

## **General Fund - Provisional Revenue Out-turn 2005/06**

### **Summary**

- 1 This report sets out the projected out-turn position on the General Fund Revenue Account, the Housing Revenue Account (HRA), Commercial Services, the Collection Fund and the Public Sector Agreements (PSAs) for 2005/06. There are eight constituent parts to this report:
  - a. the provisional out-turn for the General Fund, which comprises departmental budgets and centrally held budgets (paragraphs 12 to 47) and the bids to carry budgets forward into 2006/07 (paragraphs 48 to 52);
  - b. the out-turn position on use of the General Contingency (paragraph 53);
  - c. the provisional out-turns for the Housing Revenue Account and Commercial Services (paragraphs 54 to 58);
  - d. the out-turn position on the Collection Fund (paragraphs 59 to 61);
  - e. an update on the achievements of efficiency savings/additional income incorporated into the 2005/06 budget (paragraph 62);
  - f. the out-turn position on the use of Reserves and Balances (paragraphs 63 to 65);
  - g. the creation of a reserve or provision to hold the spare budget from job evaluation to mitigate future costs of pay protection (paragraph 66);
  - h. the position of the Public Sector Agreements (paragraphs 69 to 70).
- 2 The Council expects that each department will maintain its expenditure within its 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. Each department has taken positive action to ensure that the tightest financial controls are in place to manage, wherever possible, the overspending pressures within their own resources. However overspends have occurred in three areas and these are addressed in the report.
- 3 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. Members should note that there is the possibility of further adjustments once District Audit has audited the Accounts during August and September this year.

- 4 Members should also note that all the provisional out-turn reports have been prepared prior to the implementation of year-end adjustments for 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.
- 5 The main messages in the report are as follows:
- a. The majority of portfolio areas have managed to outturn within their budgeted level of funding. Overall these areas have combined to provide a gross £2.117m underspend. In addition corporate budget areas have also contributed a gross £0.921m underspend.
  - b. Three areas have overspent:
    - Adult Social Services (£793k)
    - Children's Social Services (£593k)
    - Treasury Management (£102k)

In total the overspends on these three areas total £1.488m which have had to be met from underspends elsewhere in the council. As such the net underspend has reduced from £3.038m to £1.55m.
  - c. The reports taken to the individual EMAP meetings, together with the centrally held budgets reported here and other actions included in this report for Member approval, show a projected net underspend of £1,550k. Carry forward requests total £1,158k. Agreeing these will leave a net underspend of £392k (0.23% of the net revenue budget, 0.11% of gross expenditure budget). This is an improvement of £1,285k from the last monitor;
  - d. Action has been taken within directorates to manage the overspends identified in earlier monitoring reports;
  - e. The HRA working balance is provisionally £5,116k, with a carry forward request of £19.8k;
  - f. Commercial Services are reporting a deficit of £22k after taking account of uninsured losses, further details of which are given in paragraphs 56 to 58;
  - g. The collection of in-year debt on both council tax and national non-domestic rates (NNDR) has improved from those experienced during 2004/05 and the year-end surplus on the Collection Fund is £165k of which £133k will be available to the council as part of the 2007/08 budget setting process;
  - h. A request that a new reserve be approved, utilising the underspend on the job evaluation budget;
  - i. The level of total reserves at 31 March 2006, before adjusting for the year-end position, is projected at £4,949k. The net underspend would increase this to £6.499m, but after allowing for the use of balances already approved as part of the budget process (£1,079k net of use in 2005/06), the carry forward requests of £1,158k and a predicted receipt of NNDR refunds of £75k would increase the overall level of reserves to £4.964m.

The minimum level recommended for 2005/06 by the Comprehensive Performance Assessment (CPA) is £5.25m, and the guideline figure for 2006/07 is £4.95m.

- 6 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 ensure that ongoing projects are completed. Members have agreed the principle that where such underspends occur the budget can be 'carried forward' into the new financial year. This also gives a greater financial control as it reduces the need for budget holders to rush to spend large sums of money at the year-end. The total recommended by the service EMAPs to be carried forward is £1,158k. The details of these proposals are set out in full in Annex 4 and in summary in paragraphs 48 to 51. The report recommends that Members look at these requests and determine which should be approved. In addition to these requests there is also a request in paragraph 52 for the HRA to carry forward £19.8k.
- 7 If the funding requests of £1,158k are carried forward to this financial year, the provisional revenue underspend of £1,550k changes to £392k or 0.11% of the expenditure budget. Neither the Department of Communities and Local Government (DCLG) or the Chartered Institute of Public Finance and Accountancy (CIPFA) produce statistics that would enable a robust comparison of the CYC provisional out-turn to other councils.
- 8 There has been a significant improvement in the Council's position since the second monitoring report projected an overspend of £893k. There are many reasons for this and they are set out in paragraphs 16 to 47 and show that there has been a reduction of £646k in the projected overspend in portfolio areas, after taking into account carry forward requests, and a further increase in the projected underspend on central budgets of £616k.
- 9 Members should be assured that some areas of recurring overspend have been addressed as part of the 2006/07 budget process, although there are others which will cause problems into 2006/07. Most notably work is on-going to identify and quantify the prime drivers for the overspends in Adult and Children's Social Services. Such work will assist services in developing appropriate mitigating actions but will also inform the development of the 2007/08 budget and the council's medium term financial strategy.
- 10 Annex 5 also shows the current projection for the level of overall reserves at 31 March 2007. Assuming a small level of NNDR rebates the projection is for a figure of £4.964m. However, while there may be further NNDR refunds during 2006/07, the level of these cannot be guaranteed. This compares to the Comprehensive Performance Assessment (CPA) Benchmark for 2006/07 of £4.95m. The position on reserves and balances for 2005/06 is further discussed in paragraphs 63 to 65.
- 11 There is a provisional working balance to carry forward of £5,116k on the Housing Revenue Account, which is £1,549k higher than projected in the second monitor report. This has mainly resulted from capital programme slippage resulting in the revenue contribution to capital not being needed in

2005/06. After deducting the underspend on revenue contributions (£1,510k), which will be required in 2006/07 and the request to carry resources forward (£19.8k) the working balance remaining is £3,586k which is only £19k different from that forecast in the second monitor. HRA issues are further discussed in paragraphs 54 to 55.

### **The General Fund**

- 12 The General Fund net expenditure budget for 2005/06 set by Council on 24 February was £166,382k (£167,695k before the use of balances and reserves).
- 13 There have been various changes agreed by Members on utilising reserves, including the agreement of carry forwards from 2004/05, which have increased the net expenditure budget to £169,775k. All the changes agreed to date, including the 2004/05 underspends carried forward into 2005/06, are set out in Annex 1, and these include the advance of £21k from the sum set aside in 2006/07 for the costs of the public inquiries to meet preliminary costs that had to be incurred in 2005/06.
- 14 Members are reminded that early closure of accounts means that more estimating techniques have to be used. Occasionally this may lead to the District Auditor amending final grant claims, potentially impacting on the following financial year. They are also reminded that wherever possible a prudent estimate will be made, but there may still be instances where grant income will be changed on audit.
- 15 A comprehensive breakdown of the projected position on the General Fund is shown in Table 1. Key parts of this are explained in more detail in paragraphs 17 to 53. 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. An analysis of the key items which comprise current under and overspends for central services is included at Annex 3. The central budgets are not reported to an EMAP and so must be considered by the Executive, together with reasons for any likely variations at out-turn. Information on these is set out in paragraphs 42 to 47.

### **Table 1 – Summary Outturn**

Portfolio	Currently Approved Budget			Provisional Out-turn £000	Variance Out-turn to Net Budget	
	Gross Exp. £000	Income £000	Net Budget £000		£000	%
Education	126,733	38,740	87,993	87,318	-675	0.8
Children's Social Services	10,089	972	9,117	9,710	+593	6.5
Leisure and Heritage	15,311	4,539	10,772	10,619	-153	1.4
Economic Development	5,949	4,041	1,908	1,878	-30	1.6
Environment and Sustainability	17,333	4,575	12,758	12,719	-39	0.3
Planning and Transport ***	31,776	19,801	11,975	11,940	-35	0.3
Prop'd use of Deptal u/spend †	-	-	-	80	+80	####
Chief Executive's Department	11,638	4,315	7,323	7,136	-187	2.6
HR Corp Saving - Pay Add Ons	(100)	-	(100)	-	+100	-
Resources	56,912	53,290	3,622	2,628	-994	27.4
Housing	12,323	10,979	1,344	1,160	-184	13.7
Adult Social Services	54,157	24,165	29,992	30,785	+793	2.6
<b>Total of Portfolios</b>	<b>342,121</b>	<b>165,417</b>	<b>176,704</b>	<b>175,973</b>	<b>-731</b>	<b>0.4</b>
<b>Centrally Held Budgets</b>						
Asset Management	(12,739)	-	(12,739)	(12,739)	-	-
Treasury Management	9,661	7,136	2,525	2,627	+102	4.0
Other Central Budgets	3,207	309	2,898	2,364	-534	18.4
General Contingency φ	387	-	387	-	-387	####
<b>General Fund Total</b>	<b>342,637</b>	<b>172,862</b>	<b>169,775</b>	<b>168,225</b>	<b>-1,550</b>	<b>0.9</b>

\*\*\* The budget includes £21k for public inquiries advanced from funding that exists in 06/07.

† It is proposed to use the net underspend, after allowing for carry forward requests, on the DECS directorate to repay back the Venture Fund loan on the DECS restructuring

φ This is net of the 413k allocated to other budget areas.

16 The majority of portfolio areas have managed to outturn within their budget level of funding. Overall these areas have combined to provide a gross £2.117m underspend. In addition corporate budget areas have also contributed a gross £0.921m underspend providing a gross underspend of £3.038m. However, while this is a positive position, overspends in three areas (£1.488m) have to be met from these underspends reducing the net outturn position to £1.55m. These areas are:

- Adult Social Services (£793k)
- Children's Social Services (£593k)
- Treasury Management (£102k)

17 Members need to be clear about the significance of these overspends. While the treasury management issue is clearly linked to in year events (most notably delays in the sale of the Barbican), those in social care potentially represent an on-going increase in the council's cost base which will feed through to future service and budget planning processes. At this stage work is still being undertaken to quantify impacts but:

- LCC have identified £355k of cost pressures in the £593k which will recur in 2006/07 (Table 2);
- The overspend in Adult Social Services was lowered by a number of non-recurring savings. Without such savings the overspend would have exceeded £1m and could have potentially been as high as £1.4m. Work is currently underway to identify the extent to which such costs will feed through to 2006/07 and beyond.

**Education Services (Out-turn Projection -£675k, movement from last monitor projection -£704k)**

18 At the time of the second monitoring report in December an overspend of £29k was projected. The final outturn now shows an underspend of £675k. If Members approve budget carry forwards totalling £179k (see paragraphs xx and annex 4) then the more accurate comparative figure would be a £496k net underspend. The full details of all the variations that make up the £675k were presented to the EMAP meeting. The major changes from the last monitoring report are set out briefly below:

- a. Standards Fund grant is received from Government to cover the Academic Year up to 31 August. There is still a further £179k of the council's contribution to spend in the period from 1 April to 31 August 2006. It is proposed to carry this forward into the 2006/07 financial year.
- b. An increase in the underspend on Home to School Transport of £71k.
- c. A £100k more favourable position than was projected on Out of Authority Placements because the potential additional placements identified in December were avoided.
- d. A £71k increase in the net surplus on Inter Authority Recoupment fees with neighbouring LEAs.
- e. A £27k higher than expected grant from the LSC to cover the costs of post 16 SEN pupils.
- f. Careful management within the Adult Education service to bring a projected £30k deficit back into line with the budget.
- g. An £82k backdated rates refund in respect of Archbishop Holgate's School.
- h. A £45k staffing saving within the finance team due to a number of vacant posts in the later part of the financial year.
- i. Later than planned opening of the four PFI schools resulting in lower payments to the private provider and a net saving to the council of £66k.

19 Many of the underspends are either one-off or have been achieved by initiating specific management action to cease spending in a number of non-essential areas. This was in response to the difficult overall council budget position being projected at the time of the last monitoring reports. Inevitably the majority of these savings are only sustainable in the short term and cannot be repeated in 2006/07 without impacting seriously on the levels of service provided. Initial estimates of the 2006/07 position were also provided

to the EMAP and showed a possible net saving of £47k in 2006/07.

**Childrens' Social Services (Out-turn Projection +£593k, movement from last monitor projection +£323k)**

- 20 At the time of the second monitoring report in December an overspend of £390k was projected. The service was also proposing some action that was hoped would reduce the overspend to £270k by the end of the year. Although some of this action was successful in reducing a number of the projected overspends, the final outturn now shows an increase to £593k. Full details of all the variations that make up the £593k overspend were presented to the EMAP meeting. The major changes from the second monitoring report are set out briefly below:
- a. An increase in the overspend on Legal Fees from £42k to £62k.
  - b. A £63k increase in fostering costs since the second monitor due to income targets not being met and one-off costs being incurred.
  - c. An increased number of care leavers requiring accommodation and allowances, increasing the overspend by £72k.
  - d. One additional externally purchased placement and an increase in the number of secure remand days costing an extra £55k.
  - e. A £24k increase in the overspend on Inter Agency Adoption fees.
  - f. A net increase in staffing costs of £94k due to the non-achievement of vacancy factor targets, the use of agency staff cover in essential services and sickness levels
- 21 Although some of the underlying variations have already been accounted for when the 2006/07 budgets were set and a number of variations are of a one-off nature, there are still some significant items that are expected to have an impact in 2006/07. Initial estimates of the 2006/07 impact were presented to the EMAP meeting and already show a pressure of at least £355k in 2006/07 above currently provided budgets. These are shown in Table 2.

**Table 2 – On-Going Impacts of Pressures in Children’s Social Services**

	<b>Expected Impact £'000</b>
Legal Fees	60
Section 34 Contact (parental contract arising from care proceedings)	65
The Glen	30
Increasing numbers of care leavers requiring accommodation	80
Externally purchased placements	70
Inter-agency adoption fees	50
<b>Total</b>	<b>355</b>

**Leisure and Heritage (Out-turn Projection -£153k, movement from last monitor projection -£183k)**

- 22 There has been an improvement from the last monitor report. Full details were presented to the EMAP, but the major changes are set out briefly below:
- a. Significant underspends within Parks and Open Spaces totalling £60k as a result of a more proactive approach to income generation and the ceasing of non-essential maintenance work.
  - b. Savings of £43k in the Sports Facilities Management budgets on staffing, training and publicity.
  - c. A reduction in the underspend at Monks Cross of £29k because the budget for work to the running track that was not expected to be completed by the end of the financial year was redirected to equipment purchase as part of a larger lottery funded scheme.
  - d. £18k more income at Oaklands as the capital refurbishment programme started later than expected.
  - e. Additional net savings within the Youth Service due mainly to staff vacancies totalling £16k.
  - f. Savings of £18k in overall departmental management budgets, again due to some posts being kept deliberately vacant for longer periods.
- 23 Many of the underspends have been achieved by initiating specific management action to cease spending in a number of non-essential areas. This was in response to the difficult overall council budget position being projected at the time of the last monitoring reports. Inevitably these savings are only sustainable in the short term and cannot be repeated in 2006/07 without impacting seriously on the levels of service provided.
- 24 Although many of the underlying variations have already been accounted for when the 2006/07 budgets were set, there are still some significant items that are expected to have an impact in 2006/07. Initial estimates of the 2006/07 impact were also presented to the EMAP meeting.
- 25 Bids to carry forward sums for specific proposals total £153k were considered by the EMAP meeting and have been referred to the Executive meeting for consideration. They are detailed in annex 4.

**Economic Development (Out-turn Projection -£30k, movement from last monitor projection -£30k)**

- 26 The main change from the reported position is the £25k underspend in the City Centre Partnership which has resulted from a requirement to spend the Yorkshire Forward grant prior to the council's contribution. However, as part of the contract with Yorkshire Forward this contribution will need to be carried forward and spent in future years. It is necessary therefore to request a carry forward for this budget. This is primarily a presentational variation since the £25k carry forward for the City Centre Partnership had been agreed as part of the Partnership's business plan and had therefore been built into the figures reported at the last meeting. There was also a shortfall of £38k in income from Newgate Market which has been offset by reduced operating costs and other savings within City Centre Management budgets totalling £35k. Other

budgets within Economic Development underspent by £8k.

- 27 In relation to the Tourist Investment Fund, as reported in the second monitoring report, the majority of the work of the work was expected to be completed by the end of the year. This has been achieved but some of the architectural lighting and work on the city walls visitor information panels, interpretation and trail leaflets will not be completed until July: the funding profile for the scheme accommodates this.
- 28 As reported to previous meetings the work of the York Training Centre is dependent on external contracts (wholly funded externally) and with the withdrawal of government schemes and tighter funding regimes on existing contracts, significant adjustments have had to be made to come within budget. At the previous meeting it was reported that this could be managed within budget and the Centre's reserves, and this has been achieved.
- 29 At the end of the financial year the York Training Centre reserves are £10k, following a deficit of £27k for the financial year (2.3% of turnover). This has been achieved through managing a 12% reduction in turnover and staff reductions of around 20%.
- 30 The priority for 2006/07 is to achieve a balanced budget within the year and officers are reviewing the impact of the current contract situation on the level of turnover within the Training Centre. However the management action undertaken during 2005/06 to reduce staffing levels leaves the centre in a better position to manage the situation than that of 12 months ago. A review of current expenditure requirements on a month by month basis is also being undertaken. Updates will be brought to Members as the year progresses.
- 31 Future Prospects provides the local community with an access point for exploring options for employment, career development, education and training. It is a partnership organisation between City of York Council and York College. It is funded by the partners and attracts small amounts of additional funding from appropriate sources. There has been no call for unbudgeted council resources during the year.

**Environment and Sustainability (Out-turn Projection -£39k, movement from last monitor projection -£14k)**

- 32 The gross underspend of £39k compares to a projected underspend of £25k reported in the second monitor. The majority of the over/underspends identified and reported to the EMAP were predicted throughout the year. The main change is the overspend on urgent repairs at the crematorium.
- 33 It is important to consider the outturn position in terms of whether any variances highlighted are of a recurring nature that will effect 2006/07. The shortfall of income at the Crematorium and the Pest Control service have been addressed in the 2006/07 budget. The other significant overspends related to one-off expenditure at the Crematorium and the interim arrangements for toilet cleaning. The underspend in Waste due to reduced tonnages being sent for landfill suggests that the Waste budget is adequate for 2006/07.

### **Planning and Transport (Out-turn Projection -£35k, movement from last monitor projection -£75k)**

- 34 The provisional outturn position for the portfolio shows an underspend of £35k for the financial year after receiving a further budget allocation for the costs of £21k incurred preparing for the Heslington East Public Inquiry. This is funded from a £500k budget provision in 2006/07. This underspend has been achieved despite shortfalls in key income budgets primarily parking and development control and a significant increase in energy bills for street lighting. Full details were presented to the EMAP meeting.
- 35 It is important to consider the outturn position in terms of whether any variances highlighted are of a recurring nature that will effect 2006/07. The shortfall of parking income and the shortfall of Land Charges income have been addressed in the 2006/07 budget. The overspend on street lighting energy is being addressed by using the completed inventory to obtain a cheaper electricity price. There are concerns however that further increases in energy prices may mitigate any savings. The ongoing downturn in planning applications will also require detailed monitoring to ensure any continued shortfall in income can be managed within the City Strategy budget.

### **Planning and Transport - Proposed Use of Departmental Underspend**

- 36 It considering the out-turn position and outstanding liabilities that could be repaid from departmental underspends the Director of Resources identified that there was an outstanding Venture Fund loan for the DEDS restructure costs. The total net underspending after allowing for carry forward requests for the former DEDS department amounted to almost £80k, but show as £79k due to roundings in the presentation of this report. He is therefore recommending that £80k of the Venture Fund be repaid thus achieving two aims: to increase the value of the Venture Fund for the future calls on it for LPSA2 and the accommodation review, and to repay the loan from underspends that can, at the moment, be more directly identified with the purposes of the original loan.

### **Chief Executive's Department (Out-turn Projection -£187k plus +£100k on HR savings for pay add-ons, movement from last monitor projection -£183k)**

- 37 During 2005/06 the directorate has been operating in an environment of high demands, constant change and financial constraint. Faced with meeting a £150k saving in a forthcoming departmental restructure and other in-year budgetary savings and efficiencies, a cautious approach to filling vacancies became the directorate's underlying policy. Including holding vacant the Deputy Chief Executive's and PA Support posts from December 2005, this has subsequently achieved an in-year saving on vacant posts totalling £180k. As part of the directorate restructure, a saving of £150k has been offered up in 2006/07. Full details of variations are set out in the EMAP report.

### **Resources (Out-turn Projection -£944k, movement from last monitor projection -£1,127k)**

- 38 Members will note that the provisional out-turn has moved by over £1.1m from the last monitor. However, of the total underspend £721k has been requested for be carried forward, and of this £232k is for the replacement FMS project and £291k is for the easy@york project. Key variances against budget include:
- a. A £177k under achievement of the procurement savings target set by Members. A programme of work is being undertaken to manage this savings target in 2006/07.
  - b. A £207k over-achievement of rental income in the Commercial Property Portfolio. This includes a one-off backdated rent increase of £99k relating to the Borthwick Institute.
  - c. The delay in the implementation of the Financial Management System (FMS) Replacement project has resulted in a total underspend of £232k: £88k in Financial Services and £144k in ITT. This underspend is the subject of a carry forward bid.
  - d. A £291k underspend arising from the revised programme timetable for the Easy@York project. This is the subject of a carry forward bid.
  - e. A £193k underspend on the ISIS Replacement project. This is the subject of a carry forward bid.
  - f. Some development projects in Information Technology & Telecommunications (ITT) have been completed at less cost than originally anticipated. The total underspend amounts to £105k.
  - g. Some development projects in ITT have been delayed and will not be completed until 2006/07. The resulting underspend amounts to £108k.
  - h. An increase in housing and council tax benefit overpayments made in 2005/06, together with increased recovery work, has led to a £234k overachievement of overpayments recovery income. However, overpayments are a loss area for benefits subsidy purposes, and the estimated final housing and council tax benefit subsidy claim is showing an overspend of £158k.

**Housing (Out-turn Projection -£184k, movement from last monitor projection -£184k)**

- 39 The second monitor report identified that this service was expected to spend at budget. During the latter part of the year savings have arisen due to management work to try to contain expenditure for the whole department within existing resources. Savings have principally occurred in staffing costs due to vacancies and the departmental restructure. The other variations were set out in the EMAP report.

**Adult Social Services (Out-turn Projection +£793k, movement from last monitor projection +£293k)**

- 40 EMAP were presented with an overall overspend of £793k, together with details of the main variations that made up this overspend. They were also

reminded that an overspend of £1,171k had been projected earlier together with management action which was expected to bring the level of overspend down to a figure of £500k projected at the second monitor. Several of the actions have not achieved the expected level of savings. The full details of how the overspend had arisen were set out in detail in the EMAP report. The report also identified that some of the underspends that had occurred in 2005/06 were one-off and not expected to recur, thus putting even more pressure on the 2006/07 budgets. If the underlying pressures are not addressed the scale of the impact in 2006/07 could once again be well over £1m. Work is on-going to quantify and address these issues.

- 41 The key pressures relate to community support, where controlling of expenditure has been a particular problem. In such areas the following trends have been identified:
- a. Activity on home support packages peaked in November, began to fall in December / January and spiked again in March, leading to an overspend higher than that predicted. Encouragingly activity in April and May 2006 shows a decline from the high levels in March. There appears to have been a gradual decline in elderly customer numbers (other than the spike in activity during 2005/06) offset by increases in costs and need.
  - b. Customer numbers have increased slightly in Learning Disabilities however at the same time the level of need in a number of cases has also increased.
  - c. Spend on home care (total of purchased and in house) has increased by 6% from 2004/05 levels and spend on residential care has increased by 4% from 2004/05 levels. A report was made to the EMAP on the review and modernisation of Home Care which identified potential reductions in expenditure which will assist in managing this financial pressure during 2006/07.
  - d. The average cost of a home care package (all life stages) has increased from £73 to £80, an increase of 9.5%.

## **Centrally Held Budgets**

### Asset Management Revenue Account

- 42 This budget represents income which is received as purely internal transactions for asset rentals. It is an accounting convention which the Council is obliged to use. It is not expected to over or underspend.

### Treasury Management (Out-turn Projection +£102k, movement from third monitor projection -£348k)

- 43 The provisional out-turn provided by the Capital and Treasury Management part of Strategic Finance is a deficit (overspend) of £102k an improvement of £348k on the position reported at the second monitor. The principal elements that contribute to this variation and deficit are shown in Table 3.

**Table 3 – Movements on Treasury Management Budget**

	<b>Monitor Two £(000)</b>	<b>Out-turn £(000)</b>	<b>Change £(000)</b>
<u>Decrease in average balances</u> The delay in the capital receipts has resulted in an impact on the Council's cash flow, which has had a knock on effect on the treasury management budget. As a result of the underachievement of capital receipts against the anticipated plan the Council is using its existing cash balances to fund the capital programme, resulting in a significant drop in the average core general fund cash balances available for investment.	597	502	-95
<u>Investment interest</u> Interest rates were reduced in August 2005 to 4.5%, which was slightly later than budgeted for. This, with the interest from Harewood Whin being received and a number of market beating investments has resulted in a better than forecast interest return.	-109	-189	-80
<u>Venture Fund Interest</u> There have been a number of changes to the repayment profiles on the venture fund, including a number of deferrals which has result in interest earned being more than budgeted for.	-44	-51	-7
<u>Minimum Revenue Provision (MRP) decrease</u> There has been a reduction in MRP because the opening balance for 2005/06 on the Capital Financing Requirement is lower than expected. This is because under the Prudential System it is no longer necessary for the HRA to make a set-aside payment, and so this payment was not made in 2004/05.	-83	47	130
<u>Business Rates Refund Interest</u> The Council has received backdated interest on a number of the large rating revaluations that took place on CYC owned property in 2004/05 and 2005/06. This income was unbudgeted for and therefore lowers the overall overspend.	Nil	-187	-187
<u>Club Loan Debt Restructure</u> Negotiations to restructure the Council's £10m have been hampered by one of the partner authorities reluctance to reschedule. However, around the table negotiations did take place in March 2006, and the reluctant partner arranged to revisit the proposal with their advisors and elected members. It is hoped that the saving will be realised during 2006/07.	80	80	0
<u>Miscellaneous</u> Small variances were also incurred.	9	-6	-15
<b>TOTAL</b>	<b>450</b>	<b>102</b>	<b>-348</b>

Other Central Budgets (Out-turn Projection -£534k, movement from second monitor projection -£212k)

- 44 These budgets cover a variety of funding held centrally and details are shown at Annex 3. Members were advised in the third monitor that the likely underspend in this area was £322k, however the provisional out-turn is showing an underspend of £534k.
- 45 The main causes for the change are that it has not been necessary to make as large a provision for bad and doubtful debts as had been forecast, saving £72k, and, as a consequence of employee cost savings elsewhere, the corporate element of superannuation costs are £77k less than the budget. Other minor variations have resulted in savings totalling £ 63k, including £25k on compensatory budgetary adjustments provision for sold properties due to the delay in sales.
- 46 The total expenditure on pensions and redundancy payments is £1,235k, a £10k underspend. There has been no movement on this budget from the last monitor. However, of this spend only £454k represents one off costs with £881k resulting in recurring costs in future years.
- 47 Members were promised an update in all monitoring reports regarding the receipt of NNDR refunds following successful appeals. The second monitor reported the expected net cumulative transfer to reserves in the year, after deducting all fees due to the Council's Agents, would be £365k. The out-turn position is a transfer of £493k, and this is included in Annex 5.

**Carry Forward Requests**

- 48 A major reason for the underspend shown in the table in paragraph 14 is the value of the projects for which budgetary provision existed in 2005/06, but where the projects could not be completed. The Chief Officers have made requests for these budgets to be carried forward into 2006/07, and full details of the requests from individual EMAPs for approval by the Executive are shown in Annex 4 (total £1,158k). Table 4 summarises the requests and compares them to the under/over spends in the provisional out-turn.

**Table 4 – Carry Forward Requests**

	Provisional Over/Under Spend £000	Bids to Carry Budgets Forward £000	Variation £000
<b>Portfolio</b>			
Education	-675	+179	-496
Children's Social Services	+593	-	+593
Leisure and Heritage	-153	+153	-
Economic Development	-30	+25	-5
Environment and Sustainability	-39	-	-39
Planning and Transport	-35	-	-35
Prop'd use of Deptal u/spend	+80	-	+80
Chief Executive's Department	-187	+80	-107
HR Corp Saving - Pay Add Ons	+100	-	+100
Resources	-994	+721	-273
Housing	-184	-	-184
Adult Social Services	+793	-	+793
<b>Total of Portfolios</b>	<b>(731)</b>	<b>1,158</b>	<b>+427</b>
<b>Centrally Held Budgets</b>			
Asset Management	-	-	-
Treasury Management	+102	-	+102
Other Central Budgets	-534	-	-534
General Contingency	-387	-	-387
<b>General Fund Total</b>	<b>(1,550)</b>	<b>1,158</b>	<b>-392</b>

49 It can be seen from the preceding table that the total of the requests to carry budgets forward is less than the total general fund underspend in the year. On a departmental basis, with the exception of the newly created Learning, Culture and Children's Services, 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:

- Specific approved projects.
- Not completed in year.
- The projects are still required by the Council

It should be remembered that all carry forward sums will become one-off budgets for 2006/07.

50 With regard to the request from Learning, Culture and Children's Services Members are asked to remember that the DfES grant aids certain types of expenditure provided the Council puts in an equal sum. Also that there is a period of 17 months over which to incur the expenditure (from April to the end of August the following year) to give schools, in particular, to utilise the expenditure in a school year rather than a financial one. The options available to Members are:

- One: reject the request on the basis that the rules have not been complied with. Under this option the match funding of a further £179k from the government will be foregone. However, due to the timing of the grant offer and the out-turn reports, the money will have already been spent and will have to be funded from 2006/07 resources.

- Two: approve the request in order to access the match-funding from the government.
- 51 It is recommended that Members approve the carry forward bid for Education despite the overspend on Childrens' Social Services, as by carrying this sum forward it will enable an equal sum to be received from the DfES, thus doubling the resources available.
- 51 Approving all the carry forward requests will mean that the revised net increase in general fund balances will be £390k.
- 52 In addition to those General Fund requests shown above the HRA have also requested that £19.8k be carried forward into 2006/07. Again, details of this request are shown in Annex 4.

### **General Contingency**

- 53 Contingency funding amounting to £800k was set aside in the budget process, and during the year supplementary estimates totalling £432k were approved and are set out in Table 5. Some areas did not need the full allocation and returned the excess budget, leaving £387k. At the second monitor it was forecast that the underspend would be £308k.

### **Table 5 – General Contingency**

<i>Amount Included in Budget Papers</i> £000		Recurring (R) One-off (N)	Budget Approved £000	Unused Budget Returned £000	Budget Total £000	Recurring Budget Issued £000
	<b>Original Allocation</b>				<b>800.0</b>	
	Balance Financial Pressures (Exec 5/5/05)	R	13.0		-13.0	13.0
	E-government (Exec 18/1/05)	R	100.0		-100.0	100.0
	Theatre Royal (Exec 5/4/05)	R	5.0		-5.0	5.0
	Staffing (Exec 5/4/05)	N	29.0	-6.8	-22.2	-
	Public Consultation of Budget (Exec 28/6/05)	N	15.0	-10.2	-4.8	-
	Staffing Issue (Urgency 27/9/05)	R	40.0		-40.0	40.0
	Archbishop Enthronement (up to) (Exec 27/9/05)	N	5.0	-2.4	-2.6	-
	Nursing/Residential Care (Exec 25/10/05)	R	100.0		-100.0	100.0
276.0	Fair Price for Care (£100k already awarded - nursing/residential care above)	R	125.0		-125.0	125.0
	<b>Balance Remaining</b>				<b>387.4</b>	<b>383.0</b>
	<b>Items identified during budget setting</b>					
200.0	Parking Review Phase 3 (not now expected to be needed in 2005/06)	R			-	-
150.0	Out of Authority Placements (being managed within sum allocated from reserves and other management action)	R			-	-
125.0	Supporting People (not now expected to be needed in 2005/06)	R			-	-
200.0	Children's Act 2004 (allocation made from reserves for 2005/06 costs)	N			-	-
25.0	Asbestos (not now expected to be needed in 2005/06 as existing budget will be sufficient)	R			-	-
50.0	Ledger replacement contract costs (not now expected to be needed in 2005/06)	R			-	-
70.0	Fraud investigation (not now expected to be needed in 2005/06)	R			-	-
100.0	Risk Factor associated with savings targets - all the underachievement against savings targets are included in the departmental projections. There have been no requests for this sum to be released.	R			-	-
	<b>Total Approved</b>		<b>432.0</b>			
	<b>Total Repaid</b>			<b>-19.4</b>		
	<b>Balance Remaining on Contingency</b>				<b>387.4</b>	
	<b>Cost of Recurring Budgets Released</b>					<b>383.0</b>

A budget saving of £415k was taken in 2006/07 to reflect the underspend on recurring items on this budget.

### Housing Revenue Account (HRA)

- 54 The provisional out-turn on the HRA is a working balance of £5,116k at 31 March 2006, compared to the projection reported in the last monitor of £3,567k.
- 55 The reasons for the increase in the working balance were presented to the

EMAP meeting. £1,510k of the working balance will be required to fund the re-phased works on the capital programme in 2006/07 and £19.8k will be required to fund the carry forward requests in paragraph 52 above leaving a net surplus of £3,586k on the HRA. It is recommended that this surplus remains on the HRA and be reviewed as part of the first quarter 2006/07 monitoring report as it can be used to fund HRA revenue expenditure or as a revenue contribution to capital expenditure to meet the decent homes standard.

### **Commercial Services**

- 56 The turnover for the year was budgeted to be £24.1m, with a target surplus set by the Council of £150k, reflecting the move to Best Value accounting. Since the budget was set there have been some changes to the underlying costs to be borne by Commercial Services. These include the costs associated with a temporary staffing structure and the increased cost of the proportion of the superannuation charge on service accounts, offset by reduced costs due to price reductions following a central procurement exercise. Members agreed that the target surplus be replaced with a contribution from general fund services (as the saving was being made within general fund services) of £125k.
- 57 At the second monitor report Commercial Services were reporting a small trading loss, but also reported that expenditure was being closely monitored and external work was being sought. However, since that time there has been a fire at the depot and several vehicles were destroyed. It is anticipated that costs of up to £114k will not be recoverable under the Council's insurance policy and taking these costs into account the provisional out-turn position is that the service will have made a £22k deficit on its activities.
- 58 The net effect of the transfer from general fund and the in-year loss is that the balance on the commercial services reserve is £391k. Members have previously agreed that a realistic balance to be held against future trading losses for Commercial Services was £300k and it is recommended that the surplus of £91k is transferred to general fund balances.

### **Collection Fund**

- 59 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 poll tax years. 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 2006 was that the account would be at 'break-even', i.e. that there would be neither a surplus nor a deficit at 31 March 2006.
- 60 The provisional out-turn gives a surplus of £166k, and this change has arisen principally due to prudential accounting when calculating what the year-end

position would be. A prudential view is taken as it is a statutory requirement that any calculated surplus/deficit must be distributed/charged to Council Tax payers, and it is not good practice to distribute more than can reasonably be guaranteed. The year-end surplus means that there will be £133k (CYC's share of the surplus) available for distribution to York Council Tax payers in 2007/08, or £2.05 per band D.

- 61 In addition to the above there are some performance indicators for this service - the proportion of current year debt that is collected in the year. This information is required for both the collection of Council Tax and NNDR. The percentages collected are 96.1% and 97.0% respectively for 2005/06. These are an improvement from the collection rates in 2004/05, 95.1% and 96.7%, when the service was still experiencing delays in the recovery procedures following the introduction of the new computer system. The target collection rates for 2006/07 are 97.1% (council tax) and 98.4% (NNDR) and the service is working towards achieving these.

### **Update on the Achievements of Efficiency Savings/Additional Income/Growth Items Incorporated into the 2005/06 Budget**

- 62 The 2005/06 budget included £6,010k of budget/efficiency savings and £5,387k for growth. With few exceptions they were all achieved. Where there were problems these were highlighted in relevant EMAP reports. These include:
- a. *Planning and Transport* - the position on parking income was constantly monitored and reported to Members. New initiatives were introduced, and there was an upturn in income towards the end of the financial year.
  - b. *Chief Executive's Department* - the saving resulting from a review of 'pay add-ons' (£100k) which was to be delivered by reviewing such areas as overtime working, use of temporary staff, etc., did not deliver any budget reductions.
  - c. *Resources* - a target was set to deliver savings of £326k from changes in procurement practices. To date £109k of procurement savings have been identified for 2005/06 and it is anticipated that £40k will be received from the Yorkshire Purchasing Organisation and other rebates, leaving an under-achievement of £177k. Work is currently taking place to reduce this under-achievement in future years
  - d. *Social Services* - there has been a sustained increase in cost pressures, especially in domiciliary care. A recovery plan was put in place but did not achieve sufficient savings to reduce the pressure. Action is currently being undertaken on eligibility criteria to ensure that the 2005/06 budget saving target of £300k will be achieved in 2006/07.

### **Reserves and Balances**

- 63 The available balance at the start of this financial year on the General Fund reserve amounted to £6,403k. Members have agreed use of balances to fund several large and non-recurring items of expenditure amounting to £3,267k and the return of an advance made in 2004/05 of £98k, which reduced the level of the reserve to £3,234k. Members also approved the transfer to

reserves of unbudgeted one-off income from the additional refunds on NNDR identified in paragraph 40, totalling £493k. In addition Members acknowledged that it might be necessary to incur preliminary costs on the public inquiries in 2005/06 for which approval was included as part of the 2006/07 budget. Costs of £21k were incurred, and have been funded from the general fund balance. Details of all these are shown at Annex 5. The balance remaining is therefore £3,706k, before the year-end transfer from the revenue account. Assuming the recommendations in this report are approved, there will be a transfer of £369k, the remaining net underspend, and £91k, from Commercial Services reserve. The effect of these, together with the sums already approved for the 2006/07 budget and a small assumption of NNDR refunds in the year, will result in a projected general fund balance at 31 March 2007 of £3,185k.

- 64 Members are reminded that balances are best used to fund non-recurring (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.
- 65 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 Commercial Services reserve (which is recommended to be held at £300k) and the Venture Fund (provisional out-turn £852k, and detailed in Annex 6). These additional balances are also included on Annex 5. The total of all the reserves is expected to be £4.964m at 31 March 2007, depending on how much of the approval for release of the Venture Fund for LPSA2 is used in the year. This compares to a CPA minimum recommended level of £4.95m for 2006/07.

### **Creation of a New Reserve**

- 66 Members will recollect that the budget for 2005/06 included a sum for the costs of the job evaluation exercise. The balance of this budget has been transferred into a reserve to ensure that there will be sufficient funds available in the future to pay any costs of pay protection without causing an ongoing revenue budget pressure. This transactions has been included in the figures given in table 1 at paragraph 14 and annexes 1 and 5.

### **Virement Requests**

- 67 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**

- 68 The Council's financial regulations require that any requests for supplementary estimates are considered by the Executive as part of the budget monitoring report. There are no requests in this out-turn report.

## First Public Service Agreement (PSA)

- 69 The Council received government funding of £929.5k for 11 PSA targets under the first agreement. In addition it agreed that a further sum of £348.7k would be made available from the Venture Fund to enable the schemes to meet their 'stretch' targets. The schemes were run over three years, and Officers implemented proposals that would best achieve the targets set. Most of the expenditure was scheduled to be spent in 2003/04 and 2004/05, with four schemes continuing into 2005/06. Table 6 shows the individual targets, budgets, cumulative spend, the % of the stretch target achieved and the value of the reward grant achieved.

**Table 6 – PSA 1**

Target	Approved Budget £000	Cumulative Spend £000	% of Reward Achieved %	Value of Reward Achieved £000
National Target 8 education and employment opportunities to care leavers to fund an education, training and employment officer.	92.0	92.0	100	282.8
National Target 11 adoptions of looked after children.	107.0	107.0	80-100	260.2
National Target 21 to reduce the rate of re-offending amongst young offenders.	245.0	214.0	0-100	84.8
National Target 26 to reduce the number of killed and seriously injured road casualties.	90.0	65.4	0	-
Local Target to increase bus patronage.	35.0	25.5	100	282.8
Local Target to increase the number of Year 6 pupils cycling to school.	70.0	50.9	100	282.8
Local Target on improving Council and Housing Benefit administration performance.	230.0	229.8	0	-
Local Target to improve pupil performance at Key Stage 3 in Science.	105.0	76.4	0	-
National Target to improve pupil GCSE performance across the LEA by focussing help in two underachieving secondary schools.	90.0	65.4	0	-
National Target to reduce levels of unauthorised absences in LEA schools.	50.0	44.2	0	-
Local Target to improve the condition of footpaths.	164.0	164.0	100	282.8
<b>Sub-Total</b>	<b>1,278.0</b>	<b>1,134.6</b>		<b>1,476.2</b>
Overall Council basket of 30 BVPIs (efficiency rate)			100	282.8
<b>Total</b>	<b>1,278.0</b>	<b>1,134.6</b>		<b>1,759.0</b>

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

## 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 48 to 52.

## **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.

## **Corporate Priorities**

- 71 The principal function of this report is to provide a snapshot of the council's financial performance during the year 2005/06. As such it contributes to the proper financial management of the authority.

## **Implications**

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

## **Risk Management**

- 78 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 2005/06 and the context in which its 2006/07 budgets must operate.

## **Conclusions**

- 79 While the General Fund Revenue Account outturn is better than that which had been predicted, with a net under-spend of £1.55m, this position masks the serious issues which have arisen in the Adult (£793k) and Children's (£593) Social Services areas. When combined with that for Treasury Management (£102k) these overspends have accounted for approximately half of the underspend achieved by other service areas. While work is still

continuing initial indications are that unless they are addressed such pressures will feed through into 2006/07 and subsequent financial years. Identifying pressures and delivering appropriate mitigation will need to be a high managerial priority for the remainder of 2006/07.

80 In addition to this there are many projects to which the Council is committed that have not been completed in 2005/06 and for which requests are made to carry forward funding of £1,158k into 2006/07 (over £700k lower than the preceding year), to enable work to be completed. If approved, this will reduce the underspend to £392k which will be transferred into the general reserve. Members are asked to review these requests to carry forward funds.

81 While the council's reserves and balances are still above the thresholds determined by the CPA longer term pressures mean that there is little if any scope for funding expenditure from this area in future years. Indeed, as paragraph 65 reports current projections indicate that by the 31<sup>st</sup> March 2007 relevant reserves will be only marginally above the estimated CPA threshold of £4.95m.

#### Recommendations

82 Members are asked to:

- a. Note the provisional out-turn position, especially the impact of overspending areas as identified at paragraphs 16 and 17;
- b. Agree to the use of the underspend on the former DEEDS service areas to repay the Venture Fund loan (paragraph 36;)
- c. Review the requests to carry forward funds into 2006/07, totalling £1,158k for general fund services, detailed in Annex 4 and summarised in paragraph 48, and determine which ones should be approved;
- d. Approve the request to carry forward £19.8k for the housing revenue account, detailed in Annex 4 and summarised in paragraph 52;
- e. Approve the creation of a job evaluation reserve as set out in paragraph 66;
- f. Approve the transfer of the remaining underspend to revenue reserves.

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**Report Approved**  **Date** 16/6/06*Chief Officer's name Peter Steed  
Title Head of Finance***Report Approved**  **Date** Insert Date**Specialist Implications Officer(s)***Finance – Peter Steed, Head of Finance**Other Implications – Not Applicable***Wards Affected:** List wards or tick box to indicate allAll **For further information please contact the author of the report****Background Papers**Second Finance and Performance Monitoring Report  
Outturn 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 2006/07
5. Reserves Statement
6. Venture Fund