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## REPORT OF THE FINANCE & PROCEDURES OVERVIEW & SCRUTINY COMMITTEE – 16 SEPTEMBER 2004

### 1 CLOSURE OF ACCOUNTS 2003/2004

- 1.1 This item of business was referred by the Finance & Procedures Overview & Scrutiny Committee on 16 September to Council with the recommendation that the budget amendments and the amendments to the accounts identified in the report be agreed.
- 1.2 A copy of the officer's report to the committee is appended at Appendix A.
- 1.3 It is proposed that Council **RESOLVES**
- (1) That the budget amendments identified in the report be agreed.
  - (2) That the amendments to the accounts identified within the report be agreed. (HFS)

### 2 CAPITAL STRATEGY

- 2.1 This item of business was referred by the Finance & Procedures Overview & Scrutiny Committee on 16 September to Council with the recommendation that the Capital Strategy be agreed.
- 2.2 A copy of the officer's report to the committee is appended at Appendix B.
- 2.3 It is proposed that Council **RESOLVES**
- That the Capital Strategy be agreed. (HFS)

Sarah Fowler

Head of Administrative & Member Services

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#### Background Papers:

None

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## **CLOSURE OF ACCOUNTS 2003/2004**

### **1 SUMMARY**

- 1.1 This report is to consider some of the detail regarding the Statement of Accounts that was submitted to the Council on the 29<sup>th</sup> July.

### **2 BACKGROUND**

- 2.1 In agreeing the accounts for submission to the external auditors, Members also agreed to consider in detail the variations to the budget.

### **3 CONSIDERATION**

- 3.1 Members will recall that the report to Council showed that the General Fund net revenue budget was improved by £756,523. Based on the original report the analysis of variations over or under the revised estimate for 2003/04, in excess of £5,000 is shown below.
- 3.2 It has been necessary to make some amendments to the accounts previously submitted through changes that have had to be made in relation to Housing Benefits. When the accounts are prepared for submission in July many items have to be included based on estimates. This is particularly true of Housing Benefits, as the compilation of the claim requires a computer program to be written by the software supplier to extract the relevant information out of the individual cases. When later information is available it is normal practice to make these adjustments in the following years accounts as prior year adjustments. However for 2003/04 it is necessary to make the adjustments now and therefore amend the accounts. The net effect is to add £309,684 to net expenditure. Further details are shown later in this report.
- 3.3 The 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 charges between one account and another where the net cost is zero are also excluded.
- 3.4 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 costs 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 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.

- 3.5 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.
- 3.6 In the column headed variance, non-bracketed figures are adverse, and bracketed figures are favourable. Therefore a non-bracketed figure might either be expenditure in excess of revised budget or income less than revised estimate. Where an item is income the word income appears in the column headed item.

NO	Cost Centre	Item	Revised Estimate	Actual	Variance	Explanation
1.	Democratic Representation	Members Allowance	61,800	80,270	18,470	Increase in basic allowance as recommended by the independent remuneration panel.
2.	Other Operating Inc & Exp.	Net – External Finance - Income	340,000	525,162	(185,162)	Better than expected investment income, due to higher balances and increase in interest rates.
3.	Business Rates	NNDR Pool Administration Grant – Income	92,000	83,905	8,095	Funding agreed by government.
4.	Council Tax Benefits – net of subsidy	Benefits	196,100	73,422	(122,678)	Includes prior year adjustment of £134,000
5.	Local Land Charges	Fees & Charges – Income	300,000	266,614	33,386	Slow down in the housing market plus increased number of

						personal searches.
6.		Rating Revaluation – Income	75,200	83,855	(8,655)	Refunds on revaluations were better than expected.
7.	Woodlands	Grants – Income	17,000	-	17,000	Funding will now start in 2004/2005.
8.	Building Control.	Deposit of Plans – Income	45,000	55,084	(10,084)	Increased workload generating more income. £10,000 has been set-aside in a reserve to provide funding in future years.
9.		First Inspection – Income	155,000	163,291	(8,291)	As above.
10.	Development Control	Planning Fees – Income	175,000	244,569	(69,569)	Demand led budget. Increase in planning applications.
11.	Environmental Health	Car Allowances	13,400	25,881	12,481	Transport costs previously held in a holding account now charged to revenue budget.
12.	Hackney Carriage	Vehicle Licensing – Income	40,000	50,557	(10,557)	We now charge the proprietor to replace and transfer a vehicle, for interim vehicle inspections and for replacement door stickers and plates; all of these are on the vehicle licence code. Better enforcement for collecting fees.

13.	Waste Collection	Recycling Provision	150,000	139,900	(10,100)	Contract increases not as high as estimated
14.	Waste Disposal	Recycling Credits & Sales - Income	86,000	96,099	(10,099)	Reflects rise in recycling levels and income.
15.	Off Street Parking	Parking Fees – Income	491,900	510,946	(19,046)	All car parks have increased ticket sales.
		Excess Charges – Income	48,900	61,078	(12,178)	This is the benefit from a stricter enforcement policy.
16.	Public Transport	Bus Passes	134,100	141,313	7,213	Higher number of applications
17.	Homelessness	Contracted Accommodation	200,000	313,325	113,325	Applications took longer than expected to process, which led to people staying in B&B accommodation longer. Due to staffing turnover and policy changes from the Government.
18.		Contracted Accommodation recharge – Income	100,000	120,333	(20,333)	Varies with numbers in accommodation
19.	Housing Benefit Payments	Recoveries – Income	300,000	318,903	(18,903)	Additional income in relation to overpayments.
20.	Housing Benefit Admin	Tax Credits – Training & Staff Costs – Income	32,000	24,400	(7,600)	Reduced during the year, estimate set before final figure released.
21.		Discretionary Housing Payments – Private Tenants	7,400	-	(7,400)	Budget not used

22.		Discretionary Housing Income	7,400	14,942	(7,542)	Higher level of grant from Government
23.		WIBS Subsidy – Income	20,300	-	20,300	Income is included in Admin subsidy in row 24.
24.		Administration subsidy Income	267,000	284,974	(17,974)	See row 23.
25.	Revenues Investigation	WIBS Sanctions – Income	42,000	49,161	(7,161)	Estimate set at beginning of year. Subsidy is calculated on monthly figures, so is subject to change throughout the year.
26.	Office Accommodation Rochford	Cleaning	39,000	33,040	(5,960)	Original budget provision overestimated, due to cleaning of Civic Suite being included.
27.		Electricity	21,600	14,212	(7,388)	Reduced consumption plus credit from previous year.
28	Human Resources Services	Staff Advertising	65,000	79,473	14,473	Demand led budget – result of turnover, increasing advertisement rates and posts needing to be re-advertised.
29.		Staff Reward Scheme	9,400	1,455	(7,945)	Dependant on the number of nominations.
30.		Rochford Youth Training	19,700	2,882	(16,818)	Budget directed towards returners to work. Under spent in year.

31.	Works Account	Contractors	1,552,028	1,345,652	(206,376)	Total Repairs and Maintenance budgets for General Fund and HRA were under spent.
32.	Legal Services	Rents – Income	33,000	24,137	8,863	Closing adjustments following sale of lease
33.	All General Fund Services	Salaries	5,225,000	5,306,585	81,585	Related to staff turnover, gradings and temporary cover.

#### 4 HOUSING REVENUE ACCOUNT

NO	Cost Centre	Item	Revised Estimate	Actual	Variance	Explanation
1.	Housing Revenue Account	Repairs	1,150,000	1,029,907	(120,093)	Increased planned expenditure through major repairs allowance and therefore reduction in responsive repairs.
2.		Rent – Income	4,790,000	4,755,528	34,472	Higher level of voids e.g. Hardwick House
3.		Sheltered Charges – Income	730,000	747,309	(17,309)	Estimate incorrect by 2%.
4.		Rent Rebate	3,000,000	2,676,356	(323,644)	Reduced rent rebates paid, matching reduction in subsidy in 5
5.		Subsidy – Income	2,315,000	1,976,476	338,524	See 4
6.	General Management	Salaries	234,600	240,039	5,439	Overtime payments to provide staff

						cover.
7.		Consultancy on Stock Management	8,000	-	(8,000)	Stock Option Appraisal not implemented until 2004/05.
8.	Special Services	Staircase & Estate Lighting	14,000	7,998	(6,002)	Some direct saving through use of lower energy light bulbs, and photocell controls.
9.	Wardened Services	Salaries	227,400	233,044	5,644	Overtime payments to provide staff cover.
10.		Wardened Emoluments	70,000	54,989	(15,011)	Reduced number of wardens.
11.		Commercial Boiler Services	31,900	16,607	(15,293)	Change to service schedules. Some works now in 2004/05.

- 4.1 The adjustment required in respect of Housing Benefits affects both 2002/03 and 2003/04. In 2002/03 there is an addition to expenditure of £294,525 and in 2003/04 a net reduction of income of £215,159. The accounts were closed based on the estimated position however the final claim and reconciliation showed that £294,525 of expenditure in 2003/04 was in fact part of the 2002/03 claim. This has the result of adding that expenditure to 2002/03 and reducing the expenditure available for subsidy in 2003/04. It should be remembered that the combined benefits paid for the two years is just under £11m.
- 4.2 It should be stressed that the Council has not lost any income only that the routine process of estimating claims and then adjusting for final claims has produced a variation much higher than normally expected and therefore requiring prompt action to amend the accounts.
- 4.3 Members will recall that at Council the Head of Financial Services made available some recent information regarding the views being taken by Essex County Council regarding future pension contributions. Within the draft accounts an additional £200,000 had been added to the pension equalisation reserve. To reduce the revised position, necessary through the adjustment to the rent rebates claim, this will now be removed therefore making the net effect on balances a reduction of £309,684.



4.4 The resultant General Fund balance is £1,604,836 against the original estimated position of £1,789,214.

4.5 Members will need to agree the above as virements to ensure that the revenue accounts are fully authorised.

**5. RECOMMENDATION**

5.1 It is proposed that the Committee **RECOMMENDS to Full Council**

- (1) That the budget amendments identified in this report be agreed.
- (2) That the amendments to the accounts identified within this report be agreed.

D Deeks

Head of Financial Services

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**Background Papers:**

None

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## **CAPITAL STRATEGY**

### **1 SUMMARY**

- 1.1 This report presents the Draft Capital Strategy for approval (Appendix A). The Strategy sets out the basis for the authority's capital investment and should reflect the corporate decision-making process, corporate priorities and links with all other strategies and plans.

### **2 INTRODUCTION**

- 2.1 In previous years, there was a requirement to submit a Capital Strategy annually for assessment as part of the Single Capital Pot regime, used for the allocation of Central Government capital support to local authorities. The Capital Strategy submitted by this Council achieved a "satisfactory" assessment
- 2.2 Following last year's round, the Office of the Deputy Prime Minister announced that instead of requiring Councils who had achieved "satisfactory" assessment to submit a Capital Strategy in 2004, the local Government Offices would work with the authorities concerned to help them to improve their strategic process.
- 2.3 Rochford has taken advantage of this help and the suggestions for improvements have been incorporated into the attached Strategy. The Strategy is still required to meet the pre-set assessment criteria.

### **3 DISCUSSION**

- 3.1 Within the Capital Strategy is the section dealing with prioritisation of capital investment. The Council has previously set the following key priorities and targets for the Capital Programme and these are unchanged:
- ❖ Investment in statutory and priority services to ensure the continuation of essential services and value for money
  - ❖ Ensure that landlord and owner responsibilities are undertaken including priority items identified through the asset management plan
  - ❖ Improve infrastructure that has an influence on economic activity and the well being of the Authority. This mainly relates to the improvement of town and village centres.
  - ❖ Priority items flowing from key strategy documents

**4 RISK IMPLICATIONS**

Effective capital planning is an essential component of the new prudential capital finance system introduced in April 2004. Comprehensive Performance Assessments will continue to take account of the way local authorities utilise their resources.

**4.1 Resource Risk**

Effective capital planning ensures that our limited capital resources are targeted at achieving the Council's main objectives and key priorities.

**5 RESOURCE IMPLICATIONS**

- 5.1 The Capital Programme will be submitted to Council as part of the Budget Strategy and decisions regarding the Programme should take account of the approved Capital Strategy.

**6 RECOMMENDATION**

- 6.1 It is proposed that the Committee **RECOMMENDS** to Full Council

That the Capital Strategy be agreed.

Dave Deeks

Head of Financial Services

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**Background Papers:-**

None

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