

SCRUTINY COMMISSION – 18TH JULY 2007

REPORT OF THE DIRECTOR OF RESOURCES

REVENUE OUTTURN 2006/07

PURPOSE

1. This report sets out the revenue outturn for 2006/07 including implications for the Medium Term Financial Strategy (MTFS).

POLICY FRAMEWORK AND PREVIOUS DECISIONS

2. The Standard Financial Instructions stipulate that the Executive may authorise the carry forward of under or overspending. These may also be agreed by the Director of Resources subject to the guidelines agreed by the Executive on 27th June 2006
3. The carry forward requests which cannot be approved under delegated powers were approved by Cabinet on 27th June 2007.
4. The Cabinet agreed the financial arrangement for funding the PCT at its meeting on 5th March 2007.

MEDIUM TERM FINANCIAL STRATEGY

5. The County Council approved the MTFS on 21st February 2007. The key aim of the strategy is to ensure that the Authority has the appropriate resources in place to fund key service improvements and demands over the next few years. The strategy includes the establishment of earmarked reserves and the allocation of ongoing revenue budget and capital resources for key priorities. The more significant investment priorities over the next few years are set out below;
 - Waste strategy implementation (significant capital and revenue implications. £10m revenue growth already included in the MTFS)
 - Building schools for the future (BSF). The Melton and Vale of Belvoir review is expected to cost c£45m (capital). There will also be some associated revenue costs. Once BSF is introduced further pump priming will be required.
 - Reconfiguration of services. Under the change management banner the Authority is in the process of making major changes to the way services are delivered. This includes areas such as the highways efficiency review, customer first and shared services. With increasing focus on efficiency this reconfiguration will continue and accelerate. With many of these projects significant up front investment is required. This will include severance costs, project management and ICT.

6. This outturn provides a further opportunity to develop this approach with the establishment of reserves to meet future pressures.

OVERALL POSITION

7. A summary of the revenue outturn for 2006/07 excluding dedicated schools grant is set out below:

	<u>£000</u>
Updated budget	287,380
Less provisional outturn	277,069
	10,311
Carry Forwards	
Approved under delegated powers	-3,211
Cabinet approval required	-725
	6,375
Net Underspending	6,375

8. Overall there has been an underspending of £10.31m, which reduces to £6.4m after carry forwards. The County Council has also received Local Authority Business Growth Incentive Grant (LABGI) of £2.2m.

9. The outturn includes a number of significant financial transactions that were not included in the original budget but most of which have been included in other reports to members. These are summarised below:-

- (i) The Cabinet agreed a financial arrangement with the Leicestershire and Rutland Primary Care Trust (PCT) on 5th March. The aim of the arrangement was to assist with the PCT's recovery plan. The accounts reflect this transaction which had three elements. Firstly, the payment of capital grant of £2.35m from the PCT to the County Council for health related capital schemes. Secondly, the payment of £2.25m revenue grant to the PCT to be used to meet Medium Term Corporate Strategy health priorities. Thirdly, the agreement of a new phasing arrangement for the revenue contributions to the learning disability pooled budget. This increased the County Council contribution in 2006/7 by £3m and reduced the contribution by a corresponding amount in 2007/8.
- (ii) The Adult Social Care (ASC) outturn reflects the agreement of the relevant PCT contribution to the pooled budget referred to above. However, this is offset by the use of unringfenced grant income. The balance of this income (£2.3m) has been transferred to earmarked reserves. (See (vi) below.) The unringfenced grant income relates mainly to an ASC access and systems grant that was received in 2004/5 and 2005/6. This grant was awarded to develop Community Care Services and help prevent hospital admissions. However, lower than anticipated costs of implementing initiatives funded through this grant has resulted in an underspend on the grant. As ASC has three stars it has greater flexibility in terms of grant income and it is therefore possible to utilise this non recurrent underspend.
- (iii) A significant element (£1.7m) of the Children and Young People's underspend of £2.4m reflects the steps taken by the Authority to minimise the underspending on LAA grant funding that is subject to claw back arrangements by Central Government.

- (iv) Early retirement costs that were previously spread over up to five years have been funded in full in 2006/7. This has resulted in expenditure of £1.6m but will generate efficiency savings of circa £0.24m over the next four years.
 - (v) In 2004/5 a provision of £4.5m was established to meet the expected costs arising from the loss of an industrial tribunal following the introduction of job evaluation. As detailed in a Member Information Service report the actual costs were lower. The balance of £4.1m has been released to the revenue account.
 - (vi) Contributions to earmarked reserves have also been made as set out in Appendix A. The majority of the contributions are as approved in the Medium Term Financial Strategy. The new reserves are highlighted and are set out below:
 - Melton and Vale of Belvoir Schools Review – An earmarked reserve of £0.7m has been established to assist in meeting the significant costs of implementing the outcome of this review.
 - LAA General Sure Start – An earmarked reserve of £1.75m has been established to assist in meeting costs of the implementation of the Children Centres programme.
 - Adult Social Care – A reserve of £2.3m has been established to pump prime invest to save projects including self directed care, developing new ways of working including the learning disability pooled budgets for commissioning and integrated provision and further developments of direct payments particularly for day care services. The balance of £0.8m will be used to address ASC demand and costs pressures in future years.
 - A contribution of £0.25m is being made to an equal pay reserve. In addition a further £0.25m will be contributed from the job evaluation reserve established to meet the cost of job evaluation appeals as this reserve is no longer required. The equal pay reserve will be available to meet any costs arising from the ongoing equal pay audit.
10. At the time of agreeing the 2006/07 budget the forecast balance was £7.6m. The actual balance of £8.5m represents 2.9% of the budget which is within the range of 2%-3% incorporated into the Reserves Policy agreed by the County Council in February 2007. 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.
11. Appendix A compares the provisional outturn with the updated budget. Column 2 is the original budget updated for 2005/06 carry forwards, transfers between services and other adjustments. 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 paragraphs 16 to 19. This appendix also shows the effect of the provisional outturn on the level of the non earmarked county fund balance.
12. The Director of Corporate Resources can 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) the Director of Corporate Resources can also 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

13. Appendix B shows carry forward requests not approved under delegated powers. These were approved by Cabinet on 27th June 2007.
14. For information Appendix C sets out the performance of key aspects of the finance function against performance targets.
15. The LAA is incorporated into the County Council's activities. Appendix D shows in detail the LAA outturn. In overall terms pooled funding of £9.4m underspent by £0.47m, reward funding of £1m by £340,000 and non reward funding of £192,000 by £82,000.

DETAILS

Children and Young People

Schools

16. There is a net underspend of £1,589,000 on the Schools budget. This will not impact on the County Fund as it must be carried forward to next year under DSG conditions and a transfer to a DSG Reserve has therefore been made. The schools (Funding) forum has agreed that £750,000 of this underspend will be allocated to supporting the 2007/08 Schools Budget.
17. The main variances are shown below:-

	£000	% of budget	
Dedicated Schools Grant	380	-0.1%	DfES final allocation lower than forecast due to lower pupil numbers than anticipated.
Management / Support	100	48.9%	Additional costs associated with senior management restructure.
Statementing – Mainstream	-520	-41.3%	Income higher than anticipated due to more city pupils in county schools, closer scrutiny of requested enhanced packages.
Special Needs – Out County Placements / Recoupment	-140	-2.0%	Demand not as high as forecast.
Specialist Teaching Service	-120	-4.5%	Larger than expected Threshold reimbursement.
Student Support Service	300	11.9%	Effects of staff sickness and travel costs.
Children's Centres Teachers	-350	-100%	Delays in phase II Children's Centres
Nursery Education Funding	-260	-2.4%	Demand not as high as forecast.
Early Excellence Centre	-120	-71.5%	Most of 06/07 expenditure charged to General Sure Start Grant.

Early Years Training & Development	-90	-100%	Slippage in payment and expenditure charged to General Sure Start Grant.
Early Years (ex Youth & Com.)	-50	-24.9%	Savings within a Service Level Agreement.
Common Admissions Policy	-50	-100%	Slippage on training costs.
School Food Support Service	110	65.2%	Mainly due to decrease in paid meals / increase in free meals and shortfall in delegation.
Schools Budget Contingencies	-850	-83.9%	Savings on non-domestic rates revaluations together with only limited claims for additional funding from schools.
Special Staff Costs	140	16.3%	Schools submitting late claims from previous year for maternity cover.
Premature Retirement Costs/ Teachers Superannuation	70	32.3%	Significant number of PRCs/ redundancies at the end of 05/06 academic year and in Autumn Term.
Education Quality Enhancement	-90	-23.6%	Moratorium on expenditure has created a saving on this budget.

18. The delegated schools budget in 2006-07 was £265.3m. The outturn shows that schools spent £781,000 in excess of this budget which will reduce the overall level of school balances to £20.1m.

Other Children & Young People (£3.19m underspend, £2.42m after carry forwards)

19. The underspend net of carry forwards of £2.42m is reflected in the transfers to reserves of £0.67m for the Melton and Belvoir Schools Review and £1.75m for LAA General Sure Start.
20. Slippage within the Children's Centre programme resulted in an underspend in the General SureStart grant which is subject to pooling arrangements in the LAA. In order to maximise funding other eligible expenditure was charged to the grant and the underspend carried forward. The main areas of the budget where this occurred were school improvement, children's services grant, schools requiring additional support and mentor teachers.
21. The LEA Block shows a net underspend of £2.61m before carry forwards of £0.36m. The main variances on the LEA Block excluding the LAA pooled grant are shown below:

	£000	% of budget	
Directorate – Professional Development	-40	15.2%	Due to pressures within the Dept, further commitments were restricted.
Management / Support	50	48.9%	Additional costs associated with senior management restructure.
School Improvement & Performance	-640	-49.0%	Staff vacancies and stringent control on expenditure and recharge to the General SureStart Grant. Carry forward requested.
Student Support Service	110	11.9%	Effects of staff sickness and travel costs.
Youth Work	-120	-3.2%	Savings on ongoing revenue grants,

			staff turnover and use of premises.
Community Plus	80	66.0%	Payment of Wardens and Principals community allowances extended for whole financial year.
Residential & Conference Service	-50	-16.4%	Slippage in expenditure.
School Crossing Patrols	-60	-18.8%	Saving on non-replacement of vacant posts and significant savings on recruitment costs for patrols.
Admin & Committees / Health & Safety	-90	-12.4%	Underspend on staffing / increased income.
Mandatory Awards	-140	n/a	Provision no longer required.
Student Finance	-60	-15.6%	Post being met by grant and various savings on running costs.
Premature Retirement Costs/Teachers Pension Scheme	360	32.3%	Significant number of Premature Retirement Costs/ redundancies at the end of 05/06 academic year and in Autumn Term.
Criminal Records Checks	-60	-25.1%	Lower demand than forecast.
Human Resources	-130	-27.8%	Staff turnover.
Client & Technical Support – Sites Development	60	13.6%	Loss of income from Electrical Services while it was winding up.
Support for William Bradford School	-60	-40.2%	Cost of support was less than envisaged.

22. Children's Social Care budgets show a net underspend of £0.58m before carry forwards of £0.40m. The main variances are shown below:

	£000	% of budget	
Residential Care	-310	-4.3%	Additional external income towards agency placements and running costs of own homes.
Bridges Team	-180	n/a	Delayed purchase of computer equipment, carry forward request submitted.
Children & Family Social Work (CAMHS)	-150	-27.0%	Delayed start of projects, carry forward request submitted.
Other Children's Services	-100	-27.1%	Teenage Pregnancy -delayed housing project & training programmes; Corporate Parenting delay in developing learning support project; carry forward requests submitted.
Support Services Family Placement	-210	-6.2%	Foster Care reduced number of placements.
Children's Management	160	20.0%	Legal expenses increased due to number & complexity of cases.
Transport	110	41.6%	Increased demand and cost.
Leaving Care (Section 24) Payments	90	26.3%	Increased numbers of children leaving care.

Adult Social Care (£2.45m underspend, £0.61m after carry forwards)

23. The main variances are set out below:

	£000	% of budget	
Independent residential care	-950	-4.2%	Reduction in residential placements, chiefly for older people, reflecting increased community alternatives.
In-House residential care income	-830	33.0%	Increased contributions from residents' assessed charges, reflecting increased relative wealth of new residents. Benefit increases above budget assumption.
Resources: IT equipment	-490	N/A	Slippage on acquiring equipment for continuing IT developments
Meals Service	-350	-34.4%	Growth in numbers of meals provided less than that budgeted for.
Home Care	-310	-1.5%	Savings from contract re-tendering.
Supporting People Programme	-100	-1.4%	Savings on services. Carry forward request of £80k.
Transport	290	10.9%	Increased demand and overspendings on fleet running costs.
Direct Payments	220	10.5%	Increasing take-up by service users. This is a national key priority area.
Supported Living: Mental Health and Learning Disabilities	180	23.7%	Increased demand. Alternative to residential care.
Other minor variances	-100	N/A	

Highways and Transport (£0.89m underspend, £0.53m after carry forwards)

24. The main variances are set out below:

	£000	% of budget	
Department General Expenditure	270	96.2%	Various causes including additional pension costs, consultancy fees higher than anticipated, increased training costs and recruitment / advertisement for 2 Assistant Director posts.
Staffing & Administration	80	1%	Net cost incurred on agency staff to cover staff turnover.
Winter Maintenance	-270	-13.6%	Due in part to improved plant management and efficiency savings following the review of Winter Maintenance.
Safety Maintenance	60	3.2%	Additional costs incurred on illuminated signs and gully emptying.
Leicestershire Highways	-180	50%	Surplus greater than budgeted.
Highways Maintenance	-375	5.5%	Unplanned work to repair heat damaged roads was capitalised resulting in an underspend of £375k. This was part of the PCT financial arrangement (see paragraph 11 (i)).

Fees and Charges	-480	6.9%	Additional income partly due to an increase of £443k in S38, S106 and S74 agreements.
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Passenger Transport Unit (£1.06m underspend, £1.01m after carry forwards)

25. The main variances are set out below:

	£000	% of budget	
Staffing and Administration	-40	-5.2%	Mainly due to management of vacancies
Mainstream Transport	-410	-4.4%	Due in part to efficiency savings achieved by PTU
SEN Transport	-270	-7.0%	Efficiency savings achieved by PTU, but not taken out of budget in 2006/07 have resulted in an underspend
Public Bus Services	-340	-10.4%	Bus contract arrangements.

Waste Management (£2.44m underspend)

26. The main variances are set out below:

	£000	% of budget	
Disposal Contracts	-1,300	-12.1%	Tonnage disposed by LCC during 06/07 reduced by 5%. Partially offset by increased recycling rates, resulting in payments of more recycling credits.
Fridges & electrical equipment	-510	-69.8%	Reduced disposal costs & receipt of WEEE grant of £363,000 at the end of the March.
Recycling Credits	370	11.4%	Revised unit price on the gate fees charged to Districts in 06/07, and increased recycling rates.
Recycling & Household waste sites	-310	-7.7%	New contract arrangements
Waste Performance & Efficiency Grant and Waste Strategy Implementation	-670	-82.5%	Slippage on implementation of kitchen waste projects, staffing restructure and other projects.

27. The net underspend on Waste has been transferred into a Waste Strategy Reserve.

Community Services (£0.6m underspend, breakeven after carry forwards)

28. The main variances are set out below:

	£000	% of budget	
Trading Standards - staffing	-210	-13.0%	Due to recruitment difficulties, staff turnover and a national shortage of trading standards officers.
Trading Standards - income	-50	43.5%	Principally one-off DEFRA funding secured.
Registrars – staffing	40	7.4%	New activities such as citizenship ceremonies (offset by increased income – see below) and nationality checking.
Registrars – income	-60	11.9%	See above.
Scientific Services – equipment	50	317%	One-off equipment needs.
Library Services – income	70	5.5%	Income shortfall due to declining markets – mirrors national trend.
Library Services – staffing	-140	-2.6%	Approx £80,000 due to staffing restructure. Balance due to turnover / vacancies and management action taken to reduce staffing costs in light of income budget underachievement and redundancy / severance costs liability.
Redundancy payments	110	N/a	Library Services restructure and Environment Action Plan.
Pension Strain Liability	190	N/a	Minimise future year liability.
Bosworth Visitor Centre – exhibition space	50	n/a	New ventilation system, wiring, asbestos removal, heating etc. Includes removal of old exhibition.
Country Parks – repair & maintenance of grounds	50	61.1%	Car park at Bosworth Battlefield, heath land management work & health & safety related works. Grant funding was secured towards these costs.
Country Parks – income	-130	37.4%	Grant income, car parking and admissions income.
Planning Fee and Site Visit income	-60	49.2%	Planning application received in year warranting maximum charge. Includes site visit income (new legislation introduced charging for site visits effective April 2006).

Chief Executives (£0.48m under spend, breakeven after carry forwards)

29. The main variances are set out below:

	£000	% of budget	
Human Resources	-80	4.5%	Staff Turnover
Corporate Support, Equalities and Diversity	-80	18.3%	Staffing turnover, expenditure in certain areas was less than anticipated.
Policy and Research	-260	12.1%	Staff turnover and a number of projects not completed during the financial year.
Legal	-90	9.4%	Increased Income and staff vacancies

Resources (£0.40m under spend, £0.21m after carry forwards)

30. The main variances are set out below:

	£000	% of budget	
Maintenance of Buildings	60	1.2%	County Hall : increased energy costs, delayed security savings; caretakers houses maintenance
Property Services	-180	-10.1%	Increased capital fees income
ICT Services	-110	-1.4%	Staff vacancies held pending review and restructuring
Financial Services	-110	-4.7%	Staff vacancies and increased income
Administration	-80	-10.6%	Staff vacancies

Central Items (£0.66m net overspend, £0.83m after carry forwards)

31. The main variances are set out below:

	£000	% of budget	
Bank & Other Interest	-2,290	48.7%	Interest rates and balances higher than originally estimated.
Financing of Capital	-520	-1.9%	Mainly relates to change in financing arrangements for Intergrid schools from supported borrowing to capital grant.
Financial Arrangements	-90	-19.5%	Mainly relates to a share of ESPO surplus.
NDR Revaluation Savings	-230	n/a	Refunds of rates paid in 2005-06 arising from revaluation appeals.
Capitalised cost of Early Retirements	1,570	n/a	See paragraph 11 (iv)
PCT Financial Arrangements	2,250	n/a	Payment of revenue grant to the PCT to be used to meet MTCS health priorities – see paragraph 11 (i)

Equal Opportunities Implications

No direct implications.

Background Papers

2006/07 accounts.

Circulation Under Sensitive Issues Procedure

None

Officer to Contact

Pat Sartoris – Telephone 0116 3057642