

## TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE 23 JUNE 2004

### REPORT OF THE FINANCIAL SERVICES MANAGER

#### OUTTURN REPORT 2003/04

This matter is the responsibility of Executive Councillor Williams (Leader of the Council)

##### **1.0 Executive Summary**

- 1.1 This report sets out and analyses the Council's General Fund (GF) and Housing Revenue Account (HRA) outturn for 2003/04.
- 1.2 The General Fund Revenue outturn shows an underspend of £240k (2.1%) when compared with the current budget, i.e., the budget for 2003/04 as approved by Council on 12<sup>th</sup> February 2003 plus any subsequently approved supplementary estimates and virements. Executive Councillors are recommending that this amount be transferred to unallocated capital resources in 2004/05.
- 1.3 The General Fund Capital Programme expenditure for the year amounted to £2,378,314, the total budget for the year was £4,440,321. Therefore the majority of this underspend will be slipped to the 2004/05 year. The revised budget for 2004/05 to 2006/07 will therefore be £3,669,077. The amount of unallocated capital resources now total £1,604,691.
- 1.4 The Housing Revenue Account draft outturn shows a Working Balance carried forward into 2004/05 of £1,752,479, which is £206,314 (13%) more than predicted in the Q3 budget monitoring report.
- 1.5 HRA Capital expenditure amounted to £5,519,306 against a current budget of £6,056,040. This underspend will be slipped to the 2004/05 financial year.
- 1.6 The details of major spending and income variations are shown in the attached appendix, and the figures remain subject to external audit.

##### **2.0 Purpose**

- 2.1 To update the Executive on the outturn position of the Authority on revenue and capital for the General Fund, Housing Revenue Account and trading services for 2003/04.
- 2.2 The outturn position reported for the HRA and GF contains some estimated figures for government subsidies on housing and council tax benefit. The final figures for these will not be available in time for the final accounts to be produced. Should the final figures differ significantly from those used in closing down the accounts for 2003/04, a further report will be presented to Members giving the updated position on subsidy and the implications for the Council's reserves.
- 2.3 The following outturn figures will therefore be used to prepare the Council's Statement of Accounts, which will be presented to the Corporate Governance Panel

next month. This is well within the current statutory timetable for approval of the 2003/04 annual accounts and when compared to previous years, a quicker closedown of the annual accounts has been achieved. However further improvements to the closedown timetable will have to be made over the next two years to meet the deadline which will be in place when the Council considers the 2005/6 accounts (i.e., June 2006).

## GENERAL FUND

### 3.0 Revenue

3.1 Members were presented with regular budget monitoring reports during 2003/04 outlining the estimated outturn position and the likely impact on the General Fund reserve. In summary, these reports showed the following expected use of reserves to support the budget:

2003/04	Change during the Year £	Impact on General fund Reserve £
Original use of Reserves		692,499
<b>Plus supplementary estimates agreed during the year:</b>		
Crescent Development	+70,000	
Variation to CE Salary	+5,669	
Partial Exemption (02/03 & 03/04)	+179,000	
Somerset Direct	+84,638	
Q3 variation to budget *	0	
<b>Total Use of Reserves to support the 2003/04 budget</b>		<b>1,031,806</b>

\* the Q3 budget monitoring report showed an underspend of £32,217 however it was agreed that this minor underspend would be used to fund some new initiatives such as “Crisp & Clean” and pump priming the Hunts Court development.

3.2 The draft outturn for 2003/04 is set out in summary in Appendix ‘A’, and is set out in four main columns as follows: -

1. The Original Budget approved by the Executive on 12 February 2003 (Column 1)
2. The Current Budget including all supplementary estimates and virements during the year, which have been approved by the Executive. (Column 2)
3. The Draft Outturn Position (Column 3)
4. The Variance between the Current Budget and the Draft Outturn (Column 4).

3.3 This appendix shows that the actual underspend for the last financial year was £240,135 or 2.1% less than the approved authority expenditure. Reasons for this underspend are due to a small number of sizeable variations, the majority of which have occurred during the last quarter of the financial year, i.e., after the 3<sup>rd</sup> quarterly budget monitoring report to Members in February 2004. The main reasons for this are shown in the following table: -

<b>Expenditure Head</b>	<b>Variation since the Q3 Budget Monitoring Report £</b>	<b>Comments</b>
<b>Additional Costs</b>		
Loss on Leisure DSO operations 2003/04	90,847	As the DSO has no remaining reserves the Leisure DSO total operational loss has to be financed from the General Fund. The amount shown here is the total variation above that which was expected to be financed from the General Fund. Further details are shown in para. 7.3
Homelessness	40,000	Increased commissioning of Private Sector Leased houses, and an increase in use of the Rent Deposit Scheme over that anticipated at Q3 in order to stop families being housed in B & B accommodation.
<b>Additional Income</b>		
Housing Benefit Subsidy	-211,000	Increased housing benefit subsidy, and extra WIBS, Sanctions, Overpayment, & Discretionary payments received over that anticipated at Q3. This variation although large in cash terms represents a total variation of only 2% on a total Subsidy budget of £10.5m. Improved monitoring of subsidy throughout the year may have highlighted this variation earlier
Crematorium	-77,000	Additional income through increased usage within the last quarter.
Council Tax Collection	-74,000	Additional Council Tax costs recovered from debtors. This is an area, which is not traditionally monitored throughout the financial year, and therefore variations can occur. Monitoring of this income source will be improved in 2004/05.
Other	-8,982	Various underspends and other minor increases in income
<b>Total Net Over/(Underspend)</b>	<b>-240,135</b>	

- 3.4 In April 2004 it was reported to the Executive that £97,000 of monies set aside for the repayment of VAT will no longer be required. The Executive agreed to transfer these monies to unallocated capital resources and an RCCO has been done in 2003/04 to reflect this. However this will require the approval of a virement by Full Council and it is proposed that this is sought now (together with the supplementary estimate referred to below in paragraph 3.5).

### 3.5 General Fund Reserve

The current budget required a total of £1,031,806 from the General Fund Reserve to support expenditure, the underspend detailed in paragraph 3.3 will now reduce this to £791,671. In order to increase the level of capital resources available Executive Councillors propose that this underspend of £240,135 is transferred via the Revenue Account in 2004/05 to unallocated capital resources. This will require the approval by Council of a supplementary estimate. The current position of the General Fund Reserve is therefore:

	£	£
Balance brought forward 1 April 2003		2,108,428
<b>Add:</b>		
VAT refund re car park excess charge income	+71,715	
Interest Receivable on above VAT claim	+10,249	
Foot and Mouth Underspend	+24,825	
Transfer from Reserves and Provision	+144,567	
<b>Less amounts used to support the 2003/04 budget:</b>		
Original Amount approved	-692,499	
Other supplementary estimates:		
Crescent Development	-70,000	
Variation to CE Salary	-5,669	
Partial Exemption (2002/03 & 2003/04)	-179,000	
Somerset Direct	-84,638	
Add back 2003/04 underspend	+240,135	
<b>Balance carried forward 31 March 2004</b>		<b>1,568,113</b>
Less original amount used to support the 2004/05 budget	-16,527	
Less supplementary estimate re Corporate re-structure	-109,009	
Less RCCO for 2003/04 underspend	-240,135	
<b>Expected balance @ 31 March 2005</b>		<b>1,202,442</b>

- 3.6 Details of the major variations arising since the Q3 budget monitoring exercise are listed and explained in Appendix B.
- 3.7 Due to the size of the Councils capital programme and the significant problems experienced during the year on schemes such as the Wellsprings Centre a larger proportion of Officer time has been charged to capital works than expected. The budget for this Officer time is contained within the revenue budget and the Executive is requested to approve an RCCO to switch this budget to capital in 2003/04. In total this amounts to £25,662. This is already reflected in Appendix A.
- 3.8 As part of the recommendations of this report there is a request for the funding of the DSO deficit from the General Fund, the creation of an additional RCCO for the Internal staff time charged to capital, the virement of VAT monies to unallocated

capital resources and finally the transfer of the 2003/04 GF underspend to unallocated capital resources in 2004/05.

#### **4.0 Capital**

4.1 The General Fund Capital Programme for 2003/04 showed a net total budget of £4,440,321. The final outturn position shows total net expenditure of £2,378,314, leaving an underspend of £2,062,007. The majority of the underspend is due to expenditure on the following schemes not proceeding as planned:

- Paul St Car Park
- Flood Alleviation schemes
- TDBC Contribution to Silk Mills

As is common for Capital budgets, which may span more than one financial year, the majority of the underspend, or slippage, has been rolled forward into the 2004/05 Capital Programme. The updated 2004/05 to 2006/07 Capital Programme now totals £3,669,077. Improvements in GF Capital budget monitoring are to be implemented during 2004/05 so that slippage in schemes is identified and reported to Members earlier.

4.2 It should be noted that in the original estimate of capital resources it was assumed that the Council would benefit from a capital receipt arising from the sale of land at the Tangier Filling Station site of £150,000. Recent information now indicates that this receipt is not likely to be available in the near future and it has therefore been removed from the Council's projection of unallocated capital resources shown below.

4.3 The amount of unallocated capital resources is now £1,604,691.

### **HOUSING REVENUE ACCOUNT**

#### **5.0 Revenue**

5.1 The Housing Revenue Account has also been closed using estimated subsidy figures (see 2.2 above).

5.2 The draft outturn shows a Working Balance carried forward into 2004/05 of £1,752,479, which is £206,314 more than predicted in the Q3 budget monitoring report.

5.3 The reduced expenditure of £206,314 arises for the following reasons:

<b>Heading</b>	<b>£'000</b>
Maintenance	+77
Rent Rebates	+334
Debt Charges	+10
Provision for Bad Debts	+42
Additional Income (incl. rent income)	-50
Additional subsidy (mainly rent rebates)	-515
Additional windfall (supporting people)	-78
Lower management expenditure	-26
<b>TOTAL</b>	<b>-206</b>

Further details are shown in Appendix C.

### **Deane Helpline**

- 5.4 The balance carried forward on the Trading Account at 31 March 2004 amounts to £109,553 compared to the revised estimate of £81,160. The increased working balance is encouraging, and will help fund a recent job evaluation award to the Control Centre operators, which will lead to increased salary costs from 1<sup>st</sup> April 2004 onwards.

### **Capital Receipts**

- 5.5 All useable Capital Receipts were spent during 2003/04. Reserved Capital receipts amounting to £5,539,876 were used to redeem Housing debt, and the balance of usable capital receipts at 31 March 2004 is therefore nil.

### **Provision For Capital Expenditure**

- 5.6 £137,579 of capital expenditure was financed out of revenue during 2003/04. The balance available as at 31 March 2004 stands at £544,166 and this will be spent during the current year.

## **6.0 Capital**

- 6.1 When the Q3 budget monitoring report was prepared it was expected that there would be an overspend against original budget of £387,630. Members will note that at outturn there is an underspend of £536,734 between the third and fourth quarters. Contracts for the provision of new kitchens in Council properties have been delayed due to delays in securing partnering arrangements and the late delivery of kitchen units from suppliers. Grants to Registered Social Landlords have also been delayed.

- 6.2 A summary is set out below:

<b>Description</b>	<b>Original Estimate 2003/04 £</b>	<b>Q3 Estimate 2003/04 £</b>	<b>Actual 2003/04 £</b>
HRA	3,986,600	4,474,040	4,016,529
Renovation Grants	861,000	850,000	898,969
Social Housing Grant	820,810	732,000	603,808
<b>Total</b>	<b>5,668,410</b>	<b>6,056,040</b>	<b>5,519,306</b>

## **7.0 TRADING SERVICES**

### **7.1 Deane DLO**

During the year the Deane DLO made a net surplus of £12,702. Due to the size of this surplus no provision will be made for the distribution of profit share to the Deane DLO employees. The balance on the DLO Reserve as at 31 March 2004 will therefore be £83,392.

7.2 A summary of performance is shown below:

<b>Deane DLO</b>	<b>Surplus/(Deficit) 2003/04 £</b>
Highways	7,724
Grounds Maintenance	4,307
Building Maintenance	248
Cleansing	424
<b>Total</b>	<b>12,702</b>

7.3 **Leisure DSO**

During 2003/04 with the progression of the Leisure Trust it was estimated at Q3 the DSO would require additional deficit funding over that allowed in the original budget of £23,000. The actual level of deficit funding required was a further £90,847. The main reason for this is that the 2003/04 budget did not accurately reflect the business plan of the Trust and the competitive market in which the DSO is currently operating in. As mentioned earlier as the DSO has no remaining reserves this loss will have to be funded from the General Fund.

7.4 When comparing the actual outturn of the DSO against the Business Plan of the Trust it is encouraging to note that the actual deficit of £527k was only £8k higher than expected. However it should be noted that this has been achieved as a result of having to curtail expenditure in the light of falling income.

**8.0 Effect on Corporate Priorities**

8.1 As this report covers all aspects of the Council's finances, all corporate priorities are affected.

**9.0 RECOMMENDATION**

9.1 The Executive is requested to:

- a) Note the draft outturn positions on revenue and capital for both the General Fund and Housing Revenue Account for 2003/04.
- b) Approve the creation of an RCCO for Internal Recharges charged to capital projects of £25,662.
- c) Approve the funding of £90,847 of the Leisure DSO deficit from the General Fund.
- d) Request that Full Council approve the virement of £97,000 of monies previously set aside for the repayment of VAT to unallocated capital resources.
- e) Request that Full Council approve a supplementary estimate in 2004/05 of an RCCO for the 2003/04 GF underspend of £240,135.

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**Background Papers:** Executive 12 February 2003, Revenue Budget Setting 2003/4,  
Executive 11 February 2004, Third Quarter Budget Monitoring  
Report.2003/04

Appendix A

TAUNTON DEANE BOROUGH COUNCIL

GENERAL FUND REVENUE OUTTURN 2003/04

The outturn shows the expenditure on and income from the Council's day-to-day activities. It gives the costs of the main services provided according to the Council portfolio structure.

Actual 2002/03 £	Portfolio	Original Estimate 2003/04 £	Current Estimate 2003/04 £	Actual Expenditure 2003/04 £	Variance £
		(1)	(2)	(3)	(4)
486,297	Community Leadership	641,660	591,660	560,808	(30,852)
1,853,460	Corporate Resources	1,846,320	1,928,258	1,551,542	(376,716)
791,001	Economic Dev. Property & Tourism	750,680	752,060	776,624	24,564
3,410,631	Environmental Services	3,622,940	3,676,810	3,666,986	(9,824)
2,906,634	General Services	2,494,280	2,853,262	3,115,409	262,147
1,736,008	Housing Services	1,873,910	1,819,900	1,856,175	36,275
3,492,729	Leisure, Arts & Culture	3,056,070	3,285,347	3,398,460	113,113
915,716	Planning Policy & Transportation	673,270	675,660	575,449	(100,211)
1,823,899	Exceptional Item – RCCO for commutation adjustment (2001/02)				
<b>17,416,375</b>	<b>Total Service Expenditure</b>	<b>14,959,130</b>	<b>15,582,957</b>	<b>15,501,452</b>	<b>(81,505)</b>
96,176	Revenue Financing of Capital	75,910	75,910	69,103	(6,807)
(3,632,990)	Asset Management Revenue Account	(2,521,593)	(2,521,593)	(2,612,412)	(90,819)
162,134	Contribution to DLO Reserve re AMRA	155,762	155,762	152,014	(3,748)
(569,918)	Loans Fund Principal	(556,832)	(710,492)	(644,865)	65,627
78,315	Contribution to V & P Account	61,777	61,777	61,609	(168)
(405,202)	Interest Income	(219,140)	(350,000)	(472,716)	(122,716)
(2,201,617)	Contribution from General Fund Balances	(692,499)	(1,031,806)	(791,671)	240,135
<b>10,943,273</b>	<b>Authority Expenditure</b>	<b>11,262,515</b>	<b>11,262,515</b>	<b>11,262,515</b>	<b>0</b>
7,710	Special Expenses	25,000	25,000	25,000	0
<b>10,950,983</b>	<b>Borough Expenditure</b>	<b>11,287,515</b>	<b>11,287,515</b>	<b>11,287,515</b>	<b>0</b>
265,838	Parish Precepts	281,110	281,110	281,110	0
<b>11,216,821</b>	<b>Budget Requirement</b>	<b>11,568,625</b>	<b>11,568,625</b>	<b>11,568,625</b>	<b>0</b>
(4,238,941)	Contribution from NNDR Pool	(3,579,322)	(3,579,322)	(3,579,322)	0
(2,673,651)	Revenue Support Grant	(3,458,359)	(3,458,359)	(3,458,359)	0
	<b>Surplus on Collection Fund</b>				
23,804	Community Charge	(27,974)	(27,974)	(27,974)	0
(47,995)	Council Tax	(22,140)	(22,140)	(22,140)	0
<b>4,280,038</b>	<b>Net Expenditure to be Raised by Council Tax</b>	<b>4,480,830</b>	<b>4,480,830</b>	<b>4,480,830</b>	<b>0</b>

GENERAL FUND RESERVE BALANCE 2003/04

<b>3,946,308</b>	<b>Balance b/f 1 April</b>	<b>2,002,807</b>	<b>2,108,428</b>	<b>2,108,428</b>	<b>0</b>
363,737	Transfer from Provisions and Reserves	0	168,406	169,392	986
0	VAT Refund re Car Parks	0	81,961	81,964	3
-2,201,617	Contribution from GF Balances	-692,499	-1,031,806	-791,671	240,135
<b>2,108,428</b>	<b>Balance c/f at 31 March</b>	<b>1,310,308</b>	<b>1,326,989</b>	<b>1,568,113</b>	<b>241,124</b>



## Appendix B

### Analysis of Variations since Q3 Budget Monitoring Exercise - 2003/04

Executive Councillor	Head of Service	Service	Amount £000's	Over or Under spend £000's	Comments
		<b>Increased Income</b>			
Cllr Bishop	Env. & Leis. Services	Horticultural Maint. Of Highways	(5)		Increased contribution from SCC
Cllr Cavill	Resources	Property Management	(7)		Additional income from property rents
Cllr Hall	Resources	Council Tax Benefits	(18)		Net increase in CT benefit subsidy
Cllr Edwards	Env. & Leis. Services	Licensing	(19)		Additional income from Licensing fees
Cllr Hall	Resources	Investment Income	(53)		Changes to interest allocation policy
Cllr Hall	Resources	Council Tax Collection	(74)		Additional CT costs recovered
Cllr Edwards	Env. & Leis. Services	Crematorium	(77)		Net increase in cremation income
Cllr Hall	Resources	Rent Allowances	(211)		Increased housing benefit subsidy, and extra WIBS, Sanctions, Overpayment, & Discretionary payment received
		<b>Total</b>		<b>(464)</b>	
		<b>Reduced Income</b>			
Cllr Cavill	Resources	Taunton Market	4		Reduced rent from the Market
Cllr Edwards	Env. & Leis. Services	Cemetery	7		Reduced fees and charges
		<b>Total</b>		<b>11</b>	
		<b>Reduced Costs</b>			
Cllr Bishop	Corporate Services	Shopmobility	(5)		Reduced Contribution to SCC
Cllr Edwards	Env. & Leis. Services	Waterways	(9)		Net reduction in contracts costs
Cllr Edwards	Env. & Leis. Services	Street Cleansing	(15)		Net reduction in contracts costs
Various	Various	Other Variations	(2)		Various minor underspends
		<b>Total</b>		<b>(31)</b>	
		<b>Increased Costs</b>			
Cllr Cavill	Development	Publicity & Tourism	6		Increased costs of advertising
Cllr Williams	Resources	Corporate Management	9		Increased contribution to HRA - Expenditure on Estates
Cllr Bradley	Env. & Leis. Services	Park & Playing Field	23		Increased contract costs
Cllr Williams	Resources	Corporate Management	26		Increased payment to the Audit Commission – poor estimate
Cllr Garner	Housing	Homelessness	40		Net increase in bed & breakfast running costs
Cllr Williams	Resources	Corporate Management	50		Increased bad debt provision
Cllr Bradley	Env. & Leis. Services	Leisure DSO	90		Increased contribution to the Leisure DSO
		<b>Total</b>		<b>244</b>	
		<b>Total Underspend</b>		<b>(240)</b>	

Appendix C

**Housing Revenue Account**

	<b>Original Estimate 2003/04 £</b>	<b>Current Estimate 2003/04 £</b>	<b>Actual 2003/04 £</b>	<b>Variance £</b>
	(1)	(2)	(3)	(4)
<b><u>Income</u></b>				
Dwelling Rents	15,563,990	15,550,990	15,564,662	13,672
Non Dwelling Rents	380,340	380,340	401,941	21,601
Charges for Services/Facilities	487,920	487,920	403,920	-84,000
Contribution towards expenditure	213,570	213,570	215,064	1,494
Government Subsidy	3,586,630	3,627,630	4,142,740	515,110
Subsidy-Housing Defects Act	243,610	243,610	243,613	3
Net Supporting People Windfall	0	191,500	427,914	236,414
<b>Total Income</b>	<b>20,476,060</b>	<b>20,695,560</b>	<b>21,399,854</b>	<b>704,294</b>
<b><u>Expenditure</u></b>				
Management General	3,256,150	3,411,150	3,426,928	15,778
Maintenance	4,549,520	4,616,520	4,693,598	77,078
Rent Rebates	7,455,550	7,455,550	7,789,447	333,897
Provision for Bad Debt	40,000	0	42,045	42,045
Capital Charges-interest	10,189,020	10,189,020	9,982,851	-206,169
Capital Charges-depreciation	3,316,870	3,316,870	3,316,843	-27
Debt Management expenses	20,770	20,770	34,375	13,605
<b>Total Expenditure</b>	<b>28,827,880</b>	<b>29,009,880</b>	<b>29,286,087</b>	<b>276,207</b>
<b>Net Expenditure</b>	<b>8,351,820</b>	<b>8,314,320</b>	<b>7,886,233</b>	<b>-428,087</b>
Capital Charges-interest	-10,189,020	-10,189,020	-9,982,851	206,169
Loan Charges-interest	1,273,350	1,178,350	1,136,134	-42,216
Interest Receivable	-84,570	-84,570	-78,102	6,468
<b>Net Operating Expenditure</b>	<b>-648,420</b>	<b>-780,920</b>	<b>-1,038,586</b>	<b>-257,666</b>
<b>Appropriations</b>				
Housing Set Aside/MRP	415,730	400,730	439,752	39,022
Revenue Contributions to Capital	213,620	213,620	225,950	12,330
<b>(Surplus)/Deficit</b>	<b>-19,070</b>	<b>-166,570</b>	<b>-372,884</b>	<b>-206,314</b>

**Working Balance**

Balance b/f 1/4/2003	677,690	1,379,595	1,379,595	0
Plus Net Surplus 2002/03	-263,240	0	0	0
Plus Net Surplus 2003/04	-19,070	-166,570	-372,884	<b>-206,314</b>
<b>Balance c/f 31/3/2004</b>	<b>960,000</b>	<b>1,546,165</b>	<b>1,752,479</b>	<b>-206,314</b>