

## Scrutiny Sub Committee for Corporate Management Issues



30<sup>th</sup> August 2005

2004-2005 Outturn

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### Report of Stuart Crowe, County Treasurer

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#### Purpose of Report

- 1 This report presents information about the 2004/5 outturn after the Statement of Accounts was submitted to the County Council on 28<sup>th</sup> July.

#### Background

- 2 This report provides Members with an opportunity to consider the overall and service financial performance of the Authority at the end of 2004/5. The Statement of Accounts are submitted in a format, which satisfies various statutory and recommended accountancy requirements. This report provides more detailed information on which the Statement of Accounts is based and covers both Capital and Revenue expenditure.
- 3 Members will be aware of the Government's "Whole of Government Accounts" (WGA) agenda, which requires, amongst other things local authorities to close accounts by the end of July 2005 for 2004/5 and by the end of June for 2005/6.
- 4 In previous years the outturn report presented to Members compared the final position with the latest revised budget for the Authority. The Statement of Accounts then compared the final position with the original budget. The Comprehensive Performance Assessment compared final spending with original budget, expecting tolerances of no more than 1% in net operating expenditure for "Excellent" Authorities.
- 5 This year in an effort to streamline the process this report has been designed to compare original budget and outturn. Spending is reviewed and budgets are revised on a regular basis in accordance with the Council's constitution. Chief Officers and Members are able to use these revised budgets as a means of managing and monitoring spending during the year.

- 6 The new CPA "The Harder Test" (Use of Resources) criteria appears to have deleted the percentage measure, although new tests are put in place to demonstrate appropriate financial management.
- 7 Attached to this report as Appendix 3 are detailed reports from each Chief Officer, together with a summary of key variances providing information about key financial issues at Service level encompassing both revenue and capital spending. Each Service is split between target and non-target expenditure. The target expenditure is the responsibility of the Service Chief Officer. Non-target expenditure is the responsibility of other Chief Officers whose Services are recharged in accordance with accounting codes of practice. At Service level all expenditure is, however, allocated as target to Chief Officers.
- 8 Some accounting entries relate to "non-service" expenditure and transactions and these are dealt with by my staff. This report deals with these issues and the movement on reserves.

### **Key Details**

- 9 The headlines are that at Service level the County Council has an underspend of £304,000 when comparing final revenue spending with original budget. Within this overall result Education and Social Care and Health spending was higher than the original budgets (principally as a result of capital charges, technical accounting adjustments and pressures in Children's Services and Learning Disabilities), whilst in Environment, including Waste Disposal, spending was less than provided for in the original budget. These were the three largest variances. Non-service specific issues contributed net positive variances of £2.8m, including about £1m additional investment income. Taken together it has been possible to reduce the anticipated transfer from reserves by £3.1m including a transfer of £2.5m to the general reserve. The General Reserve at 31<sup>st</sup> March 2005 stands at £9.94m. Appendix 2 shows this summarised revenue account information in tabular form.
- 10 The main changes in reserves are an increase in the insurance reserve to provide for potential costs as a result of a higher "aggregate" for claims; the use of the capital reserve, in accordance with the budget; and the pensions reserve as sums were transferred to the Pension Fund at the end of the actuarial period. Appendix 5 shows the movement in reserves in greater detail.
- 11 Capital spending is £14m higher than the original capital programme at £86.6m. Appendix 4 summarises service capital and financing information.

**Conclusion**

- 12 This report provides information about the financial performance of the Council for 2004/5. The Statement of Accounts was presented to the County Council on 28<sup>th</sup> July 2005.
- 13 The original revenue budget for 2004/5 estimated net operating expenditure at £482.779m with capital spending estimated at £72.539m. The overall result was that net operating expenditure was recorded at £479.618m and capital at £86.572m with a transfer to the general reserve of £2.5m.
- 14 Members are asked to note this report.

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**Appendix 1: Implications**

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**Finance**

The report provides information about the County Council's outturn for revenue and capital for 2004/5.

**Staffing**

None

**Equality and Diversity**

None

**Accommodation**

None

**Crime and disorder**

None

**Sustainability**

None

**Human rights**

None

**Localities**

None

**Young people**

None

**Consultation**

None

**Health**

None

## Appendix 2: Revenue Account

	Original Budget £	Actual £	Variance*	
			£	%
<b>Chief Executives Office</b>	8,142,260	7,842,938	299,322	3.68%
<b>Corporate Services</b>	7,279,040	7,186,782	92,258	1.27%
<b>Culture and Leisure</b>	10,026,640	10,238,660	-212,020	-2.11%
<b>Education Service</b>				
<i>Schools</i>	228,450,135	228,373,307	76,828	0.03%
<i>LEA</i>	56,227,553	58,405,014	-2,177,461	-3.87%
<i>SureStart</i>		1,544	-1,544	
<b>Environment -</b>				
<i>Environment</i>	48,245,230	46,926,337	1,318,893	2.73%
<i>Waste Disposal</i>	13,565,430	13,705,696	-140,266	-1.03%
<b>Customer Services</b>	156,840	135,645	21,195	13.51%
<b>Finance and Other Services -</b>				
<i>County Treasurer's</i>	128,750	36,995	91,755	71.27%
<i>Levies and Contributions</i>	1,624,520	1,585,529	38,991	2.40%
<i>Other Services</i>	73,510	-94,441	167,951	228.47%
<b>Social Care and Health</b>	129,029,950	130,603,452	-1,573,502	-1.22%
<b>General Contingencies</b>	2,301,672	0	2,301,672	100.00%
<b>TOTAL SERVICE SPECIFIC ISSUES</b>	<b>505,251,530</b>	<b>504,947,458</b>	<b>304,072</b>	<b>0.06%</b>
<b>Non-Service Specific Issues</b>				
Surplus - Service Direct		-537,347	537,347	
Reversal of 'Capital Charges'	-45,981,350	-48,807,990	2,826,640	-6.15%
Transfers to/from(-)				
General Provisions -				
Local Government Review 1997		-16,553	16,553	
Net surplus on Insurance Account		-3,587,153	3,587,153	
Payment to Pensions		1,511,008	-1,511,008	
<b>Investment income</b>	-1,100,000	-2,110,638	1,010,638	-91.88%
<b>Actual Capital Financing Costs -</b>				
Interest Charges	5,648,475	5,652,713	-4,238	-0.08%
Principal Repayments	8,291,928	7,988,696	303,232	3.66%
Revenue Contributions	5,119,010	5,119,010	0	0.00%
Met from Capital Reserves	5,550,000	9,458,523	-3,908,523	-70.42%
<b>TOTAL NON-SERVICE SPECIFIC ISSUES</b>	<b>-22,471,937</b>	<b>-25,329,731</b>	<b>2,857,794</b>	<b>-12.72%</b>
<b>TOTAL SERVICE AND NON-SERVICE SPECIFIC</b>	<b>482,779,593</b>	<b>479,617,727</b>	<b>3,161,866</b>	<b>0.65%</b>
Financing	-476,784,593	-476,784,593	0	0.00%
<b>TOTAL TRANSFER TO/FROM RESERVES</b>	<b>5,995,000</b>	<b>2,833,134</b>	<b>3,161,866</b>	<b>52.74%</b>

\* Variances throughout the report follow this convention –

- negative variance overspend or less income
- + positive variance underspend or more income

### Appendix 3: Summary of Key Service Variances

		Original Budget	Actual	* Variances	Agreed variations from Contingencies	* Variances	Explanation
		£	£	£	£	£	
<b>Chief Executives</b>		8,142,260	7,842,938	299,322	178,500	477,822	Additional grant funding (£399k) and lower spend on Tourism
<b>Corporate Services</b>		7,279,040	7,186,782	92,258	411,580	503,838	Additional recharges from Design Services (£294k), increased income from Registration Service (£59k) and others smaller variances.
<b>Culture &amp; Leisure</b>		10,026,640	10,238,660	-212,020	220,310	8,290	
<b>Education</b>	<b>Schools LEA</b>	228,450,135 56,227,553	228,373,307 58,405,014	76,828 -2,177,461	0 167,155	76,828 -2,010,306	Mainly non target Capital Charges and Standards Funding carried over financial year ends. Underlying variance £118k underspent.
	<b>Surestart</b>	0	1,544	-1,544	0	-1,544	
<b>Environment</b>	<b>Environment</b>	48,245,230	46,926,337	1,318,893	-495,230	823,663	Higher income from recharges of fees and late completion of works late in the year. Introduction of the Waste Permit Scheme in December reducing amount of waste processed through HWRC's.
	<b>Waste</b>	13,565,430	13,705,696	-140,266	412,840	272,574	
<b>Customer Services</b>		156,840	135,645	21,195	-90,820	-69,625	Under recovery of non target Design and Print income (£190k) offset by delayed spend on Access to Services
<b>Finance &amp; Other</b>	<b>County Treasurer</b>	128,750	36,995	91,755	-23,750	68,005	Staff vacancies
	<b>Levies</b>	1,624,520	1,585,529	38,991	0	38,991	
	<b>Other</b>	73,510	-94,441	167,951	0	167,951	
<b>Social Care and Health</b>		129,029,950	130,603,452	-1,573,502	554,350	-1,019,152	Budget pressures in Children's Services and Learning Disabilities (£618k) and higher non target items (£401k)
<b>Contingencies</b>		2,301,672	0	2,301,672	-1,334,935	966,737	Unspecified contingencies not utilised
<b>Total Service Specific</b>		<b>505,251,530</b>	<b>504,947,458</b>	<b>304,072</b>	<b>0</b>	<b>304,072</b>	

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**Appendix 3(a): Chief Executive's Office**


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**Revenue Expenditure**

Chief Executives Office	Original Estimate	Revised Estimate	Actual	Variation	
	£	£	£	Original £	Revised £
<b>Targeted expenditure -</b>					
Service Management & Admin.	823,000	851,250	1,039,385	-216,385	-188,135
Corporate Policy	815,970	945,970	996,412	-180,442	-50,442
Economic Development	821,510	692,670	343,266	478,244	349,404
Business services	1,560,900	1,532,610	1,290,797	270,103	241,813
Community Support	2,502,360	2,603,360	2,468,247	34,113	135,113
<b>sub total target</b>	<b>6,523,740</b>	<b>6,625,860</b>	<b>6,138,107</b>	<b>385,633</b>	<b>487,753</b>
<b>Add non target -</b>					
Employees expenses	222,600	202,140	202,140	20,460	0
Premises related exp	7,050	22,300	27,205	-20,155	-4,905
Transport costs	0	0	0	0	0
Supplies & services	892,610	948,770	955,531	-62,921	-6,761
Support services	855,830	915,930	950,070	-94,240	-34,140
Financing / Other costs	286,190	275,940	258,332	27,858	17,608
Less income	-266,440	-296,020	-341,294	74,854	45,274
Less recharges	-379,320	-374,160	-347,020	-32,300	-27,140
<b>sub total non target</b>	<b>1,618,520</b>	<b>1,694,900</b>	<b>1,704,964</b>	<b>-86,444</b>	<b>-10,064</b>
<b>Totals</b>	<b>8,142,260</b>	<b>8,320,760</b>	<b>7,842,938</b>	<b>299,322</b>	<b>477,822</b>

**Executive Summary**

The original revenue budget for this service was £8,142,260. Drawings from contingencies to allow agreed variations in spending were £178,500 resulting in a revised budget of £8,320,760. Overall, the Office delivered a budget outturn below that budgeted with an actual spend of £7,842,938.

The Office was successful in attracting more income to the Council than planned. This income more than offset increases in expenditure levels in the two other main budget categories. The overall overspend on employees reflects greater than expected expenditure on staff recruitment, instruction and training, and the overspend on supplies and services reflects higher than anticipated costs for various projects in County Durham.

The Office budget was reviewed and many issues addressed by way of budget revisions during the year. The summary below provides details of significant areas of variation:-

**Service Management and Admin. (£216,385 overspent)**

Final salary costs were higher than the initial budget provision because additional staff who had not been budgeted for were recruited during the year. The cost of these were met from savings elsewhere.

**Corporate Policy Division (£180,442 overspent)**

The overspend within this Division is in respect of the Corporate Policy budget which was overspent by a net figure of £180,442, the main elements of this overspend comprised costs incurred in respect of corporate advertising/communications, publication of Council Magazine and support for Countywide Strategic Partnerships.

**Economic Development (£483,386 underspent)**

Additional grant has been received which has been used to fund salary and employee costs, resulting in a saving of £399,000. The balance is made up from savings from within the European budget due to staff vacancies throughout the year.

**Business Services (£270,103 underspent)**

The Tourism function made a saving which was mainly on employee costs due to staff vacancies throughout the year. Posts have been held vacant due to the uncertainty over the future direction of the Tourism function within County Durham. The Incentives budget was also underspent due to a reduced take-up of business grants and other incentives.



## Capital Expenditure

Scheme	Original Estimate	Revised Estimate	Actual	Variation	
				Original	Revised
	£	£	£	£	%
<b>Tourism</b>					
Tourism Enterprise scheme	40,000	40,000	17,761	22,239	22,239
Other Tourism	60,000	60,000	23,648	36,352	36,352
<b>Industry</b>					
Advance Land Acquisition etc	1,000,000	2,379,990	4,346,805	-3,346,805	-1,966,815
Co-operative loans	36,400	36,400	-	36,400	36,400
<b>Community Support</b>					
Gypsy sites	-	-	42,672	-42,672	-42,672
DDA - Shildon Centre	-	-	1,575	-1,575	-1,575
<b>Totals</b>	<b>1,136,400</b>	<b>2,516,390</b>	<b>4,432,461</b>	<b>-3,296,061</b>	<b>-1,916,071</b>

## MAJOR VARIATIONS

The increase in budget estimate from £1,136,400 to £2,516,390 is due to a carryover from 2003/04 of £899,000 with grant enhancements accounting for the balance.

Actual expenditure for the year amounted to £4.4m, of which £3.336m related to two buildings at NetPark, which were wholly funded from external sources and were not therefore included in the budget estimate. Expenditure on Community Support is in respect of responsibilities transferred from Social Care and Health. Of the activities included in the budget estimate, £1.1m was spent. The balance, which remained unspent as a result of unavoidable delays, will be carried forward to allow completion of works at Low Willington Access Road Phase 3, Randolph Industrial Estate (Evenwood) and Drum Industrial Estate/A693 Roundabout.

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**Appendix 3(b): Corporate Services**


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**Revenue Expenditure**

Corporate Services	Original Estimate	Revised Estimate	Actual	Variance	
				Original	Revised
				£	£
Targeted Expenditure	11,041,880	11,322,480	10,814,034	+227,846	+508,446
Add non target					
Premises Related Exp	2,042,610	1,819,500	2,061,053	-18,442	-241,553
Supplies & Services	32,610	5,240	23,473	+9,137	-18,233
Central Support	6,171,110	7,050,840	7,297,336	-1,126,226	-246,496
Capital Charges	1,325,450	1,376,390	1,445,072	-119,622	-68,682
Less Recharges	-13,334,620	-13,882,830	-14,454,187	+1,119,567	+570,357
<b>Total</b>	<b>7,279,040</b>	<b>7,690,620</b>	<b>7,186,781</b>	<b>+92,259</b>	<b>+503,839</b>

The original budget for this service was £7,279,040. Agreed variations in spending of £411,580 were drawn from contingencies, resulting in a revised budget of £7,690,620.

This is the first year the Service has devolved its budget to specific divisions and the original budgets were formulated on the bases of historical information. Due to changes within the Service the budgets were subject to continuous review and many issues were addressed by way of revisions throughout the year. In total, the budget was £92,259 under spent compared to the original estimate with significant variations on targetable expenditure. This was due to additional income particularly for Design Service capital charges which more than offset the additional costs. A more detailed profile of spending is provided below.

**Legal Services (£170,662 overspent)**

The main pressure on the budget is the costs for External Legal Fees (£92,390), largely due to the costs of a Public Inquiry regarding land at Consett and other corporate issues, where particular departments could not be directly recharged.

**Design Services (£294,165 under spent)**

The over achievement on the budget is due to higher than expected capital income for works (£554,045). This has been offset by the additional cost of Agency related services (£136,875) and Strategic Alliance Fees (£143,930).

**Personnel (£25,570 overspent)**

Previous reports to Cabinet have highlighted the problems relating to additional salary cost (£111,876) due to employing additional staff to cover Job Evaluation. This has been partially offset by increased income from outside bodies.

### Registration Service (£58,951 under spent)

The under spend is due to higher than anticipated sales from the 'on-line' certificate process, a general increase in marriages plus new income for Baby Naming and Citizenship Ceremonies.

### Capital Expenditure

	Original Estimate	Revised Estimate	Actual	Variance	
				Original	Revised
	£	£	£	£	£
<b>Registration Service</b>					
New Construction	255,000	130,000	30,799	224,201	99,201
<b>County Farms</b>					
Adaptations	40,000			40,000	
Structural Maintenance	40,800	40,800	4,430	36,370	36,370
<b>Administrative Buildings</b>					
Structural maintenance	99,510	199,510	240,480	-140,970	-40,970
<b>Property Rationalisation</b>					
New Construction	411,000	-	-3,968	414,968	3,968
Disability Discrimination Act	-	794,470	67,257	-67,257	727,213
<b>Democratic Representation</b>					
Vehicles	35,000			35,000	
<b>Waste Disposal</b>					
Restoration of Closed Sites	300,000	300,000	170,041	129,959	129,959
<b>Energy Management</b>					
Adaptations	200,000	200,000	60	199,940	199,940
<b>Total</b>	<b>1,381,310</b>	<b>1,664,780</b>	<b>509,099</b>	<b>872,211</b>	<b>1,155,681</b>

This under spend is mainly the result of variances occurring within the following schemes:-

#### Registration Services

New Construction – there was a 12 month delay on the letting of the contract for the new premises at Bishop Auckland. The budget has been carried forward and will be used in the current year.

#### County Farms

Structural Maintenance - The budget was earmarked for two specific jobs, which were suspended and later cancelled as the tenants purchased the farms.

Adaptations – The policy regarding the disposal of County Farms put a freeze on the capital programme and therefore no spending occurred in 2004/05. A survey of the remaining farms has indicated that emergency health and safety work relating to asbestos removal may be necessary, therefore the unspent balance of £200,000, which is made up from the £160,000 brought forward from 2003/04 and £40,000 for 2004/05, being carried forward to 2005/06

when this work is expected to begin.

### Administrative Buildings

The over spend of £140,970 is due to asbestos problems in the Recreation Block and the Annex Building.

### Property Rationalisation

New construction – There is an under spend balance of £1,943,600 which is made up of £1,532,600 brought forward from 2003/04 and £411,000 for 2004/05. This budget has been earmarked for the 'One Stop Shop' that is part of the Stanley Rationalisation Programme.

Disability Discrimination Act – During the year essential work needed to be carried out to ensure the council adhered to the current legislation.

### Democratic Representation

No vehicles were purchased in 2004/05.

### Waste Disposal

Expenditure on restoration of closed sites amounted to £170,040 against an original budget of £300,000. The under spend is due to the slippage of some projects.

### Repairs & Maintenance

Repairs & Maintenance (Including Grounds Maintenance less Delegated Funds to Schools)	Original Estimate	Revised Estimate	Actual	Variance	
				Original	Revised
	£	£	£	£	£
Education	306,040	386,130	345,553	-39,513	40,577
Cultural Services	237,740	245,400	258,237	-20,497	-12,837
Social Care & Health	863,810	840,390	880,852	-17,042	-40,462
Aycliffe Centre	17,370	17,000	12,126	5,244	4,874
Registrars	58,470	32,200	32,012	26,458	188
Admin Buildings	728,650	845,290	1,082,868	-354,218	-237,578
Property Management	433,270	290,150	278,253	155,017	11,897
Waste Disposal	10,000	10,000	6,737	3,263	3,263
Industrial Sites	46,740	76,800	35,555	11,185	41,245
Reclamation Sites	167,370	80,200	124,539	42,831	-44,339
Central Traffic Corridors etc	7,000	3,500	1,204	5,796	2,296
County Farms	50,200	30,200	32,446	17,754	-2,246
Chief Executive Office	5,000	13,500	3,123	1,877	10,377
I.T.	0	0	5,425	-5,425	-5,425
Finance	0	0	1,178	-1,178	-1,178
<b>Total</b>	<b>2,931,660</b>	<b>2,870,760</b>	<b>3,100,108</b>	<b>-168,448</b>	<b>-229,348</b>

The over spend of £168,448 against the original budget is mainly due to repairing the Recreation Block and the cost of emergency maintenance to the roof of the Annex Building and County Hall.

## Structural Maintenance

Structural Maintenance (less Delegated Funds to Schools)	Original Estimate	Revised Estimate	Actual	Variance	
				Original	Revised
	£	£	£	£	£
Education	3,748,770	3,648,770	4,959,678	-1,210,908	-1,310,908
Cultural Services	82,600	82,600	97,741	-15,141	-15,141
Social Care & Health	284,610	284,610	358,478	-73,868	-73,868
Admin Buildings	99,510	199,510	240,480	-140,970	-40,970
County Farms	40,800	40,800	4,430	36,370	36,370
<b>Total</b>	<b>4,256,290</b>	<b>4,256,290</b>	<b>5,660,807</b>	<b>-1,404,517</b>	<b>-1,404,517</b>

The overspend of £1,404,517 is due to slippage from 2003/04 for which no budget is available in 2004/05. Included in this is Education projects at Peterlee Acre Rigg Junior School (£99,279), Moorside Community College (£322,447), Framwellgate Moor School (£137,351), Stanley School of Technology (£151,752), Seaham School (£112,317), a Social Care and Health project at Abbey Day Centre (£82,733) plus 27 other minor projects.

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**Appendix 3(c): Culture and Leisure**


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**Revenue Expenditure**

Culture and Leisure	Original Estimate £	Revised Estimate £	Actual £	Variance	
				Original £	Revised £
Targeted Expenditure	6,530,650	6,637,640	6,650,324	-119,674	-12,684
<u>Add</u> non target					
Premises	347,610	354,090	366,650	-19,040	-12,560
Central Support	1,932,050	1,934,500	1,918,358	+13,692	+16,142
Capital Charges	783,230	888,320	871,938	-88,708	+16,382
Bowes Trust	450,000	450,000	450,000	0	0
Recharges from other services	-16,900	-17,600	-18,610	+1,710	+1,010
<b>Total</b>	<b>10,026,640</b>	<b>10,246,950</b>	<b>10,238,660</b>	<b>-212,020</b>	<b>+8,290</b>

The original budget for Culture and Leisure was £10,026,640. Drawings from contingencies to allow agreed variations in spending were £220,310 resulting in a revised budget of £10,246,950.

The budget was subject to continuous review and many issues were addressed by way of budget revisions during the year. When it became clear that the issue of opening on the Saturdays prior to Bank Holidays was not going to be resolved in 2004/5 other work was undertaken to meet the library standards on access to service. This caused a movement in expenditure between budget heads.

Culture and Leisure is a diverse service which works to generate income as well as to carefully monitor expenditure. There are a number of budget heads where expenditure is only incurred when it is matched by grant and other income. Successful partnership work with organisations such as New College led to improved service delivery and some of the income generated was used to offset the additional costs.

The paragraphs below highlight significant areas of variation in the budget:-

**Local Delivery and Support**
**Employee costs (£87,073 underspent)**

The percentage of convenient library opening hours (library opening hours that are outside 9-5 Monday – Friday) were increased but issues about opening on the Saturday prior to Bank Holidays were not resolved until early

in 2005/6. Consequently work on opening on Sundays as a pilot was also delayed. This meant that the service's employee costs did not increase as much as originally predicted, although they will do so in 2005/6 now that this issue is resolved

### **Supplies (£289,471 overspent)**

Spend on other work was undertaken to help meet the library standards on access to service, once it became clear that there would be an underspend on employee costs (as outlined above). This included minor works and equipment, additional videos, DVDs and audio which are areas of increasing demand and some promotional work (£87,555 in total)

It is always difficult to predict spend on the bookfund with total accuracy due to the nature of the book publishing trade. Books are ordered in advance of publication based on information provided by the publisher. The book may be published earlier or later than predicted, there may be a price increase between ordering and publication. In mid March spend on the bookfund was on target but a large number of books were received on the last 2-3 days of the financial year leading to an overspend (£41,898) on the bookfund. Other overspends were caused by increases in insurance, printing and stationery in support of public access to ICT and other miscellaneous expenditure.

### **Collections, Events and Strategy**

#### **Supplies (£203,516 overspent)**

Most of the apparent overspend on this heading is offset by the same amount within income so there is a nil effect on the budget.

#### **Income (£227,135 over – recovered)**

In addition to the income that offsets spend in supplies, this heading includes extra income that was received from the Prisons Service to cover the expenditure on lost and damaged books and additional staff hours incurred to cover sickness, annual leave etc. This expenditure is shown under the relevant budget heads. Additional grant received relates to Arts, Development, Public Art and Drama Development.

### **Capital Expenditure**

	Original Estimate £	Revised Estimate £	Actual £	Variance	
				Original £	Revised £
Culture and Leisure	945,170	156,100	791,279	153,891	-635,179

The underspend compared to the original budget is largely explained by transfers to 2005/6 and additional expenditure on structural maintenance and DDA works:

	£	£
Transfers to 2005/6		
Library modernisation	322,400	
Vehicles	388,910	
Beamish Museum	150,000	861,310
Transfer from 2003/4		
Clayport Library		-58,000
DDA works		-637,870
Structural maintenance		-15,141
		150,229

The overspend compared to the revised budget is largely due to the addition of DDA expenditure.



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**Appendix 3(d): Education**


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**A. Revenue Expenditure 2004/2005 – Total Education**

The table below provides details of the year-end position.

Education	Original Estimate £	Revised Estimate £	Actual Expenditure £	Variance £	
				Original	Revised
Schools Delegated	228,450,135	229,477,350	228,373,307	+76,828	+1,104,043
LEA – targeted expenditure *	27,210,952	27,124,589	26,422,591	+788,361	+701,998
LEA – non-target	29,016,601	31,932,191	31,982,423	-2,965,822	-50,232
<b>Total Education</b>	<b>284,677,688</b>	<b>288,534,130</b>	<b>286,778,321</b>	<b>-2,100,633</b>	<b>+1,755,809</b>

\* Comparison with the original budget produces a net picture for LEA targeted expenditure. Two large income streams, funds for Sixth Forms from the Learning and Skills Council and School Standards Grant, from the DfES, appear here. All the funds are passed directly to schools and have no effect on the overall funding position of the County Council. Consequently the first line of information below provides a true picture of total spend on LEA managed services:

Education	Original Estimate £	Revised Estimate £	Actual Expenditure £	Variance £	
LEA-targeted expenditure	49,982,882	50,513,375	50,202,654	- 219,772	310,721
LSC Income	- 13,460,530	- 14,038,846	- 14,430,123	969,593	391,277
School Standards Grant	- 9,311,400	- 9,349,940	- 9,349,940	38,540	0
<b>Total</b>	<b>27,210,952</b>	<b>27,124,589</b>	<b>26,422,591</b>	<b>788,361</b>	<b>701,998</b>

**B. School Budgets**

At the year end, school balances, excluding interest, have remained at a similar level to the position in March 2004, increasing by £0.2m to £13.5m. The late notification of increased funding from the LSC, for schools with sixth forms, is one of the major contributors in the secondary sector. LEA officers will continue to focus on those schools with the largest percentage balances. Head Teachers and School Governors are cautious about spending as they are having to manage the impact of falling rolls, Teachers Workforce Reform and the implications of the Equal Pay settlement and Job Evaluation. This is against an uncertain National School Funding background, as DfES are proposing changes from 2006/2007.

C. **Budget Managed by the Director of Education – “Education Target”**

### Executive Summary

The original budget for 2004/2005 totalled £49.98m and a simple comparison with actual expenditure shows an overspend of £219,772. However, this is before allowing for in-year budget transfers from DCC contingencies of £167,155 and the bringing forward of £583,221 of Standards Fund allocations from 2003/2004. In addition Standards Fund is also carried forward into 2005/2006 leaving a net position of £118,729 of revenue underspend at the year end.

Service pressures arising from transport spending, redundancy payments to school staff, linked with falling rolls and the cost of meeting parental choice for non-LEA early years placements, have all been contained. Flexibility in deploying Standards Fund Grants and careful control by budget managers are contributory factors.

Education accounts are required to be managed in a consistent format, nationally, and for Durham this means 25 separate services/activities comprise the total operational budget.

This excludes the delegated budgets of schools, for which there is DfES prescribed reporting framework (Section 52 Regulations).

Set out below is a brief commentary on those services and activities where there are significant variances between original budget and actual spend at 31 March 2005 (not school budgets).

#### 1. Pupil and Student Transport

<b>Original Budget:</b>	<b>£12,736,040</b>
<b>Total Expenditure:</b>	<b>£13,261,489</b>
<b>LSC Income:</b>	<b>£244,000</b>
<b>Net Overspend:</b>	<b>£281,449</b>

This part of the budget continues to be the most difficult to control. It is a feature of spending on the support budgets for Nursery, Primary, Secondary and Special Schools, as well as Colleges and the PRU and other out-of-school placements. Expenditure was beyond “stated policy” for post-16 pupils in 2004/2005 as the LSC funded some additional travel costs for specific pupils, with the aim of boosting staying-on rates.

Contract hire spending exceeded £8.85m and inflation on this part of the budget was much higher than estimated, at 5.91%. This amount was agreed between transport contractors and Environment and Technical Services and applied from September 2004.

## 2. **Pre-Primary Education (Non-Delegated)**

**Original Budget: £1,848,920    Overspend: £222,205 (12.02%)**

Two factors contributed to the apparent level of overspend. The County Council is required to make termly payments to approved providers of 3 and 4 year old early years places at independent nursery provision. The original budget was £1,500,000 and spend as a result of parental preference exceeded that by £185,141.

The other aspect of this budget that shows as an overspend of £59,000 for new early years provision at Haswell. This was provided for as an LEA initiative.

## 3. **Community Education and Adult Education**

**Original Budget: £3,102,910    Overspend: £263,401 (8.49%)**

For budget purposes this is a service with many facets, including Adult Literacy, ESF funded programmes, LSC financed activities and SRB. The out-turn position reflects extra costs because of XL networks, supporting the work of the Prince's Trust, inspection outcomes and pay award arrears, all of which were provided for, by virement, as part of the in-year budget monitoring process.

## 4. **Management and Administration**

**Original Budget: £4,603,910    Overspend: £86,156 (1.87%)**

Budget virement took place in-year to meet the costs of a "Brokerage Team" working predominantly with school staff who had been displaced, largely because of falling rolls, and to provide a small temporary team to support the peak summer workload of the Education Transport Team.

## 5. **LEA Initiatives**

**Original Budget: £3,143,738    Underspend: £440,588 (14.01%)**

At the beginning of the financial year the "original budget" included resources to be vired to other parts of the service and immediately £59,520 was re-directed to pre-primary for a new development at Haswell and £90,000 to support Social Inclusion. "Balances" on Standards Fund have been used to support Key Stage 4 school improvement and to assist "schools causing concern", rather than this part of the budget. This allows underspends within LEA initiatives that are a major contribution to balancing the overall Education Budget.

## 6. **Standards Fund**

**Original Budget: £7,224,793    Overspend: £348,699 (4.83%)**

This budget represents the LEA matched contribution towards an extensive programme of DfES Grants that spans more than one financial year. The increased spending was because grants were carried forward from 2003/2004 (allocations span a 17 month period).

## 7. Learning Support Service

**Original Budget: £2,917,113    Underspend: £255,731 (8.77%)**

This service underwent a major reduction from September 2004 because the team of support staff supporting pupils with SEN was delegated to primary schools. The overall service budget was reduced, after the delegation of funds to schools, as it was over-provided, and the service was managed to produce an adjusted underspend of £32,510. Other service efficiencies associated with Sensory Support also contributed to the underspend.

### Capital Expenditure 2004/2005 – Total Education

The table below provides details of the year-end position.

	Original Estimate £	Revised Estimate £	Actual £	Variance £	
				Original	Revised
LEA Controlled Capital	24,826,996	41,661,354	26,128,717	-1,301,721	+15,532,637
School Devolved Capital	7,879,174	12,527,227	7,005,540	+873,634	+5,521,687
Total	32,706,170	54,188,581	33,134,257	-428,087	+21,054,324

The LEA's Capital Budget is continually revised throughout the year as new capital schemes are approved and as a result of this the revised budget is significantly higher than the original budget. Major projects such as the construction of Children's Centres throughout the County (£6.4m), construction of a new primary school at Pelton (£2.9m) and the provision of additional accommodation at Teesdale School (£1.5m) were approved after the original budget had been set.

When new capital funding is awarded it may be available over several years, although at the time a detailed profile of the predicted expenditure is not finalised. At this stage the funding is brought into the budget in the year that it is awarded and it is profiled between financial years at a later date when more details are available. This accounts for a significant part of the difference between the revised budget and the actual expenditure. The budgets for large schemes such as the NOF PE & Sport projects (£1.6m underspent), Children's Centres projects (£5.6m underspent) and Durham Gilesgate Modernisation (£0.8m underspent) have been reprofiled and will be spent in future years.

Delays in carrying out works have led to slippage on some schemes, for example construction of a new school at Windlestone Hall (£2.5m underspent) and the provision of additional accommodation at Teesdale School (£1.5m underspent). The budget of £0.7m for National Grid for Learning Broadband provision was not spent in 2004/05 so this has been carried forward to be spent by the end of August 2005. There was also slippage of £3.8m on the Modernisation budget and this will be allocated to projects and used in 2005/06.

The £5,521,687 underspend on school devolved capital will be rolled forward into future years where it will be utilised for further capital projects.

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## Appendix 3(e): Environment

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### Executive Summary

The original Environment budget was £48,245,230 and Waste Disposal £13,565,430. During the year there were several adjustments to contingencies (+£495,230 for Environment and -£412,840 for Waste Disposal) resulting in revised budgets of £47,750,000 and £13,978,270 respectively.

The main adjustments included: -

- Transferring funds from Environment to Waste Disposal (£390,360)
- Restructuring of the Reclamation service as agreed under the Medium Term Financial Plan (£183,450)
- Waste Disposal Plan Public Inquiry (£50,000).

Specific provision was made for these items within General Contingencies.

Transfers to contingencies included:-

- £100,350 reflecting the reduced cost of capital charges
- £101,280 reflecting the reduced cost of insurance premiums.

The budget was subject to continuous review throughout the financial year and two major problems were identified: -

- The quantity of waste being processed through the Household Waste Recycling Centres (HWRC's) was increasing significantly
- The higher rate of inflation on Public Transport Contracts, together with the full year's effects of the previous re-tendering exercise and more services requiring support, led to severe pressure in this area of the budget

To address these problems all other trading areas were examined to identify potential savings and funds transferred.

Despite these pressures the original Environment budget eventually underspent by £1,318,893, attributable to: -

- Income generated by rechargeable works and fees and charges continued at a high level throughout the financial year.
- Works ordered were not completed within anticipated timescales.

The Waste Disposal budget overspend was restricted to £140,266 primarily as a result of the introduction of the Waste Permit Scheme in December, which considerably reduced the amount of waste processed through HWRC's, and the reduced capital charges cost.

The Capital budget has also been regularly monitored and, although some schemes have 'slipped' slightly the only major variation has been the deferment of the Wheatley Hill to Bowburn and the West Auckland Bypass Road Schemes and the introduction of the Durham Park and Ride scheme.

## Revenue Expenditure

Environment	Original Estimate	Revised Estimate	Actual	Variance	
				Original	Revised
	£	£	£	£	£
Targeted Expenditure	29,380,070	29,070,190	28,295,179	+1,084,891	+775,011
<u>Add</u> non target					
Change Management	200,000	507,790	447,012	-247,012	+60,778
Central Support	3,231,630	3,247,030	3,441,540	-209,910	-194,510
Capital Charges	16,340,210	16,239,860	16,241,087	+99,123	- 1,227
Recharges to/from other services	- 626,680	-889,870	- 937,701	+311,021	+47,831
Newcastle/Durham Tees Valley Airports	- 280,000	-425,000	- 560,780	+280,780	+135,780
<b>Total</b>	<b>48,245,230</b>	<b>47,750,000</b>	<b>46,926,337</b>	<b>+1,318,893</b>	<b>+ 823,663</b>

Waste Disposal	Original Estimate	Revised Estimate	Actual	Variance	
				Original	Revised
	£	£	£	£	£
Targeted Expenditure	12,992,080	13,435,410	13,293,292	-301,212	+142,118
<u>Add</u> non target					
Central Support	26,280	41,080	67,186	-40,906	-26,106
Recharges to/from other services	140,840	88,110	82,971	+ 57,869	+ 5,139
Capital charges	406,230	413,670	262,247	+143,983	+151,423
<b>Total</b>	<b>13,565,430</b>	<b>13,978,270</b>	<b>13,705,696</b>	<b>-140,266</b>	<b>+272,574</b>

<b>Overall Total</b>	<b>61,810,660</b>	<b>61,728,270</b>	<b>60,632,033</b>	<b>+1,178,627</b>	<b>+1,096,237</b>
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## **ENVIRONMENT**

Considering the size and diversity of the service, there are inevitably numerous variations, particularly when comparing spending against original budget. The paragraphs below highlight the significant areas of variation in each Trading area.

### **Management and Administration**

Recent changes to the structure and functions of the Service have resulted in revisions to the way in recharges are calculated and apportioned. Although the cost of providing this element of the service did not show any significant changes, additional income was generated from recharges to other services (£167,000). The combination of these factors has contributed to a number of variations to other trading areas, as has the re-apportionment of Central Support costs.

### **Highways Design Services**

The primary reason for an underspend in this area is the income generated from an increase in Rechargeable Works undertaken (£121,000). There has also been an increase in income from recharges to capital (£253,000), through the Urban Renaissance Programme and the Highways Capital programme, including schemes such as the Park and Ride and design related costs on future schemes.

### **Public Transport**

An overspend was predicted on supporting public transport contracts early in the financial year caused through high levels of inflation on Public Transport Contracts, the previous year's re-tendering exercise and additional services becoming non-viable for bus companies to provide without subsidy (£304,000).

### **Civil Engineering and Geotechnical Laboratory**

The Laboratory has, for some time, been working towards reducing its budgeted deficit through a combination of more efficient working and maximising its income partly through more realistic charge-out rates. This was successfully achieved with the deficit being reduced from £129,000 to £54,000.

### **Highways Maintenance**

The main amendments to the budget included revisions to the programme of works, reduced insurance premiums and storm damage late in the year. Winter Maintenance overspend was due to the adverse weather conditions late in the financial year (£365,000), however this was offset by other ordered works not being completed within the year.

### **Traffic**

An underspend arose due to the difficulty in recruiting suitable school crossing patrol staff (£172,000); and a reduction in the expenditure on the Traffic Signals Maintenance/Refurbishment Programme to assist with other budget pressures (£63,000). In addition there was an increased level of income from rechargeable works (£69,000).

### **Countryside Services**

The underspend on the budget was mainly attributable to Countryside Access and Rights of Way (£83,000). This was as a result of disruptions to work progressing caused by various spells of inclement weather, and also because of emphasis given to grant funded works awarded during the year.

### **Planning Services**

This underspend is mostly due to the increased level of income derived from Planning Fees (£42,000) and from Planning Delivery grant (£31,000). In addition £50,000 was drawn from contingencies for the costs associated with the Waste Disposal Public Inquiry.

### **Change Management**

The programme for change management was reviewed to include diversity and equalities and the promotion of these activities for which specific provision was made in General Contingencies (£247,012).

### **Capital charges**

The majority of this underspend relates to infrastructure charges, which are calculated on an historical cost base. Where there is a underspend on Highways capital expenditure, as there has been in 2004/05, there will be a consequent underspend on capital charges (£99,123).

### **Newcastle / Durham Tees Valley Airports**

The dividend income accruing from Newcastle Airport is significantly greater than the original budget and accounts for the majority of the over-recovery (£308,000).

## **WASTE DISPOSAL**

### **Waste Disposal Contract Costs**

There was a substantial increase in demand through the HWRC's, which was identified early in the year. Additional funding of £390,000 was transferred from the Environment Budget to address this issue. However, the Permit Scheme was introduced in an attempt to control the flow of waste through these centres and this had an immediate effect leading to an overall underspend against the revised budget. Additional grant aid from DEFRA (£168,000) allowed for the promotion of recycling initiatives throughout the County and this funding will continue in 2005/06.

### **Income**

Rental income in respect of the Coxhoe landfill site was much greater than originally anticipated (£364,000) due to the amount of waste deposited during the year.

### **Capital Charges**

Capital charges underspend primarily relates to land and buildings. The calculations are based on valuations from the Director of Corporate Services.



The actual reflects changes made since the original budget was set (£143,983).

### Capital Expenditure

	Original Estimate	Revised Estimate	Actual	Variance	
				Original	Revised
	£	£	£	£	£
Environment	32,803,890	33,640,385	29,248,287	+ 3,555,603	+ 4,392,098
Waste Disposal	1,604,000	2,322,730	1,655,259	- 51,259	+ 667,471

The Environment budget was underspent by £3,555,602, reflecting £2,754,512 on Highways and Transportation Projects and £801,090 on Reclamation and the Environment.

The Highways and Transportation underspend is primarily due to the deferment of schemes such as Wheatley Hill to Bowburn (£2,953,000) and West Auckland Bypass (£884,000), the delayed start on the Chilton Bypass (£2,500,000), and on the introduction of Real-Time Information Systems for Public Transport (£578,000). However, these were partially offset by the increased expenditure in year associated with Crook Bypass (£549,000) and the Park and Ride scheme (£1,027,000). Additional funding was awarded for this latter scheme.

Work on the Hardwick Hall project has progressed very well during the year but several areas of work have not yet started and this has led to an underspend of £834,000 in 2004/05 but it is currently estimated that the project will be delivered within its approved total budget.

The Waste Disposal capital budget was in overall terms overspent by £51,000, mainly because of expenditure incurred on additional projects funded by grant aid, which was partially offset by savings due to works on the second Aerobic Digester at Thornley not progressing as quickly as expected (£37,000).

## **Appendix 3(f): Customer Services**

### **Revenue Expenditure**

Customer Services	Original Estimate	Revised Estimate	Actual	Variance	
				Original	Revised
	£	£	£	£	£
Targeted Expenditure - E-Government Design and Print	7,836,830 0	8,233,140 0	7,941,520 0	-104,690 0	291,620 0
Total Target	7,836,830	8,233,140	7,941,520	-104,690	291,620
<u>Add non target</u>					
Employees expenses	583,080	472,800	446,935	136,145	25,865
Premises Related Exp	13,520	14,050	19,127	-5,607	-5,077
Transport Costs	1,100	1,250	1,007	93	243
Supplies & Services	703,390	573,870	621,004	82,386	-47,134
Support Services	522,860	490,100	542,004	-19,144	-51,904
Financing/Other costs	83,700	73,800	209,106	-125,406	-135,306
Less Recharges	-9,587,640	-9,792,990	-9,645,057	57,417	-147,933
Total Non-Target	-7,679,990	-8,167,120	-7,805,874	125,884	-361,246
Total	<b>156,840</b>	<b>66,020</b>	<b>135,646</b>	<b>21,194</b>	<b>-69,626</b>

### **Executive Summary**

The original revenue budget for this service was £156,840. The budget was reduced by £90,820 which was returned to contingencies to allow agreed variations in spending resulting in a revised budget of £66,020.

There is a £135,646 net expenditure balance on Customer Services budget which is £21,194 less than original budget. This is due to an underspend on the Customer Services Strategy Budget of £196,000, due to delaying projects whilst awaiting the outcome of consultants recommendations on the Strategy and to the fact that Design and Print Services have not recovered all of the income due to them for work completed in the year, resulting in an under-recovery of £201,000.

### **Customer Services**

#### **Employee costs (£154,520 underspent)**

When comparing actual expenditure to the revised budget, the underspend is only £64,750 which is mainly due to delays in filling vacant posts. The underspend was vired to the supplies and services budget head to fund computer-related expenditure.

**Supplies and Services (£308,243 overspent)**

Customer Services had no alternative but to replace many older PCs in the early months of 2004/5 as it was not practical to continue using them. They were causing massive service and operational difficulties and ICT staff were drawn away from other duties in order to deal with these problems. This had major implications on the supplies and services budget for the rest of the year. Although the budget was revised upwards at the budget revision stage, using savings on staffing and anticipated additional income, in order to remain within budget, future replacements of PCs had to be limited to emergencies only.

When comparing actual expenditure to the revised budget there is an underspend of £199,000. This is due to the separate budget which was established for the Customer Services/Access to Services Strategy. Projects (and therefore spend on computer and communications equipment) have been delayed whilst awaiting the recommendations of a consultant, employed by the Authority to develop a Customer Services Strategy and proposed staffing structure for the new team.

**Other Costs (£124,311 overspent)**

A provision for bad debts of £37,506, together with a deferred charge of £87,500 for OnTechnology software purchased in 2003/4, are the reasons for this overspend.

**Income (£56,999 over-recovered)**

The variance is due to additional income earned from external bodies.

**Design and Print Services****Employee costs (£136,145 underspent)**

The original budget was based upon a proposed staffing structure which was put on hold pending the outcome of the Best Value Review and the budget was revised downwards to reflect this. The actual underspend of £25,865 offsets a proportion of the under-recovered income.

**Supplies and Services (£82,386 underspent)**

Although actual expenditure is £82,386 less than the original budget, the budget was revised downwards to reflect the anticipated underspend on materials at that time; however this revision resulted in an overspend of £47,134. This was due to the fact that the total value of stores issues did not become apparent until after the year end.

**Income (£408,095 under-recovered)**

Although in comparison to the original budget, actual income appears to be under-recovered by £408,095, the actual under-recovery is £200,929 as the budget was re-profiled to take into account lower staff and other costs. The reasons for this are:

- Insufficient recovery of hours charged by the Design Studio;
- Lack of jobs completed by DCC Print Operation - work was contracted out where deadlines were too tight.

These are all issues that are under consideration as part of the Best Value Review.

### **Capital Expenditure**

	Original Estimate	Revised Estimate	Actual	Variance	
				Original	Revised
	£	£	£	£	£
<b>E-Government</b>					
E-Government		350,000	93,595	-93,595	256,405
Derwentside – last mile project	449,000	450,000	457,967	-8,967	-7,967
<b>Total</b>	<b>449,000</b>	<b>800,000</b>	<b>551,562</b>	<b>-102,562</b>	<b>248,438</b>

Durham County Council received an e-Government grant of £350,000 in 2004/5 but only spent £93,595 prior to 31/3/05. The unspent monies will be carried forward and used in 2005/6, to facilitate the Authority in achieving the requirements of the e-Government agenda.

The last mile project was wholly funded from Single Programme grant monies and was completed in March 2005. This enabled broadband connectivity throughout County Durham, connecting the County and Districts, schools, community centres, libraries, leisure facilities and businesses.

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**Appendix 3(g): Finance and Other Services**


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**Revenue Expenditure**

Finance and Other Services	Original Estimate	Revised Estimate	Actual	Variance	
	£	£	£	Original £	Revised £
Targeted Expenditure -					
County Treasurer	2,237,800	2,127,920	1,968,721	269,079	159,199
Levies & Contributions	35,720	21,720	6,950	28,770	14,770
Central Support Services	42,790	36,480	36,477	6,313	3
Promotion	33,190	32,860	22,020	11,170	10,840
Misc Expenses	18,720	18,690	11,695	7,025	6,995
<b>Total Target</b>	<b>2,568,220</b>	<b>2,237,670</b>	<b>2,045,863</b>	<b>322,357</b>	<b>191,807</b>
<u>Add non target</u>					
Employees expenses	1,139,730	1,205,730	1,192,723	-52,993	13,007
Premises Related Exp	1,390	3,530	1,484	-94	2,046
Supplies & Services	4,632,730	4,688,360	4,678,857	-46,127	9,503
Support Services	1,075,270	1,137,140	1,176,045	-100,775	-38,905
Financing/Other costs	469,170	469,170	475,027	-5,857	-5,857
Less income	-4,711,490	-4,881,760	-5,966,094	1,254,604	1,084,334
Less Recharges	-4,248,240	-4,283,540	-4,186,460	-61,780	-97,080
<b>Total Non-Target</b>	<b>-1,641,440</b>	<b>-1,661,370</b>	<b>-2,628,418</b>	<b>986,978</b>	<b>967,048</b>
<b>Total</b>	<b>726,780</b>	<b>576,300</b>	<b>-582,555</b>	<b>1,309,335</b>	<b>1,158,855</b>

**Executive Summary**

The original budget for this service was £726,780. Drawings from contingencies to allow agreed variations in spending were a negative £150,480 due to the transfer of staff to Social Care and Health under the BVR pilot resulting in a revised budget of £576,300.

## County Treasurer's

County Treasurer's	Original Estimate	Revised Estimate	Actual	Variance	
	£	£	£	Original £	Revised £
Targeted Expenditure	2,237,800	2,127,920	1,968,721	269,079	159,199
Total Target	2,237,800	2,127,920	1,968,721	269,079	159,199
<u>Add non target</u>					
Premises Related Exp	1,390	3,530	1,484	-94	2,046
Support Services	1,064,710	1,117,750	1,154,417	-89,707	-36,667
Other costs			-15,764	15,764	15,764
Less Recharges	-3,175,150	-3,144,200	-3,071,863	-103,287	-72,337
Total Non-Target	-2,109,050	-2,022,920	-1,931,726	-177,324	-91,194
Total	<b>128,750</b>	<b>105,000</b>	<b>36,995</b>	<b>91,755</b>	<b>68,005</b>

### Executive Summary

The original budget for this service was £128,750. Drawings from contingencies to allow agreed variations in spending were a negative £23,750 due to the transfer of staff as part of the Best Value pilot, resulting in a revised budget of £105,000. The main reasons for the net variations on target occurring within the County Treasurers is due to a combination of vacant posts together with increased income from service level agreements partially offset by additional expenditure on IT purchases, reviews as part of the Best Value Review of Support Services and a reduction in the recharge to the Pension Fund.

The budget was subject to continuous review during the year. The main reasons for the above underspendings are –

#### **Employees - £299,489 underspend**

The original budget was reduced by £118,000 to reflect the transfer of four staff to Social Care and Health. The remaining underspend was due to vacant posts, including the delayed recruitment of a Corporate Risk Manager and the secondment of staff to other services.

#### **Supplies and Services - £126,516 overspend**

Non-budgeted expenditure was incurred on software licences (£58,000), replacement of pcs (£25,000), and reviews of payroll and the dual accountability pilot associated with Best Value Review projects (£72,000). This additional expenditure was offset by savings on postages and printing costs.

#### **Income - £170,386 additional income**

Additional income was received through new and re-negotiated Service Level Agreements and re-imburement of salary costs for a member of staff seconded to an Education Action Zone.

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**Appendix 3(h): Social Care and Health**


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**REVENUE EXPENDITURE**

	Original Budget	Revised Budget	Actual	Variance	
	£	£	£	Original £	Revised £
Targeted Expenditure	120,950,620	121,246,818	121,865,343	-914,723	-618,525
Add Non Target					
Repairs and Maintenance	863,810	847,690	880,852	-17,042	-33,162
Design Service Recharge	417,990	497,668	498,327	-80,337	-659
Central Support	5,294,020	5,549,726	5,573,642	-255,706	-23,916
Capital Charges	1,520,800	1,459,229	1,802,288	-281,488	-343,059
Recharge to Corp. Mgt.	(17,290)	(16,830)	(17,000)	-290	+170
<b>Total Net Expenditure Budget</b>	<b>129,029,950</b>	<b>129,584,300</b>	<b>130,603,452</b>	<b>-1,573,502</b>	<b>-1,019,152</b>

**EXECUTIVE SUMMARY**

The Original Budget for Social Care and Health was £129,029,950. Drawings from contingencies to allow agreed variations in spending were £554,350 resulting in a revised budget of £129,584,300.

Social Care and Health were forecasting overspends within Children's Services and Learning Disabilities totalling £1.9 million from the early stages of the financial year. The Children's Service overspend was as a result of a base budget shortfall after taking account of the impact of the Invest to Save strategy. The overspend in Learning Disabilities was as a result of the increase in the number and cost of placements especially in relation to school leavers.

Social Care and Health took early action to minimise the impact of the forecast overspend through a range of cost reduction measures. A range of further financial pressures also impacted resulting in a target budget overspend, i.e. those elements of the budget controlled by Social Care and Health against Original Budget of £914,723 (0.7%) and an overspend of £618,525 (0.5%) against Revised Budget.

**REVENUE OUTTURN**

The budget was subject to continual review throughout the year with many issues being addressed by budget revisions. The Revised Budget at year end was £554,350 higher than the Original Budget. This was as a result of the following:

- (i) the transfer of staff from the County Treasurer;
- (ii) increases in non-target budgets as identified in the table above;

- (iii) the transfer of budget between financial years to maximise the use of grant.

Overall, therefore, Social Care and Health overspent against its target budget, i.e. elements of the budget controlled by Social Care by £914,723 against the Original Budget but £618,525 (0.5%) against the Revised Budget.

Throughout the year, Social Care and Health have reported upon the significant pressures facing the Service in both Children's Services and Learning Disability. Actions have been taken throughout the year to minimise the impact of the forecasted £1.9 million overspend in these two services. Social Care and Health have been successful in limiting this impact but have also faced the following pressures over and above the original budget.

(a) **Bad Debt Provision - £304,509**

The continued scrutiny of the County Council's debt position has resulted in a review of the overall bad debt position. This has resulted in an increase in the bad debt provision for Social Care and Health of £304,509 for bad and doubtful debts.

(b) **External Legal Fees - £301,709**

Corporate Services regularly utilise the skills of external legal advisers in relation to complex cases. These advisers are utilised when particular skills are necessary or when internal capacity is unavailable. Social Care and Health have never budgeted for this demand which has increased significantly. Expenditure in 2004/5 was £301,709.

(c) **Redundancy Costs - £202,492**

No revenue budget was created to finance the significant number of voluntary redundancies necessary as part of the development of Extra Care Schemes. The final tranche of redundancies were financed in 2004/5 which resulted in a budget overspend of £202,492.

(d) **Section 117 Client Income Reimbursements - £91,458**

An Ombudsman's ruling in 2003 identified that Section 117 clients nationally had been charged incorrectly for services provided. On that basis, the County Council has had to reimburse clients who had been incorrectly charged. Whilst a reserve had been created for this liability no revenue budget was approved for Social Care and Health. A sum of £91,458 was reimbursed in 2004/5.

Bearing in mind the overspends in Children's Services and Learning Disabilities as well as the pressures identified above, Social Care and Health have been successful in limiting the overall financial impact. This has been as a result of planned actions in the following areas:

- (i) phased implementation of agreed budget growth initiatives;



- (ii) maximisation of use of specific grants;
- (iii) further rationalisation of in-house service provision.

### **Impact upon 2005/6 Budget**

The major overspend areas in Children's Services and Learning Disability were substantially addressed as part of the 2005/6 budget setting process. Social Care and Health will continue to monitor one-off budget pressures such as those detailed earlier in this report.

There are, however, significant financial pressures facing Social Care and Health. This is especially the case in the following areas:

- (a) In Older People's Services due to increasing demand in the main as a result of the aging population.
- (b) In Learning Disabilities, where the number of clients requiring services continues to increase significantly as well as the cost of individual packages.

### **CAPITAL EXPENDITURE**

	Original Budget	Revised Budget	Actual	Variance	
	£	£	£	Original £	Revised £
Contributions to Health – Mental Health SCA	-	194,542	176,974	-176,974	17,568
DDA works	-	-	18,193	-18,193	-18,193
Energy conservation	-	-	18,834	-18,834	-18,834
Extra Care housing schemes – capital contribution – 6 schemes	-	544,000	344,521	-344,521	199,479
Learning disabilities – shared living schemes – capital contribution – 5 schemes	-	110,000	30,000	-30,000	80,000
Local PSA schemes – capital contribution	-	165,430	115,430	-115,430	50,000
Purchase of IT equipment – improving information management	-	-	228,134	-228,134	-228,134
Performance Fund Grant	-	-	270,021	-270,021	-270,021
Refurbishment programme – adaptation	-	37,000	-	-	37,000
Structural maintenance	284,610	284,610	358,478	-73,868	-73,868
Transport – purchase of vehicles	178,000	178,000	-	178,000	178,000
<b>Total</b>	<b>462,610</b>	<b>1,513,582</b>	<b>1,560,585</b>	<b>-1,097,975</b>	<b>-47,003</b>

The overspend compared to the original budget is mainly explained by amounts being slipped from 2003/4 into 2004/5 and the receipt of additional

funding during the year. Further funding was received after the budget was revised, but this was offset by end of year slippage to 2005/6.

## **SUMMARY**

Social Care and Health continue to face significant financial pressures as a result of increased demand for services and significant inflationary pressures. Against this background, Social Care and Health have reduced expenditure in a range of areas to limit the impact of the overspends in Children's Services and Learning Disability.

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**Appendix 4: Capital**


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**Capital Expenditure**

The County Council's original budget for capital expenditure in 2004/05 was £72.539m. The County Council actually spent £86.572m on capital works in 2004/05, an increase of £14.033m.

The table below provides a summary of these reasons. As the main revision to the capital programme takes place as part of the budget setting process, changes are analysed between those up to February 2005, when the revised budget was agreed, and subsequent changes.

	<b>Revisions to February 2005</b>	<b>Subsequent changes</b>	<b>Total</b>
	£000	£000	£000
<b>Original budget</b>			72,539
Reasons for change			
Transfers from 2003/4	27,908	-	27,908
Transfers to future years	-10,977	-31,699	-42,676
Other changes – externally funded	8,383	10,121	18,504
Cost of equal pay settlement	-	8,907	8,907
Overspend on structural maintenance	-	1,390	1,390
<b>Total outturn</b>	<b>25,314</b>	<b>-11,281</b>	<b>86,572</b>

Significant amounts of budget continue to be transferred forward to future years, reflecting delays in starting or completing projects or because it has not yet been identified to specific schemes, examples of which are –

- £6.6m New Opportunity Fund for PE and Sport
- £6.2m Children's Centres
- £5.5m Schools' Devolved Capital
- £3.8m Modernisation
- £1.9m Surplus Property Rationalisation
- £2.455m Chilton by-pass
- £0.542m Thornley aerobic digester

Although these transfers need to be carefully monitored, they are a necessary part of ensuring that the most effective use is made of capital resources.

The County Council was able to add an additional £18.5m to the capital programme as a result of the provision of extra funding from external sources, including -

- £9.702m Surestart
- £2.705m One NorthEast

Two items of additional expenditure are an overspend of nearly £1.4m on structural maintenance and the cost of equal pay compensation payments made in 2004/5 (£8.9m). The costs incurred in 2004/5 in respect of the equal pay compensation do not include the costs of payments to all employees and do not include any costs of income tax and National Insurance contributions and further costs will be incurred in 2005/6.

### Capital financing

Details of actual capital financing are shown in the table below:

	Original budget	Actual	Change from original
	£	£	£
Financing of capital programme			
Grants & contributions	26,204	30,484	4,280
Direct revenue funding	5,119	5,119	-
DSO/SS reserves	700	731	31
Loan (SCE(R) – see below)	30,236	29,512	(724)
Capital reserve	4,850	8,700	3,850
Capital receipts (see below)	5,430	12,062	6,632
Amortisation of intangible asset	-	-36	-36
Total	72,539	86,572	14,033

Changes are largely determined by the capital programme itself. The change in use of the capital reserve reflects a decision taken during the 2005/06 budget setting process to use the existing reserve during 2004/05. The change in the use of capital receipts is a result of a decision by the ODPM giving outline approval for the capitalisation of the cost of the equal pay compensation payments. As a result of this, additions to the capital programme that are not funded externally will require the County Council to undertake unsupported (prudential) borrowing. The need for unsupported borrowing was recognised during the last budget, and provision for the revenue costs relating to repayments (including interest) are provided for in the 2005/06 revenue budget.

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**Appendix 5: Movement on Reserves**


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Reserve	Balance as at 1 <sup>st</sup> April 2004  £000	Transfers to/from(-) reserves 2004/05  £000	Balance as at 31 <sup>st</sup> March 2005  £000
<b>General Reserve</b>	<b>7,440</b>	<b>2,502</b>	<b>9,942</b>
<b>Earmarked Reserves</b>			
Capital	8,700	-8,700	0
Insurance	4,151	3,587	7,738
Social Care and Health	802	280	1,082
Service Direct	2,516	-159	2,357
Pensions	1,511	-1,017	494
Other	1,316	-69	1,247
Schools	10,197	743	10,940
<b>Total - Earmarked Reserves</b>	<b>29,193</b>	<b>-5,335</b>	<b>23,858</b>
<b>TOTAL RESERVES</b>	<b>36,633</b>	<b>-2,833</b>	<b>33,800</b>