
CLOSURE OF ACCOUNT & REVENUE ACCOUNT REPORT

1 SUMMARY

- 1.1 Members will recall that overall the General Fund net revenue budget was underspent by £99,382. The following is the analysis of variations over or under the revised estimate for 2001/02, in excess of £5,000.
- 1.2 This list of variations excludes asset rentals, depreciation and deferred charges. These are all entries, which are made in the accounts and then reversed out. Therefore there is no effect on the net expenditure of the general fund. Internal recharges between one account and another where the net cost is zero are also excluded.
- 1.3 Salaries have not been shown separately. There is a single statement bringing all salaries together. Salary budgets are managed on a corporate basis as provision is made for the full cost of approved posts in each cost centre and a centrally estimated vacancy factor. Heads of Service are not allowed to use savings in salary budgets without the approval of Corporate Management Board and then only for manpower type expenditure. An example would be the employment of an agency worker to temporarily support a vacant post.
- 1.4 Repairs and Maintenance have not been shown separately. There is a single statement bringing all these items together. Members have previously agreed that although estimates are shown for each premise there is full virement (transfer between estimates) between these codes. This helps in the construction of estimates in that provisions do not have to be made in each premise for the possibility of faults occurring. Corporate Management Board requires that these budgets be monitored individually and on a corporate basis.
- 1.5 In the column headed Var.(short for variation), non-bracketed figure are adverse for the Authority and bracketed figures are favourable. Therefore a non-bracketed figure might be either expenditure in excess of revised budget or income less than revised estimate. Bracketed figures will be expenditure less than revised estimate or income in excess of revised estimate. Where an item is income the word income appears in the column headed Item.

| No | Cost Centre | Item | Revised Est. | Actual | Var. | Explanation |
|-----------|--|--|---------------------|---------------|-------------|--|
| 1 | Democratic representation | Newspaper - expenditure | 17,400 | 25,000 | 7,600 | See note 2 |
| 2 | | Newspaper – income | 3,900 | 9,325 | (5,425) | Includes internal sponsorship |
| 3 | Other operating income and expenditure | Net external finance – income | 485,500 | 476,200 | 9,300 | Fall in investment returns in line with base rate movements |
| 4 | Unapportionable central overheads | Pension costs | 438,100 | 472,997 | 34,897 | An adjustment was required by ECC for previous years |
| 5 | | Grants provision | - | 9,584 | (9,584) | Previous provision to make grants now written back |
| 6 | | Fees charged to Major Repairs Account – income | 20,000 | - | 20,000 | Fees to Major Repairs Account dealt with from another account |
| 7 | Council Tax | Court Costs – income | 89,500 | 77,820 | 11,680 | Less use of the court. Increase in arrangements at final notice. |
| 8 | Council Tax rebates | Rebates granted | 2,350,000 | 2,390,380 | 40,380 | Demand led service – see 9 |
| 9 | | Grant in relation to benefits – income | 2,177,500 | 2,278,000 | (100,500) | See 8 + credit from ECC in connection with benefit clawback scheme. (ECC had Council Tax |

| | | | | | | |
|----|--|--------------------------------------|-----------|-----------|-----------|--|
| | | | | | | increase in excess of Gov. target) |
| 10 | Leisure Premises | NNDR payable | 203,000 | 208,050 | 5,050 | Estimate reduced in anticipation of NNDR refund. Refund in 2002/03 |
| 11 | | Leisure consultants | 30,975 | 20,900 | (10,075) | Reduction in estimated exp. On leisure consultants in connection with new leisure contract |
| 12 | Maintenance of Grounds holding account | Main contract | 547,900 | 538,487 | (9,412) | Contract less than estimate through lower RPI and variations |
| 13 | Rec. Grounds and open spaces | Cherry Orchard | 6,500 | 1,208 | (5,292) | Expenditure mainly in capital programme |
| 14 | Development Control | Planning fees – income | 140,000 | 159,784 | (19,784) | Demand led service |
| 15 | Cemeteries (open) | Fees and charges – income | 64,700 | 71,936 | (7,236) | Demand led service |
| 16 | Waste disposal | Recycling credits and sales – income | 30,500 | 59,175 | (28,675) | First year estimate of recycling round set on cautious basis |
| 17 | Parking Services | Car parking income | 504,500 | 498,822 | 5,678 | Variation of around 1 % |
| 18 | Homelessness | Bed and breakfast accommodation | 60,000 | 84,910 | 24,910 | Demand led service |
| 19 | Rent Allowances | Payment of allowances | 5,450,000 | 4,825,937 | (480,898) | Error in estimate and demand led service, see |

| | | | | | | |
|----|---------------------------------|--|-----------|-----------|----------|--|
| | | | | | | 20 |
| | | Grant for rent allowances – income | 5,070,000 | 4,637,201 | 432,799 | See above. note net effect is (£48,099) |
| | | Benefit recoveries – income | 270,000 | 105,733 | 164,267 | Review of outstanding debts. Significant write off undertaken |
| 20 | Housing Benefits administration | Verification framework | 21,000 | 31,716 | 10,716 | See item 21 |
| 21 | | Verification framework grants – net income | 15,400 | 36,996 | (21,596) | Additional grant covers cost in 20 plus additional cost of £16,325 in salaries |
| 22 | | Subsidy for administration – income | 128,000 | 149,573 | (31,319) | Additional income for reaching targets in connection with benefits administration. |
| 23 | Personnel | Staff advertising | 60,000 | 71,792 | 11,792 | Demand led |
| 24 | Property Maintenance | Consultants and technical support | 20,000 | 8,486 | (11,514) | Provision created to deal with extra work following new allocation for HRA (MRA) |
| 25 | Computer Services | Main contract | 450,000 | 460,772 | 10,772 | See 26 |
| 26 | | Software Licence payments | 18,000 | 3,645 | (14,355) | Estimates set up with contracts and software licences separate. Licences have been transferred to the contract |

| | | | | | | |
|----|----------------------|----------------|-----------|-----------|-----------------|--|
| 27 | Legal Services | Legal fees net | - | 6,097 | (6,097) | Higher recovery of fees |
| 28 | Salaries total | | 4,541,100 | 4,503,600 | (37,500) | Vacant posts higher than estimated |
| 29 | Building Works total | | 304,800 | 257,606 | (47,194) | Largest underspend – Leisure premises. Re assessment of work required by RDC before new contract |
| 30 | General Fund | TOTALS | | | (56,515) | Note – other items = £42,767 |

2 HOUSING REVENUE ACCOUNT

2.1 It was estimated that there would be a drawdown of Housing Revenue Account balances of £121,000. In the event there was an addition to balances of £ 1,417. The total movement is therefore £122,417

| No | Cost Centre | Item | Revised Est. | Actual | Var. | Explanation |
|----|----------------------|---------------------------------|--------------|-----------|----------|---|
| 1 | Salaries total | | 392,800 | 403,620 | 10,820 | High level of sickness in sheltered schemes managers. Additional costs in covering duties. |
| 2 | Building Works total | | 1,052,000 | 1,057,963 | 5,963 | ½ % variation |
| 3 | General Management | Essex Water commission – income | 21,500 | 39,731 | (18,231) | Income is based on % commission and difference between actual water charges and set charge to sheltered |

| | | | | | | |
|---|-------------------|---------------------------|-----------|-----------|----------|--|
| | | | | | | housing tenants. Estimated is mainly based on % commission only. |
| 4 | | Tenants participation | 18,400 | 10,547 | (7,853) | Limited projects identified by tenants |
| 4 | Wardened Services | Emoluments | 79,500 | 59,098 | (20,402) | Temporary staff not using tenancies |
| 5 | | Commercial Boiler service | 30,900 | 15,408 | (15,492) | Estimate based on previous contract price. Revised specification of new contract produced lower tender cost. |
| 6 | | Electricity | 41,200 | 35,209 | (5,791) | New contract for supply |
| 7 | HRA - summary | Debt charges | 1,640,000 | 1,627,596 | (12,404) | ¾ % variation |
| 8 | | Depreciation | 1,032,300 | 1,052,295 | 19,995 | Higher figure but matched with additional funding in 10 |
| 9 | | Interest – income | 45,000 | 62,674 | (17,674) | Interest is based on balances in hand. These were higher than estimated + interest on mortgages granted. Again higher than |

| | | | | | | |
|----|-------------------------|--------------------------|-----------|-----------|------------------|---|
| | | | | | | estimated |
| 10 | | Housing subsidy – income | 2,550,000 | 2,599,118 | (49,118) | Additional funds for Depreciation plus adjustment for previous year. Income figures included in final accounts on a prudent basis until final audit completed |
| | | | | | | |
| 11 | Housing Revenue Account | TOTALS | | | (110,187) | Note – other items = (£12,230) |

Members will need to agree the above as virements to ensure that the revenue accounts are fully authorised. This is required even though the net totals show underspends.

3 REVENUE ESTIMATES 2002/03

3.1 General Fund

Members will be aware that the estimates for the current financial year have been based on the individual estimates less a provision for vacant posts of £ 241,000 and target savings of £ 225,000.

3.3 Salaries

The total estimated salaries for the General Fund is £ 5,227,900. The vacancy factor has been estimated at £241,000 or 4.6% of total staffing cost. This equates to an average of approximately 10 posts vacant throughout the whole year. It should be noted that the actual figure would depend on the salary level at which the vacancies occur.

3.4 The salary budget is monitored on a monthly basis. The interpretation of the results requires some care. A pattern of vacancies in the early part of the year may not be applicable in the later stages of the year. The monitoring statement as at the end of July shows that savings are in excess of the provision for vacancies. A forward projection needs to be made to take account of the pay award for 2002 and changes to the

expected level of vacancies for August to the end of the year. The estimated additional saving for the year is now put at £159,000. This level of financial saving suggests a vacancy rate of over 8 %, or around 17 posts per year.

3.5 It has to be remembered that this is a current surplus position for this year only and does not provide funds for future years.

3.6 Provision has been included within the original estimates for a 3% pay award. However the figures quoted in this report take account of the proposed 3 ½ % pay award from 1st April and the 1% from October.

3.7 **Staff advertising**

Not surprisingly the cost of staff advertising is related to the turnover in staff and the number of vacancies to be filled. The original estimate for 2002/03 was £ 40,000. At the moment expenditure to the end of July is around £19,000. If this level of expenditure continues the final figure could be around £60,000 There will therefore be a requirement for additional finance of an estimated £20,000.

3.8 Members will note that in 2001/02 expenditure on staff advertising was nearly £72,000.

3.9 **Net external finance**

There are a number of entries that make up net external finance, however the focus of attention is the investment income of the authority. The original estimate for investment income was £ 382,500. This was on the basis of average investments of £9m at an average of 4.25%. Earlier in the year there was the expectation that by now base rate would have moved up to around 4.5%. Base rates have so far not moved above 4 %. The Council was able to make some investments earlier in the year when the market was expecting these increases. Therefore at the moment we have £4m invested at 364 days fixed, at rates between 4.5% and 4.76%. However short dated investments, needed for cash flow management, are currently earning below base rate. The market now expects no increase in base rate for the next few months and therefore rates are low. To date average investments have on average been around £10 m and therefore overall income is now expected at an additional £25,000.

3.10 **Bed and Breakfast accommodation**

3.11 The original estimate for the year was £40,000. Expenditure to the end of July is around £40,000 and therefore there is the potential for the total year expenditure to be £120,000. However in view of the

Springboard scheme mentioned below the requirement for additional finance will initially be proposed at £60,000. (Total budget £100,000)

- 3.12 Members will recall that approval was given for a capital scheme of £375,000 to provide accommodation to help homelessness and reduce the expenditure on bed and breakfast accommodation. The Council accepted the proposal from Springboard Housing Association. Their scheme was to purchase 5 properties off the open market and to provide the Council with access to 6 additional properties. Four of the properties have been purchased and are expected to be available to the Council after renovation, in mid September. The final purchase is still being sought. As Members will appreciate this is difficult in the current market. Notice has been received that the first two nominations to Springboard vacancies will be available shortly.
- 3.13 **General Savings of £225,000**
- 3.14 As mentioned earlier the budget is constructed on the basis of general savings of £225,000. Members have been advised that these general savings are becoming more difficult to find as budgets are drawn on a tighter basis. However as seen by the results of the 2001/02 net expenditure, savings are possible.
- 3.15 Officers are at the moment looking at the details of the Comprehensive Performance Assessment (CPA) in relation to finance and identifying areas where we will judged weak and establishing an action plan to tackle the areas where improvements can be made. One of the points of assessment in CPA is in relation to general savings within the budget. We will score higher if this target reduction is removed. This is assumed to be on the basis that the Audit Commission views an Authority as better managed if it fully identifies all the budget issues.
- 3.16 As members will see from the statement relating to 2001/02 many of the items are variations to demand led budgets and a whole raft of miscellaneous small savings within the budget. Therefore a provisional method of allocating these target savings throughout the budget needs to be established. This will also need to take account of the additional funding requirements outlined above.
- 3.17 Therefore amendments to the following estimates are suggested in order to remove the general savings requirement of £225,000. Account has been taken of the results of 2001/02.

| No | Item | Original budget 2002/03 | Proposed budget 2002/03 | Notes |
|-----------|---|--------------------------------|--------------------------------|---|
| 1 | Salaries – vacancy factor | (241,000) | (400,000) | See above |
| 2 | Staff advertising | 40,000 | 60,000 | See above |
| 3 | Homelessness | 40,000 | 100,000 | See above |
| 4 | Net External Finance | 379,800 | 404,800 | See above |
| 5 | Audit fees – outside inspectors | 20,000 | 15,200 | New figure notified |
| 6 | Main audit fees | 74,100 | 70,000 | New figure notified |
| 7 | NNDR for leisure premises | 180,000 | 176,500 | New charge following refund |
| 8 | ECC grant for verge cutting | (25,100) | (28,300) | New figure notified |
| 9 | Maintenance of Grounds – contract | 579,800 | 560,000 | New estimate based on previous year adjusted for inflation. |
| 10 | Street Cleansing – contract | 356,300 | 352,100 | Reduced rate of inflation for year |
| 11 | Recycling Income | (45,000) | (60,000) | New estimate based on previous year |
| 12 | Housing Benefits administration – grants | (129,000) | (135,000) | Additional income |
| 13 | Rent Allowances (net) | 162,500 | 140,000 | New estimate based on previous year |
| 14 | Additional Charge to HRA R & M administration | (382,000) | (400,000) | Re-assessment of HRA re charges |
| 15 | Drawdown of balances | (325,500) | (345,500) | Balancing item as a temporary measure |
| | Net change in estimates | | 225,000 | |

3.18 As more information is available as we progress through the year these figures can be amended. This is particularly the case for the additional drawdown on balances. It is anticipated that other savings can be identified to remove this later in the year.

4 RECOMMENDATION

4.1 That Members agree the budget amendments identified above. (HFS)

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Background Papers:

None

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