

General Fund - Provisional Revenue Out-turn 2007/08

Summary

1. This report sets out the projected 2007/08 out-turn position on the General Fund Revenue Account, the Housing Revenue Account (HRA), the Collection Fund and the Public Sector Agreements (PSAs) for 2007/08. In line with this information it asks the Executive to consider requests for underspent project budgets to be carried forward and resultant transfers to reserves.
2. Detailed out-turn reports have been presented to all Executive Members via EMAPs. This report therefore focuses attention on key issues which have arisen in line with CPA expectations. As a result this report summarises overall performance but only provides detailed information on those areas which are deemed to be significant due to the reasons for their occurrence or the overall size of the variance.
3. It should be noted that responsibility for a number of corporate budget areas is reserved to the Executive and, as such, areas are reported at a more detailed level.
4. All general fund portfolio areas except Children's Services, Leisure and Culture and Chief Executives Department have managed to out-turn within their budget level of funding. Overall these areas have combined to provide an underspend of £2.56m. In addition corporate budget areas have also contributed a £3.76m underspend providing an overall underspend of £6.32m.
5. To achieve these objectives the report focuses on the following issues:
 - a. the provisional out-turn for the General Fund, which comprises departmental budgets and centrally held budgets (paragraphs 16 to 50 and the requests to carry budgets forward into 2008/09 (paragraphs 51 to 55);
 - b. key issues identified as part of the out-turn process;
 - c. out-turn details for the Housing Revenue Account and other non-general fund budget areas (paragraphs 29 to 31 and 43 to 44);
 - d. the out-turn position on the Collection Fund (paragraphs 56 to 57);
 - e. an update on the achievements of efficiency savings/additional income incorporated into the 2007/08 budget (paragraph 58);
 - f. the out-turn position on the use of Reserves and Balances (paragraphs

- 59 to 63);
- g. the position of the Local Public Service Agreements (paragraphs 66 to 67);
- h. An updated position on the use of the 08/09 contingency (paragraph 68).
6. As a result of the action taken within directorates to manage the overspends identified in earlier monitoring reports there has been an improvement of £2.901m from the last monitor. As shown below this will enable £4.807m to be transferred into the general fund reserve.

	<u>£'m</u>
Portfolio Underspends	3.027
Portfolio Overspends	-0.467
Corporate Underspends	3.760
Total	6.320
Carry Forward Requests	-1.513
Net Underspend	4.807
Amounts required to support 2008/09 budget	-1.823
Amount approved by Urgency for equal pay	-0.550
Available for future support of reserves	2.434

7. The level of total reserves at 31 March 2008 incorporating these underspends but before allowing for agreed carry forwards is £11.386m. After allowing for the use of balances already approved as part of the 2008/09 budget process (£1.823m), the carry forward requests (£1.513m), utilising underspends for newly identified pressures (£28k), requests for supplementary estimates in 2008/09 (£164k), increased NDR rebates (£150k) and the transfer of funds in from the insurance reserve (£300k) the available level of reserves at 31 March 2009 is forecast to reduce to £8.308m. The minimum level of recommended reserves for 2007/08 is £5.201m (£5.361m in 2008/09). The position on reserves and balances for 2007/08 is further discussed in paragraphs 60 to 64.
8. While the overall reserves position and out-turn have improved due to a number of one-off occurrences this masks the true financial position of the authority. In overall terms the council faces a number of on-going budget pressures and in future budget rounds we will need to identify appropriate actions to control and mitigate them. The use of reserves to plug such gaps is unsustainable as it merely offsets problems to the future and can lead to a continuing deterioration in the council's underlying financial position. The council's policy of only using one-off resources to meet one-off spending pressures is designed to explicitly negate such a risk.
9. In addition to the overall resilience of the council's budget the report highlights a number of key concerns for members to consider:
- a. The scale of underspends within the Resources and HASS Directorates and on the Corporate Budgets;
- b. The scale of pressures facing social care services provided by HASS and

LCCS and the need to plan for the future costs of waste disposal

- c. Whether improvements should be made to the quality of financial monitoring within the authority.
10. The other main messages in the report are as follows:
- a. Children's Services reported an underspend against the Dedicated Schools Grant (DSG) budgets of £0.422m. As the approved budgets already included an assumed deficit carry forward to 2008/09 of £198k, this means that a net sum of £224k is now required to be held in a reserve to spend on schools in future years (i.e. £422k underspend against budget, less the already assumed £198k deficit carry forward).
 - b. The HRA working balance is provisionally £6.546m of which £0.359m is required as a carry forward to 2008/09 to fund decent home elements of the capital programme and £0.039m is requested to be carried forward.
 - c. Neighbourhood Services are reporting a gross surplus of £0.148m against a year end deficit budget of £0.229m on their trading account (this represents a £144k underspend). It is proposed to transfer £144k to the trading account reserve to assist with future pressures.
 - d. The collection of in-year debt on both council tax and national non-domestic rates (NNDR) has improved from those experienced during 2006/07 and the year-end surplus on the total Collection Fund is £417k, which is £168k more than that included in the 2008/09 budget. This will release £135k to the council as part of the 2009/10 budget setting process.
 - e. In examining the apparent movements between the second monitor and this report it has become clear that the council needs to make improvements in its financial management arrangements. During 2008/09 further work will need to be undertaken to produced enhanced management awareness of the underlying financial position through improvements to budget forecasting and the identification of slippage.

Background

11. The council requires departments to maintain expenditure within their overall budget allocation. Where an unpredictable event occurs that is not manageable within these budgets, a report should be presented to the Executive seeking additional funding either through an allocation from the contingency fund or from reserves. In line with this requirement all departments have taken positive action to ensure that tight financial controls are in place to manage spending pressures within their allocated resources.
12. The out-turn is based on the latest balances after the closedown of all the Council's revenue and capital accounts and the finalisation of the year end accounting exercise, which takes all known outstanding liabilities and income due to the Council into consideration. The Executive should note that there is the possibility of further adjustments following the Audit Commission's formal review of the accounts during August and September.
13. The Executive should also note that all the provisional out-turn reports have

been prepared prior to the implementation of year-end pension adjustments in order to comply with accounting standard FRS17. This has been done in order to keep consistency with figures reported in monitoring reports throughout the year. The FRS17 adjustments will be included in the figures reported within the Statement of Accounts which is elsewhere on this agenda.

14. There has been a continued improvement in the Council's position since the second monitoring report projected an underspend of £2.901m that in itself showed a significant improvement on the first monitor which gave a projected overspend of £0.421m. There are many reasons for this and these are set out in the body of this report and in the earlier detailed reports submitted to EMAPs.
15. The financial year end is an artificial cut off point, essential for control and reporting purposes. However, the existence of an underspend at that particular date does not mean that the resources are no longer required to complete ongoing projects. Through the carry forward of such funding into the new financial year on-going projects can be better managed especially through the removal of perverse incentives for budget holders to spend outstanding budgets before the year-end. The total amount recommended for carry forward is £1.513m. The details of these proposals are set out in full in Annex 4.

The General Fund

16. The General Fund net expenditure budget for 2007/08 set by Council on 1st March 2007 was £105.088m (£103.226m before the use of balances and reserves). Following the in year adjustments detailed at Annex 1 this budget increased to £106.911m.
17. The summary out-turn for the General Fund is shown in Table 1. A comparison of the movement in the projected under and overspends from the last monitoring report is set out in Annex 2. Information on the components of the variations can be obtained by reading the individual EMAP reports. As central budgets are not reported to an EMAP an analysis of the key items at Annex 3.

Table 1 – Summary Out-turn which comprise current under and overspends, central services is included

<u>Portfolio</u>	Current approved gross budget				Provisional out-turn £000	Variance Out-turn to Net Budget	
	Gross Budget £000	Notional Interest £000	Income £000	Net Budget £000		£000	%
Children's Services	69,216	5,338	(47,360)	27,194	27,608	414	+1.5
Leisure and Culture	12,180	1,102	(4,404)	8,878	8,925	47	+0.5
Economic Development	5,584	180	(3,405)	2,359	2,343	(16)	-0.7
City Strategy	31,083	3,403	(19,633)	14,853	14,804	(49)	-0.3
Neighbourhood Services	20,981	434	(6,819)	14,596	14,219	(377)	-2.6
Chief Executive's Department	9,708	-	(4,605)	5,103	5,106	3	+0.1
Resources	65,085	2,588	(61,556)	6,117	4,584	(1,533)	-25.1
Housing General Fund	14,565	84	(12,976)	1,673	1,563	(110)	-6.6
Adult Social Services	57,978	778	(24,310)	34,446	33,507	(939)	-2.7
Total of Portfolios	286,380	13,907	(185,068)	115,219	112,659	(2,560)	-2.2
<u>Centrally Held Budgets</u>							
Notional Interest	-	(13,907)	-	(13,907)	(13,907)	-	-
Contribution from Cap Finance Account	-	-	(8,448)	(8,448)	(8,448)	-	-
Treasury Management	11,373	-	(4,106)	7,267	4,927	(2,340)	-32.2
Other Central Budgets	6,580	-	-	6,580	5,131	(1,449)	-22.0
General Contingency	200	-	-	200	-	(200)	-100.0
Non-availability of Trading profit/loss	-	-	-	-	229	229	
Non DSG General Fund Total	304,533	-	(197,622)	106,911	100,591	(6,320)	-5.9
Children's Services (DSG)	84,107	-	(84,107)	-	(422)	(422)	
General Fund Total	388,640	-	(281,729)	106,911	100,169		

18. All general fund portfolio areas except Children's Services and Leisure and Culture have managed to out-turn within their budget level of funding. Overall these areas have combined to provide a £2.56m underspend. In addition corporate budget areas have also underspent by £3.76m producing a gross underspend on the non-dsg general fund of £6.32m. Children's Services has overspent by £414k, or by 0.6% against gross general fund turnover of £69,216k, although this excludes the Dedicated Schools Grant (DSG) element of the budget that underspent by £0.422m compared to the approved budget.
19. As explained earlier this report does not look to provide a full detail of all services but instead focuses on those areas where significant variances have occurred. Members may wish to focus their attention on the following areas and issues:
- a. Significant Underspends
 - Resources have underspent by £1.533m (2.3%). This is largely due to improved collection of housing & council tax debt, recovery of housing benefits overpayments, slippage in the replacement FMS and social care systems. After carry forward requests of £0.66m, there is a net underspend of £0.873m to contribute to reserves. More details are provided in paragraphs 34 to 37.
 - Central budgets have underspent by a total of £3.76m principally comprising Treasury Management £2.34m (32.2%) and other Central Budgets £1.449m (22%). Full details of the position on central budgets is reported at paragraphs 45 to 50.
 - b. Whilst the overall reserves position and out-turn have improved due to a number of one-off occurrences this masks the true financial position of the authority. In overall terms the council faces a number of on-going budget pressures and in future budget rounds will need to identify appropriate actions to control and mitigate them. Particular concern attention may wish to be directed at the resilience of budgets in:
 - Housing and Adult Social Services.
 - Waste Management
 - Leisure, Culture and Childrens Services.
 - c. The overall quality of monitoring, especially in relation to the variations between the second monitor and this report.

LCCS

20. LCCS has out-turned with a deficit of £39k, an improvement since the last monitor of £464k. Within this there is a deficit of £414k on Children's Services General Fund budgets and Leisure and Culture of £47k, this is supported by underspends on DSG budgets of £422k. The basis of this was reported to the Children's Services and Leisure and Culture EMAPs in June 2008¹. However this position masks particular pressures, most notably in

¹ It should be noted that the Leisure and Culture underspends are the result of a number of events that due to their individual scale are not dealt with in this report.

respect of the position within Children's Social Care where additional costs of £592k have been identified mainly due to an increase in the number of looked after children requiring fostering support.

21. Members need to be clear about the significance of the overspend in Children's Services. Most of the pressure relates to the increase in the number of looked after children requiring fostering support and Home to School Transport for children with special educational needs. Both of these service areas are demand led and expenditure is likely to be recurring in 2008/09 with pressures already identified of £592k. Of this a sum of £472k has already been provided for when the 2008/09 budget was set (£250k in the Children's Services budget and £222k in the corporate contingency budget) leaving an estimated shortfall against available resources of £120k. An update will be reported as part of the first 2008/09 monitor cycle when the directorate is expected to request the release of the contingency provisions.

22. The majority of the Directorate's underspend has occurred in areas funded by the DSG where budgets have underspent by £422k (an increase of £390k from the second monitor). Under the regulatory framework attached to the DSG, any unspent grant can either be allocated to schools at the year-end or carried forward and added to the following financial year's DSG. Following consultation with the Schools Forum, it is proposed to carry forward the final DSG underspend to 2008/09. As the approved budgets already included an assumed deficit carry forward to 2008/09 of £198k, this means that a net sum of £224k underspent DSG will be carried forward to 2008/09 (i.e. £422k underspend against budget, less the already assumed £198k deficit carry forward). The major changes from the second monitoring report are set out briefly below:

	£000
<u>Underspend Areas</u>	
a) Underspend on the Schools Specific Contingency budget mainly in relation to provision for the Job Evaluation.	(113)
b) A reduction in the costs charged against the NQT training budget.	(47)
c) An increase in the underspend on Out of City Placements of £95k but offset by increased costs on Inclusion Support Packages of £48k.	(155)
d) An increase in income generated from selling places in York Special Schools to other Local Authorities	(85)
e) Reduction in overspend on Nursery Education	(34)
<u>Overspend areas</u>	
f) Additional costs at the Pupil Referral Unit	58

City Strategy

23. City Strategy has out-turned with an underspend of £65k (Economic Development £16k, City Strategy £49k). There is no further discussion of the Economic Development position in this report other than to note the request for a carry forward of £15k to enable yorkengland.com to provide a service on

property enquires for retail premises.

24. The remainder of City Strategy has underspent by £49k. As this underspend has been achieved despite shortfalls in key income the out-turn position masks what may be significant underlying problems in the directorate. Key variances which should be noted by the Executive are:

	£000
<u>Underspend Areas</u>	
a) Staff Based Savings	(313)
b) Deferred highways maintenance spend as approved by Executive (to fund anticipated overspend on concessionary travel)	(370)
c) Yorwaste increased dividend	(154)
<u>Overspending Areas</u>	
d) Additional costs of concessionary travel	379
e) Shortfall on Land Charges income offset by Building Control Income	106
f) Shortfall on Penalty Charge Notices	155
g) Shortfall on Park & Ride income	116

25. It is important to consider whether any variances highlighted are of a recurring nature that will affect 2008/09. The shortfall of Planning income remains a concern, as does the projected reduced income from PCN's and Concessionary Travel.

26. From the £47k underspend there is a carry forward request of £31k for waste PFI procurement costs.

Neighbourhood Services

27. The Neighbourhood Services budgets are split into Non-Trading which is underspent by £377k and Trading activities which is overspent by £229k. This is a significant change from the last monitor when the projected position was a combined overspend of £639k.

28. On the Non-Traded Services there have been two significant underspends and one significant overspend. These are:

- a) Ward Committee Revenue Schemes £81k.
- b) An underspend of £370k has also occurred on Waste Processing, offset by a £361k overspend on waste collection as a result on landfill tax savings offset by the costs of collection.
- c) In addition there have been staffing vacancies across the directorate resulting in an underspend of £214k.

29. The traded services elements of the directorate had a budgeted turnover of £7m, with a target contribution of £85k to the general fund.

30. At the second monitor report Neighbourhood Services were reporting a significant trading loss, but also reported that expenditure was being closely

monitored and external work was being sought. The provisional out-turn position is that the service will have made a £229k loss on its activities without taking into account the transfer from general fund balances.

31. Early reviews of the 2008/09 budget position have identified that the traded services may face additional one-off cost pressures relating to functional areas. On this basis it is considered prudent for the Commercial Services reserve to be increased back to previous levels of £300k. If additional cost pressures in 2008/09 are avoided then this reserve could be suitably reduced in future years.
32. From the underspend of £377k, there were three carry forward requests totalling £115k all of which relate to non-traded areas. These are detailed in Annex 4.

Chief Executives Department

33. The Directorate had a slight overspend of £3k for 2007/08. The main variances are detailed below:

	£000
a) Staffing vacancies across the Directorate	(149)
b) Use of temporary and agency resources to deliver specific projects.	158

Resources

34. At £1.533m Resources has the largest underspend of any directorate; this is largely in line with the report at the second monitor, however, continues to be a cause for concern. The year end out-turn for EASY is not comparable with the monitor 2 position. The year end position relates only to transactions in 2007/08, whereas previous months have taken into account cumulative spend vs budget. This has resulted in a reduction of £904k in the underspend. It is important to note, however, that this underspend is largely due to improved recovery of debts. Adjustments have been subsequently built into the base budget for 2008/09. Further underspends relate to slippage on the FMS replacement and Framework i systems, due to delays in procurement; a carry forward request for this project has been requested. Other carry forward requests relate to I. T. development plans and Easy project work.
35. Key variances against budget include:
 - i) Public Services – A net underspend of £608k relates primarily to the review of the Council tax benefits subsidy, achieving 100% subsidy on Local Authority Error overpayments and a reduction in the bad debt provision for benefits. These have been offset by additional costs incurred on the benefits improvement work as part of the Easy Project (£+264k).
 - ii) Financial Services – This service shows an underspend of £332k of which

£234k is due to slippage on the FMS project, and is the subject of a carry forward bid essential to fund the project implementation with the anticipated go live date early in 2009. Staff savings contribute to the balance of the underspend.

- iii) Audit & Risk Management – An overspend of £76k includes a shortfall from the Yorkshire Purchasing Organisation (YPO) dividend of £40k
 - iv) IT&T - The underspend of £250k reflects a combination of projects being reprioritised, deferred or cancelled, and projects coming in under budget. There is a carry forward bid for £129k in respect of three projects, Voice and data managed service, Electronic Data Management and Mobile working.
 - v) Easy Project – An in year underspend of £82k reflects the position against the current years programme, with funding for Phase 2 being held as a reserve balance. A carry forward bid for the underspend of £82k is required in order that the benefits integration and income collection projects may be finalised.
 - vi) Property – A net underspend of £170k is generated from several areas. There is a carry forward request of £50k to fund the business management review.
36. The overall scale of the directorate's underspend and the underlying change from previous months are both a cause for concern, although approximately 2/3 of the underspend was due to one-off issues. This is an issue which the council as a whole will need to address as part of future monitoring arrangements.

37. The directorates carry forward requests are detailed at Annex 4.

Housing and Adult Social Services

38. In total the general fund part of HASS has underspent by £1,049k an increase in the underspend of £1,272k from the projected position in the second monitor. As the Housing General Fund element of the overall underspend was £110k, a £85k improvement since monitor two this is not dealt with further in this report other than to ask the Executive to note that the service has made requests for a £18k carry forwards detailed at Annex 4,
39. The major reasons for the underspend on the remainder of HASS expenditure are as follows:
- a) continued staff vacancies, equating to £1,039k across the directorate.
 - b) Increased success in obtaining additional funding (continuing health care (CHC) and independent living fund (ILF)). Whilst aware of the changes in rules the impact was unknown. The impact has not been built into the base budget for 2008/09.
 - c) Efficiencies in the in-house home care service were achieved earlier than

expected.

The overall scale of the directorate underspend and in particular the change from the second monitor are causes for concern and alongside other reported underspends requires addressing as part of the future monitoring arrangements.

40. The breakdown of the underspends / variances are as follows:

	£000
Corporate Services (<i>£360k underspend</i>)	
<u>Underspend Areas</u>	
a) Staffing vacancies and other miscellaneous savings to offset budget pressures across the department.	(360)
Adult Services (<i>£818k underspend</i>)	
<u>Underspend Areas</u>	
b) Internal Home Care Service – early achievement of efficiencies and staff vacancies	(450)
c) Residential & Nursing Care – due to lower than anticipated admissions	(291)
d) Elderly Persons' Homes – £156k on staffing due to cover for staff sickness and increased staffing levels in order to comply with CSCI standards, offset by £290k – additional income from customers.	(149)
<u>Overspending Areas</u>	
e) Community Support Budget	125
f) Repairs and maintenance as a result of the Repairs Partnership	154
Mental Health Services (<i>£289k underspend</i>)	
<u>Underspend Areas</u>	
g) MH staffing – difficulty throughout the year in recruiting to certain posts resulting in significant under spend.	(107)
h) Fewer placements made in residential and nursing.	(177)
Learning Disabilities Services (<i>£526k overspend</i>)	
<u>Overspend Areas</u>	
i) Community Support Budget	493
j) Cost of transporting Clients – continuation of previous year's pressures	228

41. The department continues to face significant financial challenges going in to 2008/09. These are currently being analysed and will be reported in future monitoring reports.

42. There were several requests for carry forwards on schemes totalling £655k, as set out in annex 4.

Housing Revenue Account

43. HASS is also responsible for managing the council's housing stock financing for which is ring fenced within the HRA.
44. The provisional out-turn on the HRA is a working balance of £6,546k at 31 March 2008, compared to the projection reported in the last monitor of £5,577k. The reasons for this increase were presented to the EMAP meeting. Of the working balance, £351k will be required to fund the re-phased works on the capital programme in 2008/09 and £8.4k will be required to fund the carry forward requests leaving a net surplus of £6,187k on the HRA. It is recommended that this surplus remains on the HRA and be used to fund HRA revenue expenditure or as a revenue contribution to capital expenditure (£5.857m between 2008/09 and 2010/11) to fund the capital programme.

Centrally Held Budgets

45. There are a number of budgets which are held centrally and reported direct to the Executive.

Treasury Management (Out-turn Projection (£2,340k), movement from second monitor projection (£664k))

46. Treasury Management has spent £4,927k against the revised net budget of £7,267k, an underspend of £2,340k. The key variances are detailed below:
- a) An increase in average balances of over £23m against original budget has resulted in an £919k underspend, this is largely attributable to capital programme slippage and the early receipt of major capital grants in advance of profiled spend.
 - b) Increases in interest rates have contributed to a £553k underspend. Interest rates rose twice in the year from 5.25% to 5.75% by July as inflationary concerns became prominent before finishing the year at 5.25% following interest rate cuts in December and February as the inflationary concerns diminished and fears about the slowdown in the global economy and credit crunch concerns gathered pace. The interest earned on the Council's investments was much higher than originally budgeted as interest rates went against advice from the council's professional advisors when the budget was set. Expectations were that interest rates would fall to 4.75% by the end of the year, however due to the rise in inflationary concerns in the early part of the financial year and the drying up of the liquidity markets from August onwards interest rates paid on investments were markedly higher than anticipated.
 - c) The higher than anticipated cash balances and unfavourable long term borrowing rates has meant that £5m of planned £12m borrowing has been delayed therefore not incurring interest payments, resulting in an

underspend against the budget of £506k.

- d) A number of capital programme schemes financed using prudential borrowing were delayed in spending in 2006/07 resulting in a Minimum Revenue Provision saving of 156k.
- e) An additional dividend of £115k was received in relation to BCCI (which had not been predicted at monitor 2).

Other Central Budgets (Out-turn Projection (£1,449k), movement from second monitor projection (£806k))

47. These budgets, detailed in Annex 3, cover a variety of centrally held funding. Members were advised in the second monitor that it was likely that this area would underspend, but that this would depend upon demands from other service areas for corporately held resources. These have not materialised and as a result the provisional out-turn is showing an underspend of £1,449k. Key elements of this underspend are shown below.

	£000
<u>Underspend Areas</u>	
a) Specific Resources for Job Evaluation	(441)
b) Capital Programme Running Costs	(351)
c) Prices Provision	(580)
d) Net redundancy, cost of early retirements and pensions payments	(11)

48. The main causes for the change are that not all of the money set aside for project costs on job evaluation (£441k) were incurred in 2007/08. A c/f request of £340k has been made against this underspend. It has not been necessary to utilise provisions set aside for running costs of capital schemes and prices (including fuel prices) of £351k. There has not been the directorate call on prices that had originally been set aside. It should be noted that as part of the 2008/09 budget process £889k was given up as a saving from these budget areas.

49. The total expenditure on pensions and redundancy payments is £1,193k, an underspend of £11k. However, of this spend only £804k represents one off costs with £817k resulting in recurring costs in future years.

50. **Contingency**

As Table 2 summarises in terms of the general contingency there were pressures of almost £800k highlighted during the budget process, against which £600k was set aside. Departments have generally been successful in their attempts to contain pressures within their resource allocation. Overall there has been a small under allocation of the contingency. All of the £400k released is recurring in 08/09.

Table 2 – General Contingency

Amount included in Budget Papers £000	Portfolio Area		Recurring (R) One-off (N)	Approved in Year £000	Budget Total £000
		Original Allocation			600
		Releases Approved in Year			
50	City Strategy	Land Charges - Service Pressure	R	50	-50
150	City Strategy	Planning Income - Service Pressure	R	150	-150
200	City Strategy	Concessionary Fares - Provision set aside in case appeals against local schemes for concessionary fares lead to additional costs	R	200	-200
		Balance Remaining			200
		Items identified during budget setting but not requested in year			
170	Corp Servs	Pay Award - Allowance if pay award reaches 2.75%	R		
100	Corp Servs	VER and Redundancy Provision - Recurring allowance for additional pension and VER costs	R		
275	HASS	Social Care - Provision for unexpected social care costs	R		
50	Neigh Servs	Double Taxation - Funding of Double Taxation claims submitted by Parish Councils	R		
30	Neigh Servs	Non-Diversion to Landfill - To offset risk that landfill levels are not achieved	R		
		Total Approved		400	
		Balance unallocated			200

The item for provision of unexpected social care costs (£275k) is an issue that remains unresolved, and the EMAP for Housing and Adult Social Services has requested that budget be carried forward into 2008/09 to address this issue.

Carry Forward Requests

51. A major reason for the underspend shown in table one is the value of the projects for which budgetary provision existed in 2007/08, but where the projects could not be completed. The EMAP's have made requests for these budgets to be carried forward into 2008/09, and full details of the requests

from individual EMAPs for approval by the Executive, together with the bid for corporate budgets, are shown in Annex 4 (total £1,513k). Table 3 summarises the requests and compares them to the under/over spends in the provisional out-turn. In addition it has been assumed that the EASY transfer to reserves for future use on the project of £1,388k is not requested as a carry forward.

Table 3 – Carry Forward Requests

Portfolio	Provisional Out-turn £000	Bids to carry budgets forward £000	Net £000
Children's Services	414	-	414
Leisure and Culture	47	-	47
Economic Development	(16)	15	(1)
City Strategy	(49)	31	(18)
Neighbourhood Services	(377)	115	(262)
Chief Executive's Department	3	-	3
Resources	(1,533)	660	(873)
Housing General Fund	(110)	18	(92)
Adult Social Services	(939)	284	(655)
Total of Portfolios	(2,560)	1,123	(1,437)
<u>Centrally Held Budgets</u>			
Notional Interest	-	-	-
Contribution from Cap Finance Account	-	-	-
Treasury Management	(2,340)	-	(2,340)
Other Central Budgets	(1,449)	390	(1,059)
General Contingency	(200)	-	(200)
Non-availability of Trading profit/loss	229	-	229
General Fund Total	(6,320)	1,513	(4,807)

52. It can be seen from the preceding table that the total of the requests to carry budgets forward represent approximately 25% of the total general fund underspend in the year. On a departmental basis, the requests to carry forward budget are all less than the departmental underspend in the year, which is one of the criteria for carry forward. The other criteria are:
- a. Specific approved projects.
 - b. Not completed in year.
 - c. The projects are still required by the Council
53. It should be remembered that all carry forward sums will become one-off budgets for 2008/09. Approving all the carry forward requests will mean that the revised net increase in general fund balances will be £4,807k.

54. In addition to those General Fund requests shown above the HRA have also requested that £8.4k be carried forward into 2008/09. Again, details of this request are shown in Annex 4.
55. Another request has been received to utilise £28k of the 2007/08 underspend to provide financial support for users of the Barbican Auditorium for which no budgetary provision has been made. The details are as follows:

Three organisations are recognised as having a special civic status in the future arrangements for the Barbican auditorium: The Guildhall Orchestra, the Lord Mayor's Carol Concert, the Festival of Remembrance. The Council has previously provided financial assistance, particularly to the Guildhall Orchestra, in response to the difficulties caused by periods when the Barbican has not been available. In the case of the Guildhall Orchestra this period has been extended well beyond that originally envisaged. Furthermore, as the refurbishment is now due to start, the auditorium will not be available this year to the carol concert or the Festival of Remembrance due to the building works.

It is proposed that £26k is made available to support the Guildhall Orchestra recognising that they are incurring additional hire costs of around £3k for each of their concerts (three per year) and that the move to a variety of other venues has inevitably eroded the audience and therefore their income. This funding would allow the orchestra to re-establish its financial position and would replace the ongoing funding of £2.7k per annum from 2009/10 that the Council currently provides.

A further £2k would be made available as necessary to the Festival of Remembrance and/or the Carol Concert to assist with any additional costs that they may incur.

Collection Fund

56. The Collection Fund is a statutory account and receives all Council Tax and National Non-Domestic Rate (NNDR) income, together with any residual income from pursuing remaining arrears from the community charge. There is a legal requirement that an estimate of the year-end position is made during January to enable the council taxes of the billing authority (CYC) and the major precepting authorities (North Yorkshire Police and Fire Authorities) to be set including either a reduction (if there is calculated to be a surplus available) or an increase (if there is a deficit to recover) for the projection. The projection made in January 2008 was that there would be a £249k surplus at 31 March 2008, of which £200k was the Council's share. This sum was used when setting the 2008/09 council tax level .
57. The provisional out-turn gives a surplus of £417k and this reflects the increased level of collection (97.3% from 96.8% in 2006/07). The increased year-end surplus means that there will be £135k (CYC's share of the additional surplus) available for distribution to York Council Tax payers in 2009/10, or £0.21 per band D.

Update on the Achievements of Efficiency Savings/Additional Income/Growth Items Incorporated into the 2007/08 Budget

58. The 2007/08 budget included £6.3m of budget/efficiency savings and £8.3m for growth. With few exceptions they were all achieved. Where there were problems these were highlighted in relevant EMAP reports. Outturns on these growth and saving items are fully reflected in the outturn figures within this report. The total of savings items that could be classed as efficiencies under the Governments criteria contained in the budget proposals was £2.9m and a total figure of £2.8m of efficiency savings has been achieved during the year. The achievement of £2.8m efficiencies means that the council has exceeded the Government savings targets by £500k.

Reserves and Balances

59. Members are reminded that balances should only be used to fund non-recurring, that is one-off, expenditure. Using balances to fund recurring expenditure items creates funding problems in future years, as the resources no longer exist, but the expenditure will. Also, any further large approvals against these balances will reduce the scope for Members to utilise reserves to fund overspends or new investment in future years.
60. The available balance at the start of 2007/08 on the General Fund reserve amounted to £7,702k. Members have agreed the use of balances to fund several large and non-recurring items of expenditure amounting to £3,850k. In addition members agreed to release £300k from the Bellwin Reserve and transfer £189k from the additional refunds on NDR. Additional LABGI grant of £537k was received and net transfer of £332k from earmarked reserves no longer needed were transferred to GF.
61. The balance on the general fund reserve, before the year-end transfer is £5,210k. If the recommendations in this report are approved, there will be a transfer into this reserve of £6,320k of which £1,513k will be earmarked for carry forward requests). This will result in a projected general fund balance at 31 March 2008 of £11,530k (£10,017k after carry forwards are taken into account).
62. There are other revenue reserves, which are not included in the General Fund balance but which, as they are available to support general expenditure, are included in the reserves comparison purposes for the CPA calculation. These comprise the Neighbourhood Services Trading Services reserve (which is recommended to remain at £300k) and the Venture Fund (provisional out-turn £1,898k, and detailed in Annex 6). These additional balances are also included on Annex 5. The total of all the reserves is projected to be £13,728k at 31 March 2008. This compares to a recommended minimum level of reserves for 2007/08 of £5.2m.
63. Annex 5 provides projections of the council's reserves position until 2010/11. This shows that based on current information the overall reserves at 31 March 2011 will be £9.144m, £3,458k above the estimated minimum reserve threshold for that year of £5.686m. It should be noted that this assumes that no significant one-off events (such as flooding) have to be dealt

with in this period. Should such an event occur then the level of reserves available would be reduced from that shown. A summary of these projections is shown below:

	2007/8 £000	2008/9 £000	2009/10 £000	2010/11 £000
General Reserve	11,386	8,308	7,270	7,042
Neighbourhood Services				
Trading Reserve	439	300	300	300
Venture Fund	2,729	3,065	2,932	1,802
Total	14,554	11,673	10,502	9,144
Minimum Reserve	5,201	5,361	5,521	5,686
Threshold				
Headroom in Reserves	9,353	6,312	4,981	3,458

Virement Requests

64. The Council's financial regulations require that any virements between service plan heads of more than £100k are agreed by the Executive as part of the budget monitoring report. There are no requests in this out-turn report.

Supplementary Estimate Requests

65. The Council's financial regulations require that any requests for supplementary estimates are considered by the Executive as part of the budget monitoring report. To date no supplementary estimates have been requested, other than the release of contingency items covered elsewhere in the report.

Second Public Service Agreement (PSA)

66. The Council received government funding of £933k for 12 PSA targets under the second agreement. In addition the Executive agreed that a further sum of £1,095k would be made available from the Venture Fund to enable the schemes to meet their 'stretch' targets. The schemes are to be run over two years, and Officers have implemented proposals that would best achieve the targets set. Table 4 shows the individual targets, budgets, cumulative spend, the % of the stretch target achieved and an estimate of the value of the reward grant to be received at the end of the scheme.

Table 4 – PSA 2

Target		Approved Budget £000	Total Spent £000	Balance Remaining £000	% reward achieved %	Value of reward £000
Improve levels of street cleanliness	PSA1	181.6	181.6	-	100% on 1 target ? On other	262.3
Increase the recycling rate	PSA2	362.3	362.3	-	100	327.9
Reduce burglary	PSA3	19.6	18.1	1.5	100	327.9

Reduce violent crime	PSA4	20.4	20.4	-	0	0
Redcuec vehicle crime	PSA5	20.0	19.0	1.0	100	327.9
Reduce antisocial behaviour and improve community safety	PSA6	84.0	40.9	43.1	100% on 1/3 targets	109.3
		161.0	111.9	49.1	100	327.9
Recduce offending by young people	PSA7	237.0	159.8	77.2	0	0
Improve road safety	PSA8	61.7	26.6	35.1	0	0
Increase benefit take up by older people	PSA9	53.0	42.7	10.3	0	0
Improve literacy, numeracy and employment skills	PSA10	262.0	198.1	63.9	60% on 2 and 100% on 1 target	203.4
		285.0	285.0	-	100	327.9
Improve life chances for young people	PSA11					
Improve the health and wellbeing of residents	PSA12	175.0	103.9	71.1	100% on 1 target ?	65.6
					On other	
Total		1,922.6	1,570.3	352.3	500.0	2,280.1

67. As the PSA funding is subject to separate monitoring arrangements, the budgets and spend have not been included in the departmental totals in Table 1.

2008/09 contingencies.

68. Annex 7 sets out the list of items allocated for use of the contingency during 08/09 if needed, updated for those items where executive has approved their use already in 08/09.

It will be noted that it is currently estimated that out of the £1,233k set aside for contingency, it is expected that £991k will now be needed, although it is at an early stage in 08/09, this position may change.

It is clear that some of the contingency items will be required and it is requested that the Executive consider the release of these amounts as set out below:-

- a) Newgate Market income. This has repeatedly not achieved its target and in 2007/08 it was £60k overspent. Whilst management action is being taken to review costs and consolidate income levels there is very little prospect of this being brought back in line with budget and hence a request to release the £20k to Economic Development from contingency is requested.
- b) There was an amount of £38k included in contingency for 5 IT Development bids. The business cases for these bids have been updated and re-considered by the Corp IT Development. Summaries of the business cases are included at Annex 7. The total latest estimated

revenue costs of the bids is £54,289, approximately £16.5k more than set aside in the contingency. A verbal update, identifying priorities, from the Corporate IT Development group will be provided at the meeting.

Consultation

69. With the exception of corporate budget items responsibility for which is reserved to Executive, all elements of this report have been consulted upon as part of the wider Finance and Performance Monitoring Reports considered by individual EMAPs. These considerations have resulted in the carry forward requests detailed at paragraphs 51 to 54.

Options

70. Executive could choose to not agree some or all of the individual carry forward requests outlined in this budget. To do so would have an impact upon the continued delivery of specific areas of work and reprioritisation of resources within directorates.
71. The Executive could chose not to support the release of some/all of the contingency items requested in this report. It is likely that these requests will be required during 08/09 and subsequent requests to the Executive will be made.

Corporate Priorities

72. The principal function of this report is to provide a snapshot of the council's financial performance during the year 2007/08. As such it contributes to the proper financial management of the authority. The overall financial out-turn for the Authority helps ensure the delivery of the corporate priorities and strategy.

Implications

73. Financial - these are addressed in the body of the report.
74. Human Resources - there are no human resource implications.
75. Equalities - there are no equality implications.
76. Legal - there are no legal implications.
77. Crime and Disorder - there are no crime and disorder implications.
78. Information Technology - there are no information technology implications.
79. Property – there are no property implications.

Risk Management

80. Budget monitoring is a key element of the management processes by which the council mitigates its financial risks. This report provides members with a detailed summary of the council's performance in 2007/08 and the context in

which its 2008/09 budgets must operate. The issues identified at paragraph 19 highlight some key risk issues which members may wish to consider.

Conclusions

81. While at £6,320k the General Fund Revenue Account out-turn is significantly better than that which had been predicted the one off nature of many of the savings have masked the underlying financial problems that the council faces. In looking ahead if the council is to maintain its track record of providing high quality services then it will need to continue to robustly address its financial pressures that exist. This will remain a key priority for future budget processes.
82. The extent of the projects to which the Council is committed that have not been completed in 2007/08 can be demonstrated by the requests to carry forward £1,513k into 2008/09 in line with the preceding year), to enable work to be completed. If approved, this will reduce the underspend to £4,807k which will be transferred into the general reserve. Members are asked to review these requests to carry forward funds.
83. While this transfer will provide headroom in the council's reserves and balances over the recommended minimum balances such headroom will, as annex 5 demonstrates, be required to provide funding for developments in future years. Members are reminded that balances should only be used to fund non-recurring, that is one-off, expenditure. Using balances to fund recurring expenditure items creates funding problems in future years, as the resources no longer exist, but the expenditure will. Also, any further large approvals against these balances will reduce the scope for Members to utilise reserves to fund overspends or new investment in future years.

Recommendations

84. Members are asked to:
 - a. Note the provisional out-turn position;
 - b. Consider the request to carry forward provision for unexpected social care costs (£275k) which was provided for within the contingency but which remains unresolved as set out in paragraph 50
 - c. Review the requests for carry forward funds into 2008/09, totalling £1,513k for general fund services, detailed in Annex 4 and summarised in paragraph 51, and determine which ones should be approved;
 - d. Approve the request to carry forward £8.4k for the housing revenue account, detailed in Annex 4 and summarised in paragraph 54;
 - e. Consider the request for additional funding of £28k for the Guildhall Orchestra to be provided from the 2007/08 underspending as set out in paragraph 55, and determine whether to approve it;
 - f. Agree the maintenance of the Neighbourhoods Trading Account at £300k by releasing £144k from GF as set out in paragraph 62.

- g. Agree the release of contingency items in 2008/09 of £20k in relation to Newgate Market and £38k for IT development bids highlighted in paragraph 68.
- h. Approve the transfer of the remaining underspend to revenue reserves;
- i. Note the enhanced priority placed by the Director of Resources on the need to address the issues identified as part of future monitoring rounds.

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Chief Officer Responsible for the report:

Chief Officer's name Sian Hansom
Title Head of Finance

Report Approved yes **Date** 16/6/06

Chief Officer's name Sian Hansom
Title Head of Finance

Report Approved yes **Date** 16/6/08

Specialist Implications Officer(s)

Finance – Sian Hansom, Head of Finance
Other Implications – Not Applicable

Wards Affected: List wards or tick box to indicate all

All yes

Background Papers

Second Finance and Performance Monitoring Report
Out-turn Monitoring Reports to Individual EMAPs

Annexes

1. General Fund Net Expenditure Budget
2. Comparison Between Under/Overspends in Last Monitoring Report and the Provisional Out-turn
3. Other Centrally Held Budgets
4. Requests to Carry Budgets Forward into 2008/09
5. Reserves Position and Forecast
6. Venture Fund
7. IT Development Bids summary