

APPENDIX D
Agenda Item No. 7

QUARTERLY DIGEST – 1 April 2003 to 31 March 2004 Head of Finance

0.1 Purpose

This report presents the Quarterly Digest covering the period from the 1 April 2003 to 31 March 2004 for consideration by the Scrutiny Committee. This is therefore the year end report and presents the outturn position for the Council's budgets.

2.0 Recommendation/For decision

Members are requested to consider the digest and its content.

3.0 Supporting Information

3.1 This report presents the digest covering the whole financial year from 1 April 2003 to 31 March 2004 for members' consideration. The digest has previously been circulated and the draft outturn position has been previously considered by Cabinet on the 1st June 2004.

3.2 A copy of the Cabinet report is attached as appendix 1 and this explains the overall position. The position as reported to Cabinet on the 1st June 2004 was a provisional draft. Since this date it has been refined and the year end contribution to balances is now slightly lower as a consequence.

3.3 The digest presents spend compared to budget position for each service the Council operates and includes an explanation for all significant variances. The analysis is also split between the main functions of the Council and includes separate sections for the General Fund, Housing Revenue Account and Capital budgets. Performance indicator information is also included in order to give some context to the budgetary information.

3.4 Because of the range of topics covered by the digest and the difficulty in ensuring that the appropriate officer is on hand to answer questions it is proposed that only those detailed questions notified to the Chairman in advance of the meeting, using the tear off sheet at the back of the digest, will be dealt with.

4.0 Options Considered

4.1 The report deals with issues of factual reporting and so options are not appropriate.

5.0 Reasons for Recommendation

5.1 The Scrutiny Committee has the digest included on its forward plan for consideration as a regular item and this report presents it for consideration.

6.0 Resource Implications

- 6.1 The resource implications are as detailed within the digest. The digest represents the main forum for reporting budget performance to members.

7.0 Response to Strategic Objectives

- 7.1 The digest covers all budgets and the statutory performance indicators of the Council and therefore provides valuable information as to the progress in delivering all strategic objectives.

Contact Officer: Andrew Small Telephone: 01296 585507
Background Documents: The Quarterly Digest – April 2003 to March 2004
The approved budgets as contained within the Revenue and Capital Estimate Book –
2003/4

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APPENDIX

PROVISIONAL GENERAL FUND BUDGET OUTTURN FOR 2003-04

Head of Finance

1.0 Purpose

This report gives the expected final position for the General Fund for the financial year that ended on 31st March 2004. At this time the figures are provisional as there are a small number of year end accounting matters to finalise and the accounts will still be subject to review by our External Auditors. The March Quarterly Digest, which is issued to all Members, will give full details of the position for each cost centre whilst this report will concentrate of the higher level position and the main issues affecting it.

2.0 Recommendations

- 1.1 That the provisional outturn position be noted. (paras 5.2 and 7.1).
- 1.2 Approved the transfer to reserves of those sums identified in paragraph 6.1.

2.0 Background

- 2.1 The Council's budgets are set in February for the year commencing the following 1st April. These budgets are based upon information, trends and projections formulated over the period from September to February. Whilst the budget information is as reflective as possible of the up-to-date situation, there are many areas where uncertainty exists to greater or lesser degrees. It is therefore almost certain that variances from budget will occur during the year.
- 2.2 Budget performance is monitored on an ongoing basis throughout the year with monthly reports going to the Council's Management Team and comprehensive quarterly reports being issued to all Members in the form of the Quarterly Digest.
- 2.3 Clearly production of such reports is of little value without active monitoring and management of budgets by the Council's Accountancy staff and the numerous budget Managers. This generates the important information that informs the wider Council on variations to the position expected at budget setting. Active budget management is about identifying problem areas that require corrective action or improved situations that may offer opportunities.
- 2.4 The main focus of budget management reports during the financial year is the forecast outturn position for the end of the year.
- 2.5 With several thousand individual budget items and gross expenditure of over £40 million the potential for movement up or down on the set budget is significant. Recognising those movements where and when they occur and assessing the implications and re-forecasting the outturn position promptly has been our priority.

4.0 Forecasts and Provisional Outturns

- 4.1 In previous years we have seen a large number of outturn variations against budget that had not been identified before the year end. Last year that situation was very much improved because of the efforts of budget managers in recognising and reporting variances early where they believed they were going to occur. However, as with every year (for the reasons given in paragraph 3.1) there were still a number of significant movements but, as reported, these were largely forecast and reflected in reporting as the year progressed.
- 4.2 This had the added advantage of allowing changing situations to be better reflected in budget planning. That compounds the benefit of good forecasting by creating a better budget base and restricting, if not removing, the potential for change.
- 4.3 The single indicator that shows overall General Fund budget performance against the expected situation is the figure for use of contribution to balances.

5.0 General Fund

- 5.1 Although predicted and reflected in the reporting during the year the actual outturn under spending is still significantly more than forecast.

5.2

	Provisional Outturn	In Year Forecast
Budgeted contribution to balances	417,000	417,000
Agreed Changes to use of balances	96,520	96,520
Under spending against budget	1,162,404	556,140
Actual Contribution Balances	1,675,924	1,069,660
Less Approved Requests for Tolerance	179,628	
Increase in General Fund Balances	1,496,296	1,069,660

- 5.3 Actual under spending / additional income generated in the year amounted to £982,776 once approved requests for tolerance had been removed. This figure is £426,636 higher than predicted. Whilst the figure is higher than that forecast it did mainly occur in those areas where the forecast predicted that it would and to this extent confirms that the budget monitoring and reporting system is working.
- 5.4 The main reasons for the variance relate to additional income, which could not have been foreseen at the time the budget for 2002/03 was set. In particular;

Car Parking (£223,000) – The introduction of the Special Parking Arrangement during 2003/04 transferred a considerable element of the Council’s existing cost into the newly created Parking Revenue Account. The details of the scheme were still being resolved when the budget was set and the final share of cost agreement was not resolved until May 2004. (In Year Forecast £128,000)

Industrial and Commercial Property (£240,000) - The income for industrial property for 2003/04 has been better than expected mainly due to the success in ensuring the portfolio is almost fully let. The result has been that the net position on industrial property shows a surplus for the year. This needs to be set against the emergence of unbudgeted items of essential work. These relate to the asbestos survey

for the whole of the stock and the provision of external recourses to meet the cost of undertaking a large programme of lease renewals. (In Year Forecast £165,000)

Planning (£171,000) - A significant part of this relates to the award of Planning Delivery Grant by the Government. The allocation was not made until after budgets had been approved for 2003/04. The late announcement of the award together with awards to other Council's in the neighbouring area made it difficult to recruit staff who by their nature are specialist and highly sought after. The remainder relates to lower fees charged by a depleted Design Services division. (In Year Forecast £127,000)

Other areas include Information Technology which benefited from a Government Grant towards the cost of implementing E-Government which needs to be carried forward into 2004/05, Audit Fraud who managed to earn Government Grant of £70,000 for fraud detection and conviction and Environmental Health who had difficulty in recruiting qualified staff in 2003/04.

- 5.5 In addition the Authority also received backdated business rate assessments on both the Civic Centre and the Swan Pool. Combined these totalled £106,000 and are included within the reported under spend position. As a prior adjustment this figure has been added to General Fund working balances.

6.0 Application of Under Spends

- 6.1 Some of the under spending arising during the year is also matched by expected higher costs in future years. Whilst the two are not always directly related it would seem prudent to earmark some of the under spending this year (whilst it's available) to offset future costs in the same areas. Areas where this is considered to be appropriate include;

Industrial and Commercial Property – Whilst this area has generated significant additional income in 2003/04 it has also been recognised that the Council is obliged to carry out an asbestos survey on these properties in 2004/05. In addition a significant number of the leases that the Council grants to tenants are due to be renegotiated in 2004/05. This peak of workload cannot be accommodated within existing staffing resources. It is therefore recommended that £150,000 be placed into a reserve to offset this cost in 2004/05.

Planning – The Planning Delivery Grant is awarded annually to the Council to help improve service delivery. In order to achieve this improvement it has been necessary to recruit staff on fixed term contracts that extend beyond the guaranteed range of the Grant. It is therefore recommended that a proportion of the un-spent grant from 2003/04 (£55,000) be put aside to meet any unfunded salary costs in future years.

Revenues – Undertook a restructure in 2003/04 which will incur additional pension strain costs. As the restructure also generated savings for the Revenues section it is recommended that these savings (£100,000) be set aside to offset the future pension strain cost.

7.0 Implications for Financial Planning

- 7.1 If the transfers to reserves above are approved then the year end contribution to General Fund working balances will be £1.2 million and this is £800,000 higher than originally planned. This will result in a working balance figure of £4,016,000.
- 7.2 The agreed optimum minimum level for balances is £1.7 million. The medium term budget strategy includes use of balances over coming years to bring us down to that level. The latest figure used in future year's budget planning for balances at 1st April 2004 was £ 3,301,000. The higher balances figure will be considered as part of this year's revision to that forecast within the wider budget planning.

8.0 Options Considered

The report deals with the current projected General Fund position for 2003-2004. There are no options for consideration.

9.0 Reason for Recommendation

It is part of the Council's agreed reporting framework to inform members of the anticipated outturn position on the Council's General Fund.

10.0 Resources Implications

These are identified in paragraph 7.

11.0 Response to Key Aims

None directly

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Background papers: Quarterly Digest June 2003
Quarterly Digest September 2003
Quarterly Digest December 2003

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