

## **Meeting of the Cabinet – 20<sup>th</sup> June 2013**

### **Report of the Treasurer**

#### **Revenue and Capital Outturn 2012/13**

##### **Purpose**

1. To report the provisional financial results for the year ended 31st March 2013.

##### **Background**

2. The Council's final accounts for the year ended March 2013 have been completed, subject to audit. 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 Summary**

3. Details of the outturn, together with reasons for the variance from approved budget are shown at Appendix 1 and summarised in the following table.

<b>Directorate</b>	<b>Revised Budget £m</b>	<b>Outturn £m</b>	<b>Variation £m</b>
Adult, Community and Housing	97.226	97.094	-0.132
Children's Services	78.997	78.997	0
Urban Environment	56.399	56.216	-0.183
Chief Executive's	4.514	4.469	-0.045
Corporate Resources	-4.371	-5.708	-1.337
<b>Total Service Costs</b>	<b>232.765</b>	<b>231.068</b>	<b>-1.697</b>

4. 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. In summary:
  - The Directorate of Adult Community and Housing received an unexpected year end transfer of NHS resources of £2.912m, which will be carried forward in directorate earmarked reserves to fund lifetime costs of care for elderly clients. Other unspent resources will likewise also be mainly carried forward, leaving a favourable variance of £0.132m.

- The Directorate of Children's Services incurred extra costs of Looked After Children of £2.500m which were met by controlling spend elsewhere in the Directorate. Other unspent resources will be carried forward to fund future commitments leaving no net variance.
- The Directorate of the Urban Environment also received an unexpected year end transfer of NHS resources amounting to £0.332m which together with other unspent resources will be mainly carried forward, leaving a favourable variance of £0.183m being largely the result of a change in the rules for the Carbon Reduction Commitment Levy such that it does not now apply to Street Lighting.
- Resources unspent by the Chief Executive's Directorate will be mainly carried forward in earmarked reserves leaving a favourable variance of £0.045m.
- As indicated to Council in March, it has been possible to meet the cost of redundancies in respect of budget savings largely from the £1m contingency budget not required. The net favourable variance in the Directorate of Corporate Resources of £1.337m is the result of:
  - Uncommitted New Homes Bonus resources of £0.749m.
  - Treasury activities, the freeing-up of earmarked reserves previously set aside to cover potential residual Municipal Mutual Insurance (MMI) liabilities, and other net variances totalling £1.099m
 Offset by:
  - Transitional grant (in respect of localised Council Tax Support) of £0.511m not now receivable until 2013/14. The 2013/14 budget will need to be adjusted accordingly.

#### General Balances

5. The impact of the above leaves General Balances at 31st March 2013 as follows:

	<b>Forecast Position*</b>	<b>Latest Position</b>
	<b>£m</b>	<b>£m</b>
<b>Balance at 31<sup>st</sup> March 2012</b>	<b>12.2</b>	<b>12.2</b>
Budgeted Contribution to balances 2012/13	5.5	5.5
2012/13 outturn, as above	-	1.7
<b>Balance at 31<sup>st</sup> March 2013</b>	<b>17.7</b>	<b>19.4</b>

\*2013/14 Budget Report to Council 4<sup>th</sup> March 2013

6. The improved level of general balances will go some way to help the Council manage the significant pressures it continues to face in future years.

### General Fund Earmarked Reserves

7. Earmarked reserves at 31<sup>st</sup> March 2013 were £64.2m, a net increase of £2.4m compared to 31<sup>st</sup> March 2012. This arises mainly from the carrying forward of resources received from Health to fund lifetime care costs, and unspent central Dedicated Schools Grant. 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 2014/15 budget setting process.

### Capital Spending and Financing

9. The Council's capital expenditure in the year totalled £74.825m, as follows. A comparison with budget is shown in Appendix 4.

	£m
Housing .....	45.034
Other Adult & Community .....	4.072
Urban Environment .....	12.933
Children's Services.....	10.030
Corporate Resources .....	2.756
	<b>74.825</b>

10. This expenditure has been financed as follows.

	£m
Borrowing and Leasing.....	4.998
Capital Receipts .....	1.070
Major Repairs Reserve (Housing) .....	21.487
Revenue .....	20.824
Grants and Contributions .....	26.446
	<b>74.825</b>

### Housing Revenue Account (HRA)

11. The latest approved budget for the HRA allowed for a deficit in the year 2012/13 of £3.574m. The actual outturn shows a surplus of £2.129m, a positive variance of £5.703m, as detailed in Appendix 5.
12. The balance remaining on the HRA at 31<sup>st</sup> March 2013 was £7.735m. This balance will be rolled forward to maintain the Decent Homes Standard and address a backlog of improvement works, including bringing vacant properties back into use. Further detail is provided in the *Review of Housing Finance* report elsewhere on this agenda.

### Collection Fund

13. The Collection Fund includes the Council's income from council tax, for which we budget prudently; surpluses are generated if collection targets are exceeded. The surplus at 31<sup>st</sup> March 2013 is £2.022m, of which Dudley's share is £1.777m. The majority of this (£1.142m) has been taken into account when setting the Council Tax for 2013/14; the balance plus any further surplus arising from ongoing review of the Collection Fund will be taken into account in 2014/15.

#### General Fund Revenue Budget Monitoring 2013/14

14. The Council's Medium Term Financial Strategy identified a number of estimates and assumptions that would need to be kept under regular review, including the following of relevance to the current financial year. It was assumed that:
- income from Business Rates will be in line with forecasts;
  - the underlying value of Council Tax Benefit/Support awarded will not substantially exceed forecast levels;
  - Single Status and Equal Pay costs are no more than estimated;
  - general levels of inflation, pay and interest rates do not vary materially from forecasts;
  - income and expenditure relating to treasury management activity, including airport dividend income, are in line with forecasts;
  - the impact of schools transferring to academy status can be managed within Directorate of Children's Services budgets;
  - there will be no other unplanned expenditure (including any resulting from demographic pressures) or shortfalls in income, which cannot be met from reserves;

Directors are monitoring the financial impact of the above and of other legislative and policy issues.

15. The Directorate of Children's Services is facing significant pressures from social care caseloads and numbers of Looked After Children particularly in external residential placements and with independent fostering agencies. Based on numbers currently being looked after, there is a risk of an overspend in the current financial year of between £2.5m and £3m. It is proposed that the Director of Children's Services, Chief Executive and Treasurer (in consultation with the Cabinet Member for Children's Services and Lifelong Learning and the Deputy Leader) monitor the position and report back to Cabinet in September. It is proposed that the report in September should include benchmarking of data and costs relating to Looked After Children against other comparable local authorities and should consider the implications for the longer-term budget strategy.
16. The costs of providing central support services in respect of the Public Health functions transferred to the Council on 1<sup>st</sup> April 2013 have largely been met from existing budgets. As a result of these economies of scale, there will be a net saving to the Council's General Fund of around £0.170m per annum after taking into account the HRA's share. It is proposed that the 2013/14 budget be amended to reflect this positive variance.

#### Empty Homes Premium

17. The Local Government Finance Act 2012 gave Councils the power to increase the council tax payable on properties that have been unoccupied for more than two years, in the form of the Empty Homes Premium. It was agreed by Full Council on the 26th November 2012 that such properties would be subject to an Empty Homes Premium of 50% from the 1st April 2013, resulting in a 150% council tax charge being payable in these circumstances.

18. This decision was made on the basis that the relevant secondary legislation would be enacted as the Government originally intended. However, the Government subsequently advised that further guidance would be issued on how this power should be implemented and it was therefore considered prudent to defer implementation until this was received. The promised guidance was finally issued on the 7th May 2013. It confirms that authorities are free to make their own decisions when administering the premium, but does state that it was not the Government's intention to penalise owners of property that is genuinely on the housing market for sale or rent. However, it would be exceedingly difficult to administer a policy that attempts to differentiate between property which is genuinely being marketed and that which is not. The other West Midlands metropolitan authorities have implemented the Empty Homes Premium without making any such distinction.
19. It is therefore proposed that, to bring us in line with our neighbours, the 50% premium be applied with effect from 1st April 2014 to properties that have been unoccupied for more than two years as originally intended. This approach would result in a 150% council tax charge for such properties and incentivise the bringing back into use of some of the borough's housing stock.
20. It should also be noted that some long-term unoccupied properties will not be affected by this proposal, including those where:
- a) probate has yet to be granted following the death of the occupier; or
  - b) the previous occupier is now receiving care in a hospital or care home

### **Finance**

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

### **Law**

22. The Council's financial transactions are governed by the Local Government Act 1972, the Local Government Finance Acts 1988 and 1992, the Local Government Finance and Housing Act 1989, the Local Government Act 2003 and the Local Government Finance Act 2012.

### **Equality Impact**

23. The proposals take into account the Council's Policy on Equality and Diversity.

## **Recommendations**

24. That Cabinet:

- Notes the draft outturn for 2012/13.
- Notes the effect of the General Fund Revenue Outturn on General Balances at 31<sup>st</sup> March 2013.
- Notes the position on earmarked reserves at 31<sup>st</sup> March 2013.
- Notes the latest forecast General Fund Revenue position for 2013/14.
- Agrees to receive a further report in September on the data and costs relating to Looked After Children.

24. That Council be recommended:

- To amend the 2013/14 General Fund revenue budget to reflect:
  - the receipt of £0.511m of Council Tax Support Transitional Grant, as set out in paragraph 4;
  - the net saving of £0.170m resulting from economies of scale in the provision of support services to Public Health, as set out in paragraph 16.
- To implement of a 50% Empty Homes Premium from 1st April 2014 to properties that have been unoccupied for more than two years.



.....  
Iain Newman  
Treasurer

Contact Officer: John Everson  
Telephone: 01384 814806  
Email: [john.everson@dudley.gov.uk](mailto:john.everson@dudley.gov.uk)

### **List of Background Papers**

Council Tax Setting report to Council on 4<sup>th</sup> March 2013  
Draft Statement of Accounts

## General Fund Revenue Service Spend Summary 2012/13

		Revised Budget	Outturn	Variance	Reasons for variance
		£m	£m	£m	
<b>Adult, Community and Housing</b>	Net Spend	97.194	93.254	-3.940	See note 1
	Use of / contrn. to earmarked reserves	0.032	3.840	3.808	See note 7
	<b>Net</b>	<b>97.226</b>	<b>97.094</b>	<b>-0.132</b>	
<b>Children's (Non Schools)</b>	Net Spend	80.357	79.056	-1.301	See note 2
	Use of / contrn. to earmarked reserves	-1.360	-0.059	1.301	See note 7
	<b>Net</b>	<b>78.997</b>	<b>78.997</b>	<b>0</b>	
<b>Urban Environment</b>	Net Spend	57.121	56.200	-0.921	See note 3
	Use of / contrn. to earmarked reserves	-0.722	0.016	0.738	See note 7
	<b>Net</b>	<b>56.399</b>	<b>56.216</b>	<b>-0.183</b>	
<b>Chief Executive's</b>	Net Spend	4.486	4.305	-0.181	See note 4
	Use of / contrn. to earmarked reserves	0.028	0.164	0.136	See note 7
	<b>Net</b>	<b>4.514</b>	<b>4.469</b>	<b>-0.045</b>	
<b>Corporate Resources</b>	Net Spend	-1.858	-2.598	-0.740	See note 5
	Use of / contrn. to earmarked reserves	-2.513	-3.110	-0.597	See note 7
	<b>Net</b>	<b>-4.371</b>	<b>-5.708</b>	<b>-1.337</b>	
<b>Total Non Schools</b>	<i>Net Spend</i>	<i>237.300</i>	<i>230.217</i>	<i>-7.083</i>	
	<i>Use of / contrn. to earmarked reserves</i>	<i>-4.535</i>	<i>0.851</i>	<i>5.386</i>	
	<b>Net</b>	<b>232.765</b>	<b>231.068</b>	<b>-1.697</b>	
<b>Schools / DSG</b>	Net Spend	7.280	-1.676	-8.956	See note 6
	Use of / contrn. to earmarked reserves	-7.280	1.676	8.956	See note 7
	<b>Net</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Grand Total</b>	<i>Net Spend</i>	<i>244.580</i>	<i>228.541</i>	<i>-16.039</i>	
	<i>Use of / contrn. to earmarked reserves</i>	<i>-11.815</i>	<i>2.527</i>	<i>14.342</i>	
	<b>Net</b>	<b>232.765</b>	<b>231.068</b>	<b>-1.697</b>	

## Notes:

### 1. Includes:

- Additional year end transfer of resources from Health -£2.912m
- Achievement of some budget savings in advance -£0.259m
- Increased fee income -£0.140m
- Slippage of expenditure into 2013/14 etc. -£0.167m
- Spend of Supporting People grant allocations deferred -£0.462m

### 2. Includes:

- Extra costs of Looked After Children +£2.500m
- Reduction in one-off Early Intervention spend - £0.548m
- Other underspends as a result of vacancies -£0.961m; pooled budget for Short Break activities -£0.381m; efficiencies in Management and Administration -£0.187m; from £14m of unringfenced grants -£0.471m released to support other in year funding pressures for the Directorate
- Additional Dudley Grid for Learning funds secured from schools and less expenditure -£0.991m
- Delay in HMRC decision in respect of self employed tax status £-0.173m
- The Troubled Families grant profile slipped slightly due to delays in staff recruitment -£0.089m

### 3. Includes:

- Net budget for Carbon Reduction Commitment levy in respect of Street Lighting not required - £0.183m
- Year end transfer of resources from Health and other new grants not spent -£0.367m
- Slippage of Public Realm spend -£0.175m
- Delayed move to 4 Ednam Rd -£0.090m
- Slippage of Car Parks spend -£0.060m
- Other net variances -£0.046m

### 4. Includes:

- Delay in spend on Community Enterprise Fund -£0.100m
- Lower net elections costs, grants unspent and other minor variances -£0.081m

### 5. As indicated to Council in March, it has been possible to meet the cost of redundancies in respect of budget savings largely from the £1m contingency budget not required.

Variances were the result of:

- Uncommitted New Homes Bonus resources -£0.749m. These funds have been held back pending approval of the Local Enterprise Zone (LEZ) and it will be necessary to adjust future income assumptions as and when the LEZ is agreed.
- Favourable treasury and other net variances -£0.810m.

Offset by:

- Payment in respect of MMI liability (funded from reserves) +£0.308m.
- Transitional grant (in respect of localised Council Tax support) not now receivable until 2013/14 +£0.511m. The 2013/14 budget will need to be adjusted accordingly.



6. Includes:

- Underspends by Schools from delegated budgets, mainly resulting from the timing of Unequal Pay Back Pay settlements -£6.247m
- Spending more than planned by Schools on trading and other activities +£0.320m
- Underspend of central DSG resources resulting from SEN placements educated out of borough -£1.080m; vacancies -£0.580m; projects and Carbon Reduction Commitment Levy lower than expected -£0.522m; Early Years and Schools contingency remaining -£0.571m; planned DSG reserve expenditure less than expected by -£0.276m

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 2012/13.

## General Fund Earmarked Reserves

	Balance 31/03/12	Balance 31/03/13	Movement	Details
	£m	£m	£m	
<b><u>Corporate Reserves</u></b>				
Working Capital	2.000	2.000	0.000	"Contingency of last resort"
Insurance Fund	4.483	4.178	-0.305	To meet self insured claims
Corporate ICT Strategy & Financial Systems	0.119	0.256	0.137	To fund Corporate ICT developments
LAA Reward	0.666	0.279	-0.387	To be spent on Partnership projects, etc.
Community Forums		0.377	0.377	Carry forward of unspent budgets
Other	0.138		-0.138	
<b>Total Corporate</b>	<b>7.406</b>	<b>7.090</b>	<b>-0.316</b>	
<b><u>Other Reserves</u></b>				
DGfL & Paragon Grants in Advance	12.581	12.856	0.275	To match expenditure in later years
School Balances	27.593	28.911	1.318	From Schools' Delegated Budgets, Trading etc.
Directorate Reserves	14.264	15.377	1.113	See Appendix 3
<b>Total Other</b>	<b>54.438</b>	<b>57.144</b>	<b>2.706</b>	
<b>Total</b>	<b>61.844</b>	<b>64.234</b>	<b>2.390</b>	

## Directorate Reserves

## Appendix 3

	Balance 31/3/12		Balance 31/3/13		Movt.	Details
	£m	£m	£m	£m	£m	
<b>Children's Services</b>						
Grants carried forward	0.114		0.688			Grant funding to be applied to ongoing projects in 2013/14, including Troubled Families
Social Care	1.970		1.212			Funding of initiatives for children in care
Legal Fees	0.505		0.300			To fund Public Law Outline legal fees for children's social care
Other	0.238		0.207			Including cover for potential liabilities to HMRC
		2.827		2.407	-0.420	
<b>Urban Environment</b>						
Electronic Document Mgt.	0.338		0.178			To improve operational efficiency in accordance with the Council's Agile Working Policy
Grants carried forward	0.371		0.717			Including PCT funding for Healthy Towns and an Outdoor Gym
Planning and Economic Development	0.789		0.695			Regeneration initiatives including Dudley Town Centre and Castle Hill
Culture and Leisure	0.132		0			
Other	0.171		0.178			Including funding for Car Park improvements
		1.801		1.768	-0.033	
<b>Adult, Community &amp; Housing</b>						
Supporting People	0.576		0.538			Roll forward of grant funding
Housing initiatives	0.569		0.511			Including Mortgage Arrears Advice and Energy initiatives
Hospital Discharge & other PCT	3.404		4.823			Includes funding of ongoing placements
ICT strategy	0.258		0.090			To fund ICT developments
Care and security at home	0.166		0.075			To meet costs of ongoing scheme
Social care reform grant	0.795		0.297			To support the modernisation agenda 'making it real'
Other social care	0.615		2.429			Including learning disability and mental health funding
Libraries and adult learning	0.312		0.272			Including support for library modernisation
		6.695		9.035	2.340	
<b>Corporate Resources</b>						
ICT Development	0.130		0.175			Various investments in software and long term ICT infrastructure
Legal	0.220		0.301			Including funding for potential liabilities
HR	0.330		0.260			Various HR and Payroll developments
Benefits	0.939		0.527			Recession grant carried forward funding pressures on benefits assessments and systems
Other	0.596		0.200			Including business transformation and repair and maintenance programme
		2.215		1.463	-0.752	
<b>Chief Executive's</b>						
Unspent Grants	0.391		0.230			To finance the Drug and Alcohol Action Team and Peer Support Programme projects
Community Enterprise Fund	0.000		0.250			To provide grants and/or loans to promote social enterprise
Other	0.335		0.224			Including transformation costs
		0.726		0.704	-0.022	
<b>Total</b>		<b>14.264</b>		<b>15.377</b>	<b>1.113</b>	

## Capital Budget and Spending 2012/13

	Of which:					Comments
	Approved Budget	Outturn Spend	Total Variance	Slippage/ Rephasing	Over/Under Spend	
Directorate	£m	£m	£m	£m	£m	
Housing	47.093	45.034	-2.059	-2.059	0.000	
Other Adult & Community	4.539	4.072	-0.467	-0.467	0.000	
Urban Environment	13.694	12.933	-0.761	-0.777	0.016	See note 1
Children's Services	11.694	10.030	-1.664	-1.664	0.000	
Corporate Resources	3.339	2.756	-0.583	-0.583	0.000	
<b>TOTAL</b>	<b>80.359</b>	<b>74.825</b>	<b>-5.534</b>	<b>-5.550</b>	<b>0.016</b>	

1. Includes

- £9,000 additional cost of safety works on Salt Barn project
- £4,000 additional cost of Buffery Park Tennis Courts project, as a result of necessary additional resurfacing and DDA works
- £3,000 minor net variances on transport projects

## Housing Revenue Account

## Appendix 5

	Revised Budget £000	Latest forecast £000	Variance £000s
<u>Income</u>			
Dwelling rents	-86,785	-86,599	186
Non-dwelling rents	-696	-692	4
Charges for services and facilities	-214	-231	-17
Contributions towards expenditure	-1,034	-1,545	-511
Interest on balances	-20	-33	-13
<b>Total income</b>	<b>-88,749</b>	<b>-89,100</b>	<b>-351</b>
<u>Expenditure</u>			
Management (inc. North Priory)	15,093	13,237	-1,856
Responsive and cyclical repairs	23,407	20,137	-3,270
Negative Subsidy	4	4	0
Transfer to Major Repairs Reserve	21,487	21,793	306
Interest payable	18,426	18,400	-26
Revenue contribution to capital expenditure	12,887	12,248	-639
Other expenditure	1,019	1,152	133
<b>Total expenditure</b>	<b>92,323</b>	<b>86,971</b>	<b>-5,352</b>
<b>Surplus/deficit for the year</b>	<b>3,574</b>	<b>-2,129</b>	<b>-5,703</b>
<b>Surplus brought forward</b>	<b>-5,606</b>	<b>-5,606</b>	<b>0</b>
<b>Surplus carried forward</b>	<b>-2,032</b>	<b>-7,735</b>	<b>-5,703</b>

Main reasons for the variances shown above include:

- Rental income was lower than budgeted, mainly because more houses than expected were sold under Right to Buy, following the Government's increase in the maximum discount from £26,000 in this area to £75,000. More than half the houses sold in the year were sold in the final quarter.
- Contributions to expenditure from aerial income were greater than expected, following a review of charges for aerials and receipt of backdated rent.
- Savings on responsive and cyclical repairs as a result of efficiencies and lower demand will be carried forward to future years.
- Savings in Management arose from staff vacancies and savings in running costs. A number of vacant posts were held pending the establishment of the Property Team and the Anti Social Behaviour Team, both of which are now operational. The service is facing considerable uncertainty given the changes to welfare benefits, and savings have been identified in a reserve established for additional upfront costs related to benefit changes, including ICT developments.
- Additional depreciation is chargeable on HRA non-dwellings.
- Interest payable is slightly lower than budgeted owing to favourable rates on variable rate debt.
- As balances are also higher than budgeted, interest earned on balances is slightly higher than budgeted.

- The underspend on Revenue Contributions to Capital Expenditure reflects slippage on the capital programme into 2013-14. This is mainly attributable to poor weather during the winter, particularly the prolonged cold spell in March, which delayed programmes such as roofing, window replacement and plastering.
- Other expenditure is higher than budgeted owing to early settlement of a lease, which will result in savings in future years.