

CABINET

21 JUNE 2006

PRINCIPAL SCRUTINY COMMITTEE

10 JULY 2006

OVERVIEW OF FINAL ACCOUNTS 2005/06

REPORT OF THE DIRECTOR OF FINANCE

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RECENT REFERENCES:

EXECUTIVE SUMMARY:

This report provides an overview of actual expenditure against budget for 2005/06 and gives details of the Council's major reserves. The full Statement of Accounts for 2005/06 will be presented to the Statement of Accounts Committee meeting on 26 June 2006. The figures reported here are provisional, as the full work on the Statement has not been completed yet. However, no significant changes are expected.

There was a variance of (£2.56m) against the revised budget on net General Fund expenditure, of which (£1.51m) is in respect of internal capital financing charges and (£0.44m) is subject to requests for carry forward into 2006/07. At the year-end the General Fund working balance was £2m, the Major Investment Reserve stood at £5.01m and other earmarked reserves stood at £5.9m. The HRA balance was £0.83m.

RECOMMENDATIONS:

1. That Cabinet, in accordance with Financial Procedure Rule 7.7, approves the amount of £442,205 on General Fund to be carried forward into 2006/07 as a one-off contribution from the 2005/06 budget for the purposes specified in Appendix 6.
2. That the capital financing details as set out in Appendix 7 be noted.

CABINET21 JUNE 2006PRINCIPAL SCRUTINY COMMITTEE10 JULY 2006OVERVIEW OF FINAL ACCOUNTS 2005/061 Introduction

- 1.1 This report provides an overview of the actual revenue expenditure against budget for 2005/06 and gives details of the Council's major reserves. The full Statement of Accounts for 2005/06 will be presented to the Statement of Accounts Committee meeting on 26 June 2006. The figures reported here are provisional final figures, as the full work on the Statement has not yet been completed. However, no significant changes are expected. Outturn on capital expenditure is reported to this meeting in CAB1268.
- 1.2 The summary pages at Appendices 1 to 4 compare the outturn with the revised budget. The original budget approved in February 2005 and upon which the Council Tax was based, is also given for reference. In analysing variances the detailed departmental budgets in Section 3 below and in Appendix 8 compare actual expenditure with the latest working budget (this is the revised budget adjusted for approved changes, such as supplementary estimates).
- 1.3 More detailed information about the Council's budget can be found in the Budget Book 2005/06.

2 Summary

- 2.1 Overall the provisional position at 31 March 2006 compared with the expected position was as follows:
- The General Fund working balance was held at £2.0;
 - The Major Investment reserve balance was £5.01m, an increase of £2.5m over the expected £2.51m;
 - requests for amounts to be carried forward total £442,205 on General Fund ;
 - the Winchester Town Account balance was £124,089 as compared to the original budget of £104,720;
 - the HRA working balance was £0.83m, a decrease of £0.58m over the original budget figure of £1.41m.
 - total capital receipts during the year were £5.2m, a decrease of £0.9m on the revised budget of £6.1m;
 - usable capital receipts at the end of 2005/06 amounted to £12.7m;
 - other earmarked reserves totalled £5.9m;
 - the Collection Fund surplus was £108,000, an increase of £55,000 over the expected figure.

3 Revenue Variances

- 3.1 A summary of variances on the General Fund and requests for carry forwards is shown below.

| <u>Service Summary</u> | 2005/06 | 2005/06 | Variance | C/Forward |
|------------------------|---------|---------|----------|-----------|
|------------------------|---------|---------|----------|-----------|

| | Actual | Working Budget | Requests | |
|------------------------------|---------|----------------|----------|------|
| | £000 | £000 | £000 | £000 |
| <i>Corporate Services</i> | | | | |
| Chief Executive | 903 | 970 | (67) | 80 |
| Legal, Electoral & Committee | 2,281 | 2,389 | (108) | 50 |
| Finance, IT & Support | 1,788 | 1,966 | (178) | |
| Human Resources | 0 | 0 | 0 | 16 |
| <i>Community Services</i> | | | | |
| Environmental Health | 4,744 | 4,983 | (239) | 240 |
| Strategic Housing | 2,102 | 2,884 | (782) | 11 |
| Community Development | 4,175 | 4,680 | (505) | 27 |
| <i>Development Services</i> | | | | |
| Estates | (833) | (324) | (509) | 18 |
| Engineering | 107 | 271 | (164) | |
| Cultural | 2,792 | 3,023 | (231) | |
| Planning | 1,803 | 1,550 | 253 | |
| Building Control | 130 | 162 | (32) | |
| TOTALS | 19,992 | 22,554 | (2,562) | 442 |
| Financing Transactions | (8,680) | (10,194) | 1,514 | |
| TOTAL GENERAL FUND | 11,312 | 12,360 | (1,048) | |
| Housing Revenue Account | 87 | 266 | (179) | 0 |
| Total Net Cost | 11,399 | 12,626 | (1,227) | |

| <u><i>Subjective Summary</i></u> | 2005/06 Actual | 2005/06 Working Budget | Variance |
|--|----------------|------------------------|----------|
| | £000 | £000 | £000 |
| Employees | 15,779 | 15,591 | 188 |
| Premises | 7,830 | 7,596 | 234 |
| Transport | 1,227 | 1,258 | (31) |
| Supplies & Services and Third Party Payments | 13,364 | 13,497 | (133) |
| Benefits | 18,623 | 18,073 | 550 |
| Capital Financing | 10,940 | 12,564 | (1,624) |
| Management Overheads | 10,462 | 10,795 | (333) |
| Total Expenditure | 78,225 | 79,374 | (1,149) |
| External Income | (44,631) | (43,150) | (1,481) |
| Recharges | (12,102) | (12,185) | 83 |
| Total Income | (56,733) | (55,335) | (1,398) |
| Total Net Cost | 21,492 | 24,039 | (2,547) |
| Contributions from Reserves | (1,413) | (1,219) | (194) |
| Financing Transactions | (8,680) | (10,194) | 1,514 |

| | | | |
|----------------|--------|--------|---------|
| Total Net Cost | 11,399 | 12,626 | (1,227) |
|----------------|--------|--------|---------|

- 3.2 The working budget figures in paragraph 3.1 above and in Appendix 8 may differ from the revised budget as subsequent virements and approved supplementary estimates have been included. The details of the main variances are shown in the outturn statements in Appendix 8 and the notes to Appendix 1.
- 3.3 As part of the budget monitoring process carried out in 2005/06, the Scrutiny Panels considered budget reports during the year. Details of the outturn by service are included in Appendix 8.
- 3.4 The relevant Scrutiny Panels will consider detailed outturn figures and variances in the next round of meetings. Most service divisions came in under their budgets (after allowing for additional FRS17 pension contributions and capital financing changes which were outside their control) giving a net overall underspend on the General Fund activities. Some comments on the variances by service are given in the following paragraphs.
- 3.5 Chief Executive (-£67k): the main areas of underspend are covered by requests to carry forward funds which were unable to be spent in 2005/06 or were vired in from other services.
- 3.6 City Secretary & Solicitor (-£108k): the underspend arose mainly from vacancy management where difficulties were being experienced in recruiting staff and some vacancies being held where work programmes had been amended. This is reflected in some requests to carry forward funds to 2006/07.
- 3.7 Finance (-£178,000): the principal variance is additional benefits subsidy in respect of 2004/05 (£170,000); a specific incentive grant (£80,000) for successfully reducing overpayments of benefit; additional revenue grant from the Improvement and Development Agency (£100,000) towards IT costs; and reduced IT contract costs following re-tender of the contract (£25,000). These have been offset by additional costs for agency staff (£90,000) and IT consultancy (£90,000) and an accounting adjustment in respect of pension costs (£40,000).
- 3.8 Environmental Services (-£239k): the main variance was that reported to Cabinet in February (CAB1197) when it was agreed that the balance of the recycling budget for Alternative Weekly Collection of refuse across the district should be carried forward to 2006/07.
- 3.9 Strategic Housing (-£782k): this is a capital financing variance that results primarily from the reduced payments to Housing Associations arising from the reduced availability of pooled capital receipts from 'right to buy' sales to cover grants for affordable housing schemes.
- 3.10 Community Development (-£505k): this is also a capital financing variance that arises from delays in payment on the capital programme for the grant to Swanmore Community College and capital sports grants.
- 3.11 Estates Division (-£509k): part of this is a capital financing variance, part arises from an underspend on maintenance of operational buildings and part arises from additional income from rent reviews, insurance damage recovery and contributions towards costs from the developers of Silver Hill.
- 3.12 Engineering Division (-£164k): the main variance was a backdated refund of business rates on car parks, there were also some staff vacancies during the year.
- 3.13 Cultural Services (-£231k): this is mainly a capital financing variance that arises from delays in payment on the capital programme for the groundworks at the Winchester

Cultural Centre and a revenue variance from better than expected trading results for the Guildhall.

- 3.14 The Planning Division is the only budget that is overspent (£252k): the variance is in Development Control and arises from additional staff and agency costs in the first part of the year together with a lower income figure than expected. Action was taken during the year to replace agency staff and consultants with employees so the budget overspend has not continued into 2006/07. Income was down as the Silver Hill planning applications expected in 2005/06 were not lodged until 2006/07 (with a consequent increase in income for 2006/07).

4 General Fund Balance and Earmarked Reserves

- 4.1 The underspend on the General Fund in 2005/06 means that a lower net contribution needs to be taken from the Major Investment Reserve, which was set up to provide future funding for both revenue and the capital programme.
- 4.2 Earmarked reserves totalled £5.9m at the end of the year. The bulk of these reserves cover Bapsy bequest interest (£0.4m), car parks (£1m), insurance (£0.4m), grants (£0.2m), open spaces (£1.4m), Whiteley (£0.8m) and IT (£1.3m). Details are given in Appendix 5.
- 4.3 The HRA working balance decreased by £0.25m to £1.16m. Of this £0.33m is an insurance reserve, leaving £0.83m as the operational working balance. The reduction in the working balance arises primarily from a shortfall in rental income against the revised budget and will be reported to the Social Issues Scrutiny Panel.

5 Managed Savings and Carry Forwards

- 5.1 The current policy approved in Financial Procedure Rules is

"Carry forward to the immediately following financial year of planned underspendings will be allowed up to the value of £25,000 for each department with the approval of the Director of Finance where he/she is satisfied that the underspendings have arisen from managed savings and that the proposals for spending them in the following year do not create an ongoing revenue commitment and are consistent with the relevant policies. Any new proposals which for any department exceed £25,000 in total for carry forward of underspending from one year to another must be submitted to Cabinet so that they are assessed against the Council's strategic priorities. Proposals to carry forward will require Council approval if they exceed £500,000 in total for revenue proposals and £1,500,000 in total for capital schemes."

- 5.2 Where savings against budget do not come strictly within the definition of managed savings but the department wishes to seek a carry forward of an amount for a particular reason this would normally require a supplementary estimate in the ensuing year
- 5.3 Appendix 6 lists all the proposals for managed savings and requests for budgets to be carried forward.
- 5.4 If approved, the requests to carry forward items of £442,205 will increase the 2006/07 budget by that amount. These items are one-off increases and will not increase the base budget.

6 Winchester Town

- 6.1 Appendix 2 shows the position for Winchester Town. A commentary on the variances is included in the appendix.

7 Financing Transactions

- 7.1 Appendix 3 gives a summary of financing transactions. Net external investment income was £0.1m more than anticipated at revised budget time. Capital financing recharges to service budgets were £1.6m less than anticipated at revised budget time – this was due to a combination of capital programme slippage and reduced capital receipts (the pooled part of which funds affordable housing contributions).

8 Capital Programme

- 8.1 A separate report on capital outturn for 2005/06 (CAB1268) is considered by Cabinet elsewhere on this agenda.
- 8.2 The Prudential Code has been developed as a professional code of conduct to ensure that the capital investment plans of the authority are affordable, prudent and sustainable so, although it is no longer necessary for the Council to make formal determinations in relation to capital, details of capital financing are reported to Members as part of our compliance with the Code. The detail of the relevant information is contained in Appendix 7.

9 Collection Fund

- 9.1 A summary of the Collection Fund is shown in Appendix 4. Overall the Fund is showing a surplus of £108,000 compared with a revised budget surplus of £53,000. This surplus will be shared between this Council, the County, the Police Authority and the Fire & Rescue Authority.

OTHER CONSIDERATIONS:

10 CORPORATE STRATEGY (RELEVANCE TO):

- 10.1 Preparation of the budget had regard to the corporate strategy. Monitoring of income and expenditure and review of the final position is an intrinsic part of measuring whether the Strategy's objectives have been achieved.

11 RESOURCE IMPLICATIONS:

- 11.1 As discussed in the body of the report.

BACKGROUND DOCUMENTS:

Operational and financial records held in the Finance and other Departments.

APPENDICES:

- Appendix 1 General Fund Summary of Expenditure
- Appendix 2 Winchester Town Account
- Appendix 3 Financing Transactions
- Appendix 4 Collection Fund
- Appendix 5 Major Reserve Balances at 31 March 2006
- Appendix 6 Requests for managed savings to be carried forward to 2006/07
- Appendix 7 Capital Determinations
- Appendix 8 Outturn summaries by department