

SCRUTINY COMMISSION – 13TH JULY 2006

REPORT OF THE DIRECTOR OF RESOURCES

PROVISIONAL REVENUE OUTTURN 2005/06

PURPOSE

1. This report sets out the provisional revenue outturn for 2005/06.

POLICY FRAMEWORK AND PREVIOUS DECISIONS

2. The carry forward request which cannot be approved by delegated powers were approved by Cabinet on 27th June 2006.
3. The County Council agreed at its May meeting to contribute £0.5m towards concessionary travel to enable the provision of free county travel.
4. The Cabinet agreed the basis for funding the LAA at its meeting on 30th May 2006.
5. The Standard Financial Instructions stipulate that the Executive may authorise the carry forward of under or overspending. These may be agreed by the Director of Resources subject to any guidelines laid down by the Executive. The guidelines approved by Cabinet on 27th June 2006 are set out in paragraph 11.

OVERALL POSITION

6. A summary of the revenue outturn for 2005/06 is set out below:

	<u>£000</u>
Updated budget	552,660
Less provisional outturn	543,910
	8,750
Carry Forwards	
Approved	-3,690
Cabinet approval required	-1,760
Net Underspending	3,300

7. Overall there has been an underspending of £8.75m, which reduces to £3.3m after carry forwards. In addition, after the announcement of the 2004/05 and 2005/06 RSG Amending Reports, a balance of £0.53m remains on the provision made in the 2004/05 final accounts. The County Council has also received Local Authority Business Growth Incentive Grant (LABGI) of £0.57m. Earmarked reserves have been made for the following:-
 - £1.65m in respect of the Local Area Agreement

- £0.5m regarding a maximum contribution to cover the period to 31 March 2008 in order to support the introduction of county-wide free concessionary travel
 - £0.32m in respect of the Corporate Change Management Programme which is the balance of the LABGI money after the contribution of £0.25m to the LAA has been made
 - £0.5m for severance costs arising from the need to make efficiency savings and reductions in lower priority services
8. The County Fund is expected to increase to around £7.4m at 31 March 2006.
9. At the time of agreeing the 2006/07 budget the forecast balance was £8.5m. The actual balance of £7.4m represents 2.4% of the budget which is within the range of 2%-3% incorporated into the Reserves Policy agreed by the County Council in February 2006. The report to Council highlighted the very difficult financial environment which the County Council faces in the next few years. An adequate level of reserves is essential to help manage the position.
10. Appendix 1 compares the provisional outturn with the updated budget. This is the original budget updated for 2004/05 carry forwards and transfers between services. Column 3 shows actual expenditure, which in the case of schools reflects the level of delegated schools budgets. Further information on the schools outturn is shown in paragraph 15. This is also the case for Community Education establishments with delegated budgets. This appendix also shows the effect of the provisional outturn on the level of the non earmarked county fund balance.
11. Cabinet approved the following guidelines under which the Director of Resources should be allowed to approve carry forwards - where the money is to be spent for the purpose of which it was originally allocated in the budget. Where the carry forward is to be used for a different purpose (i.e. effectively comprising virement) it is proposed that the Director of Resources should be allowed to approve items up to £100,000 with the following exceptions where Cabinet approval is required.
- where a carry forward would result in an overspending position on the department's budget
 - where a carry forward would represent a change in existing policy
 - ongoing costs might result
12. Appendix 2 shows carry forward requests not approved by delegated powers. These were approved by Cabinet at the meeting on 27th June 2006. Appendix 3 sets out the performance of key aspects of the finance function against performance targets.

DETAILS

Education (£1.16m underspend, breakeven after carry forward requests)

13. The provisional outturn for the Education Department excluding schools and community delegated budgets and the Standards Fund budget (where spending is allowed to 31st August 2006) shows an underspending of £1.16m. This reduces to breakeven assuming that the carry forward requests are approved.

14. The underspend is principally due to:-

	<u>£000</u>	<u>% of Budget</u>	
Service Units	-570	-1.5%	Planned saving measures to meet restructuring costs for 2006/07.
Mainstream Transport	-480	-5%	Retendering & contract costs lower than expected.
SEN Transport	-310	-5%	Less growth in number of pupils transported than estimated. Fewer pupils transported to out county schools and more rechargeable income.
Nursery Providers-External	-270	-3%	The county council is required to provide nursery places for all 3 & 4 year olds whose parents request one. The take up of places was lower throughout the year than expected.
Early Excellence Centre	-110	-98%	Delays in staff appointments.
Other Early Years budgets	-140	-20%	Greater level of expenditure eligible for grant than envisaged. Take up of grants paid to voluntary organisation reduced as a result of withdrawal of one organisation from the scheme.
Education Quality Enhancement	-170	-64%	Slippage within planned conference programme – carry forward request made.
Insurance	-150	-16%	Premiums at policy renewal in October 2005 were lower than anticipated
LMS Contingencies	-120	-71%	Lower calls by schools on contingency funding.
Youth & Community	-90	-2%	Staffing budget savings/increased income.
Client & Technical Support	-90	-14%	Planned savings made towards the department's managed savings exercise.
Statementing - Mainstream	160	13%	Significant increase in enhanced packages and increased numbers of 16+ pupils with statements receiving education.
SEN out-county placements/recoupment	350	5%	Increased charges for Leicestershire pupils in non maintained schools.
Special Schools – Centrally Managed	270	127%	Increases to special school budgets in respect of the additional placement of pupils. Closure of one non maintained special school and parental preference for Leicestershire special schools were major factors.
Premature retirement costs	250	32%	Increased calls on the budget provision in respect of premature retirement of school based staff.
Contribution to Departmental Restructuring	360	N/A	Contribution to the costs of departmental restructuring for 2006/07. A managed savings exercise was maintained throughout 2005/06 to create this contribution.

15. The delegated schools budget in 2005/6 was £288.9m. The outturn shows that schools spent in excess of this budget by £0.4m which will reduce the overall level of schools balances to £20.6m.

Social Services (£3.39m underspend, £0.78m after carry forwards)

16. The main variances are set out below:-

	<u>£000</u>	<u>% of Budget</u>	
Residential Care for Older People – Income	-1,200	-9%	Higher than expected contributions from clients.
Employee Vacancies	-1,100	-3%	Difficulties recruiting to home care posts, and delays in filling other posts. Saving is net of additional costs of agency staff.
Independent Home Care	-670	-4%	Growth in demand less than expected.
Residential Care for Adults with Physical Disabilities	-310	-17%	Additional income contributions from Health towards high dependency placements.
Resources: Computer equipment / ESCR	-560	N/A	Slippage on acquiring IT equipment for Electronic Social Care Records and for Electronic Home Care.
Children & Adolescents with Mental Health problems	-200	-29%	Delayed start of a number of projects, developed in conjunction with Health and Education.
Bridges (Children's database)	-110	-27%	Delayed acquisition of computer equipment and production of publications etc.
Community Equipment	-130	-10%	Slippage on purchases.
Office Bases – transitional cost of relocations	-80	-5%	Delays in setting-up new bases; moves in progress.
Teenage Pregnancy	-70	-28%	Recruitment difficulties have delayed the implementation of new projects.
Residential Care for Adults with Learning Disabilities	540	6%	Mainly resulting from a greater proportion of higher dependency cases.
Residential Care for Adults with Mental Health problems	300	27%	A combination of both increased demand and increased costs.
Children's Foster Care	160	4%	Increased use, and costs, of specialist foster care schemes, as an alternative to residential care.

Highways and Transportation (£0.34m underspend, £0.19m after carry forwards)

17. The main variances are shown below:-

	<u>£000</u>	<u>% of Budget</u>	
Leicestershire Highways	-100	51%	Increased contribution due to lower capital charges and lower than anticipated expenditure on winter maintenance.
Highway Maintenance	250	1%	Mainly due to additional traffic management costs to meet new

			guidelines and increased unrecoverable expenditure relating to hazards on the highway.
Public Bus Operations	-440	-14%	Increased revenue from increased passenger numbers and reduced contract costs.
Concessionary Travel	80	11%	Changes in demand and contracts.
Ivanhoe Operating Deficit	-100	-35%	Increased revenue from increased passenger numbers.

Waste (£1.24m underspend, £0.73m after carry forwards)

18. The main variances are:-

	<u>£000</u>	<u>% of Budget</u>	
Whetstone Materials Recovery Facility	200	61%	Additional costs, including using external facilities for excess material.
Disposal Contracts	-500	-5%	Reduced tonnage going to landfill.
Recycling & Household Waste Sites	-340	-9%	Decrease in loads being transported & slippage in repair & maintenance projects.
Fridges, Tyres & Electrical Equipment Disposal	-420	-44%	Lower than expected disposal unit costs and delayed legislation.
Waste Minimisation Projects & Recycling Initiatives	-310	-61%	Expenditure deferred pending agreement of new Waste Strategy.
Waste Strategy Review	-50	-100%	Deferred until 2006/07.
Commercial Bin & Trade Waste Income	170	-22%	Reduced demand.

Community Services (£0.02m underspend, £0.09m overspend after carry forwards)

19. The main areas of variance are:-

	<u>£000</u>	<u>% of Budget</u>	
Library Service – Bookfund	-110	8%	Underspend to offset loss of income.
Library Services –Other	180	3%	Underachievement of income as a result of Library closures/refurbishments and declining markets.
Regulatory Services	-80	-3%	Staff turnover and recruitment difficulties.
Environment & Heritage	40	1%	Overspend on Country Parks, mainly on grounds maintenance.
Commercial & Support Services	-50	-2%	Mainly due to slippage on the construction of an outdoor play area at Snibston Discovery Park.

20. The Department has submitted a carry forward request regarding the Bookfund underspend. This will lead to an overall Departmental overspend of £0.09m.

Chief Executives and General Items (£0.62m underspend, £0.04m after carry forwards)

21. The underspend is primarily as a result of:-

	<u>£000</u>	<u>% of Budget</u>	
Main Department budgets:	-270	-3%	General savings from turnover etc and delays in certain projects.
<u>General and Other Items</u>			
BABSI	-280	-49%	Impact of review resulting from Change Management Programme.
Other areas	-80	-15%	General underspend on certain budgets.

Resources (£0.21m underspend, £0.07m after carry forwards)

22. The underspend mainly relates to:-

	<u>£000</u>	<u>% of Budget</u>	
Property	-200	-13%	Increased income from recharges to the capital programme.

Corporate (£0.19m underspend, breakeven after carry forwards)

23. The underspend relates to:-

	<u>£000</u>	<u>% of Budget</u>	
Customer Contact Centre	-80	-54%	} Projects costing less than anticipated as well as some delays as projects reviewed under the wider change management programme.
EDRMS	-55	-52%	
E-Procurement	-55	-49%	

24. These underspends are to be carried forward to the 2006/07 Corporate Change Management Programme. The programme is being developed and as a result existing and new corporate projects are being prioritised.

Central Items (£1.57m underspend)

25. The main variances are:-

	<u>£000</u>	<u>% of Budget</u>	
Bank and Other Interest	-2,240	75%	Due to balances being higher than anticipated and additional interest from capital financing which has been raised much earlier to take advantage of low rates of interest, including pre-funding the 2006/07 capital programme.
Financing of Capital	700	3%	Earlier raising of finance, offset to some degree by borrowing at a lower rate of interest than estimated.

Income

26. Revenue Support Grant shows a variation of -£0.53m, reflecting the net difference between a provision of £1.20m made in the 2004/05 Accounts for the 2004/05 Amending Report and the actual levels of both the 2004/05 Amending Report (£0.47m) and the 2005/06 Amending Report (£0.20m).
27. The County Council has received grant of £0.57m relating to the Government's Local Authority Business Growth Incentive Scheme (LABGI).

Reserves

28. A contribution to reserves of £1.65m has been made for pump priming the new Local Area Agreement.
29. A contribution to reserves of £0.5m has been made regarding the decision of the County Council on 24th May 2006 to provide a maximum £0.5m contribution to cover the period to 31st March 2008 in order to support the introduction of county-wide free concessionary travel.
30. A contribution to reserves of £0.32m has been made to help fund the Corporate Change Management Programme.
31. A reserve has been established for initial funding of severance costs arising from savings from efficiency and lower priority services. Departments will subsequently repay the costs over a period as the savings accrue.

Equal Opportunities Implications

No direct implications.

Background Papers

2005/06 accounts.

Circulation Under Sensitive Issues Procedure

None.

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APPENDIX 3

Performance Against Targets

Aim of Indicator	Indicator	Target	Actual
Accuracy of budget	Outturn divided by budget	99.5%	98.4%
Accuracy of budget monitoring	Outturn divided by November budget forecast	99.8%	99.1%

Exchequer

Aim of Indicator	Indicator	Target	Actual
Speed with which invoices are paid	Percentage of undisputed invoices for commercial goods and services that were paid within 30 days.	92%	88.2%
Effectiveness of debt recovery	Percentage of debt (excluding social services) more than 42 days old divided by total debt	3.5%	2.6%
	Percentage of residential care debt (excluding secured debt) more than 42 days old divided by total debt	4.3%	4.3%
	Percentage of home care debt more than 42 days old divided by total debt	3.9%	3.3%

Payroll

Aim of Indicator	Indicator	Target	Actual
Effectiveness of the payroll service	Percentage of deadlines met	100%	100%

Internal Audit

Aim of Indicator	Indicator	Target	Actual
Measure performance against plan	Number of planned audits undertaken divided by the number in the plan	90%	86%