

**THE EXECUTIVE**

**Tuesday, 20 July 2004**

**Open Report**

**Agenda Item 13. Council's Revenue and Capital Outturn 2003 / 2004  
(Pages 1 - 17)**

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**THE EXECUTIVE****20 JULY 2004****REPORT OF THE DIRECTOR OF FINANCE****COUNCIL'S REVENUE AND CAPITAL OUTTURN 2003 / 2004****FOR DECISION**

*This report relates to the regular monitoring of the Council's budget and shows the outturn position for both the Council's revenue and capital expenditure in 2003 / 2004.*

**Summary**

The report provides the Executive with the Council's revenue and capital outturn position for the financial year 2003/04.

For revenue, it highlights that the final position is an overall underspend of £1.891 million, after carry forward requests from Departments.

For the Housing Revenue Account, the final working balance shows an improved position of around £570,000 to £2.062 million.

For capital, the final position shows that £91.1 million has been spent out of the original budgeted programme of £96.7 million.

The report also covers the position on relevant carry forward requests from Departments for both Revenue and Capital, which need to be approved by Members.

The report finally deals with recommendations for use of the revenue underspend.

**Recommendations**

The Executive is asked to:

1. Note the final outturn position of the Council's revenue and capital budgets for 2003/04.
2. To reaffirm that service overspends identified be met initially from the relevant Department's 2004/05 budget and that the Director of Education, Arts and Libraries reports back on the 2004/05 budget position with relevant action.
3. Note the position of the working balance for the Housing Revenue Account.
4. Approve the carry forwards from the Revenue budget to be incorporated into the relevant 2004/05 Departmental budgets (Appendix B).
5. Approve the carry forwards, for categories A, B, D and E (i.e. committed and rolling programmes), from the 2003/04 Capital Programme to be incorporated into 2004/05 relevant service capital programmes (Appendix D).
6. Approve that the roll forward requests for category C schemes undergo an appraisal through the CPMO process and that these schemes only proceed with the appropriate approval (Appendix E).

7. Approve that the appropriate 2004/05 budgets be adjusted for advanced expenditure in 2003/04 (Appendix F).
8. Approve the funding of £1.1 million for ICT infrastructure works from the revenue underspend (paragraph 6.1.1).
9. Approve that £255,000 be allocated to Education for Looked after Children from the revenue underspend (paragraph 6.1.2).
10. Approve the establishment of an Interest Equalisation Reserve of £300,000 from the revenue underspend (paragraph 6.1.3).
11. Approve that the remaining revenue underspend of approximately £250,000 be allocated to General Reserves (paragraph 6.1.4).

### **Reason**

As a matter of good financial practise, the Executive should be regularly updated with the position on the Council's budget.

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## **1. Overview**

- 1.1 At the end of 2003/04 the Council has a net underspend of £1.891 million against a profiled budget for the year of £205.2 million, 0.9% under budget. The full detail is included in Appendix A.

	<b>Budget 2003/04</b>	<b>Expenditure 2003/04</b>	<b>Over/(under) spend 2003/04</b>	<b>Roll Forward Requests 2003/04</b>	<b>Overall Position 2003/04</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General Fund Services	205,200	201,385	(3,815)	1,924	(1,891)

- 1.2 This can be analysed as a £3.815 million service underspend, which is offset by carry forward requests from Directors of £1.924 million to produce an overall underspend for the year of some £1.9 million.
- 1.3 The position for Service budgets showed an overall underspend of £1.2 million against a budget of £220.4 million. Within this sum there were overspends in the Education Department's budget of £1.080 million and Regeneration Partnerships of £127K. All other Departments showed underspends. Members will recollect that specifically for Social Services an Action Plan was introduced to reduce a projected overspend of some £1 million, which has more than been achieved.
- 1.4 Other factors contributing to the overall underspend are the unused contingency sum of £965,000 and the favourable position of interest on balances of £1.6 million.

## 2. Service Position

2.1 Details of each area of the Council's financial position are provided in Appendix A. There are a number of variations to individual service accounts and relevant explanations are provided below. The main explanations provided for these variances are as follows:

### 2.2 Education, Arts and Libraries

In respect of this Department, the position shows an overspend of £1,080,000, split £975k for Education and £105k for Libraries. For Education, the early projections for the year indicated an overspend of £1.3 million, with later projections in the early part of 2004 that this could be reduced to £300,000. An action plan was implemented by the Director in the early part of 2003/04 to help alleviate this position. However, this has not been the case and the explanations for the overspend are as follows:

#### Education

- **Special Educational Needs (SEN) Transport (home to school) + £200,000**  
This has been demand-led, but is being partially abated by a reduction in the number of pupils educated outside the borough. In year, a further 11 vehicles had been leased to deal with this issue. A revised transport policy is also being developed within Education to reduce dependence on taxis and a review of school bus routes. Additionally, the SEN Service has now transferred to the Department of Regeneration and Environment and a review of all routes and practices is to be implemented in 2004/05.
- **Education IT + £180,000.** The intention was to ensure that this Service was self-financing with a view to seeking additional external funds. These funds have not materialised for the year. For 2004/05 the position has been addressed as part of the revision of the costs for schools buy back for this service.
- **Youth Service + £100,000.** Additional external funding was sought to achieve an underspend in the Youth Service budget by £100,000 to assist with the Education department overspending issues. The funding has not been forthcoming and the Service, although achieving a balanced budget for the year, has not been able to contribute to Education overspends elsewhere.
- **New SEN Units + £500,000.** The Living and Learning Centre and Cambell School EBD units were both opened in the Autumn of 2003. The running costs of these two units were not contained within the overall spending requirements of the Department.
- **New Deal Standards Fund + £200,000.** This money was committed to a capital programme item rather than to support the revenue budget.
- **School Standards Fund – Tuition – £150,000.** This money was available to support expenditure incurred by the Tuition Centre.

## **Arts, Libraries and Cultural Services**

- **Catering and Functions income + £15,000.** An underachievement of this income against the budget.
- **Adult Skills – funding + £75,000.** A lower level of funding than anticipated from the London Development Agency and Learning Skills Council.
- **Supplies and Services budgets + £14,000.** Overspends against various budget heads.

Further work is being undertaken on the reasons for the variation in overspend from that reported to the Executive earlier in the year.

The Executive (24.02.04) has previously agreed that any projected overspend would need to be considered to be met from the following years service budget. At the time the Education position was indicating a £300k overspend. It is recommended that at least £300k of the overspend is met from the 2004/05 budget and a further report made on the extent to which the remaining overspend should be recovered from the 2004/05 budget, setting out the relevant service implications. This will also need to cover any ongoing revenue implications.

### **2.3 Regeneration Partnerships**

The overspend of £127k results primarily from additional external funding that was to be expected from various Partnerships. The issue has now been addressed as part of the 2004/05 budget.

### **2.4 Other Services**

All other services have underspent their allocated budget for 2003/04. Appendix B attached shows the areas where Directors have requested roll forwards of their revenue budget to meet the underspend areas from 2003/04.

## **3. Interest on Balances**

- 3.1 The current position is that this area of the budget has proved to be buoyant and that final position shows a favourable variance of £1.6 million at the year end. The favourable position has arisen due to performance on investments being better than expected coupled with a larger investment base due to earlier Capital receipts being generated from land disposals and right to buy sales and an underspend in the projected level of the capital programme. This positive position has allowed the strengthening of Council reserves at the year end.
- 3.2 Interest receipts can be volatile, although at the currently relatively low level of interest are less so. As part of the Medium Term Financial Strategy (MTFS) agreed at Assembly on 3 March 2004, it was recommended that consideration be given to establishing an interest equalisation reserve when the 2003/04 accounts are closed, if there are underspends available to establish such a resource. The favourable outturn position for this year could allow this to be implemented. Therefore, it is recommended that an interest equalisation reserve is established with the use of £300,000 of the revenue underspend.

#### **4. Housing Revenue Account**

4.1 The final position for the Housing Revenue Account shows that there is a working balance at the end of 2003/04 of £2.062 million compared to the budgeted figure of £1.495 million, an improvement of £567k. The main reasons for this improved position are;

- Rent of dwellings was estimated to fall due to an increase in demand for RTB sales following proposed changes in Government legislation. Due to a combination of an over estimation of the increase in sales, and many sales being completed during the latter part of the financial year, the loss of rental income was not as great as originally estimated.
- The rent of the Housing commercial properties i.e. shops, which are managed by the Department of Regeneration and Environment, were greater due to a much higher occupancy rate than forecast.
- Service charge income from leaseholders was higher than estimated due to more flats being sold during the year.

#### **5. Revenue Roll-forwards**

5.1 Directors have requested roll-forwards from their 2003/04 underspends into 2004/05 to progress with service issues and developments that were not achieved in 2003/04. These requests cover both General Fund services and the Housing Revenue Account.

5.2 The process currently adopted allows a degree of flexibility in budget management and avoids unnecessary or wasteful expenditure at the year end to spend in full a Department's allocated budget. The current process is recommended for continuation.

5.3 A detailed exercise has been undertaken regarding these requests and a summary of the position for each Department is shown at Appendix B. The total value of the roll-forward requests amount to £1.924 million for General Fund services and has been accounted for as part of the assessment of the Council's overall outturn position (paragraph 1.1). Members are therefore, invited to consider these requests and approve as necessary.

#### **6. Utilisation of Revenue Underspend**

6.1 The final position for General Fund revenue shows an underspend of £1.891 million, after accounting for roll-forward requests of £1.924 million. It is appropriate to consider the utilisation of this underspend and listed below are officer recommendations;

6.1.1 Elsewhere on the agenda for this meeting for Members' consideration and approval is a report on the renewal and enhancements of the Council's ICT Infrastructure. That report recommends that £1.1 million of the revenue underspend be used to finance these business-critical items.

6.1.2 A report on the Education of Looked After Children was presented and approved by the Executive on 29 June 2004. One of the recommendations approved was that if the revenue outturn position was favourable enough then

£255,000 could be used to support this initiative. Members are therefore invited to consider this approach as part of this report.

6.1.3 As identified in paragraph 3.2 above there is the proposal to establish an interest equalisation reserve by using £300,000 of the underspend.

6.1.4 It is further recommended that the remaining balance of the underspend, approximately £250,000, be allocated to General Reserves.

## **7. Capital Programme**

7.1 The Capital Programme has been actively managed throughout the year by the Capital Programme Management Office (CPMO) team in the Department of Regeneration and Environmental Services alongside financial input from the Finance Department. The final outturn position is that £91.1 million of this year's programme has been spent out of an overall original budget for the year of £96.7 million. This shows a 94.2% expenditure of the Capital programme compared with 81.2% in 2002/03. The breakdown by Department is shown in Appendix C.

7.2 In year, there have been various Executive decisions regarding the re-profiling of schemes, new additions to the programme and the approval of carry forwards from 2002/03. All of these decisions increased the original programme to a level of £112.7 million. However, these decisions were made in light of ensuring that there was an over programming of the budget to achieve the target of the original budget.

7.3 As part of the on-going management and monitoring of the Capital Programme it is necessary for the Executive to consider the total of carry forwards of unspent monies from the 2003/04 Capital Programme for on-going schemes. These are attached in summary and detail scheme by scheme at Appendix D and Appendix D (i) and equate in total to some £19.5 million (£24 million in 2002/03). Of this sum about £4.5 million relates to externally funded schemes, £2.2 million to Major Repairs Allowance (MRA) and £12.8 million for schemes funded from local authority resources.

7.4. As part of this exercise the unspent budgets in 2003/04 have been categorised to highlight whether they are a committed scheme, uncommitted scheme or rolling programme. This exercise has highlighted that schemes which are not committed amount to £4.158 million of the total carry forward requests of £19.5 million and are listed at Appendix E. It is recommended that these schemes undergo the relevant capital appraisal process run by the CPMO and that before these schemes proceed they achieve the relevant green light status.

7.5 Additionally, as part of the detailed monitoring of the capital programme there are some schemes which are part of rolling programmes and/or the schemes are much more advanced than originally anticipated. The relevant schemes are listed at Appendix F and total some £2.258 million of advanced expenditure in 2003/04 and, therefore, it is appropriate to reduce the 2004/05 budget figures to reflect this advanced expenditure without having any impact on the overall resources of the Capital Programme.

## **Background Papers**

- Oracle Management reports.



## Revenue Outturn 2003/04

	<u>Original Budget</u> £'000	<u>Revised Budget</u> £'000	<u>Actual</u> £'000	<u>Variation</u> £'000	<u>Roll-Fwd Requests</u> £'000	<u>Total Underspend after Roll-fwd Requests</u> £'000
<b><u>SERVICE DEPARTMENTS</u></b>						
<b>DEAL</b>						
Education Services	125,892	121,203	122,178	975		
Arts, Libraries & Cultural Services	5,022	5,050	5,155	105		
	<u>130,914</u>	<u>126,253</u>	<u>127,333</u>	<u>1,080</u>	<u>0</u>	<u>1,080</u>
<b>DLES</b>						
Environmental Services	17,336	16,266	15,773	(493)		
Planning Services	1,755	1,901	1,824	(77)		
Leisure Services	8,209	7,102	7,466	364		
Land & Property Services	841	28	(669)	(697)		
	<u>28,141</u>	<u>25,297</u>	<u>24,394</u>	<u>(903)</u>	<u>881</u>	<u>(22)</u>
<b>Regeneration Partnerships</b>	1,158	1,176	1,304	128	0	128
<b>Housing &amp; Health</b>						
Housing General Fund	2,430	3,135	2,575	(560)		
Health & Consumer Services	2,560	2,472	2,467	(5)	431	(134)
	4,990	5,607	5,042	(565)		
<b>Social Services</b>	59,125	58,948	58,189	(759)	446	(313)
<b>Finance</b>	0	0	(99)	(99)	99	0
<b>Corporate Strategy</b>	2,644	3,075	2,987	(88)	67	(21)
<b>TOTAL SERVICE DEPARTMENTS</b>	<u>226,972</u>	<u>220,356</u>	<u>219,150</u>	<u>(1,206)</u>	<u>1,924</u>	<u>718</u>
<b>Corporate Management</b>	4,964	5,267	5,222	(45)	0	(45)
<b>General Finance</b>	(34,843)	(27,582)	(29,181)	(1,599)	0	(1,599)
<b>Contingency</b>	1,913	965	0	(965)	0	(965)
<b>Levies</b>	6,194	6,194	6,194	0	0	0
<b>TOTAL</b>	<u>205,200</u>	<u>205,200</u>	<u>201,385</u>	<u>(3,815)</u>	<u>1,924</u>	<u>(1,891)</u>

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Revenue Roll-Forward Requests into 2004/05

<u>Department</u>	<u>Division</u>	<u>Description</u>	<u>Revised Budget</u> <u>£'000</u>	<u>Actual</u> <u>£'000</u>	<u>Variation</u> <u>£'000</u>	<u>Roll-forward Request</u> <u>£'000</u>
<b>GENERAL FUND</b>						
Finance						
	HR	IIP, New Computers and H&S issues	103	80	23	16
	Revenue	Staff Training	62	46	16	16
	Revenue	Postage - Required for publicity	191	119	72	45
	Procurement	Invest to Save - Delays in implementation	91	69	22	22
<b>Chief Executive</b>	CE Unit	Establish a folder of Corporate Information for all members and senior managers	343	316	27	25
<b>Corporate Strategy</b>	Policy	Design & Printing of Community Cohesion Strategy	}		0	5
	Policy	Reprinting of Community Language Cards	}		0	3
	Policy	Council Wide Open Day	1,445	1,378	67	3
	Policy	Cultural Diversity Directory for all staff	}		0	12
	Policy	Design & Printing of Anti-Discrimination Charter	}		0	5
	Policy	Impact assessment consultation with hard to reach groups	}		0	6
	Corporate HR	Relocation Expenses	1,664	1,763	(99)	8
<b>DLES</b>	Civil Engineering	Complete of Environmental monitoring, desilting etc at Barking Barrage	166	121	45	45
	Planning	Cost of printing UDP document	153	10	143	125
	Accommodation	Completion of installation of air conditioning units in basement of Town hall	0	(16)	16	25
	Civil Engineering	De-silting and upgrading of lakes and watercourses	75	39	36	35
	Environmental Management	Undertake improvement recommendations of BV review	0	(86)	86	86
	Cemeteries	Roll-out of new Cemeteries Registry computer system	69	13	56	55
	Land & Property	Develop an alligator/resurfacing & mobile CCTV scheme	490	341	149	150
	Land & Property	Land Disposal Costs	0	(360)	360	360
<b>Social Services</b>	Business Support	Completion of Resourcing Modernisation Project	500	310	190	190
	Learning Disabilities	Funding for Pooled Residential placements with B&D PCT	4,090	3,851	239	158
	Care Management	Completion of a joint Equipment store	325	192	133	98
<b>Education</b>						
<b>Housing &amp; Health</b>	Housing Benefits	Restructure and IT developments	3,135	2,709	426	426
	Health & Consumer	Good Motor Trade Scheme/Customer Support Network	0	(5)	5	5
<b>HRA</b>	HRA	Various works	(1,495)	(2,062)	567	<u><u>500</u></u>
						<u><u>1,924</u></u>



## Capital Outturn 2003/2004

### Summary of Expenditure

<u>Department</u>	<u>Original Budget £'000</u>	<u>Revised Budget £'000</u>	<u>Actual £'000</u>
Education, Arts & Libraries	8,995	28,059	22,781
Leisure and Environmental Services	12,695	17,888	15,540
Social Services	6,050	1,587	753
Regeneration	104	6,045	1,685
Finance	600	925	435
Corporate Strategy	-	-	7
Housing & Health	68,227	58,211	49,904
<b>TOTAL PROGRAMME</b>	<b>96,671</b>	<b>112,715</b>	<b>91,105</b>

Appendix C

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## Capital Outturn 2003/2004

### Roll-Forwards by Category

<u>DEPARTMENT</u>	<u>CATEGORY</u>	<u>CATEGORY</u>	<u>CATEGORY</u>	<u>CATEGORY</u>	<u>CATEGORY</u>	<u>TOTAL</u>
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>£'000</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Education, Arts and Libraries	4,637	517	1,180	47	3	6,384
Housing and Health	3,370	-	1,964	3,663	-	8,997
Regeneration and Environment	2,196	-	512	181	-	2,889
Social Services	610	-	-	-	66	676
Finance	-	-	502	-	-	502
Corporate Strategy	-	-	-	-	-	-
	<b>10,813</b>	<b>517</b>	<b>4,158</b>	<b>3,891</b>	<b>69</b>	<b>19,448</b>

### KEY

Roll-forward Categories being:

- A - Stand alone project. Contractually committed
- B - Stand alone project. Pre-contract spend only - Contractually committed
- C - Stand alone project. Pre-contract spend only - Not yet Contractually committed
- D - Rolling Programme. Contractually committed
- E - Rolling Programme. Not Contractually committed

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**Capital Outturn 2003/2004****Roll Forward Requests****Category 'C' Projects**

<b><u>Scheme</u></b>	<b><u>Budget</u></b> <b><u>£'000</u></b>	<b><u>Actual</u></b> <b><u>£'000</u></b>	<b><u>Variation</u></b> <b><u>£'000</u></b>	<b><u>Roll-fwd</u></b> <b><u>Request</u></b> <b><u>£'000</u></b>
<b><u>Education, Arts and Libraries</u></b>				
Parsloes Primary Reception	10	2	(8)	8
Valence Infants Kitchen	50	22	(28)	28
Roding & St Teresa Kitchen	20	7	(13)	13
Grafton Juniors Art Facilities	275	2	(273)	273
Warren Secondary (Science Block)	30	19	(11)	11
Relocation of Eastbrook Garage	878	75	(803)	803
Nursery Wrap Round Care (John Perry)	50	26	(24)	24
Valence Site Redevelopment	20		(20)	20
<b>Total Education, Arts and Libraries</b>	<b>1,333</b>	<b>153</b>	<b>(1,180)</b>	<b>1,180</b>
<b><u>Housing and Health</u></b>				
Office Accommodation	2,000	36	(1,964)	1,964
<b><u>Regeneration and Environment</u></b>				
New Cemetery Site	560	48	(512)	512
<b><u>Finance</u></b>				
Revenue Services - Accommodation Imps	300		(300)	300
Revenue Services - Replacement of IT System	250	48	(202)	202
<b>Total Finance</b>	<b>550</b>	<b>48</b>	<b>(502)</b>	<b>502</b>
<b>Total</b>	<b>4,443</b>	<b>285</b>	<b>(4,158)</b>	<b>4,158</b>

**KEY**

Roll-forward Categories being:

- A - Stand alone project. Contractually committed
- B - Stand alone project. Pre-contract spend only - Contractually committed
- C - Stand alone project. Pre-contract spend only - Not yet Contractually committed
- D - Rolling Programme. Contractually committed
- E - Rolling Programme. Not Contractually committed

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**Capital Outturn 2003/2004****Budgets to be Brought Forward from 2004/05 to 2003/3004**

<b><u>Scheme</u></b>	<b>2003/04</b>			<b>2004/05 Budget</b>	
	<b><u>Budget</u></b> <b><u>£'000</u></b>	<b><u>Actual</u></b> <b><u>£'000</u></b>	<b><u>Variation</u></b> <b><u>£'000</u></b>	<b><u>2004/05</u></b> <b><u>Budget</u></b> <b><u>£'000</u></b>	<b><u>Reduced</u></b> <b><u>Amount</u></b> <b><u>£'000</u></b>
<b><u>EDUCATION, ARTS AND LIBRARIES</u></b>					
<b><u>Primary</u></b>					
Jo Richardson Community Secondary (Cannington Rd)	91	100	9	158	9
Robert Clack (Sports Hall & Outdoor Floodlit Pitches)	2,775	3,011	236	350	236
<b><u>Others</u></b>					
School Playgrounds Repairs (Global)	123	124	1	200	1
Hearing Impairment Unit	100	200	100	100	100
Education Shape Up (Global)	297	404	107	450	107
PFI Fees	736	1,324	588	3,950	588
<b>Total Education, Arts &amp; Libraries</b>	<b>4,122</b>	<b>5,163</b>	<b>1,041</b>	<b>5,208</b>	<b>1,041</b>
<b><u>HOUSING AND HEALTH</u></b>					
Shape Up Programme (Decent Homes)	22,210	22,900	690	4,700	690
<b>Total Housing &amp; Health</b>	<b>22,210</b>	<b>22,900</b>	<b>690</b>	<b>4,700</b>	<b>690</b>
<b><u>REGENERATION AND ENVIRONMENT</u></b>					
Traffic Management	865	896	31	990	31
Highways Structural Repairs	2,084	2,123	39	1,550	39
Management of Traffic Reduction & Congestion	251	283	32	200	32
20 mph Zones	160	178	18	131	18
<b>Total Environment</b>	<b>3,360</b>	<b>3,480</b>	<b>120</b>	<b>2,871</b>	<b>120</b>
<b><u>Regeneration</u></b>					
Barking Town Centre Lifelong Learning		406	406	2,740	406
<b>Total Regeneration</b>		<b>406</b>	<b>406</b>	<b>2,740</b>	<b>406</b>
<b>Total Regeneration and Environment</b>	<b>3,360</b>	<b>3,886</b>	<b>526</b>	<b>5,611</b>	<b>526</b>
<b>TOTAL</b>	<b>29,692</b>	<b>31,949</b>	<b>2,257</b>	<b>15,519</b>	<b>2,257</b>

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