

Meeting of the Cabinet – 14th June 2006

Report of the Director of Finance

Revenue and Capital Outturn 2005/06

Purpose

1. To report the provisional financial results for the year ended 31st March 2006.

Background

2. The Council's final accounts for the year ended March 2006 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 2005/06 is summarised in the following table.

	Revised Budget 2005/06 £'000	Outturn 2005/06 £'000	Variance £'000
Total Service Costs	351,872	351,111	-761
Use of Balances	(2,650)	(1,889)	761
Net Revenue Expenditure / Budget Requirement	349,222	349,222	-

4. Details of the outturn, together with reasons for the variance from approved budget is shown at Appendix 1.

General Balances

5. As a result of the outturn, the position on General Balances at 31st March 2005 is as follows:

	Estimate £m	Actual £m
Balance as at 1st April 2005	3.857	3.857
Additions during the year (net transfers from earmarked reserves & provisions)	1.300	1.300
Less: Used in 2005/06	-2.650	-1.889
General Balances at 31st March 2006	2.507	3.268

6. The approved budget for 2006/07 includes the use of £2.4m to support expenditure, with the expectation that a further £1m would be available to support spending in 2007/08.

General Fund Earmarked Reserves

7. The actual levels of earmarked reserves at 31st March 2006 were £42.0m, a net reduction of £5.6m compared to 31st March 2005. Details are shown at Appendices 2 & 3.
8. Since the budget was prepared, the government has confirmed and finalised allocations under the Local Authority Business Growth Incentive (LABGI) Scheme, whereby local authorities benefit from increases in business rateable values. The total allocation to Dudley is £395,000 and this has been transferred to a corporate reserve, the use of which will be considered as part of the 2007/08 Budget process.
9. 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 2007/08 budget setting process.

Capital Spending and Financing

10. The Council's (cash) capital expenditure in the year totalled £ 70.5m, as follows. A comparison with budget is shown in Appendix 4.

	£m
Housing	27.676
Urban Environment	13.804
Education and Lifelong Learning	22.081
Social Services	1.503
Finance, ICT & Procurement	2.260
Law & Property	1.507
Chief Executive's	1.631
	70.462

11. This expenditure has been financed as follows.

	£m
Loan	19.357
Capital Receipts	7.772
Major Repairs Allowance (Housing)	13.586
Revenue	12.228
Grants / Contributions (inc. Lottery).....	17.519
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	70.462
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Housing Revenue Account (HRA)

12. The latest approved budget for the HRA allows for a deficit in the year 2005/6 of £0.7m. We have benefited significantly from adjustments to our subsidy entitlement (including windfalls from previous years), the timing of land sales and the interest earned on balances. We have also achieved better than expected performance in rent collection and management of empty properties while making savings on the cost of housing management. This has resulted in a surplus in the year 2005/6 of £1.2m - a positive variance of £1.9m compared with budget. However, the HRA continues to face the financial challenge of delivering the Decent Homes Standard by 2010; this challenge was considered by Cabinet in February and is further considered in the *Review of Housing Finance* report elsewhere on this agenda.
13. The surplus balance remaining on the HRA at 31st March 2006 was £4.0m. Further details are shown in Appendix 5

Gershon Efficiencies

14. From 2005-06 each Council was 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 2005-06 was £5.4m of which £2.7m must be cashable. For 2005-06, ongoing efficiency gains in 2004-05 may be included. Our provisional achievement for 2005-06 is £9.8m of which £7.6m is cashable.

Activities undertaken to achieve efficiency gain 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 2006/07

15. Latest monitoring indicates that each Directorate's expenditure will be within approved budget levels, provided that for Dudley Council Plus the budget transfers from Directorates in the year to support the operational costs of the new Centre are made to cover the committed costs of operation.

In addition, there continues to be increasing demands on the budgets for Children's out-of-borough placements and action will be required to contain spending within approved budget levels in 2006/07

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 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

18. These proposals comply with the Council's policy on Equal Opportunities.
19. 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

20. That the Cabinet:

- Notes the draft outturn results for 2005/06, including Gershon efficiencies.
- Notes the effect of the General Fund Revenue Outturn on General Balances at 31st March 2006.
- Notes the position on earmarked reserves at 31st March 2006.
- Notes the latest forecast General Fund Revenue position for 2005/06.



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List of Background Papers

Council Tax Setting report to Council on 6th March 2006.
Draft Statement of Accounts.

GENERAL FUND REVENUE SUMMARY

SERVICE	REVISED BUDGET £'000	NET OUTTURN £'000	NET VARIATION £'000	EXPLANATION
DELL	202,035	202,035	0	
SOCIAL SERVICES	84,584	84,570	-14	Minor net underspends
DUE	50,492	50,492	0	
HOUSING GENERAL FUND	4,180	4,180	0	
CHIEF EXECUTIVE'S	10,578	10,578	0	
LAW & PROPERTY	2,834	2,833	-1	
FINANCE, ICT & PROCUREMENT	-2,831	-3,577	-746	Increased interest earnings etc.
Total Service Costs	351,872	351,111	-761	
Use of Balances	-2,650	-1,889	761	
BUDGET REQUIREMENT	349,222	349,222	-	

EARMARKED RESERVES

	Balance 31/03/05 £'000	Balance 31/03/06 £'000	Difference £'000	Details
<u>Corporate Reserves</u>				
Working Capital	2,000	2,000	0	"Contingency of last resort"
Capital Funding Reserve	13,980	6,664	-7,316	To fund ongoing capital commitments
Insurance Fund	7,926	8,112	186	To meet self insured claims
Pensions	42	42	0	Balance retained to cover one-off pension costs
Corporate IT Strategy & Financial Systems	453	399	-54	To fund Corporate ICT developments
Business Rateable Value Growth Initiative		395	395	Share of income from national scheme
LPSA Revenue Reward		2,501	2,501	Anticipated reward monies to be allocated
Other	401	248	-153	Including Prince's Youth Business Trust Interest
Total Corporate	24,802	20,361	-4,441	
<u>Other Reserves</u>				
DGfL & Paragon Grants in Advance	6,716	6,851	135	To match expenditure in later years
School Balances	9,969	10,485	516	From Schools' Delegated Budgets
Directorate Reserves	6,160	4,314	-1,846	See Appendix 3
Total Other	22,845	21,650	-1,195	
Total	47,647	42,011	-5,636	

DIRECTORATE RESERVES

Appendix 3

	Balance 31/03/05		Balance 31/3/06		Difference Details
	£'000	£'000	£'000	£'000	£'000
Education & Lifelong Learning					
- ICT Strategy	140		12		ICT Development
- SEN Strategy	178		11		Contingency for ongoing SEN Strategy activity
- Neighbourhood Learning Centre Strategy	319		175		To top-up available grants
- PFI & School Reorganisation Consultancy costs	80		80		To cover reorganisation / future PFI consultancy costs
- Catering Reserve	316		20		To fund equipment, service developments, etc.
- Partnerships Unit	0		100		To fund continuing activity following grant loss
- Schools Trading Accounts	731		845		Balances from Schools' trading activities
- Other	520		194		Other Education Initiatives
Total Education & Lifelong Learning		2,284		1,437	-847
Urban Environment					
- Highway Maintenance	0		0		
- Car Park Refurbishment	691		277		Funding of Car Park Capital Programme
- Other Capital Reserves	228		216		Funding of other Capital Projects
- ICT Strategy	162		79		ICT Developments
- Leisure Centre Refurbishment	402		394		From Rates refund
- UDP	200		76		Ongoing costs of finalising UDP Review
- Other	445		231		Various improvements & initiatives, etc.
Total Urban Environment		2,128		1,273	-855
Finance, ICT & Procurement		569		442	-127 Various initiatives
Housing General Fund		123		123	0 Various initiatives
Law and Property		326		490	164 Various projects, including Asset Management Plan work
Chief Executive's		231		118	-113 Various initiatives
Social Services		499		431	-68 Including Ridge Hill relocation & ICT developments
Total		6,160		4,314	-1,846

CAPITAL BUDGET AND SPENDING 2005/06

	Of which:					Comments
	Approved Budget	Outturn Spend	Total Variance	Slippage/ Rephasing	Over/Under Spend	
Directorate	£000	£000	£000	£000	£000	
Housing	27697	27676	-21	-21	0	
Urban Environment	15748	13804	-1944	-1988	44	See note below.
Education and Lifelong Learning	24608	22081	-2527	-2527	0	
Social Services	1828	1503	-325	-321	-4	Unforeseen final costs of Fairhaven replacement, offset by savings on Parkes' Hall refurbishment
Finance, ICT & Procurement	2615	2260	-355	-355	0	
Law & Property	1598	1507	-91	-87	-4	Minor savings
Chief Executive's	2346	1631	-715	-715	0	
TOTAL	76440	70462	-5978	-6014	36	

Note Includes:

- Extra costs of the Black Country Study;
- More works to assist the mobility of less able people;
- Extra costs of facilities to improve the 222 bus service;

Offset by savings on other Highways schemes.

- Extra fee costs associated with the Green Park project;
- Other net extra costs as previously reported;

Funded from s.106 contributions and available revenue resources.

HOUSING REVENUE ACCOUNT 2005/06

	Latest Approved Budget £m	Outturn £m	Variance £m
<u>Income</u>			
Rent	-64,639	-64,933	-294
Other Income	-1,283	-1,641	-358
Total income	-65,922	-66,574	-652
<u>Expenditure</u>			
Contribution to Housing Repairs Account	22,849	22,919	70
Supervision and Management	13,812	13,606	-206
Housing Revenue Account Negative Subsidy	9,001	8,553	-448
Capital Charges	41,143	41,150	7
Other Expenditure	2,684	2,129	-555
Total expenditure	89,489	88,357	-1,132
Net cost of services	23,567	21,783	-1,784
Net HRA income or expenditure on the asset management revenue account	-24,486	-24,241	245
Amortised premia and discounts	196	196	0
HRA investment income (including mortgage interest)	-446	-732	-286
Net Operating Expenditure	-1,169	-2,994	-1,825
Revenue Contribution to Capital Expenditure	1,918	1,847	-71
Transfer from Major Repairs Reserve	-37	-44	-7
Total (-surplus) or deficit for the year	712	-1,191	-1,903
Balance brought forward	-2,844	-2,844	0
Balance carried forward	-2,132	-4,035	-1,903

Gershon efficiency gains - 2005-06 backwards look

	Ongoing gains sustained from 2004-05 £		Further gains achieved in 2005-06 £		...of which expected to be ongoing £		Cumulative gains as at end of 2005-06 £	
Title	Total gains	...of which cashable	Total gains	...of which cashable	Total gains	...of which cashable	Total gains	...of which cashable
Adult Social Services	413000	279000	519000	308000	932000	587000	932000	587000

Overarching key actions taken:

More flexible and efficient service provision via management of bank holiday concessionary days, absence monitoring, management of rotas; improved use of technology (Citrix); recycling equipment rather than always providing new; providing lower costs care at home rather than in institutions

Children's Services	196000	153000	133000	40000	329000	193000	329000	193000
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Overarching key actions taken:

More flexible and efficient service provision via management of bank holiday concessionary days, absence monitoring, improved use of technology (Citrix); alternative methods of provision.

Culture and Sport	110000	110000	57000	57000	167000	167000	167000	167000
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Overarching key actions taken:

More efficient service provision, maintaining resource levels at cash limited levels while retaining levels of service provision without affecting quality.

Environmental Services	122000	122000	60000	60000	182000	182000	182000	182000
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Overarching key actions taken:

Mainly efficiencies arising from better value recycling and disposal contracts.

Local Transport (Highways)	74000	74000	250000	180000	324000	254000	324000	254000
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Overarching key actions taken:

Mainly efficiencies arising from partnership working.

Local Transport (non Highways)	377000	377000	0	0	377000	377000	377000	377000
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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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LA social housing	1239000	1239000	638000	638000	1877000	1877000	1877000	1877000
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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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Non-School Education	413000	400000	263000	233000	676000	633000	676000	633000
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Overarching key actions taken:

Mainly improvements in working practices allowing pressures to be absorbed within existing resources. Efficiency gains from remodelling and management restructuring.

Supporting People	0	0	0	0	0	0	0	0
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Overarching key actions taken:

Homelessness	0	0	0	0	0	0	0	0
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Overarching key actions taken:

Other cross-cutting efficiencies not covered above:

Corporate Services	1287160	713000	778840	448000	2066000	1161000	2066000	1161000
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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 implementation of new systems, earlier closure of accounts, better use of technology. Restructuring in some divisions, better absence management and more flexible working patterns.

Procurement	438000	438000	64000	64000	502000	502000	502000	502000
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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. Also more efficient procurement processes as measured by the "low value toolkit"

Productive time	0	0	277000	277000	277000	277000	277000	277000
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Overarching key actions taken:

Mainly relating to better management of early retirements and consequent savings.

Transactions	859000	509000	95000	25000	954000	534000	954000	534000
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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, e.g. extension of opening hours; improved take-up of Income Support and Attendance Allowance; implementation of new systems within existing resources; electronic document management.

Miscellaneous	658000	574000	490000	273000	1148000	847000	1148000	847000
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Overarching key actions taken:

Mainly transfers of responsibility and restructuring to achieve the same service level with less resource.
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Total	6186160	4988000	3624840	2603000	9811000	7591000	9811000	7591000
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