
REPORT TO: FINANCE & MANAGEMENT
COMMITTEE

AGENDA ITEM:

9

DATE OF
MEETING: 25th July 2002

CATEGORY:
RECOMMENDED

REPORT FROM: CHIEF FINANCE OFFICER

OPEN

MEMBERS'
CONTACT POINT: TERRY NEAVES (595800)

DOC:
c/ks/myfiles/finalaccounts/budget
out-turn report 2002

SUBJECT: BUDGET OUT-TURN 2001/2002

REF:

WARD(S)
AFFECTED: ALL

TERMS OF
REFERENCE: FM08

1. Recommendations

Members are asked to note

- (i) The out-turn position for the General Fund 2001/2002
- (ii) The out-turn position for the Housing Revenue Account 2001/2002
- (iii) The out-turn position for capital 2001/2002

Members are asked to approve

- (iv) Proposed revenue contributions to earmarked reserves
- (v) Proposed capital schemes to carry forward
- (vi) Additional revenue spending items
- (vii) Additional capital spending items

2. Purpose of Report

- 2.1 To inform members of the budget out-turn for 2001/2002 and identify implications for the Council's Financial Strategy and projections for 2002/6

3. Detail

Context

- 3.1 The Council's Statement of Accounts will be submitted to Council by the end of September, within the statutory guideline.
- 3.2 In advance of preparing the statement of accounts, all the work necessary to close the Council's accounts is now complete.
- 3.3 This report therefore sets out the final out-turn position for 2001/2002.

Financial Background

- 3.4 Members will be aware that in 2000/1 Council finances began to turn the corner, with balances improving to a more prudent and realistic level. At the same time the Council began to focus on the spending commitments over a three-year period. This has helped it to plan more realistically for the future.
- 3.5 During 2001/2 Council Officers were able to continue the work of steering Council Finances in a more positive direction. Close monitoring helped managers and finance staff to control their spending effectively.
- 3.6 The final out-turn shows that this has been successful with final spending well within budget.

REVENUE

Budget Out-turn 2001/2: General Fund

- 3.7 Actual net revenue expenditure for 2001/02 was £6,789,490 compared to the probable estimate of £7,185,030. This is equivalent to savings of **£395,540**. Details are shown in **Annex A**, along with the impact on reserves and the 3-year projection.
- 3.8 Predominantly these savings arose from the following sources
- ❖ **Staff Savings** – a higher than average turnover of staff, albeit not an abnormal one by other councils' standards, meant that savings were made with posts vacant prior to the appointment of a successor. This was also a result of careful scrutiny by the Council's Corporate Management Team before allowing vacated posts to be filled.
 - ❖ **Benefit Subsidy** – the level of DSS subsidy to cover the cost of providing Housing Benefit is always difficult to predict.
 - ❖ **Soft Split DSO** – as part of the new monitoring regime, more detailed trading accounts have been introduced for the DSO, which has led to tighter control over these costs.
 - ❖ **Interest Payments & Bank Deposits** – lower interest rates on temporary borrowings and interest earned on capital receipts generated additional resources for the Council.

Earmarked Reserves

- 3.9 During the closedown process it has been evident that some of the savings will need to be set aside to meet future known commitments originally envisaged to be met from 2001/02 budgets. Therefore in line with requests, earmarked reserves of £73,842 to provide resources for future spending commitments have been set-aside, and these are set out in detail in **Annex B**. These include:-
- ❖ Printing and publishing of Best Value Performance Plan
 - ❖ Conservation grants
 - ❖ Consultants fees (Woodville Polymer)
 - ❖ Housing Needs Survey
 - ❖ Water charges on vacant properties

General Reserves

- 3.10 After taking into account transfers from and to earmarked reserves, general (usable) reserves then increase by £386,726 to £1,922,186, as at 31st March 2002, compared to an anticipated level of reserves of £1,535,460.

Looking forward to 2002/3 and beyond

- 3.11 The original 3-year forecast is summarised in the table below.

	2002/3 £'000	2003/4 £'000	2004/5 £'000
Net Revenue Spending	7,810	8,362	8,601
Met by			
➤ Government Grants	4,728	4,823	4,919
➤ Council Tax	3,235	3,416	3,639
➤ Earmarked Reserves	16	0	
Gross Surplus (deficit)	169	(123)	(43)
Transfers to commutation reserve	(321)	(266)	(176)
Addition (reduction) balances	(152)	(389)	(219)
Projected Balances	1,383	994	775

- 3.12 The Council is committed to phasing out its reliance on the commutation adjustment over the next 3 financial years. Essentially the Council has agreed to make total contributions of £763,000 over the next three financial years to the commutation reserve.
- 3.13 This policy accounts for a planned reduction in general reserves of £608,000 over the 3-year period. This is regardless of any new spending pressures that the Council seeks to address.
- 3.14 This projection has now been revised to take account of some of the known changes stemming from the out-turn. This is summarised in the table below.

	Act 2001/2 £'000	2002/3 £'000	2003/4 £'000	2004/5 £'000
Net Revenue Spending	6,789	7,881	8,459	8,654
Met by				
➤ Government Grants	4,612	4,728	4,823	4,919
➤ Council Tax	3,074	3,236	3,416	3,639
➤ Earmarked Reserves	126	16	0	0
Gross Surplus (deficit)	1,023	99	(220)	(96)
Transfers to commutation reserve	(237)	(321)	(266)	(176)
Addition (reduction) balances	786	(222)	(486)	(272)
Projected Balances	1,922	1,700	1,214	942

3.15 The revised projection set out in detail in **Annex A** takes into account the final out-turn budget position for 2001/2. However, the overall 3-year projection now also takes into account new spending pressures that will have an impact on Council budgets over the next few years. These include: -

- **National Pay Award** – provision for costs stemming from the current year's pay award.
- **National Insurance Costs** – employers NI costs were increased in the last budget and this will have an increase on Council budgets from next year 2003/4
- **Previously agreed additional staffing costs** – members have recently approved changes in staffing in both Legal and Democratic Services and the Housing Department that will lead to extra costs
- **Travel Concessions** – costs in this area have shown a steady increase and the council has no control over the level of take-up of these concessions.

3.16 Any projection should be viewed with a degree of caution. Although every effort has been made to take into account known spending pressures, some are less predictable. There are a number of factors, which will affect this current projection. These are listed below: -

- (i) This ignores all of the new spending pressures and priorities that the council may wish to focus on over the next few years – if the Council wishes to find money for these new priorities it can only come by achieving savings elsewhere.
- (ii) The projection assumes overall inflation of 3% - again increases above this level will have an impact on costs.
- (iii) The projection also assumes that the current level of central government support continues to rise by approximately 2%. Again this may be subject to considerable changes with the review of government grant distribution currently underway.

3.17 Nevertheless the three-year forecast provides considerable reassurance that the Council's finances are stable. It also gives the Council enough time to deal prudently with the impact of any change on its finances.

3.18 More generally the projection indicates that the Council is in a position to prudently use some of the under-spending to address new service pressures.

Addressing New Revenue Spending Pressures

3.19 The Service & Financial Planning Working Group met on the 26th June 2002 to consider bids for additional revenue funding. Some of these bids had already been considered at the time of the last budget round but did not proceed due to limited council resources. Other bids reflected new pressures that the Council was facing.

3.20 All bids had previously been scored against agreed assessment criteria by a member/officer evaluation panel. The results of this scoring are set out in **Annex C**.

3.21 The Working Group considered these bids carefully and proposed that the following schemes totalling £169,200 should proceed for funding.

One-off Schemes – i.e. schemes that require funding in one year only.	2002/3 £
Gresley Common – works to help prevent traveller nuisance on Gresley Common through erection of bollards to prevent vehicle access to site.	12,500
Play Equipment – assess standard of existing play equipment and provide risk assessment	2,500
Leisure Centre Car Park – crime prevention CCTV linked cameras	3,500
Council Offices – repair and refurbish parts of building to improve working environment for staff and facilities for visitors	20,000
Crime reduction in parks – contribution to pilot scheme looking at reducing the problems of nuisance in council parks	3,000
Derby & Sandiacre Canal Trust – contribution to the work of the trust as it prepares a business plan to secure funding for regeneration of the canal network	2,000
Environmental Health – additional work to capture property details for new computer system	950
Total	44,450

On-going schemes – these will require permanent funding from the Council and therefore the three year impact on the Council has been assessed for these projects.	3 Year Cost £
Elections & Administrative Assistant – to provide additional full time support to maintain the rolling electoral register in preparation for District Elections	28,000
Continuation of Recycling Centres – collection vehicle to collect from existing recycling sites	45,000
Land Searches – additional administrative support to deal with increased complexity and volume of Con 29 searches	39,750
Refuse collection – collection of side refuse and maintain service at bank holidays.	12,000
Total	£124,750

3.22 The impact on forecast balances over the next 3 years is shown in the table below (this also includes estimated on-going costs of around £8,000 p.a. of proposed new capital schemes – see 3.33 below).

	2002/3 £'000	2003/4 £'000	2004/5 £'000
Projected balances at year end	1,612,437	1,073,340	748,443

Housing Revenue Account

3.23 Members will also remember that the financial stability of the Council's Housing Revenue Account improved last year with balances at a more prudent level. This has continued in 2001/2 and places the Council in a good position to address some of the key challenges that the Housing Service faces over the next few years.

- 3.24 Overall the Housing Revenue Account achieved a surplus of **£312,000**, compared to that budgeted of £129,000 (an increase of approximately **£183,000**). Full details are shown at **Annex D**.
- 3.25 Essentially this improved position is the result of the following factors:
- ❖ **Housing Repairs** – the department has continued to control this area of spending tightly within budget. Members will be aware that this area has previously placed considerable pressure on council finances. It is proposed that these resources are carried forward and recycled back into repairs during 2002/03 to supplement planned maintenance programmes.
 - ❖ **DSO Surplus** – the Housing Revenue Account also benefited from the surplus achieved by the Housing DSO in the year 2000/2001.
- 3.26 The overall position is that working balances now stand at over **£1.2m**, with a further £97,000 earmarked within the covenant repayment reserve. The current HRA balances position, together with an updated 3-year projection is shown in **Annex E**.
- 3.27 Overall the projection indicates HRA balances at approximately **£627,000** at the end of the overall 3-year forecasting period. This is comfortably above the minimum required of £500,000. However, pressures on the HRA such as Right to Buys, the potential effects of rent restructuring and the stock options review, mean that caution is still required.

CAPITAL

Capital Spending

- 3.28 Total Capital Spending at the end of last year was £5,257,541. This was divided between the Housing Investment Programme (£3,099,203) and General Fund Schemes (£2,158,338). Details are shown in **Annex F**.
- 3.29 Included within the above spending, a considerable amount of Housing Investment is funded through the Major Repairs Allowance. Actual spending against the allowance of £1,937,660 was £1,649,957 in 2001/2. In accordance with Government guidelines, it is proposed that the balance of £287,703 be carried forward in the Major Repairs Reserve to be spent in the current financial year (2002/3).

Capital Resources

3.30 The table below summarises the current usable capital receipts. These are split between Housing and General Fund Receipts, and other contributions – mainly Section 106 Agreements.

	Total	General Fund	Housing	Other
Balance b/f 1 st April 2001	752,313	39,168	106,981	606,164
• Received in year 2001/02	9,118,689	107,364	7,672,443	1,338,882
• Set aside	-4,419,759	-1,183	-4,418,576	0
• Applied to fund schemes	-2,726,642	-145,189	-1,491,484	-1,089,969
Balance c/f 31 st March 2002	2,724,601	160	1,869,364	855,077
• Schemes to be completed	-100,000			
• Section 106 Agreements	-855,077			
Balance available	1,769,524			

Notes

- Only Housing Receipts are subject to set aside for debt repayment
- Schemes to be completed – relate predominantly to general fund schemes
- Section 106 agreements are where the council has contributions from developers, which are identified for specific purposes.

3.31 The Council has the freedom to use the above capital resources for either housing or general fund schemes.

3.32 The above capital receipts need to be viewed in context i.e.

- They stem from major land sales that will not be repeated on an annual basis
- Once used they are therefore unlikely to be easily replenished.
- Capital Resources are still scarce and as such should only be used on those schemes that are an absolute priority

Addressing New Capital Spending Pressures

3.33 The Service and Financial Planning Working Group also took the opportunity to consider new capital spending pressures. Again these were based on bids submitted by both members and officers. These have been evaluated against set criteria by a member/officer panel.

- 3.34 The schemes and the results of the evaluation are set out at **Annex G**. Members of the Service and Financial Planning Working Group recommended drawing a total of £257,000 from capital resources for the following schemes.

	2002/3	2003/4
Lifeline – improvements to emergency response system for elderly and vulnerable residents	45,000	
Sheltered Accommodation – upgrade and improve internal far doors	20,000	
Rosliston Forestry Centre – landscaping works to car park (£12,000). Log Cabins to attract staying visitors (£25,000)	37,000	
Community Partnerships Scheme – to provide assistance to community groups to gain access to other external funds	50,000	
Hatton Watercourses – initial feasibility study to look at potential to extend existing flood prevention measures	15,000	
Housing Grants – additional funds for disabled facilities grants	50,000	
Heritage Economic Regeneration – additional grant aid for Town Centre shop front improvements.	20,000	20,000
Total	£237,000	£20,000

4. Financial Implications

- 4.1 These are set out within the body of this report.

5. Conclusions

- 5.1 The budget out-turns for 2001/2 confirms that South Derbyshire District Council has stabilised its financial position.
- 5.2 The Council is now planning prudently to use resources, as they become available to help to address new spending pressures that the Council is beginning to face.
- 5.3 The future still holds many financial challenges for the Council, which still need to be addressed if it is to develop sustainable council finances and services into the future.
- 5.4 The Council will also continue to face difficult decisions as it seeks to respond to the changing needs of both local residents and central government, which influence the services it provides.