contributing to under and over spends include staff vacancies, additional income (e.g. parking, improvement grants) offset by grounds maintenance costs and NNDR.

2.6 Interest on Balances and Capital Financing:

The amount of interest received on the Council's balances is £0.756m more than the £4.188m included in the approved budget. This additional income was received mainly due to increases in interest rates and interest on NNDR refunds on council properties.

2.7 Housing Revenue Account

The figures are attached as appendix 3. Overall there is an underspend against the revised budget of £2.1m. This is partly due to a higher number of vacancies than anticipated, and partly due to lower costs of supplies and services.

The repairs budget has been closely monitored throughout the year, taking capital and revenue together. The increased level of revenue repairs has been matched as planned by a reduction in the RCCO.

2.8 Earmarked Reserves

There are currently no requirements for additional specific earmarked reserves to be made in the 2004-2005 accounts.

2.9 One-offs

Cabinet has previously approved expenditure of a one-off nature to be funded from earmarked reserves. Expenditure of £3.8m was incurred in 2004-2005 with remaining commitments into 2005-2006 of £1.1m. Provision for these commitments has been made from one-off funding sources and should not impact on the level of general reserves.

2.10 Carry Forwards:

This report also seeks approval to the carry forward of underspends from 2004-2005 to 2005-2006. The following principles are set out in Financial Regulations:

Unspent balances will only be carried forward where:

- The Council's revenue budget is not overspent in total
- The item in question is a high priority
- There is a good reason for delay in carrying out the activity/project
- The cost cannot be accommodated within the new year budget
- If the activity/project is grant funded, the terms and conditions allow the unspent/unclaimed grant to be carried forward

The following items are proposed to Cabinet as carry forwards into 2005-2006 having met the above criteria.

Table 1

Item	Amount £000
(a) Grants to voluntary organisations (Business Connections): previously requested by the Grants Panel	15
(b) Planning Development Grant (Urban Living): grant received as part of a three-year improvement programme to achieve government targets. The carry forward for the grant 2004-2005 is to ensure that the improvement plan, presented by the Chief Executive to ODPM and GOL, is adequately resourced to improve the performance of the Development Control Service identified. Staff are now being appointed to ensure delivery of the improvement programme.	125
(c) ICT Service (Business Connections) relating to an underspend on the strategic partnership procurement budget. The budget is required in 2005-06 to facilitate extra costs brought about by the BAFO process.	220
Total	360

2.11 As a result of the provisional outturn unallocated General Fund Reserves stand at £7.9m, after allowing for carry forwards, compared to the Reserves as at 31 March 2004 of £9.2m as follows:

Table 2

	£m
Balance b/fwd at 1 April 2004	9.151
Approved adjustment to Balances:	
B/fwd from 2003-2004	-983
Urban Living	-10
Provisional outturn adjustment to balances	62
Balance as at 31 March 2005 prior to proposed carry-forwards	8.220
Proposed carry forwards to 2005-2006	-360
Net balance as at 31 March 2005	7.860
Collection Fund deficit in 2005-2006 budget	-670
Net Position	7.190

The approved optimum level of reserves is £7m, and the minimum is £4m

3. Options Considered

Not applicable

4. Consultation

Not applicable

5. Finance Observations

This is a report from the Director of Financial and Business Strategy and deals with financial matters throughout.

6. Legal Implications

No legal comments.

7. Equalities Impact

The reporting of the provisional outturn reviews the resources across the whole Council and which contribute to the delivery of the corporate equalities plan, achievement of level 3 of the equalities standard, and implementation of the race equality scheme.

Section 3: Supporting Information / Background Documents

None

HARROW COUNCIL
REPORT TO CABINET: 23 JUNE 2005
PROVISIONAL 2005-2005 REVENUE OUTTURN: GENERAL FUND SUMMARY

Directorate	Approved Budget	Actuals	Variations to Approved
(1)	(2) £000	(3) £000	(4) £000
Corporate	1,194	3,313	2,119
Business Connections	8,499	7,516	-983
Organisational Development	3,308	3,377	69
Chief Executive's Office	4,015	4,349	334
People First	203,523	204,132	609
Urban Living	53,810	52,491	-1,319
	274,349	275,178	829
Capital Financing adjustments	-23,597	-23,732	-135
Interest on Balances	-4,188	-4,944	-756
Contribution to Earmarked Reserves	0	0	0
Total Net Expenditure	246,564	246,502	-62
Contribution re Collection Fund	17	17	0
National Non-Domestic Rate (NNDR)	-59,115	-59,115	0
Revenue Support Grant (RSG)	-96,948	-96,948	0
Net	90,518	90,456	-62

HARROW COUNCIL
REPORT TO CABINET: 23 JUNE 2005
PROVISIONAL 2005-2005 REVENUE OUTTURN: DIRECTORATE SUMMARIES

Directorate	Approved Budget	Actuals	Variations to Approved
(1)	(2) £000	(3) £000	(4) £000
<u>CORPORATE</u>			
Corporate	1,194	3,313	2,119
	1,194	3,313	2,119
<u>BUSINESS CONNECTIONS</u>			
Business Services	4,692	3,561	-1,131
Business Strategy	3,807	3,955	148
	8,499	7,516	-983
<u>ORGANISATIONAL DEVELOPMENT</u>			
Organisational Development	3,308	3,377	69
	3,308	3,377	69
<u>CHIEF EXECUTIVE'S OFFICE</u>			
Corporate & Democratic core costs	3,289	3,310	21
Chief Executive's Office	321	400	79
Communications	330	358	28
Borough Secretariat	75	281	206
	4,015	4,349	334
<u>PEOPLE FIRST</u>			
Children's Services	28,171	29,325	1,154
Learning & Community Development	11,199	11,006	-193
Community Care	40,495	39,726	-769
Strategy	9,661	10,174	513
Schools	113,997	113,901	-96
	203,523	204,132	609
<u>URBAN LIVING</u>			
<u>Strategy</u>			
Strategy	3,195	3,370	175
	3,195	3,370	175
<u>Area, Community Safety & Mtce Servs.</u>			
Community & Env Safety Services	3,395	3,333	-62
Public Realm Maintenance Services	21,849	21,771	-78

Directorate	Approved Budget	Actuals	Variations to Approved
(1)	(2) £000	(3) £000	(4) £000
Support Services	632	417	-215
	25,876	25,521	-355
<u>Professional Services</u>			
Planning	2,004	2,021	17
Transport & Engineering	9,686	8,985	-701
Building Services	-41	-117	-76
Concessionary Fares	6,884	6,897	13
Housing Services - General Fund	6,206	5,814	-392
	24,739	23,600	-1,139
Total Urban Living	53,810	52,491	-1,319
Housing Revenue Account	0	0	0

**HARROW COUNCIL
HOUSING REVENUE ACCOUNT 2004-2005 SUMMARY SPEND**

	Revised Budget (Dec Cabinet)	Actual Spend	Variance
Expenditure	£	£	£
Employee Costs	4,124,465	3,435,504	-688,962
Supplies & Services	2,677,795	1,473,043	-1,204,752
Central Recharges	1,855,140	1,760,753	-94,387
Recharge to other services	-1,053,380	-896,640	156,740
Contingency	272,250	182,340	-89,910
Operating Expenditure	7,876,270	5,955,000	-1,921,270
Contribution to Repairs Account	5,226,060	5,775,454	549,394
Cost of Capital	5,044,800	5,010,274	-34,526
RCCO	707,330	0	-707,330
Bad or doubtful debt	250,000	253,000	3,000
Total Expenditure	19,104,460	16,993,728	-2,110,732
Income			
Rent Income – Dwellings	-20,473,521	-20,497,463	-23,943
Rent Income – Non Dwellings	-598,762	-692,761	-93,999
Service & Facility Charges	-490,150	-382,581	107,569
Transfer from General Fund	-113,030	-113,035	-5
HRA Subsidy	3,370,950	3,394,507	23,557
Total Income	-18,304,513	-18,291,333	13,180
In year Operating Deficit / (Surplus)	799,947	-1,297,605	-2,097,552