

Meeting of the Cabinet – 25th June 2015

Report of the Chief Officer, Finance and Legal Services

Revenue Outturn 2014/15

Purpose

1. To report the provisional General Fund and Housing Revenue Account outturn position for the year ended 31st March 2015.

Background

2. The Council's final accounts for the year ended 31st March 2015 have been completed, subject to audit.
3. The final audited accounts will be presented to Audit and Standards Committee in September. If there are any changes to the draft outturn set out in this report, these will also be reported to Cabinet in September.

General Fund Revenue Outturn 2014/15

4. The provisional position is as follows.

Directorate	Revised Budget £m	Outturn £m	Variation £m
Adult, Community and Housing	104.533	104.351	-0.182
Children's Services	69.918	69.818	-0.100
Urban Environment	53.301	53.250	-0.051
Chief Executive's	4.398	4.176	-0.222
Corporate Resources	7.831	8.412	0.581
Total service costs	239.981	240.007	0.026
Total funding	-239.893	-239.936	-0.043
Use of balances	0.088	0.071	-0.017

5. The above figures are shown after transfers to and from earmarked reserves. Further details of the position before such transfers, with explanations for variances, are set out in Appendix 1. Total funding was £0.043m higher than forecast as a result of increased grant to offset various reductions in business rate income to the Collection Fund.
6. The impact of the above leaves General Balances at 31st March 2015 as follows:

	Forecast Position*	Latest Position
	£m	£m
Balance at 31st March 2014	25.1	25.1
Budgeted use of balances 2014/15	-0.1	-0.1
2014/15 outturn variance, as above	-	-
Balance at 31st March 2015	25.0	25.0

*2015/16 Budget report to Council 2nd March 2015

7. Earmarked reserves at 31st March 2015 were £55.9m, a net reduction of £5.7m compared to 31st March 2014. This arises mainly from the review of and further underlying reduction in Directorate earmarked reserves during the year. A summary is shown at Appendices 2 & 3.
8. The requirement for these reserves will continue to be reviewed and any changes will be reported back to the Cabinet as part of the 2016/17 budget setting process.

Collection Fund Outturn 2014/15

9. The Collection Fund includes income from council tax and business rates. The Council's share of Collection Fund balances at 31st March 2015 is as follows.

	Budget	Outturn	Variance
Council Tax surplus	3.122	3.405	0.283
Business Rates deficit	-3.993	-5.134	-1.141
Total deficit	-0.871	-1.729	-0.858

The figures in the Collection Fund represent our best estimate at the time of preparing the Statement of Accounts of any surplus or deficit in actual income relative to the level of income assumed in the budget for 2015/16 and the MTFS. We will continue to monitor the position and will review this estimate at the end of the calendar year. The revised surplus or deficit will be taken into account in setting the budget for 2016/17.

10. The latest figures in the Collection Fund show that council tax income continues to be buoyant. The deficit shown against business rates is largely due to an increase in our provision for appeals against rateable value. As announced in the 2014 Autumn Statement, the Government set a deadline of 31st March 2015 for submission of valuation appeals in respect of periods prior to that date and as a result there has been a significant increase in the number of appeals lodged towards the end of 2014/15. It is too early to assess the nature or impact of these new appeals so we have made prudent provision for them in line with the provision we have made for previous appeals. As part of our general monitoring, we will look closely at progress with appeals and this provision will be reviewed in assessing the Collection Fund position when setting the 2016/17 budget.

Budget 2015/16 and Medium Term Financial Strategy

11. When setting the budget for 2015/16 at its meeting on 2nd March, Council passed an amendment in relation to plans to save £130,000 by removing local authority transport provision from children attending specialist nurseries. This amendment authorised the Strategic Director for People to undertake a review to identify alternative savings through procurement and better integration across home to school transport and children's and adults' social care transport. Good progress is being made with this review and the impact on the budget will be considered as part of wider budget proposals in October.
12. Council also noted the creation of Budget Challenge Teams (BCTs) to address the financial position set out in the budget report. BCTs have now met on two occasions and their initial review of service areas has led to:
- Identification of potential savings in the service areas reviewed.
 - Challenge to identify further savings in some of the service areas reviewed.
 - Identification of potential cross-cutting, strategic approaches to deliver further savings over more than one service area.
 - Recognition of existing pressures on a number of budget areas, in particular in Children's and Adult Social Care.

In order to complete the above and to ensure that budget proposals are coherent and that there is no double-counting, it is proposed that the full results of this work be reported back to Cabinet in October.

13. Following the General Election, the Chancellor of the Exchequer announced that there will be an additional Budget on 8th July. It is expected that this will be followed by a Spending Review but the exact date has not yet been announced, nor the period it will cover. It is likely that, as in previous years, the Local Government Finance Settlement will be issued in December. In advance of the Budget, the Chancellor has announced a number of in-year reductions to spending including a £200m cut in the ring-fenced Public Health grant to local authorities. Precise details, including the impact on individual authorities, will be consulted on in due course. The impact of all of these announcements on the Council's MTFs will be assessed and reported to Cabinet as and when they are available.

Housing Revenue Account (HRA)

14. The latest approved budget for the HRA allowed for a deficit in the year 2014/15 of £5.539m. The actual outturn shows a deficit of £4.658m, a positive variance of £0.881m, as detailed in Appendix 4.
15. The balance remaining on the HRA at 31st March 2015 was £0.955m. This balance will be rolled forward to address a range of improvement works and to prepare for further changes to the welfare reform system that will affect tenants.

Finance

16. This report is financial in nature and information about the individual proposals is contained within the body of the report.

Law

17. The Council's budget setting process is governed by the Local Government Finance Acts, 1988, 1992, and 2012, and the Local Government Act 2003.

Equality Impact

18. These proposals comply with the Council's policy on Equality and Diversity.

Recommendations

19. That Cabinet:

- Notes the draft General Fund and HRA outturns for 2014/15.
- Notes the effect of the General Fund outturn on General Balances at 31st March 2015.
- Notes the position on General Fund earmarked reserves at 31st March 2015.
- Notes progress in relation to the current year and the MTFS as set out in paragraphs 11 to 13.



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List of Background Papers

Council Tax Setting report to Council on 2nd March 2015

Draft Statement of Accounts for the year ended 31st March 2015

General Fund Revenue Service Spend Summary 2014/15

		Revised Budget	Outturn	Variance	Reasons for variance
		£m	£m	£m	
Adult, Community and Housing	Net Spend	106.999	107.517	0.518	See note 1
	Use of / contrn. to earmarked reserves	-2.466	-3.166	-0.700	See note 7
	Net	104.533	104.351	-0.182	
Children's (Non Schools)	Net Spend	73.269	72.768	-0.501	See note 2
	Use of / contrn. to earmarked reserves	-3.351	-2.950	0.401	See note 7
	Net	69.918	69.818	-0.100	
Urban Environment	Net Spend	53.910	53.709	-0.201	See note 3
	Use of / contrn. to earmarked reserves	-0.609	-0.459	0.150	See note 7
	Net	53.301	53.250	-0.051	
Chief Executive's	Net Spend	4.416	3.127	-1.289	See note 4
	Use of / contrn. to earmarked reserves	-0.018	1.049	1.067	See note 7
	Net	4.398	4.176	-0.222	
Corporate Resources	Net Spend	10.952	9.457	-1.495	See note 5
	Use of / contrn. to earmarked reserves	-3.121	-1.045	2.076	See note 7
	Net	7.831	8.412	0.581	
Total Non Schools	<i>Net Spend</i>	<i>249.546</i>	<i>246.578</i>	<i>-2.968</i>	
	<i>Use of / contrn. to earmarked reserves</i>	<i>-9.565</i>	<i>-6.571</i>	<i>2.994</i>	
	Net	239.981	240.007	0.026	
Schools and central DSG	Net Spend	0.175	-0.907	-1.082	See note 6
	Use of / contrn. to earmarked reserves	-0.175	0.907	1.082	See note 7
	Net	0.000	0.000	0.000	
Grand Total	<i>Net Spend</i>	<i>249.721</i>	<i>245.671</i>	<i>-4.050</i>	
	<i>Use of / contrn. to earmarked reserves</i>	<i>-9.740</i>	<i>-5.664</i>	<i>4.076</i>	
	Net	239.981	240.007	0.026	

Notes:

1. Includes:

- Net overspend on client care costs as a result of increased activity to support discharges from Dudley Group of Hospitals and the full year impact of placements made during the previous financial year +£2.135m
- Underspend on Supporting People budgets as a result of the non-commencement of a number of new schemes in advance of budget reductions, and underutilisation of a number of existing schemes -£0.597m
- Extra grant funding -£0.746m
- Staff vacancies and savings on running expenses -£0.274m

2. Includes:

- Children and Families net overspend as a result of looked after children placements greater than budget +£2.497m
- Quality and Partnership net underspend of -£0.754m and Education Services net underspend of -£0.125m as a result of non recurring targeted service savings, additional income and vacancies across the Directorate to support the financial pressure arising from the looked after children placement
- Dudley Grid for Learning and Paragon PFI costs less than expected - £0.152m
- Extra income and one-off sources of funding -£1.967m

3. Includes:

- Staffing vacancies -£0.356m
- Net income shortfall +£0.155m

4. Includes:

- Underspends on Public Health grant funded activities -£1.025m
- Extra income and other net savings -£0.264m

5. Includes:

- Redundancy costs funded from revenue +£1.497m
- Insurance provision transferred to reserves -£2.028m
- Unspent Local Welfare Assistance resources -£0.529m
- Other net savings -£0.435m

6. Includes:

- Extra expenditure by schools from delegated budgets £6.211m
- Extra schools income -£5.697m
- Net underspend of central DSG resources as a result of the two year olds disadvantaged early education take up being less than anticipated -£1.596m

7. In accordance with the Council's Reserves and Balances Policy, Earmarked Reserves are used in particular to carry forward resources (from budgets and grant income) to cover deferred expenditure and other commitments in future years. Positive figures

reflect net contributions to reserves to fund future spend; negative figures reflect net use of previously set aside reserves to fund spend during 2014/15.

General Fund Earmarked Reserves

	Balance 31/03/14 £m	Balance 31/03/15 £m	Movement £m	Details
<u>Corporate Reserves</u>				
Working Capital	2.000	2.000	0.000	"Contingency of last resort"
Insurance Fund	4.831	5.318	0.487	To meet self insured claims
Community Forums	0.369	0.282	-0.087	Carry forward of unspent budgets
Other	0.143	0.404	0.261	Including Combined Authority
Total Corporate	7.343	8.004	0.661	
<u>Other Reserves</u>				
DGfL & Paragon Grants in Advance	11.928	9.534	-2.394	To match expenditure in later years
School and Central DSG Balances	29.262	30.170	0.908	From Schools' Delegated Budgets, Trading etc.
Directorate Reserves	13.060	8.221	-4.839	See Appendix 3
Total Other	54.250	47.925	-6.325	
Total	61.593	55.929	-5.664	

Directorate Reserves

Appendix 3

	Balance 31/3/14		Balance 31/3/15		Movt.	Details
	£m	£m	£m	£m	£m	
Children's Services						
Grants carried forward	1.367		0.995			Grant funding to be applied to ongoing projects in 2015/16, including Troubled Families
Social Care and other	0.134		0.021			Includes funding of initiatives for children in care
		1.501		1.016	-0.485	
Urban Environment						
Grants carried forward	0.793		0.069			Current balance comprises Lead Authority for Local Flood Strategy grant
Other	0.048		0.147			Including management of acquired town centre properties
		0.841		0.216	-0.625	
Adult, Community & Housing						
Supporting People	0.999		0.500			Roll forward of grant funding
Housing initiatives	0.347		0.227			Including Mortgage Arrears and Debt Prevention Advice
Lifetime Costs	2.890		0.700			Funding of ongoing placements
Extra Care Housing	0.750		0.167			To fund Extra Care developments
Health integration	1.032		0.300			To support hospital discharge and reduce admissions to hospital
Other social care	1.368		0.721			Including management of various pressures
Libraries	0.085		0.085			Including funding for potential liabilities
		7.471		2.700	-4.771	
Corporate Resources						
ICT Development	0.326		0.370			Investments in software and ICT infrastructure
Benefits	0.337		0.160			Recession grant carried forward, funding pressures on benefits assessments and systems
Other	0.325		0.160			Various initiatives
		0.988		0.690	-0.298	
Chief Executive's						
Public Health	2.033		3.462			Roll forward of mainly ring-fenced funding
Other	0.226		0.137			Including Community Enterprise Fund resources
		2.259		3.599	1.340	
Total		13.060		8.221	-4.839	

Appendix 4

Housing Revenue Account 2014/15 Outturn

	Revised Budget £000	Outturn £000	Variance £000s
Income			
Dwelling rents	-89,946	-90,301	-355
Non-dwelling rents	-728	-718	+10
Charges for services and facilities	-244	-264	-20
Contributions towards expenditure	-250	-586	-336
Interest on balances	-14	-47	-33
Total income	-91,182	91,916	-734
Expenditure			
Management	14,933	14,463	-470
Responsive and cyclical repairs	25,173	25,174	+1
Transfer to Major Repairs Reserve	22,176	22,323	+147
Acquisition / Disposal of Land / Properties	170	820	+650
Interest payable	17,760	17,770	+10
Revenue contribution to capital expenditure	14,830	14,462	-368
Other expenditure	1,679	1,562	-117
Total expenditure	96,721	96,574	-147
Deficit for the year	5,539	4,658	-881
Surplus brought forward	-5,613	-5,613	
Surplus carried forward	-74	-955	-881

Main reasons for the variances shown above include:

- For dwelling rent income, although there has again been an increase in rent arrears, the full provision for bad debts was not required in the year. This was partly owing to the slower than expected introduction of the government's welfare reforms, specifically Universal Credit.
- Additional contributions to expenditure have been received from tenants' rechargeable repairs and from works undertaken on leasehold properties, where the tenant or leaseholder contributes towards the cost.
- Savings on management costs have arisen from vacancies and running cost efficiencies. Resources have also been carried forward into future years relating to preparation for welfare reforms, ICT developments and improvement works.
- The increase in the transfer to the major repairs reserve is owing to technical adjustments in how depreciation has been calculated.
- The saving on Revenue Contribution to Capital Expenditure has allowed the acquisition of Arcal Lodge to be completed in 2014/15 rather than 2015/16 as originally budgeted.