

**Meeting of the Cabinet – 13th June, 2007**

**Report of the Director of Finance**

**Revenue and Capital Outturn 2006/07**

**Purpose**

1. To report the provisional financial results for the year ended 31st March 2007.

**Background**

2. The Council's final accounts for the year ended March 2007 have been completed, subject to audit. The Statement of Accounts will be considered for approval by the Audit Committee later this month, in accordance with the requirements of the Accounts and Audit Regulations 2003 as amended.

**General Fund Revenue Summary**

3. The General Fund Revenue outturn for 2006/07 is summarised in the following table.

	<b>Revised Budget 2006/07 £'000</b>	<b>Outturn 2006/07 £'000</b>	<b>Variance £'000</b>
Total Service Costs	198,483	195,254	-3,229
Use of Balances	(3,268)	(39)	3,229
<b>Net Revenue Expenditure / Budget Requirement</b>	<b>195,215</b>	<b>195,215</b>	<b>-</b>

4. Details of the outturn, together with reasons for the variance from approved budget is shown at Appendix 1.
5. The most significant variance arises from the early repayment of £20m Public Works Loan Board debt on 31st March 2007, which earned a discount of £2.7m. This was done following detailed discussions with external advisors and is in accordance with the Council's approved Treasury Management Strategy, which provide for the restructuring or repayment of debt with a view to making revenue savings, subject to maintaining the overall balance of the debt portfolio. It was also consistent with the principle of generating additional revenue balances as set out in the Medium Term Financial Strategy.

6. It was not until new Government Regulations concerning the accounting treatment of premiums and discounts (about which there had been considerable debate and uncertainty earlier in the year) were issued on 7th March, that this action could be contemplated. Judgements also had to be made about the optimum time to make the repayment, given prevailing money market conditions.

The overall underspend will be transferred to General Balances pending review of the impact of Single Status and other spending pressures.

#### General Balances

7. As a result of the outturn, the position on General Balances at 31st March 2007 is as follows:

	<b>Estimate £m</b>	<b>Actual £m</b>
Balance as at 1st April 2006	3.268	3.268
Additions during the year (net transfers from earmarked reserves & provisions)	8.236	8.236
Less: Used in 2006/07	-3,268	-39
<b>General Balances at 31st March 2007</b>	<b>8.236</b>	<b>11.465</b>

8. The approved budget and Medium Term Financial Strategy (MTFS) for 2007/08 - 2009/10 includes the use of £8.2m to support expenditure.

#### General Fund Earmarked Reserves

9. Earmarked reserves at 31st March 2007 were £36.7m, a net reduction of £4.6m compared to 31<sup>st</sup> March 2006. Details are shown at Appendices 2 & 3.
10. In accordance with normal practice, there will be a full review of all earmarked reserves later in the year, the results of which will be reported back to the Cabinet as part of the 2008/09 budget setting process.

#### Capital Spending and Financing

11. The Council's capital expenditure in the year totalled £83.0m, as follows. A comparison with budget is shown in Appendix 4.

	£m
Housing .....	26.877
Urban Environment .....	26.110
Children's Services.....	21.506
Adult & Community.....	3.691
Finance, ICT & Procurement.....	1.538
Law & Property.....	2.181
Chief Executive's .....	1.107
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	<b>83.010</b>
	<hr/>

12. This expenditure has been financed as follows.

	£m
Loan .....	31.387
Capital Receipts .....	8.675
Major Repairs Allowance (Housing) .....	12.426
Revenue .....	7.452
Grants / Contributions (inc. Lottery).....	23.070
	<hr/>
	<b>83.010</b>
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#### Single Status

13. Although the actual cost of the Single Status Agreement and the timing of any backdated equal pay settlements have still to be determined, the Council has been given a direction by the Government in 2006/07 to treat part of its eventual total cost as capital expenditure, to be funded from "prudential borrowing". This will be in addition to the capital expenditure and funding set out in the above tables. Provision will be made in the 2006/07 Accounts to reflect the capitalisation direction. Revised regulations now allow the balance of any backdated settlements to be scored in the Accounts when actual payments of back pay become due (as opposed to scoring all of the costs in 2006/07), subject to all payments having been made or scored by the end of the 2009/10 financial year.

#### Housing Revenue Account (HRA)

14. The latest approved budget for the HRA allowed for a deficit in the year 2006/07 of £0.637m. The actual deficit has been reduced to £0.336m, mainly as a result of better than expected performance in the management of empty properties. This gives a positive variance of £0.301m compared with budget.
15. The balance remaining on the HRA at 31st March 2007 was £5.602m. This balance will be rolled forward to support delivery of the Decent Homes Standard and other services to tenants. Further details are shown in Appendix 5.

## Gershon Efficiencies

16. From 2005-06 each Council has been set an annual target of efficiency gains, representing 2.5% of core controllable annual budget. At least 50% of these must be cashable, i.e. must result in cash savings that may be redirected to other services or used to reduce Council Tax, while 50% may be non-cashable, i.e. result in a better service for the same money.

Dudley's target for 2006-07 is £10.5m of which £5.3m must be cashable. This is a cumulative target including ongoing efficiency gains reported in 2005-06. Our provisional achievement for 2006-07 is £20.371m of which £16.320m is cashable. Of the total, £12.658m represents ongoing gains from 2005-06 and £7.713m represents new efficiency gains identified in 2006-07.

Activities undertaken to achieve efficiency gains generally fall into the following categories:

Better Procurement.  
Exploiting Technology.  
More Productive Working.  
Absorption of new pressures and duties within existing resources.

Although these have been allocated to service areas where possible and appropriate, the nature of the efficiencies realised means that more than half of the total fall within cross-cutting and miscellaneous service areas.

Appendix 6 gives details of the efficiency gains achieved.

## General Fund Revenue Budget Monitoring 2007/08

17. Latest monitoring information indicates that each Directorate's expenditure is in line with approved budget levels with the exception of Children's Services, where the numbers of children in care or requiring the Council's help and support continue to place increasing demands on budgets. Officers are currently reviewing this and will report further to a future meeting of the Cabinet.

## **Finance**

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

## **Law**

19. 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**

20. These proposals comply with the Council's policy on Equality and Diversity.
21. 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**

- 22 That the Cabinet:
- Notes the draft outturn results for 2006/07, including Gershon efficiencies.
  - Notes the effect of the General Fund Revenue Outturn on General Balances at 31st March 2007.
  - Notes the position on earmarked reserves at 31st March 2007.
  - Notes the latest forecast General Fund Revenue position for 2007/08.



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## **List of Background Papers**

Council Tax Setting report to Council on 5th March 2007.  
Draft Statement of Accounts.

## GENERAL FUND REVENUE SUMMARY

SERVICE	REVISED BUDGET £'000	NET OUTTURN £'000	NET VARIATION £'000	EXPLANATION
CHILDREN'S SERVICES	48,520	48,520	0	
DACHS	76,387	76,027	-360	Mainly efficiencies from management of Asylum Seekers contract
DUE	45,171	45,169	-2	
CHIEF EXECUTIVE'S	10,975	11,105	130	Costs of Leaps & Bounds project
LAW & PROPERTY	1,569	1,560	-9	Extra income
FINANCE, ICT & PROCUREMENT	15,861	12,873	-2,988	Discounts from repayment of debt, etc.
<b>Total Service Costs</b>	<b>198,483</b>	<b>195,254</b>	<b>-3,229</b>	
Use of Balances	-3,268	-39	3,229	
<b>BUDGET REQUIREMENT</b>	<b>195,215</b>	<b>195,215</b>	<b>-</b>	

## EARMARKED RESERVES

	Balance 31/03/06 £'000	Balance 31/03/07 £'000	Difference £'000	Details
<b><u>Corporate Reserves</u></b>				
Working Capital	2,000	2,000	0	"Contingency of last resort"
Capital Funding Reserve	6,664	820	-5,844	To fund ongoing capital commitments (*)
Insurance Fund	8,112	10,303	2,191	To meet self insured claims
Corporate IT Strategy & Financial Systems	399	402	3	To fund Corporate ICT developments
Business Rateable Value Growth Initiative	395	800	405	Share of income from national scheme
LPSA Revenue Reward	2,501	2,187	-314	Remaining allocated funding
Other	290	222	-68	Including Prince's Youth Business Trust Interest
<b>Total Corporate</b>	<b>20,361</b>	<b>16,734</b>	<b>-3,627</b>	
<b><u>Other Reserves</u></b>				
DGfL & Paragon Grants in Advance	6,167	5,879	-288	To match expenditure in later years
School Balances	11,330	11,143	-187	From Schools' Delegated Budgets, Trading etc.
Directorate Reserves	3,472	2,931	-541	See Appendix 3
<b>Total Other</b>	<b>20,969</b>	<b>19,953</b>	<b>-1,016</b>	
<b>Total</b>	<b>41,330</b>	<b>36,687</b>	<b>-4,643</b>	

(\*) Opening balance transferred to General Balances and replaced by Prudential Borrowing

## Directorate Reserves

## Appendix 3

	Balance 31/03/06		Balance 31/3/07		Difference Details
	£'000	£'000	£'000	£'000	£'000
<b>Children's Services</b>					
- Neighbourhood Learning Centre Strategy	175		75		To top-up available grants
- PFI & School Reorganisation Consultancy costs	80		40		To cover reorganisation / future PFI consultancy costs
- Traded Services	72		48		To fund equipment, service developments, etc.
- Partnership Unit	100		0		
- Orchard Partnership	0		100		To provide support to partnership
- Other	170		121		Other Education Initiatives
<b>Total Children's Services</b>		597		384	-213
<b>Urban Environment</b>					
- Car Park Refurbishment	277		317		Funding of Car Park Capital Programme
- Other Capital Reserves	217		55		Funding of other Capital Projects
- Planning Delivery	30		134		To fund Planning service improvements
- ICT Strategy	79		32		ICT Developments
- Leisure Centre Refurbishment	394		0		
- UDP	76		51		Ongoing UDP costs
- Other	202		85		Various improvements & initiatives, etc.
<b>Total Urban Environment</b>		1,275		674	-601
<b>Adult, Community &amp; Housing</b>					
- Ridge Hill	198		198		To fund relocation costs
- Adult Learning	0		160		For ongoing initiatives
- ICT Strategy	146		151		To fund ICT developments
- Stock Condition	72		72		To fund Survey costs
- Other	132		48		Various improvements & initiatives, etc.
<b>Total Adult, Community &amp; Housing</b>		548		629	81
<b>Finance, ICT &amp; Procurement</b>		444		654	210 Various initiatives
<b>Law and Property</b>		490		590	100 Various projects, including Asset Management Plan work
<b>Chief Executive's</b>		118		0	-118
<b>Total</b>		<b>3,472</b>		<b>2,931</b>	<b>-541</b>

## CAPITAL BUDGET AND SPENDING 2006/07

	Approved Budget	Outturn Spend	Total Variance	Slippage/ Rephasing	Over/Under Spend	Comments
Directorate	£000	£000	£000	£000	£000	
Housing	27034	26877	-157	-158	1	
Urban Environment	27587	26110	-1477	-1670	193	See note 1 below
Children's Services	21036	21506	470	284	186	See note 2 below
Adult & Community	3805	3691	-114	-114	0	
Finance, ICT & Procurement	1584	1538	-46	-27	-19	Minor savings
Law & Property	1759	2181	422	422	0	
Chief Executive's	1345	1107	-238	-249	11	Various minor extra costs
<b>TOTAL</b>	<b>84150</b>	<b>83010</b>	<b>-1140</b>	<b>-1512</b>	<b>372</b>	

Note 1: Includes:

- *Stourbridge Ring Road Pedestrian Crossing* - extra costs of £191,000 as previously reported, funded from sale of Knoyle Court properties;
- *Support for People with Disabilities* - extra costs of £51,000 due to increased demand for dropped kerbs, funded from revenue and savings elsewhere in the Transport programme;
- *Bell St. Car Park* - extra necessary repair costs of £77,000 Extra costs of dropped kerbs, funded from Car Parks revenue resources;
- Various net savings.

Note 2: Includes:

- *Priory & Wrens Nest Children's Centres* - Contract overspending of £1.1m, partially offset by revenue grants and redirection of other capital resources;
- *Lye Children's Centre* - Extra costs of £47,000 resulting from unanticipated need to demolish boundary wall, and more robust fencing required, funded from revenue grant;
- Savings of £970,000, mainly from deletion of other projects, redirected to fund Priory & Wrens Nest Children's Centres overspend;
- Other minor variances.

## HOUSING REVENUE ACCOUNT 2006/07

	Latest Approved Budget £m	Outturn £m	Variance £m
<u>Income</u>			
Dwelling rents	66.085	66.378	0.293
Non-dwelling rents	0.645	0.593	-0.052
Charges for services and facilities	0.136	0.140	0.004
Contributions towards expenditure	1.547	1.694	0.147
Interest on balances	0.782	0.785	0.003
<b>Total income</b>	<b>69.195</b>	<b>69.590</b>	<b>0.395</b>
<u>Expenditure</u>			
Management	13.990	14.035	0.045
Responsive and cyclical repairs	22.076	22.166	0.090
Negative Subsidy	11.610	11.569	-0.041
Transfer to Major Repairs Reserve	13.486	13.486	0.000
Interest payable	3.443	3.464	0.021
Revenue contribution to capital expenditure	3.308	3.308	0.000
Other expenditure	1.919	1.898	-0.021
<b>Total expenditure</b>	<b>69.832</b>	<b>69.926</b>	<b>0.094</b>
<b>Deficit for the year</b>	<b>-0.637</b>	<b>-0.336</b>	<b>0.301</b>
<b>Surplus brought forward</b>	<b>5.938</b>	<b>5.938</b>	
<b>Surplus carried forward</b>	<b>5.301</b>	<b>5.602</b>	<b>0.301</b>

**Gershon efficiency gains - 2006-07 backwards look**

Title	Ongoing gains sustained from 2005-06 £		Further gains achieved in 2006-07 £		...of which expected to be ongoing £		Cumulative gains as at end of 2006-07 £	
	Total gains	...of which cashable	Total gains	...of which cashable	Total gains	...of which cashable	Total gains	...of which cashable
<b>Adult Social Services</b>	932000	587000	1371000	704000	1371000	704000	2303000	1291000

Overarching key actions taken:

More flexible and efficient service provision via lower cost care at home, transfer of learning disabled clients from residential to supported living placements, internal residential increased occupancy, management savings as a result of directorate remodelling, absence management and electronic recruitment advertising.

<b>Children's Services</b>	329000	193000	0	0	0	0	329000	193000
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Overarching key actions taken:

<b>Culture and Sport</b>	167000	167000	130000	125000	130000	125000	297000	292000
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Overarching key actions taken:

Achieving increased usage of halls, museums and leisure centres, with no increase in cost. Maintaining provision and accommodating users of closed swimming pool at other facilities within the Borough.

<b>Environmental Services</b>	182000	182000	213000	165000	213000	165000	395000	347000
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Overarching key actions taken:

Reduction in management posts with no consequent loss of service. Introduction of hand-held devices to enable more efficient working practices.
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<b>Local Transport (Highways)</b>	324000	254000	272000	272000	272000	272000	596000	526000
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Overarching key actions taken:

Mainly efficiencies arising from partnership working and use of new highways materials.
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<b>Local Transport (non Highways)</b>	833000	833000	361000	343000	361000	343000	1194000	1176000
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Overarching key actions taken:

Includes more efficient reimbursement of concessionary fares, savings from bus shelter advertising and other operational PTA efficiencies.
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<b>LA social housing</b>	4268000	4268000	2771000	2771000	2771000	2771000	7039000	7039000
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Overarching key actions taken:

Mainly improvements in working practices and extended partnership working to reduce costs on repair, maintenance and improvement works. Reduction in void levels and more efficient rent collection.
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<b>Non-School Education</b>	676000	633000	314000	136000	289000	111000	990000	769000
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Overarching key actions taken:

Mainly improvements in working practices allowing pressures to be absorbed within existing resources. Ongoing efficiency gains from remodelling and management restructuring.
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<b>Supporting People</b>	0	0	0	0	0	0	0	0
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Overarching key actions taken:

<b>Homelessness</b>	0	0	0	0	0	0	0	0
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Overarching key actions taken:

#### Other cross-cutting efficiencies not covered above:

<b>Corporate Services</b>	2066000	1161000	1341000	610000	1333000	602000	3407000	1771000
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Overarching key actions taken:

Mainly more efficient use of resources, allowing more to be done with the same level of resource, for instance restructuring of corporate areas, more integrated working leading to efficiency gains, and increased efficiency in the call centre and one-stop shop.

<b>Procurement</b>	502000	502000	459000	385000	374000	300000	961000	887000
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Overarching key actions taken:

In addition to initiatives relating to specific service areas, contract savings relating to centrally procured supplies, mainly electricity and gas contracts. Increased use of purchase cards leading to lower cost and time saved particularly for low value and high volume transactions.

<b>Productive time</b>	277000	277000	20000	20000	20000	20000	297000	297000
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Overarching key actions taken:

Ongoing efficiency gains relating to better management of early retirements and consequent savings. Increased use of e-recruitment and joint working.

<b>Transactions</b>	954000	534000	264000	181000	264000	181000	1218000	715000
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Overarching key actions taken:

Mainly reduction in Benefits payment errors; reduction in running costs through more efficient systems and more flexible working patterns including introduction of hand-held devices for mobile staff; electronic document management.

<b>Miscellaneous</b>	1148000	847000	197000	170000	127000	100000	1345000	1017000
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Overarching key actions taken:

Mainly transfers of responsibility and restructuring to achieve the same service level with less resource.

<b>Total</b>	<b>12658000</b>	<b>10438000</b>	<b>7713000</b>	<b>5882000</b>	<b>7525000</b>	<b>5694000</b>	<b>20371000</b>	<b>16320000</b>
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