

SCRUTINY COMMISSION – 23RD JULY 2008**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****REVENUE OUTTURN 2007/08****PURPOSE**

1. This report sets out the revenue outturn for 2007-08.

BACKGROUND

2. The Standard Financial Instructions stipulate that the Executive may authorise the carry forward of under or over spending. These may also be agreed by the Director of Corporate Resources subject to guidelines agreed by the Cabinet on 27th June 2006.
3. The carry forward requests which could not be approved under delegated powers were approved by Cabinet on 20 June 2008.
4. The Cabinet agreed the financial arrangements regarding the Primary Care Trust (PCT) at its meetings on 5th March 2007 (2006/07) and 15th January 2008 (2007/08).

MEDIUM TERM FINANCIAL STRATEGY

5. The County Council approved the MTFs in February 2008. The key aim of the strategy is to ensure that the Authority has 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 revenue and capital implications).
 - Reconfiguration of services. Under the change management banner is in the process of making changes to the way that services are delivered. Many of these projects require investment to deliver future efficiency savings or service improvements.
6. The outturn provides a further opportunity to develop this approach with the contribution and establishment of reserves.

OVERALL POSITION

7. A summary of the revenue outturn for 2007/08 excluding dedicated schools grant is set out below:

	£000
Updated budget	296,562
Less provisional outturn	280,281
	16,281
Carry Forwards	
Approved	-4,773
Cabinet approval required	-1225
Net Underspending	10,283

8. Overall there has been a net underspending of £16.28m which further reduces to £10.28m after carry forwards. The County Council also received Local Authority Business Growth Incentive Grant (LABGI) of £1.5m.
9. The outturn included a number of transactions which were not included in the original budget but most of which have included in other reports to members. These include:
- (i) PCT financial arrangements: the 2007/08 arrangement is not included in the above figures. Income from contributions in advance has been transferred to an earmarked reserve and will be utilised in 2008/09 and 2009/10. Capital resources provided under the 2006/07 arrangement have been utilised to finance £0.9m of capitalised highways expenditure, leading to an increased underspending on the Highways and Transport revenue budget.
 - (ii) A significant element (£1.66m) of the Children and Young People's underspend of £4.06m reflects steps taken by the Authority to minimise the underspending on LAA grant funding that is subject to claw back arrangements by Central Government.
 - (iii) Contributions to earmarked reserves have also been made as set out in Appendix A, some of which had been approved in the Medium Term Financial Strategy. The new reserves are set out below:
 - CYPS Management Information Systems – As a result of an accounting adjustment identified as part of the 2006/07 external audit process, an underspend of £0.38m has occurred in the 2007/08 accounts. The CYPS Department requested that this amount be used to support work on a number of projects to enable development of information systems.
 - Passenger Transport renewals reserve – the net underspend on the Passenger Transport Unit budget has been transferred to a new reserve to provide funding for vehicle renewals. This will be an ongoing arrangement.
 - Eco Town – An earmarked reserve of £0.5m has been established to provide for the significant costs that the Authority may incur on this issue.

- Finance Review – An earmarked reserve of £0.5m has been established to meet part of the initial costs arising from the Finance Review, which should generate savings of the order of £0.5m per annum. The balance of the cost will be met from departmental reserves and the corporate redundancy reserve.
10. The county fund balance as at 31st March 2008 is £9.0m, which falls with the target range of 2% to 3% of net expenditure (excluding schools). At the time of agreeing the 2007/08 budget the forecast balance was £7.6m.
 11. Appendix A compares the provisional outturn with the updated budget. Column 2 is the original budget updated for 2006/07 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 for 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 20th June 2008.
 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 £19.3m underspent by £0.63m, reward funding of £1.2m underspent by £0.12m and non reward funding of £0.593m underspent by £0.11m.

DETAILS

Children and Young People

Schools

16. The final Dedicated Schools Grant allocation for 2007-08 for Leicestershire is £461,000 less than anticipated, as the pupil numbers in the DfES calculations are lower than estimated. The Schools Funding Forum agreed to apply part of the DSG Reserve of £1.589m, of which £0.75m was built into the original 2007-08 Schools budget.

17. There is a net underspend of £1.26m on the centrally managed schools budget. This will not impact on the County Fund as under the terms and conditions of Dedicated Schools Grant any underspend must be allocated to the following year's Schools Budget.
18. The main variances are listed below:

	£000	% of Budget	
Out County Placements / Recoupment	-560	-7.9%	Decreased demand and using more cost effective placements.
Behaviour & Attendance	220	7.9%	Supply cover costs and additional transport for pupils attending the pupil referral units.
School Food Support Service	190	91.9%	Current contract costs for items such as increased nutritional standards exceed the funding delegated to schools.
Schools Budget Contingencies	-300	-59.7%	Fewer claims from schools have been made on the contingency.
Children's Centre Teachers	-150	-41.9%	Delays in the development of Phase 2 Children's Centres.
Common Admissions Policy	-140	-91.7%	Phase 2 of introduction of the common admissions policy less than projected
Travellers Education Service	-40	n/a	Termination of Joint Arrangement with City requiring fewer staff.
Special Staff Costs	100	11.3%	Increase in number of school based staff on maternity leave.
Children with Severe Learning Difficulties-Commissioning	-180	-87.5%	Revenue contribution to a capital project at Thomas Estley will not take place in 2007/08.
Specialist Teaching Service	-130	-4.3%	Staff turnover and slippage on projects.

19. The delegated schools budget in 2007-08 was £281.2m. The outturn shows that schools spent £3.884m below this budget which will increase the overall level of school balances from £20.1m to £24.0m.

Children and Young People – Local Authority Budget

20. There is a net underspend of £4.06m which reduces to £2.09m (4.2%) after carry forwards of £1.97m.
21. The General Sure Start Grant is pooled within the LAA, which has a 5% carry forward limit. In order to minimise the underspend and risk of claw back by central government, £1.7m was utilised to fund other eligible items within the CYPS budget.
22. A sum of around £750,000 has been held back pending clarification on whether certain government grants for early years places would need to be repaid. These sums no longer need to be repaid and are therefore available to support expenditure.

The CYPS Department has requested a carry forward for this sum for priorities in the Children's and Young People's Plan (see Appendix B).

23. Other significant variances are set out below:

	£000	% of Budget	
School Improvement & Performance – Service Unit	-260	-15.3%	Saving on capitalised redundancy costs met centrally in 2006/07 through change in funding policy, and increased efficiency savings.
Education Psychology	-130	-7.9%	Mainly delays in making staff appointments.
Education Welfare Service	-90	-8.7%	Staff vacancies and additional income.
Youth Work	-100	-2.6%	Staff turnover and additional income.
Residential & Conference Centre	-70	-18.5%	Increased trading and slippage.
Early Years	-230	-65.2%	Funded from grant monies.
Mentor Teachers	-60	-21.9%	Reconfiguration of Early Learning Children's Centres.
Planning & Commissioning	-70	-32.8%	Late appointment of staff.
Standards Fund	-50	-4.5%	LA contribution towards grant not required.
Admin & Committees	-120	-16.6%	Staff vacancies.
Education Quality Enhancement	-180	87.7%	No new activity was commissioned.
Student Finance	-110	-24.8%	Staff vacancies.
PRC's /Redundancies	180	11.6%	High level of demand.
Criminal Record Checks	-140	-41.8%	Government changes to the frequency of CRB checks will now need to be undertaken in 2008/09 instead of 2007/08.
School Support Staff – back pay	330	n/a	Arises as a result of Job Evaluation.
SIMS Licences	-380	n/a	Issue over accounting for payment – now to be charged to 2008/09.
Children's Residential	760	10.3%	High proportion of children with complex needs requiring higher cost placements but offset partially by underspend on fostering budget.
Children's Support Services Fostering	-590	-15.3%	Decrease in number of foster placements.
Leaving Care	160	15.9%	Section 24 payments have increased.
Children & Family Social Work	-100	-20.0%	Staff vacancies and savings in running costs.

Adult Social Care

24. There is a net underspend of £1.69m which reduces to £0.08m after carry forwards (0.1%). The main variances are listed below:

	£000	% of Budget	
Modernisation of in-house residential and Day Care services for people with Learning Disabilities	-690	-10.1%	Slippage in acquiring sites and premises has temporarily delayed the introduction of new and improved services.
Meals Service	-370	-38.6%	Continuing reduction in demand.
Independent Sector Residential Care for people with Physical Disabilities	-310	-14.4%	Reduced requirements and alternative services for Adults with Physical Disabilities.
Direct Payments	1,000	28.9%	Greater demand than anticipated to meet key national targets. Partly offset by saving on Home Care services.
Client Transport	330	n/a	Increased demand, continuing previous years' trends.
Support Services	-1,210	-14.4%	Slippage on short-term projects, on acquiring equipment for on-going IT developments, on office improvements and on establishing new training courses.
Home Care	-490	-2.3%	Underspend on services commissioned from the independent sector (see Direct Payments), partly offset by overspend on in-house Home Care service.

Highways and Transportation

25. There is a net underspend of £1.09m which reduces to £0.95m after carry forwards (3.3%) .The majority of the underspend relates to the transfer of highways expenditure to capital to utilise funding from the 2006/07 PCT financial arrangement. The main variances are set out below.

	£000	% of Budget	
Management & Staffing Costs	-340	-5%	Staffing turnover offset by recruitment costs for senior posts, employment of consultants and agency staff. Also includes reduced pay award and contribution to capital.

Traffic Management	-40	-66%	Slippage in implementation of county boundary signs.
Traffic Management Maintenance	-50	-18%	Reduction in spends on signs and lines.
Street Lighting & Sign Maintenance	-60	-3%	Energy contract savings (efficiency).
Street Lighting & Sign Maintenance	110	11%	Increased spend on street lighting maintenance.
Safety Maintenance	70	4%	Increase in expenditure on illuminated signs and gully emptying.
Other Maintenance	-70	-23%	Miscellaneous savings.
PCT arrangement	-890	n/a	Highways expenditure transferred to capital.

Passenger Transport

26. There is a net underspend of £0.93m which reduces to £0.52m after carry forwards (2.4%). The main variances are set out below.

	£000	% of Budget	
Public Transport	-90	-4%	Revised contracts resulting in reduced payments to operators.
School Transport	-790	-4%	Increased income on Mainstream, SEN and Student Support Transport.

27. A Passenger Fleet renewals reserve is being established from the net underspend from the Passenger Transport Unit of £0.52m; this will be an ongoing arrangement.

Waste Management

28. There is a net underspend of £3.41m which reduces to £3.09m after carry forwards (14.3%). The main variances are:

	£000	% of Budget	
Staffing Costs	-310	-25%	Slippage in implementation of Waste restructure.
Disposal Contracts	-760	-5%	Savings arising from greater diversion to inert and recycling.
Fridges and Electrical Equipment	-750	-100%	Implementation of Waste Electrical and Electronic Equipment (WEEE) regulations, resulting in reduced costs.
Material Recovery Facility	-360	-239%	Net increased revenue contributions including sales of materials.

Trade Waste Income	-120	22%	Increase in trade waste income.
Waste Minimisation	-220	-77%	Slippage in delivery of initiatives.
Waste Strategy Implementation	-750	-63%	Deferment of purchase of LATS allowances of £0.94m offset by acceleration of programme.

29. The net underspend on the Waste Management budget has been transferred to the earmarked Waste Strategy Reserve.

Community Services

30. There is a net underspend of £0.36m which reduces to £0.12m after carry forwards (0.8%). The main variances are:

	£000	% of Budget	
Employee costs	-330	-2%	Reduced pay award and higher than anticipated level of vacancy turnover, particularly in Library Services.
Energy costs (gas)	-140	-51%	Partly due to recent energy contract renewals being more favourable than originally anticipated.
Marketing	-40	-27%	Staff shortages and capital programme delays in respect of Oadby and Newbold Verdon Library.
Country Parks – repair and maintenance	70	41%	Investment in public access improvements at Snibston.
Library Services DVD income	-50	22%	Improved DVD collections in community libraries, the closure of some commercial DVD outlets and more people using libraries generally.
Planning fee income	-130	84%	Increased fee income due to an increased number of major planning applications.
Regulatory Services income	-110	12%	Over-achievement of external funding from DEFRA and additional Registrar's income due to increased demand.

31. Service improvements, originally intended for capital financing, were purchased outright, being funded from underspends identified in year. These included Library PCs for public use (£47,000), installation of an online booking system at Snibston Museum (£22,000), and telephone system upgrade (£36,000), also at Snibston.

Chief Executives

32. There is a net underspend of £0.38m which reduces to £0.08m after carry forwards (0.6%). The main variances are:

	£000	% of Budget	
Democratic Services	-90	-10%	Appointment of political assistants and committee officers did not take place.
Policy Research and Information	-210	-7%	Slippage in the implementation of a number of partner projects.
Legal Services	90	11%	Cost of hiring locums and barristers during the financial year.
Departmental Budget	-140	-1%	Slippage in implementation of growth items within the Department.
Catering	50	0.5%	Loss of income on various activities compared with recent years combined with an unprecedented rise in food costs over the last six months of the year.

Corporate Resources

33. There is a net underspend of £0.13m which reduces to £0.04m after carry forwards (0.2%). The main variances are:

	£000	% of Budget	
Central Maintenance Fund	-40	-1.3%	Charges to Passenger Transport Unit not included in budget.
Maintenance of Buildings	-30	-1.3%	Net increase to the rent and service charges.
Maintenance of Buildings	-60	-2.2%	Reduction in energy costs.

Central Items

34. Central Items budgets are underspent by £4.5m, which reduces to £3.6m after carry forwards of £0.9m. The main variances are set out below:

	£000	% of budget	
Bank & Other Interest	-2,015	33.6%	Interest rates and balances higher than originally estimated and some refinancing carried out earlier than anticipated.

Financing of Capital	-1,390	-4.8%	Early repayments of loans made in May anticipated to be replaced by new loans during the course of this year, and a technical change in accounting rules regarding certain loans.
Pension Costs	-190	-10.1%	Accounting adjustment for capitalised costs in previous years.
Other Items	-590	n/a	Accounting adjustment for loans provided to ASC clients in previous years.
NDR Revaluation Savings	-60	n/a	Refunds of rates paid in 2006-07 arising from revaluation appeals.

Equal Opportunities Implications

No direct implications.

Background Papers

2007/08 accounts.

Circulation Under Sensitive Issues Procedure

None.

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