

## **Meeting of the Cabinet – 30<sup>th</sup> June 2010**

### **Report of the Treasurer**

#### **Revenue and Capital Outturn 2009/10**

##### **Purpose**

1. To report the provisional financial results for the year ended 31st March 2010.

##### **Background**

2. The Council's final accounts for the year ended March 2010 have been completed, subject to audit. The Statement of Accounts was due to be considered by the Audit Committee on 29<sup>th</sup> June, in accordance with the requirements of the Accounts and Audit Regulations 2003 as amended.

##### **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>Approved Budget £m</b>	<b>Outturn £m</b>	<b>Variance £m</b>
Total Service Costs	232.622	233.088	0.466
Use of Balances	(2.528)	(2.994)	-0.466
<b>Net Revenue Expenditure / Budget Requirement</b>	<b>230.094</b>	<b>230.094</b>	<b>-</b>

4. Budget reports to Cabinet in February and Council in March highlighted a risk that the approved budget for 2009/10 would be overspent by around £0.9m due to increased costs of Looked After Children. General Balances were earmarked to fund this. In spite of actions taken by the Directorate of Children's Services to minimise the financial impact, this anticipated overspend has materialised.
5. There have however been some favourable variances totalling around £0.5m, the most significant being the extra investment income arising from better than anticipated cash flows, reflected in the underspend of the Directorate of Finance, ICT & Procurement. Other risk areas identified in the February and March reports have also been managed by the relevant directorates.

Thus the overall overspend was less than anticipated.

### General Balances

6. The impact of the above will leave General Balances at 31st March 2010 as follows:

	<b>Revised Estimate £m</b>	<b>Actual £m</b>
Balance as at 1st April 2009	5.3	5.3
Additions during the year (net transfers from earmarked reserves)	1.0	1.0
Less: Used in 2009/10	(2.6)	(3.0)
Earmarked to fund Children's Services overspending if required	(0.9)	-
<b>General Balances at 31<sup>st</sup> March 2010</b>	<b>2.8</b>	<b>3.3</b>

7. The reduced overall use of balances in 2009/10 will go some way to help in managing the pressures that the Council can expect to face in future years.

### General Fund Earmarked Reserves

8. Earmarked reserves (including Schools reserves) at 31<sup>st</sup> March 2010 were £53.5m, a net increase of £13.3m compared to 31<sup>st</sup> March 2009. A summary is shown at Appendices 2 & 3.
9. In accordance with normal practice, a detailed review of these reserves will take place later in the year and the results will be reported back to the Cabinet as part of the 2011/12 budget setting process.

### Capital Spending and Financing

10. The Council's capital expenditure in the year totalled £88.0m, as follows. A comparison with budget is shown in Appendix 4.

	<b>£m</b>
Housing .....	41.4
Other Adult & Community .....	1.3
Urban Environment .....	19.3
Children's Services .....	24.2
Finance, ICT & Procurement .....	0.5
Law, Property & Human Resources .....	0.7
Chief Executive's .....	0.6
	<b>88.0</b>

11. This expenditure has been financed as follows.

	£m
Loan .....	21.7
Capital Receipts .....	2.0
Major Repairs Allowance (Housing) .....	22.9
Revenue .....	0.1
Grants / Contributions (inc. Lottery) .....	41.3
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	<b>88.0</b>
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#### Equal Pay Back Pay

12. Although the final total cost of Equal Pay Back Pay (EPBP) settlements have still to be determined, the Council has begun to make settlements and has utilised directions given by the Government in 2009/10 to treat a further £3.2m of its eventual total cost as capital expenditure – so that the full amount of the latest total estimated liability of £87.2m has now been capitalised. This is funded from “prudential borrowing” and is in addition to the capital expenditure and funding set out in the above tables.

#### Housing Revenue Account (HRA)

13. The latest approved budget for the HRA allowed for a deficit in the year 2009/10 of £1.332m. The actual deficit has been reduced to £0.772m, a positive variance of £0.560m, as detailed in Appendix 5.
14. The balance remaining on the HRA at 31<sup>st</sup> March 2010 was £3.294m. This balance will be rolled forward to support delivery of the Decent Homes Standard and other services to tenants.

#### Value for Money Efficiency Gains

15. The Comprehensive Spending Review 2007 (CSR07) set national targets of 3% per annum for value for money efficiency gains for the 2008-09 and 2009-10, and 4% for 2010-11. All such efficiencies must be cashable, i.e. must result in cash savings that may be redirected to other services or used to reduce Council Tax.
16. For Dudley, a *cumulative* efficiency gain of 6.1% for 2009/10 equates to a target of £17.9 million. However, the Council is allowed to carry forward surplus Gershon cashable efficiencies sustained from 2007-08 and count them against the target. Dudley has £7.0 million of such surplus efficiencies and a provisional total of £10.5 million further efficiencies have been identified by directorates in 2008-09 and 2009-10 (as summarised in Appendix 6) giving a total of £17.5 million. There may be some minor adjustments to this figure before the actual total is finalised and submitted to DCLG in July 2010
17. Appendix 6 provides brief details of how the 2009/10 (cumulative) efficiencies have been achieved. Procurement efficiencies amounted to £3.2 Million of the total, the remainder coming mainly from business process changes and staffing efficiencies.

18. To date a further £7.1 million of efficiencies are forecast to be achieved in 2010-11 which equates to a cumulative total of £24.2m for 2010-11 against a cumulative target of £30.2 million. Work is on-going within directorates to identify further efficiencies across the Council.

#### General Fund Revenue Budget Monitoring 2010/11

19. The Council's Medium Term Financial Strategy identified a number of issues that would need to be kept under regular review:
- (a) Formula Grant is frozen at 2010/11 levels for the remainder of the MTFS period (see below);
  - (b) Single Status and Equal Pay costs are no more than estimated;
  - (c) general levels of inflation, pay and interest rates do not vary materially from current forecasts;
  - (d) there will be no other unplanned expenditure - or shortfalls in income - which cannot be met from reserves;
  - (e) income from fees, charges and other sources are maintained in accordance with current projections;
  - (f) demographic pressures, particularly as they affect services to adults and children, are no greater than currently assumed and estimated;
  - (g) the effects of the recession on service demands and cash flow can be managed within proposed budget levels and there is no significant impact on the Council Tax Base;
  - (h) Government "capping levels" are kept within assumed levels.
20. Directors are monitoring the impact on budgets of the above and of a range of legislative and policy issues. In particular there are significant pressures on the budgets for Looked after Children and Vulnerable Adults that Directors are seeking to manage within existing resources. Further reports on performance against budgets will be brought to Cabinet later in the year.
21. The Govt. has now provided more details of Local Government's contribution to public spending reductions in 2010/11. The impact of the capital element of these savings is addressed in the Capital Programme Monitoring report elsewhere on this agenda. The impact of the revenue element will be considered in detail and reported back to Cabinet in due course.

#### **Finance**

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

## **Law**

23. 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, and the Local Government Act 2003.

## **Equality Impact**

24. These proposals comply with the Council's policy on Equal Opportunities.
25. With regard to Children and Young People:
- There is no direct effect of the proposals on children and young people.
  - There has been no specific consultation with children and young people.
  - There has been no direct involvement of children and young people in developing the proposals.

## **Recommendations**

26. That the Cabinet:
- Notes the draft outturn results for 2009/10, including Value for Money efficiencies.
  - Notes the effect of the General Fund Revenue Outturn on General Balances at 31<sup>st</sup> March 2010.
  - Notes the position on earmarked reserves at 31<sup>st</sup> March 2010.
  - Notes the latest forecast General Fund Revenue position for 2010/11.



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Iain Newman

Treasurer

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## **List of Background Papers**

Council Tax Setting report to Council on 1<sup>st</sup> March 2010.

Draft Statement of Accounts

FMMR reports to Cabinet.

## GENERAL FUND REVENUE SUMMARY 2009/10

DIRECTORATE	REVISED BUDGET	OUTTURN	VARIATION	EXPLANATION
	£m	£m	£m	
CHILDREN'S SERVICES	70.239	71.189	0.950	See Note 1
DACHS	96.716	96.716	-	
DUE	57.078	57.078	-	
CHIEF EXECUTIVE'S	8.904	8.875	-0.029	
LAW & PROPERTY	12.647	12.604	-0.043	
<i>MONEY MARKET ETC.</i>	<i>-13.812</i>	<i>-14.168</i>	<i>-0.356</i>	See Note 2
<i>OTHER FINANCE, ICT &amp; PROCUREMENT</i>	<i>22.465</i>	<i>22.409</i>	<i>-0.056</i>	
TOTAL FINANCE, ICT & PROCUREMENT	8.653	8.241	-0.412	
Area Based Grant	-21.615	-21.615	-	
<b>Total Service Costs</b>	<b>232.622</b>	<b>233.088</b>	<b>0.466</b>	
Use of Balances	-2.528	-2.994	-0.466	
<b>BUDGET REQUIREMENT</b>	<b>230.094</b>	<b>230.094</b>	<b>-</b>	

## Notes:

1: Children's Social Care pressures, particularly Looked After Children.

2: Lower than anticipated interest payments etc.

## EARMARKED RESERVES

	Balance 31/03/09 £'000	Balance 31/03/10 £'000	Movement £'000	Details
<b><u>Corporate Reserves</u></b>				
Working Capital	2,000	2,000	0	"Contingency of last resort"
Insurance Fund	6,449	7,039	590	To meet self insured claims
Corporate IT Strategy & Financial Systems	164	338	174	To fund Corporate ICT developments
Business Rateable Value Growth Initiative	1,102	0	-1,102	
LAA / LPSA Reward	694	6,759	6,065	To be spent on Partnership projects, etc.*
Single Status	7,638	9,294	1,656	Towards costs of implementation
Capital Resources	100	4,957	4,857	To fund capital commitments
Other	181	171	-10	
<b>Total Corporate</b>	<b>18,328</b>	<b>30,558</b>	<b>12,230</b>	
<b><u>Other Reserves</u></b>				
DGfL & Paragon Grants in Advance	5,612	2,383	-3,229	To match expenditure in later years
School Balances	12,249	15,796	3,547	From Schools' Delegated Budgets, Trading etc.
Directorate Reserves	3,989	4,763	774	See Appendix 3
<b>Total Other</b>	<b>21,850</b>	<b>22,942</b>	<b>1,092</b>	
<b>Total</b>	<b>40,178</b>	<b>53,500</b>	<b>13,322</b>	

\*Note that as part of the Government's spending reductions in 2010/11, Local Area Agreement (LAA) reward funding is being reduced by 50%. This will reduce the amount effectively available in this reserve to be allocated to Partnership projects by £3.190m.

## Directorate Reserves

## Appendix 3

### Children's Services

- Budget Strategy	505	285		To manage the outcomes of the Budget Strategy for Vulnerable Groups and Children's Social Care
- Other	307	285		Other Initiatives, inc. new processes for taking children into care
<b>Total Children's Services</b>	812	570	-242	

### Urban Environment

- Car Park Refurbishment	176	258		Funding of Car Park Capital Programme
- Worklessness (ERDF matchfunding)	515	515		Roll forward of Working Neighbourhood Transitional Funding for projects to help people gain sustainable employment
- Other	299	271		Other initiatives, inc. Dudley Town Centre Regeneration
<b>Total Urban Environment</b>	990	1,044	54	

### Adult, Community & Housing

- Ridge Hill	418	218		To manage sensitivity of costs to changes in service demand
- Accommodation Improvements	101	55		Accommodation improvements, inc. Lye Health & Social Care Centre
- ICT Strategy	221	140		To fund ICT developments, inc. Libraries
- Supporting People etc.		525		Roll forward of grant funding
- Other	406	390		Other initiatives, inc. Local Improvement Networks and Mortgage Arrears
<b>Total Adult, Community &amp; Housing</b>	1146	1328	182	

### Finance, ICT & Procurement

- ICT Developments	329	399		Various Initiatives inc. Homeworking and other Invest to Save projects
- Other	257	313		Other Initiatives, inc. Procurement developments
<b>Total Finance, ICT &amp; Procurement</b>	586	712	126	

### Law and Property

- Repair & Maintenance Commitments	202	70		To fund ongoing programme
- Social Care Personnel		320		Roll forward of Social Care resources
- Other	230	353		Other initiatives, inc. ICT developments
<b>Total Law and Property</b>	432	743	311	

### Chief Executive's

- Transitional Funding		128		Roll forward of Policy Team funding
- Other	23	238		Other Initiatives including Elections ICT
<b>Total Chief Executive's</b>	23	366	343	

<b>Total</b>	<b>3,989</b>	<b>4,763</b>	<b>774</b>	
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## CAPITAL BUDGET AND SPENDING 2009/10

	Of which:					Comments
	Approved Budget	Outturn Spend	Total Variance	Slippage/ Rephasing	Over/Under Spend	
Directorate	£000	£000	£000	£000	£000	
Housing	39635	41414	1779	1779	0	
Urban Environment	21522	19270	-2252	-2347	95	See note 1 below
Children's Services	35328	24195	-11133	-11133	-1	
Adult & Community	1271	1311	40	44	-4	
Finance, ICT & Procurement	488	471	-17	-16	-1	
Law, Property & Human Resources	945	684	-261	-264	3	
Chief Executive's	786	614	-172	-171	-1	
<b>TOTAL</b>	<b>99975</b>	<b>87959</b>	<b>-12016</b>	<b>-12107</b>	<b>92</b>	

- Note 1: Mainly £107,000 extra costs of Street Lighting Improvement Programme resulting from the unanticipated need to install new cable networks once work had started, funded from revenue resources. (Partially offset by minor net savings on other schemes.)

	Latest Approved Budget £000	Outturn £000	Variance £000
<b><u>Income</u></b>			
Dwelling rents	-74,709	-74,935	-226
Non-dwelling rents	-662	-700	-38
Charges for services and facilities	-158	-183	-25
Contributions towards expenditure	-1,204	-1,470	-266
Interest on balances	-27	-15	12
<b>Total income</b>	<b>-76,760</b>	<b>-77,303</b>	<b>-543</b>
<b><u>Expenditure</u></b>			
Management	14,436	14,030	-406
Responsive and cyclical repairs	25,188	25,875	687
Negative Subsidy	8,694	8,732	38
Transfer to Major Repairs Reserve	22,890	22,890	-
Interest payable	4,845	4,834	-11
Revenue contribution to capital expenditure	500	121	-379
Other expenditure	1,539	1,593	54
<b>Total expenditure</b>	<b>78,092</b>	<b>78,075</b>	<b>-17</b>
<b>Deficit for the year</b>	<b>1,332</b>	<b>772</b>	<b>-560</b>
<b>Surplus brought forward</b>	<b>-4,066</b>	<b>-4,066</b>	<b>0</b>
<b>Surplus carried forward</b>	<b>-2,734</b>	<b>-3,294</b>	<b>-560</b>

Main reasons for variance include:

- Better than expected rent collection levels owing to lower void levels and fewer house sales.
- Staffing savings in Management.
- Additional pressures on revenue repairs, resulting mainly from the reduction in house sales and the lower void levels.
- Successful application for capital grants reduced the requirement for revenue contributions to capital expenditure.

## Cumulative Value for Money Efficiency Gains to 2009-10

Directorate	Main Areas of Efficiency	£'000's
DACHS - HRA	Management and procurement efficiencies in Building Services. Improved rent collection	5,539
DACHS – Adult & Community	Savings from external provision of residential care. Increase in clients receiving direct payments for social care	1,956
Chief Executive's	Restructure within directorate	447
Children's Services	Management and administration efficiencies	483
DUE	Procurement efficiencies from transportation project. Review of Leisure Services	909
Finance, ICT & Procurement	Staffing efficiencies	826
Law and Property	Staffing efficiencies	307
<b>Sub-Total</b>		<b>10,467</b>
Allowable Efficiencies Carried Forward from 2007-08		6,994
<b>Cumulative Total</b>		<b>17,461</b>
6.1% Efficiency Target		17,887
Surplus (+)/Shortfall (-)		-426

Note : Efficiencies for years prior to 2009-10 have been uplifted for inflation