



meeting **COUNTY COUNCIL**

date **28 JUNE 2007**

agenda item number

REFERRAL FROM CABINET

REVENUE EXPENDITURE FINAL ACCOUNTS 2006/7

1. Purpose of the Report

- 1.1 To inform County Council of the 2006/07 year end position for the management accounts of the authority and approve:
 - a) The proposed budget carry forwards of underspendings.
 - b) The transfer to County Fund Balances
- 1.2 To inform County Council of the position on other reserves of the authority.

2. Summary

- 2.1 Portfolio budgets have a net underspending of £10.4 million or 1.6% of gross portfolio budgets
- 2.2 All portfolios had underspendings.
- 2.3 Proposals for budget carry forwards have been reviewed against criteria that were agreed as part of the Nottinghamshire Improvement Programme, and proposals for £5.3 million are made.
- 2.4 The overall Schools Reserve has increased by £12.4 million to £36.1 million. Within this total school accumulated balances have increased by £7 million to £25.2 million.
- 2.5 The level of County Fund balances is £19.5 million, which is £7 million more than the amount forecast last February.
- 2.6 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 The overall net underspending is £10.413 million, which is 1.6% of the gross portfolio budgets before income and grants. This is £5.712 million more than was forecast last February.
- 3.2 For the second year this level of underspending is higher than has been experienced in previous years. Two significant factors in this are:
- The recruitment controls implemented during the restructuring of the organisation
 - Difficulties in recruiting Social Care staff
- 3.3 The overall position, including the proposals for budget carry forwards is summarised in the following table:

	Final Budget £000	Under- spending £000	Proposed Carry Forwards £000
Children & Young People	107,839	3,943	1,901
Adult Social Care & Health	148,693	3,533	2,228
Environment	71,724	177	177
Culture & Regeneration	26,371	209	0
Community Safety & Partnerships	7,369	301	163
Leader	6,855	145	115
Deputy Leader	15,282	1,296	502
Finance & Property	12,303	668	221
People & Performance	5,622	141	25
	402,058	10,413	5,332

- 3.4 All portfolios recorded an underspending, and detailed reports on these are being provided to the Cabinet Members. The principal reasons for underspendings are:

Leader

- staff vacancies
- printing and stationery costs
- members expenses

Deputy Leader

- staff vacancies
- slippage on various ICT Strategy projects

- slippage on various Access to Services projects

Adult Social Care & Health

- staff vacancies and impact of recruitment controls process
- reduced number of people in residential care
- increased contributions from NHS for service users with learning disabilities
- fewer than anticipated named service users funded from learning disabilities budget
- increase in recharges to PCTs and other Local Authorities for learning disability day centres
- reduced bad debt provision as result of improved debt collection
- lower than forecasted day to day and minor works expenditure on old people's homes

Community Safety & Partnerships

- staff vacancies
- slippage on computer equipment purchases
- additional income

Culture & Regeneration

- early termination of some regeneration schemes
- delay in ICT replacement programme

Children & Young People

- staff vacancies
- underspendings on expenditure chargeable to the General Sure Start Grant
- increased recharge income for Strategic Services along with reductions in conference expenses, subscription and printing costs
- requirement for special home to school transport less than anticipated
- reduced expenditure on fostering payments

Environment

- planned slippage in the establishment of the new Nottinghamshire Transport Services

Finance & Property

- staff vacancies
- electoral division initiative
- legionella monitoring fees

People & Performance

- staff vacancies

3.5 Budget underspendings create a resource that can be used towards achieving corporate objectives, whilst still allowing some flexibility for Cabinet Members and Chief Officers to manage their budgets to deal with changed circumstances. The practice has been to allow carry forwards, where appropriate, from expected underspendings prior to the budgets for 2007/08 being approved. Thereafter, up to 50% of

additional underspendings, after setting aside some funds within earmarked reserves, have been eligible for further carry forwards. The proposals for budget carry forwards are set out in Appendix B. They can be summarised into:

	£000
Underspendings previously approved by the County Council to support the budget for 2006/7	4,005
Additional carry forwards requested at year end	<u>1,327</u>
Total Carry Forwards requested	<u>5,332</u>

4. **Schools Budgets** (£12.371 million underspend)

4.1 Schools are adding £7 million to their accumulated balances within the schools statutory reserve. This reverses the £1.72 million reduction in balances during the previous year.

4.2 The level of school balances by sector, excluding unspent Standards Fund money earmarked for particular purposes is:

	£000	% of budgets
Nursery	168	23.4
Primary	13,712	7.4
Secondary	10,187	4.9
Special	<u>1,198</u>	8.1
	<u>25,265</u>	6.2

4.3 There continues to be a number of primary and secondary schools with budget deficits, and recovery plans have been put in place to address these deficits. Where schools have surpluses above a level regarded acceptable for contingency purposes (5% for secondary schools and 8% for all other schools) these are also monitored and challenged.

4.4 In addition schools have increased their unspent Standards Fund grant by £1.7million together with a further £3.7 million underspending for items previously held within the LEA budget.

5. **Central Items**

5.1 **DSO Pension Costs (£45,000 overspend)**

A budget of £845,000 was set aside to cover the difference between the overall employers contribution rate including past deficits, and the rate that applies for "current service", so that trading accounts of the

DSO do not have to recover these “past deficit” costs in their charges. There was a small variation in the final charge

5.2 General contingency (£250,000 underspend)

The revised estimate for this was £500,000. The allocations, as set out in Appendix C, are £250,000 less than this.

5.3 Capital expenditure financing (£2.782 million underspend)

Over £3 million of revenue budget was earmarked by departments to help pay for capital expenditure. However, the authority has instead taken advantage of £2.782 million Public Service Agreement reward grant to fund this capital expenditure.

5.4 Interest etc. (£495,000 overspend)

The overspending relates primarily to the increased interest payments to PFI and Pay Review reserves as a result of an increase in interest rates and higher reserves.

5.5 Schools Statutory Reserve (£12.371 million increase)

This increase represents the contribution to the reserve for the underspendings on the Schools Budget in paragraph 4 above. The contribution consists of £7.0 million for schools, £1.7 million increase in standards fund balances and £3.7 million for items previously held within the LEA budget.

5.6 2006/07 Carry Forwards (£1.327 million increase)

This increase represents the additional carry forwards requested out of the year end underspendings as shown in paragraph 3.5.

5.7 Departmental Reserves Adjustments (£5,000 increase)

In 2005/06 the surplus on the supplies trading activity was transferred into County Fund balances. The £5,000 overspend in 2006/07 represents the transfer back into Supplies reserves.

5.8 Local Authority Business Growth Incentive (£169,000 underspend)

The final level of grant due from Government for this incentive was unknown until the grant was received.

6. Movements on Balances and Reserves (see Appendix D)

6.1 The contribution to County Fund Balances shown in Appendix A amounts to £7.041 million, which brings the level of County Fund balances at the end of 2006/07 to £19.501 million. In addition, there are several “earmarked” reserves, which total £114.8 million, where funds are being held for specific identified purposes.

- 6.2 The largest of these is the Schools Reserve, which in total is £36.1 million, analysed as follows:-

<u>Schools Balances</u>	£000
Standards Fund balances held by schools	8,267
Accumulated net underspending by schools	<u>25,265</u>
Total schools balances	33,532
 <u>Adjustments</u>	
Individual Schools Budget items held centrally	1
Non-Individual Schools Budget Balances	3,701
Internal borrowing against the Reserve (school loans scheme – repayable by schools)	<u>(1,101)</u>
 Schools Statutory Reserve	 <u>36,133</u>

- 6.3 The amount in the Pay Review Reserve towards the cost of job evaluation is £23.651 million. This is earmarked for the outcome of the phase 2 national job evaluation scheme, including the project costs.

- 6.4 The Authority holds a number of PFI reserves which are used to carry forward the temporary net surplus between receipt of PFI grant and payments to contractors. The reserves are held to fund anticipated future deficits. The balances on these reserves at the end of 2006/07 are:

	£000
Bassetlaw Schools	8,870
Waste	3,188
NET Line One (Tram)	2,910
East Leake	<u>1,640</u>
TOTAL	<u>16,608</u>

- 6.5 All departments have reserves for identified purposes. During the year, these reserves rose from £11.153 million to £14.304 million, largely financed from underspending in revenue budgets.

The principal purposes for the additional reserves are:

- A reserve of £1.335 million created from Adult Social Care & Health underspendings in respect of specific grants that were awaiting a delegated decision to confirm payment to third parties.
- A reserve of £439,000 created from Children & Young Peoples underspendings in respect of match funding for Standards Fund grants which the DfES allow to be spent over a 17 month period up to 31 August each year (in previous years this has been dealt with through carry forwards but as this is an annual requirement it is now proposed to set up an on-going reserve).

- A total of £456,000 for asset replacement and other capital purposes.
- 6.6 The New County Insurance Reserve of £6.718 million is for the estimated cost of insurable events that have happened since April 1998, but for which the extent of claims has not yet been established.
- 6.7 A reserve of £4.151 million has been established to fund the anticipated development costs in 2007/08 for Phase II of the Tram network.
- 6.8 The Capital Expenditure Reserve stands at £3.184 million, and is available to finance the preparatory costs of major projects.
- 6.9 The Landfill Allowance Trading Scheme (LATS) reserve arises from landfill allowances not used by the County Council. In 2006/07 the unused allowances increased by 69,016 tonnes, while the trade price fell from £20.20 to £17.98. Overall the reserve rose from £1.310 million in 2005/06 to £2.489 million at the end of 2006/07.
- 6.10 A Reserve of £1.109 million was created to cover allocations from the 2006/07 contingency where expenditure has yet to be incurred. Amounts have been set aside for Living Landmarks (£850,000), Holme Pierrepont (£95,000) and Management Restructuring (£164,000). The Communities Department have made a further £25,000 contribution to the Living Landmarks reserve.
- 6.11 The Leasing Alternatives Reserve exists to allow replacement equipment to be purchased rather than leased, because leasing is usually more expensive and less flexible. Where the reserve is used to purchase replacement equipment, the cost plus an element of interest is repaid to the fund by portfolios over a number of years. In 2006/07 £437,000 was repaid to the reserve and £212,000 was used to purchase equipment. The balance at the end of 2006/07 is £0.583 million.
- 6.12 The principal purpose of the DSO Reserve is to accumulate funds for asset replacement from trading surpluses. The balance at the end of 2006/07 is £0.525 million.

7. Capital

- 7.1 Capital expenditure in 2006/07 amounted to £126.6 million. A further £11.7 million of expenditure has been delayed and will not now be spent until 2007/08. The 2006/07 expenditure has been financed as follows:

	£m
Borrowing	64.7
Grants	43.0
Reserves/Revenue	4.6
Capital Receipts	<u>14.3</u>
Capital Expenditure	<u>126.6</u>

At £64.7 million borrowing is around £14 million less than originally forecast. Overall borrowing will, therefore, fall within the prudential guidelines as approved by County Council on 23rd February 2006.

8. Statement of Accounts

- 8.1 The pre-audited Statement of Accounts is also presented to the County Council elsewhere on this agenda to meet the statutory requirements. The audit will take place over the summer months, and so figures are provisional pending the completion of the audit.

9. Statutory and Policy Implications

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

10. Recommendations

- 10.1 That approval be given to:
- a) The year end carry forwards set out in paragraph 3.3, 3.5 and Appendix B.
 - b) The increase in County Fund Balances set out in paragraph 6.1 and Appendix A.
- 10.2 That County Council note the use and transfers to reserves as detailed in paragraph 6 and Appendix D

ARTHUR DEAKIN
STRATEGIC DIRECTOR RESOURCES

Background papers available for inspection

Accounting Tabulations, Final Accounts reports to Portfolios

Legal Services Comments

In accordance with the Council's Financial Regulations, the proposals in this report are within the remit of full Council (KK 6/5/06)

Director of Resources Comments

The financial implications are as set out in the report (BD 21/5/06)

**PROPOSALS FOR CARRY FORWARDS OF BUDGET PROVISIONS
BY PORTFOLIOS (2006/7)**

	£000	£000
<u>Children & Young People</u>		
Previously agreed for revised budget	1,137	
<u>Slippage</u>		
Parent Partnership Service delayed costs	7	
Bassetlaw PFI Scheme legal fees	30	
Area Bases - minor works	5	
Children's Centres - management information system	37	
Butlers Hill Children's Centre memorial garden	5	
Hagg Farm - installation of secure internet access	13	
Children's Residential delayed costs	100	
<u>Budget Holes</u>		
Educational Psychology Service training	34	
Review of SEN & Inclusion	32	
Customer Complaints Service	15	
Restructure Project Manager – extension of secondment	23	
Integrated Services for Kirkby Coordinator	27	
Children's Residential - anticipated shortfall in income	<u>436</u>	1,901
<u>Adult Social Care & Health</u>		
Previously agreed for revised budget	2,128	
Improving quality and capacity for independent sector residential/homecare services	<u>100</u>	2,228
<u>Environment</u>		
Previously agreed for revised budget	200	
Adjustment because of lower underspending	<u>(23)</u>	177
<u>Community Safety and Partnerships</u>		
Previously agreed for revised budget	107	
Additional support for corporate equalities work	11	
Contribution to new sexual assault referral centre	25	
Community engagement	<u>20</u>	163

APPENDIX B

	£000	£000
<u>Leader</u>		
Previously agreed for revised budget	38	
Works to Council Chamber	50	
Car park works	7	
Members' accommodation works	<u>20</u>	115
<u>Deputy Leader</u>		
Previously agreed for revised budget	315	
IT Services Helpdesk systems	50	
ICT support for Bassetlaw schools reorganisations	40	
Learning and development initiatives to support integration of resources functions	20	
ICT strategy budget	22	
Access to services	<u>55</u>	502
<u>Finance & Property</u>		
Previously agreed for revised budget	80	
Electoral Divisions Initiative scheme	91	
Integrated Helpdesk service for schools	20	
Integration of resources functions	<u>30</u>	221
<u>People & Performance</u>		
Minor Works		25
TOTAL		5,332