



meeting **CABINET**

date **7 JUNE 2006**

agenda item number

REPORT OF THE CABINET MEMBER FOR FINANCE AND PROPERTY

PROVISIONAL REVENUE EXPENDITURE FINAL ACCOUNTS 2005/6

1. Purpose of the Report

- 1.1 To report the actual revenue expenditure in 2005/6 compared to the revised estimates.
- 1.2 To seek approval to contingency allocations in 2005/6.
- 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 transfers to reserves.

2. Summary

- 2.1 Portfolio budgets have a net underspending of £10.3 million.
- 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, including their relevance for corporate plans, and proposals for £7.2 million are made.
- 2.4 Schools have taken £1.7 million from their reserves. The individual schools balances are currently almost £24 million, but this includes over £6 million of Standards Fund grants that must be spent by 31 August 2006.
- 2.5 The level of County Fund balances is £12.5 million, which is £1.7 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 £10.347 million, which is 3% of the total portfolio budgets. This is £5.165 million more than was forecast last February. However, £3.007 million of the additional underspending is for Education Standards Fund budgets where spending is allowed to take place up to 31 August 2006, and for other schools-linked budgets where it has been customary to carry forward any underspending.
- 3.2 This level of underspending is higher than has been experienced in recent years. Two significant factors in this are:
- departments have been avoiding spending that brings future commitments because it was known that the budget for 2006/7 would be tight
 - the measures taken by Social Services to deal with their overspends in the two previous years have been successful in restraining expenditure levels.
- 3.3 The overall position, including the proposals for budget carry forwards are summarised in the following table:

<u>Portfolio</u>	<u>Revised Estimate</u>	<u>Under-spending</u>	<u>Proposed Carry Forwards</u>
	£000	£000	£000
Leader	7,377	883	45
Culture	40,911	1,645	644
Education non Schools	71,580	4,724	3,429
Environment	87,370	35	35
Finance & Property	6,321	763	369
Regeneration	4,654	245	60
Resources	2,694	195	135
Safer Communities	9,780	162	100
Social Care	<u>177,940</u>	<u>1,695</u>	<u>1,342</u>
	<u>408,627</u>	<u>10,347</u>	<u>6,159</u>

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 | <ul style="list-style-type: none">• staff vacancies• printing and stationery costs• members expenses• slippage in access to services projects |
| Culture | <ul style="list-style-type: none">• slippage in the ICT Strategy programme• delays in Notts. Connect developments |
| Education | <ul style="list-style-type: none">• nearly half of the underspending is on initiatives where match-funding to Standards Fund money is required, and the regulations allow spending to take place up to 31 August 2006• schools swimming instruction• delays in decisions on the allocation of special educational needs budget by families of schools• underspendings by learning centres• staff vacancies• savings on running costs in the Education department• availability of Sure Start grants and recoument income from other LEA's |
| Finance & Property | <ul style="list-style-type: none">• staff vacancies• contributions from schools towards risk management measures scheduled for 2006/7• electoral division initiative |
| Regeneration | <ul style="list-style-type: none">• additional SRB and other grant income• reductions to support costs. |
| Resources | <ul style="list-style-type: none">• staff vacancies• better performance on trading accounts |
| Safer Communities and Partnerships | <ul style="list-style-type: none">• staff vacancies• additional income |
| Social Care | <ul style="list-style-type: none">• staff vacancies• additional income• delay in transfer of responsibility from Supporting People budget• reduced bad debts provision |

- 3.5 Budget underspendings create a resource that should 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 specific guidance has been to allow carry forwards, where appropriate, from expected underspendings prior to the budgets for 2006/7 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	2,752
Re-scheduling of planned expenditure into 2006/7	3,453
Use of underspendings to manage budget issues that have emerged for 2006/7 on various services	259
New spending proposals, particularly additional spending to secure improved results at Key Stage 4 in schools	<u>738</u>
	<u>7,202</u>

4. Schools Budgets

- 4.1 Schools are taking £1.72 million from their statutory reserves. This reverses a trend in recent years of rising schools reserves.
- 4.2 The level of school balances by sector, excluding unspent Standards Fund money earmarked for particular purposes is:

	£000	% of budgets
Primary	11,330	6.5
Secondary	5,707	2.9
Special	1,156	8.4
Nursery	<u>87</u>	11.9
	<u>18,280</u>	4.5

- 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 of more than 5%, these are also monitored and challenged.

5. Central Items

5.1 General contingency

The revised estimate for this was a net nil position. The allocations, as set out in Appendix C, are £93,000 less than this. Appendix C also contains a list of budget adjustments that have been agreed between Cabinet members.

5.2 Capitalised building maintenance

The total expenditure on planned building maintenance is £7.8 million, of which £6 million has been financed by borrowing and the balance met from the revenue budget. Total expenditure on this item was £260,000 more than the budget.

5.3 Capital expenditure financing

There is an amount of £2.913 million which is classified as capital expenditure, but has been incurred within portfolio revenue budgets. It is proposed to finance £0.3 million of this amount by borrowing, within the limits set for prudential borrowing for the year.

5.4 Asset Management Revenue Account etc.

This item includes the “contra” entries for capital charges that are within portfolio budgets, all the net external interest transactions, and other financing adjustments. Last year, additional net income of £1.264 million was received, principally because of a substantial premium received on the redemption of Nottingham Trent University debt by the Higher Education Funding Council, and partly offset by other financing adjustments.

6. Balances and Reserves (see Appendix D)

6.1 The level of County Fund balances at the end of 2005/6 is £12.489 million. In addition, there are several “earmarked” reserves, in total over £78 million, where funds are being held for specific identified purposes.

6.2 The largest of these is the Schools Reserve, which in total is £24.5 million, analysed as follows:-

<u>Schools Balances</u>	£000
Standards Fund grants to be spent by 31 August 2006	6,525
Accumulated net underspending by schools	<u>18,280</u>
Total schools balances	24,805
<u>Adjustments</u>	
Internal borrowing against the Reserve - (School loans scheme – repayable by schools)	(1,342)
ISB items held centrally	<u>299</u>
Schools Statutory Reserve	<u>23,762</u>

- 6.3 The amount in the Pay Review Reserve towards the cost of job evaluation is £18.073 million. This is earmarked for the outcome of the phase 2 national job evaluation scheme, including the project costs.
- 6.4 The Capital Expenditure Reserve stands at £1.797 million, and is available to finance the preparatory costs of major projects.
- 6.5 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 balance at the end of 2005/6 is £0.359 million.
- 6.6 The principal purpose of the DSO Reserve is to accumulate funds for asset replacement, and after purchases and other uses of the reserve during 2005/6, there was £0.263 million in this reserve at the year end.
- 6.7 The East Leake Schools PFI Reserve has been used to carry forward the net surplus between the receipt of PFI grant and the payment to the schools operator. From 2005/6 onwards, PFI grant is being calculated on an annuity basis, and so the difference between grant and payments will be smaller. The reserve stood at £1.847 million at the end of 2005/6.
- 6.8 The NET Line 1 Reserve is for the County Council's share of the difference between the PFI grant receipts and the payments to the operator and any other payments during the year, such as legal costs in successfully defending the claim brought by the operating consortium against the City and County Councils. The amount in the Reserve at the end of 2005/6 was £2.336 million. From 2005/6, the PFI grant is calculated on an annuity basis, and so the difference between grant receipts and contractual payments will be smaller.
- 6.9 The Bassetlaw Schools PFI Reserve arises from a difference in 2005/6 between the receipts of PFI grant and the payments for interim services to the PFI provider. The balance at the end of 2005/6 was £5.929 million, and it has been previously agreed to use this as a capital contribution to the scheme, in order to reduce payments to the operation throughout the contract period.
- 6.10 The New County Insurance Reserve of £5.871 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.
- 6.11 A Reserve of £1 million was created to cover a shortfall of income in 2005/6 from delays in implementing any changes to charges and eligibility criteria for home care. This has all been allocated in 2005/6.
- 6.12 All departments have reserves for identified purposes, particularly for asset replacement and other capital purposes. During the year, these reserves rose from £6.163 million to £10.941 million, largely financed from underspending in revenue budgets.

The principal purposes for the additional reserves are:

- A reserve of £1.7 million created from Social Services underspendings to allow the changes to the homecare service to be phased over a slightly longer period.
- A reserve of £0.9 million from specific grants received by Social Services in 2005/6 towards spending on services which will take place in 2006/7.
- A net increase of £0.6 million in the reserves held by Culture and Community for improvements to the library service.
- An increase in resources of £1.6 million for the ICT strategy and for financing improvement to access to services that have slipped from 2005/6.

7. Statement of Accounts

- 7.1 The pre-audited Statement of Accounts will be presented to the County Council in June 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.

8. Statutory and Policy Implications

- 8.1 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.

9. Recommendations

- 9.1 Approval be given to the contingency position set out in Appendix C.
- 9.2 County Council be recommended to approve:
- a) The year end carry forwards set out in paragraph 3.5 and Appendix B.
 - b) The proposed use of and transfers to balances and reserves as detailed in paragraph 6 and Appendix D.
 - c) The provisional revenue expenditure accounts for 2005/6.

COUNCILLOR CHRIS BARON
Cabinet Member for Finance & Property

Background Papers

Accounting tabulations 2005/6.

Director of Resources Financial Comments (PH 23/05/06)

The financial implications are set out in the report.

Legal Comments ()

SUMMARY OF NET REQUIREMENTS TO BE MET FROM PRECEPT

	2005/06 Final Budget £000	2005/06 Provisional Actual £000	Variance £000
Portfolios			
Leader	7,377	6,494	(883)
Culture	40,911	39,266	(1,645)
Education - Non Schools	71,580	66,856	(4,724)
Environment	87,370	87,335	(35)
Finance & Property	6,321	5,558	(763)
Regeneration	4,654	4,409	(245)
Resources	2,694	2,499	(195)
Safer Communities and Partnerships	9,780	9,618	(162)
Social Care	177,940	176,245	(1,695)
Portfolio Requirements	<u>408,627</u>	<u>398,280</u>	<u>(10,347)</u>
LESS:			
Previous Underspending Prediction	(5,182)	N/A	5,182
Net Portfolio Requirements	<u>403,445</u>	<u>398,280</u>	<u>(5,165)</u>
Schools	362,156	361,951	(205)
Central Items Managed through Finance Portfolio			
Flood Defence Levies	258	258	-
DSO Pension costs	958	1,034	76
General Contingency	(93)	N/A	93
Buildings maintenance	1,593	1,853	260
Capital Expenditure Financing	2,913	2,623	(290)
Asset Management Revenue A/C etc	(38,017)	(39,281)	(1,264)
Statutory Provision for Debt Redemption	(8,442)	(8,443)	(1)
Expenditure before Use of Reserves	<u>724,771</u>	<u>718,275</u>	<u>(6,496)</u>
Reserves and Balances			
2004/05 Carry Forwards	(4,299)	(4,299)	-
2005/06 Carry Forwards	2,752	7,202	4,450
LMS	727	932	205
Pay Review	4,551	4,555	4
Departmental Reserves	913	1,027	114
Capital Expenditure Reserve	218	218	-
Leasing Alternatives	273	273	-
DSO Replacement Reserve	592	608	16
East Leake PFI	244	244	-
Bassetlaw PFI	5,929	5,929	-
Net Line One	594	604	10
Delayed Charging Reserve	(1,000)	(1,000)	-
Transfer to/(from) Balances	3,504	5,195	1,691
Expenditure met by Council Tax/Rates/Grant	<u>739,769</u>	<u>739,763</u>	<u>(6)</u>
Funding			
Council Tax/Surplus on Collection	(257,151)	(257,151)	-
LABGI	(1,000)	(1,007)	(7)
Revenue Support Grant/Business Rates	(481,618)	(481,605)	13
Total Funding	<u>(739,769)</u>	<u>(739,763)</u>	<u>6</u>

APPENDIX B**PROPOSALS FOR CARRY FORWARDS OF BUDGET PROVISIONS
BY PORTFOLIOS (2005/6)**

Classification (see key)		£000	£000
	<u>Leader</u>		
	Previously agreed		45
	<u>Culture</u>		
	Previously agreed	595	
S	Living Landmarks preparatory costs	39	
B	Youth – review of work-based learning	<u>10</u>	644
	<u>Education/Deputy Leader</u> (excluding schools)		
	Previously agreed	551	
S	Standards Fund – match funding for projects eligible to 31 August 2006	1,875	
S	Nottinghamshire Learning Centres – unspent budgets	385	
S	Special educational needs for families of schools	621	
S	Support for swimming instruction	126	
N	Additional resources to seek improvements to Key Stage 4 results	518	
B	Early retirement pension strain costs	89	
S	Replacement ICT equipment for help desk	50	
S	Childcare vouchers	6	
S	Expansion of local bank account scheme for schools	25	
S	Environmental education – equipment	4	

Classification (see key)		£000	£000
S	Area services – offices minor works	27	
S	Site works – Mapplewells Primary and Church Street playing field	6	
S	East Leake PFI – legal costs	74	
S	EdIT – Fibre link connection at Gateford Park Primary	15	
S	Boiler work at South Wolds School	6	
B	EdIT – ICT engineering support for Bassetlaw Schools post re-organisation	40	
N	Special schools review – consultation arrangements	9	
N	Parent partnership service – database upgrade	5	
S	Fencing work at Gedling joint use site	20	
N	Community room/kitchen facility – Carsic Primary	<u>20</u>	4,472
	<u>Environment</u>		
	Previously agreed	150	
	Adjustment because of lower underspending	<u>(115)</u>	35
	<u>Finance & Property</u>		
	Previously agreed	185	
S	Electoral divisions initiative	154	
B	Integration of resources functions – preparatory costs	<u>30</u>	369
	<u>Regeneration</u>		
S	Living Landmarks preparatory costs	50	
B	Notts Training Partnership – review of work-based learning	<u>10</u>	60

Classification (see key)		£000	£000
	<u>Resources</u>		
	Previously agreed		135
	<u>Safer Communities and Partnerships</u>		
	Previously agreed		100
	<u>Social Care and Health</u>		
	Previously agreed	991	
N	Homecare quality monitoring – establishing team to monitor services provided by direct and independent sector homecare providers	186	
B	Dial-a-ride – reduction to proposed saving in response to user consultation	20	
B	Meals service – reduction to proposed saving in response to user consultation	60	
S	Adult protection budget – pooled budget with Health	20	
S	Disabled facilities grant – to meet commitments made in 2005/6	45	
S	Communication aids – computers to assist disabled people	<u>20</u>	<u>1,342</u>
	TOTAL		7,202

Key to Classification

- S Delayed from 2005/6
- B Budget problems
- N New development

ALLOCATIONS FROM CONTINGENCY

	£000	£000
Contingency Per Revised Budget		-
Less Allocations:		
Social Services Loan Repayments	(721)	
Lifecycle Maintenance	324	
Contribution to Public Service Agreement	333	
Change Management	124	
Loss of LSC grant	40	
Other items (net)	(7)	93
Overallocated (Net)		(93)

BUDGET TRANSFERS

	Finance & Property	Leader	Environment	Safer Comms	Regeneration	Culture	Education	Social Services
	£000	£000	£000	£000	£000	£000	£000	£000
Chairman Christmas Appeal		6						-6
Change for Children							-190	190
Childcare Support Scheme					-11			11
Young Offenders				6				-6
Adrenalin Rush				-2		2		
Creative Partnership						15	-15	
Living Landmarks			-50			50		
Environment Internal Services	-17		454			-39	-321	-77
Substance Misuse				-6			6	
Ground Mtce - Elm Avenue	-5					5		
Building Maintenance salaries not capitalised	-223		223					

SUMMARY OF BALANCES AND RESERVES

	Actual 1/4/2005 £000	Use (-) in in 2005/2006 £000	Contrib'n (+) 2005/2006 £000	Actual 31/3/2006 £000
County Fund Balances	7,294	5,195	-	12,489
Earmarked Reserves				
2004/05 Carry Forwards	4,299	(4,299)	-	-
2005/06 Carry Forwards	-	-	7,202	7,202
LMS Reserves	22,830	-	932	23,762
Capital Expenditure Reserve	1,579	-	218	1,797
East Leake PFI	1,603	-	244	1,847
Bassetlaw Schools PFI	-	(960)	6,889	5,929
Net Line One PFI	1,732	-	604	2,336
Leasing Alternatives Reserve	86	(58)	331	359
DLO/DSO's	957	(694)	-	263
Departmental Reserves*	6,163	(1,079)	5,857	10,941
Charging Policy	1,000	(1,000)	-	-
Pay Review	13,518	(134)	4,689	18,073
New County Insurance Reserve	3,357	-	2,514	5,871
TOTAL	64,418	(3,029)	29,480	90,869

* Departmental Reserves - Detail

	Actual 1/4/2005 £000	Use (-) in in 2005/2006 £000	Contrib'n (+) 2005/2006 £000	Actual 31/3/2006 £000
Community & Culture				
Asset Replacement	507	}	636	2,394
Other Capital	464			
Other	787			
Education				
Other	793	-	281	1,074
Environment				
Asset Replacement	506	(408)	-	98
Other Capital	235	(135)	560	660
Other	24	-	-	24
Resources				
Asset Replacement	213	(100)	65	178
Other Capital	455	(147)	-	308
Other	1,240	(272)	1,354	2,322
Trading Activities	310	(17)	45	338
Social Services				
Sheltered Employment	251	-	187	438
Clayfields	378	-	228	606
Other	-	-	2,501	2,501
Total Departmental Reserves	6,163	(1,079)	5,857	10,941