

# report



meeting	<b>COUNTY COUNCIL</b>	
date	<b>31 JULY 2003</b>	agenda item number

## **REFERAL FROM CABINET**

### **REVENUE EXPENDITURE FINAL ACCOUNTS 2002/3**

#### **1. PURPOSE OF REPORT**

- 1.1 To obtain the approval of the County Council to the recommendations made by Cabinet.

#### **2. INFORMATION AND ADVICE**

- 2.1 The Cabinet considered the attached report at its meeting on 23 July 2003 and agreed to the recommendations to Council.

#### **3. RECOMMENDATIONS**

- 3.1 Approval be given to:-

- a) the year end carryforwards set out in paragraphs 3.6., 3.7 and Appendix B
- b) the proposed use of and transfers to balances and reserves as described in paragraph 6 and Appendix D
- c) the provisional revenue expenditure accounts for 2002/3.

**COUNCILLOR JOHN CARTER  
CABINET MEMBER FOR FINANCE AND PROPERTY**

## Background Papers Available for Inspection

Nil

Appendix

**report**



meeting

**CABINET**

date

**23 JULY 2003**

agenda item number

### **REPORT OF THE DIRECTOR OF RESOURCES**

#### **REVENUE EXPENDITURE FINAL ACCOUNTS 2002/3**

##### **1. PURPOSE**

- 1.1 To report the actual revenue expenditure in 2002/3 compared to the revised estimates.
- 1.2 To seek approval to contingency allocations in 2002/3.
- 1.3 To recommend County Council to approve proposed budget carry forwards of underspendings.
- 1.4 To recommend County Council to approve the proposed use of and transfer to reserves.

##### **2. SUMMARY**

- 2.1 Portfolio budgets are underspent by £6.5 million.
- 2.2 Proposals for budget carry forwards have been reviewed against revised guidelines and relevance for corporate plans and proposals for £4.7 million are made.

- 2.3 Schools have used £0.690 million from their reserves.
- 2.4 The level of County Fund balances is £6.1 million, which is £1.3 million better than forecast last February.

The relevant figures are summarised in Appendix A, showing details for Portfolio Budgets, Schools, Central items, and Use of Reserves and Balances.

### 3. PORTFOLIO BUDGETS

- 3.1 All Cabinet Members have underspent except for Environment where there is a small, 0.1% overspending which will be recovered from the 2003/4 budget. The overall underspending is £6.535 million, which is £1½ million less than the underspending in 2001/2. The underspending is 2.3% of the portfolio budget, and there are proposals for budget carry forwards of £4.713 million. The overall position is summarised in the following table:

<b>Portfolio</b>	<b>Revised Estimate £000</b>	<b>Underspending £000</b>	<b>Proposed Carry Forward £000</b>
Leader	4,355	154	90
Deputy Leader	16,005	1,536	1,022
Culture	23,465	114	57
Economic Development	3,447	140	70
Education (excl. schools)	23,001	1,466	1,239
Environment	68,682	(58)	(58)
Finance &	7,424	148	139
Property			
Social Services	134,677	2,764	2,082
Staffing and Best Value	1,724	271	72*
	<u>282,780</u>	<u>6,535</u>	<u>4,713</u>

\* excluding contribution of £187k to Trading Accounts Reserve

- 3.2 All Cabinet Members have received detailed reports on the final accounts for their portfolios. In terms of amounts, the largest underspendings are on the Deputy Leader, Education and Social Services portfolios, which make up £5.8 million of the £6.5 million underspend.
- 3.3 The Deputy Leader's portfolio was underspent because of:
- rescheduling of infrastructure and other work on the ICT strategy (£0.805 million)
  - net underspending of £0.497 million on the IT Division because of additional income from sale of services to schools and providing internet access to departments

- vacancies and recruitment delays in Trading Standards and Welfare Rights (£0.180 million)
- 3.4 The largest element within the Education underspending is £0.963 million on initiatives where match-funding to Standards Fund money is required; the regulations allow spending to take place up to 31 August 2003. There are also savings of £0.233 million from vacancies and other running costs across the Education Department, and a saving of £0.104 million because transitional funding was no longer payable to ex-grant maintained schools.
- 3.5 Within Social Services, there was an underspending of £1.184 million on the Home Care Service because of staff recruitment difficulties in some areas, additional income being achieved, and delays in implementing new systems. Adults Commissioning work was underspent by £1.784 million because of a shortage of supply of home care from independent sector providers, a higher level of discharges/deaths than budgeted, and difficulties in recruiting social work staff. The Mental Health and Learning Disability Services were underspent by £1.146 million, principally because of higher contributions from Health towards care packages, plus savings from staff and client turnover. These underspendings were partly offset by overspendings on Children's Direct Services (£0.804 million) particularly residential accommodation, and on Children's Commissioning work (£0.688 million) because of extra staffing costs and more placements in foster care and in specialist residential care. These continuing budget problems have been allowed for, to some extent, in the 2003/4 budget.
- 3.6 Consideration was given to the policy on budget carry forwards as part of the Resourcing Priorities stream within the Nottinghamshire Improvement Programme. It is important that the use of underspendings contributes towards the achievement of corporate objectives, whilst still allowing some flexibility for Cabinet members and Chief Officers to manage their budgets to deal with changed circumstances. For 2002/3, the guideline is that carry forwards will be limited to a maximum of 50% of the additional underspendings that have emerged since predictions were made in the Budget report last February, provided these are items of genuine slippage or are contributing towards corporate themes. The proposals are set out in Appendix B. They can be summarised into:

	£000
Underspendings previously approved by the County Council to support the budget for 2003/4	2,520
Rescheduling of planned expenditure into 2003/4	1,668
Use of underspendings to manage budget issues that have emerged for 2003/4 on various services	471
New spending proposals	54
	<u>4,713</u>

- 3.7 In addition, there is a carry forward of £24,000 for the County Council's share of the underspending by the Magistrates' Courts Committee.

#### 4. SCHOOLS BUDGETS

4.1 The accumulated schools balances have decreased in total by £0.690 million to £12.926 million, analysed:

	£000	% of school budgets
Primary	8,592	5.7
Secondary	3,929	2.5
Special	<u>405</u>	3.8
	<u>12,926</u>	

4.2 The lowest proportion is in the secondary sector, but this proportion has increased from 1.9% at the end of 2001/2 to 2.5% at the end of 2002/3. The number of secondary schools with deficits over £50,000 has reduced from 8 to 7, out of 50 secondary schools.

4.3 In the primary sector, 53 of the 306 primary schools have surpluses of over £50,000, 12 fewer than last year. 22 primary schools are in deficit, with 6 having deficits of more than £20,000.

4.4 2 of the 11 special schools are now in deficit, with 1 having a deficit of more than £50,000.

4.5 Schools in deficit will continue to be monitored and challenged. The level of school balances regarded as acceptable for contingency purposes is 5%. There are now 56% of primary schools, 20% of secondary schools and 45% of special schools with balances in excess of this amount. These schools will also be monitored and challenged.

#### 5. CENTRAL ITEMS

##### 5.1 General Contingency

The revised estimate for this was £6.150 million. The allocation, as set out in Appendix C, are £0.598 million more than this, principally because of an increase in the amount being set aside for the outcome of the job evaluation exercises. Formal approval is now required for the following contingency allocations in 2002/3:

	£000
Bassetlaw Schools PFI preparatory costs	348
Chief Officer recruitment costs	51
Redundancy payments	39

The targeted savings in 2002/3 of £0.443 million from the Modernising Support Services programme have been achieved, and have been used partly

to finance programme costs of £0.168 million. In addition, further savings of £0.5 million were achieved on support services within the underspending on various portfolios.

## 5.2 DSO Pension Costs

A cost of £0.660 million is shown as a central item because it has been acceptable in accounting terms for the DSO trading accounts to exclude employers pension contributions above the basic level. A higher level of pension contributions is required to ensure that, over time, the pension fund moves toward an actuarially assessed full solvency position. These extra amounts are provided centrally rather than having to be met out of portfolio and trading services' budgets.

## 5.3 Capitalised Building Maintenance

The planned building maintenance is classified as capital expenditure, but financed from the revenue budget. Any unspent amounts are carried forward from year to year, and at the end of 2002/3, there was £0.422 million available for use in 2003/4.

## 5.4 Capital Expenditure Financing

This is the financing of capital expenditure from departmental budgets, departmental reserves and the Capital Expenditure Reserve. The requirements in 2002/3 were £88,000 less than the available budget.

## 5.5 Asset Management Revenue Account etc.

Included within this are the contra entries for capital charges, and also the external interest transactions and any adjustments for bad debt provisions and income that cannot be identified to services. Overall, the net credit was £0.317 million more than budgeted.

## 6. **BALANCES AND RESERVES (see Appendix D)**

6.1 The level of County Fund balances at the end of 2002/3 is £6.114 million. This is 2.2% of portfolio budgets. It was always intended to use part of the County Fund balances on an "Invest to Save" basis in 2002/3. the amount actually used from balances last year was £0.515 million, which is £1.294 million less than was assumed in the revised estimate.

6.2 The level of school reserves has reduced from £13.025 million to £11.469 due to:

	£000
Use of schools reserves to finance an expansion in SEN spending, prior to extra resources available in the Medium Term Financial Strategy in 2003/4.	866
Schools use of reserves (net)	<u>690</u>
	<u>1556</u>

The extra resources for SEN in 2003/4 will be used to repay the “loan” from the schools reserves.

- 6.3 The Schools Standards Fund Match-Funding Reserve exists to ensure that money is set aside to meet the local authority’s part of expenditure that attracts Standards Fund grant. Schools can choose to spend the money up to August 2003, and still be eligible for the grant. The amount unspent at the end of the financial year has risen from £0.591 million at March 2002 to £1.8 million at March 2003.
- 6.4 The amount set aside towards the cost of job evaluation is £5.265 million. This sum is net of the 5% extra payments to some senior staff in 2002/3.
- 6.5 £2.320 million of the Capital Expenditure Reserve was used to finance the capital programme in 2002/3. However, at the year end, a sum of £1.625 million was added to the reserve to meet the cost of planned building maintenance where work had been undertaken but payments not made in the financial year. In addition, there is an accumulated underspending of £0.422 million in planned maintenance that is being carried forward for use in 2003/4.
- 6.6 The Leasing Alternatives Reserve exists to allow replacement equipment to be purchased rather than leased, because leasing is usually more expensive and less flexible. The net transactions during the year allowed the reserve to increase by £0.211 million to £0.316 million.
- 6.7 During the year, £0.718 million was used and £2.373 million was added to departmental reserves. The principal reasons for the addition are:

	£000
Clayfields trading account surplus	548
Sheltered Employment trading account surplus	322
Education accommodation – carried forward from 2001/2 but not yet required	300
Joint use – pending resolution of negotiations with districts	239
Financial systems – possible transitional costs	150
Magistrates’ Courts building maintenance	151
Libraries asset replacement	225
Environment asset replacement	137
Other smaller reserves	<u>311</u>
	<u>2383</u>

## **7. STATEMENT OF ACCOUNTS**

The pre-audited Statement of Accounts will be presented to the County Council in September. Hence, figures are provisional pending the completion of the audit.

## **8. STATUTORY AND POLICY IMPLICATIONS**

This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, Crime and Disorder, Human Rights and those using the relevant service. Where such implications are material, they have been described in the text of the report.

## **9. RECOMMENDATIONS**

9.1 Approval be given to the contingency allocations set out in paragraph 5.1.

9.2 County Council be recommended to approve:

- a) the year end carry forwards set out in paragraphs 3.6 and 3.7 and Appendix B
- b) the proposed use of and transfers to balances and reserves, as described in paragraph 6 and Appendix D
- c) the provisional revenue expenditure accounts for 2002/3.

ARTHUR DEAKIN  
DIRECTOR OF RESOURCES

### **Background Papers Available for Inspection**

Accounting Tabulations 2002/3

### **Head of Legal Services Comments (HD 10/7/03)**

The decision to approve changes to the budget falls within the matters reserved to Full Council in the Constitution. Cabinet may however recommend to Council these changes.



## Proposals for Carry Forward of Budget Provision by Portfolio

Classification (see key)

		£000	£000
	<u>Leader</u>		
	Previously agreed – Communications Officer	25	
S	Corporate initiatives	25	
S	Policy initiatives	20	
S	Member training	<u>20</u>	90
	<u>Deputy Leader</u>		
	Previously agreed - ICT strategy	805	
	- IT staffing	100	
B	Rolleston Drive disabled access	22	
S	Registration IT equipment	25	
B	Trading Standards staff	52	
N	Accommodation	<u>18</u>	1022
	<u>Culture</u>		
B	Boots Books for Babies		57
	<u>Economic Development</u>		
N	Business Support Project	15	
S	ACLS MIS Project	25	
B	NTP relocation from Eastbourne	<u>30</u>	70
	<u>Education (excl. schools)</u>		
S	Standards Fund – match funding for projects eligible to 31 August 2003	963	
S	Nursery Centres unspent balances	49	
S	Advisory & Inspection Service - best value review	50	
S	- “good practice”	23	
S	Transport review	21	
S	Directorate refurbishment works	8	
S	Student support – furniture	7	
B	Environmental education – loss of City funding	40	
B	Post 16 development work	25	
B	Anytime, anywhere learning - start ups	22	
N	- project completion and evaluation	21	
B	Governor training recruitment strategy	<u>10</u>	1239
	<u>Environment</u>		
B	Recovery of 2002/3 overspending		(58)

		£000	£000
	<u>Finance &amp; Property</u>		
	Previously agreed - Financial Services	65	
	- Strategic Property	65	
B	Minor works	<u>9</u>	139
	<u>Social Services</u>		
	Previously agreed - Children's Residential Homes	500	
	- Accommodation – south of		
	the county	400	
	- Accommodation – Newark	250	
	- Other developments	250	
S	Beeston Family Centre minor works	70	
S	Adaptations to foster carers houses	50	
S	Care management system software	312	
B	Accommodation – Newark	50	
B	Accommodation – Ashfield	<u>200</u>	2082
	<u>Staffing and Best Value</u>		
	Previously agreed - job evaluation	60	
B	Strategic training and development	<u>12</u>	72
	TOTAL		<u>4713</u>

#### Key to Classification

S	Delayed from 2002/3
B	Budget problems 2003/4
N	New development