

**Meeting of the Cabinet – 11th June 2008**

**Report of the Director of Finance**

**Revenue and Capital Outturn 2007/08**

**Purpose**

1. To report the provisional financial results for the year ended 31st March 2008.

**Background**

2. The Council's final accounts for the year ended March 2008 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 2007/08 is summarised in the following table.

	<b>Revised Budget 2007/08 £m</b>	<b>Outturn 2007/08 £m</b>	<b>Variance £m</b>
Total Service Costs	211.142	210.841	(0.301)
Use of Balances	(6.862)	(6.561)	0.301
<b>Net Revenue Expenditure / Budget Requirement</b>	<b>204.280</b>	<b>204.280</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 variances arose from:
  - Net spending in respect of the Leaps and Bounds project of £394,000, the risk of which was identified in my report to the Cabinet in September 2007. This includes salary costs of £134,000 for staff previously employed in other directorates who have accordingly been able to make compensating savings, and takes account of contributions from the Community Partnership. A grant in excess of £300,000 from the Reaching Communities Lottery Fund was, after initial positive indications, unexpectedly rejected.

- Write-off of Landfill Allowance Trading Scheme (LATS) Allowances amounting to £422,000. These allowances are allocated annually by the Government to waste disposal authorities and can be applied to cover the use of landfill or sold to other authorities that have insufficient allowances to cover their own use of landfill. At the 31st March 2007, we accounted for our then unused allowances as assets in accordance with proper accounting practice. During 2007/8, it has become apparent that the market has slowed to the point where it is now unlikely that our unused LATS will be sold. It is therefore prudent to write these off to revenue. We will continue to monitor the market closely and report back to Cabinet if and when any unused LATS for previous or future years are sold.
- Black Country as an Urban Park (Big Lottery) bid promotional costs - amounting to £85,000.

6. These were offset by higher than anticipated Money Market returns, and other extra income.

#### General Balances

7. The impact of the net overall underspend against budget will leave General Balances at 31st March 2008 as follows:

	<b>Estimate</b>	<b>Actual</b>
	<b>£m</b>	<b>£m</b>
Balance as at 1st April 2007	11.465	11.465
Additions during the year (net transfers from earmarked reserves & provisions)	3.000	3.000
Less: Used in 2007/08	-6.862	-6.561
<b>General Balances at 31<sup>st</sup> March 2008</b>	<b><u>7.603</u></b>	<b><u>7.904</u></b>

8. The approved budget and Medium Term Financial Strategy (MTFS) for 2008/09 – 2010/11 includes the use of £10.6m to support expenditure, on the basis that future reviews of reserves will generate up to a further £3m of General Balances.

#### General Fund Earmarked Reserves

9. Earmarked reserves at 31<sup>st</sup> March 2008 were £41.0m, a net increase of £4.3m compared to 31<sup>st</sup> March 2007. 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 2009/10 budget setting process.

### Capital Spending and Financing

11. The Council's capital expenditure in the year totalled £78.7m, as follows. A comparison with budget is shown in Appendix 4.

	<b>£m</b>
Housing .....	32.894
Urban Environment .....	25.525
Children's Services.....	16.660
Adult & Community.....	1.022
Finance, ICT & Procurement.....	0.636
Law & Property.....	1.450
Chief Executive's.....	0.558
	<hr/> <b>78.745</b> <hr/>

- 12 This expenditure has been financed as follows.

	<b>£m</b>
Loan .....	20.015
Capital Receipts .....	5.864
Major Repairs Allowance (Housing) .....	14.752
Revenue .....	5.901
Grants / Contributions (inc. Lottery).....	32.213
	<hr/> <b>78.745</b> <hr/>

### 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 2007/08 to treat a further £16.7m part of its eventual total cost as capital expenditure, to be funded from "prudential borrowing". This is in addition to the capital expenditure and funding set out in the above tables.

### Housing Revenue Account (HRA)

14. The latest approved budget for the HRA allowed for a deficit in the year 2007/08 of £1.313m. The actual deficit has been reduced to £0.993m, mainly as a result of a number of vacant posts in Housing Management. This gives a positive variance of £0.320m compared with budget.
15. The balance remaining on the HRA at 31<sup>st</sup> March 2008 was £5.595m. 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 2007/08 is £15.7m of which £7.9m must be cashable. This is a cumulative target including ongoing efficiency gains reported in 2005-06. Our provisional achievement for 2007/08 is £26.5m of which £21.0m is cashable. Of the total, £20.5m represents ongoing gains from 2005-06 and £6.1m represents new efficiency gains identified in 2007/08.

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 a third of the cumulative gains fall within cross-cutting and miscellaneous service areas.

Appendix 6 gives details of the efficiency gains achieved.

#### General Fund Revenue Budget Monitoring 2008/09

17. The anticipated net spend on the Leaps and Bounds project to complete the existing Wrosne and Musical programmes is around £0.8m in 2008/9, taking into account an Arts Council grant recently notified of £90,000 and a DCSF grant of £60,000 over three years. While there are outstanding bids for external funding, discussions are planned with the Community Partnership for a contribution to reflect the benefits from the project to partners other than the Council. There remains a risk that some costs will fall on the Council. It should be noted that the Leaps and Bounds Trust will become entirely financially independent of the Council from January 2009 and TUPE transfer will relieve the Council of current salary costs totalling over £200,000 per annum.

There are budget pressures, including fuel and utility costs, which are currently having to be managed within approved budgets, but there remains a risk that this will not be possible later in the year. Further reports on performance against budgets will be brought to Cabinet later in the year.

## **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 Equal Opportunities.
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 2007/08, including Gershon efficiencies.
  - Notes the effect of the General Fund Revenue Outturn on General Balances at 31<sup>st</sup> March 2008.
  - Notes the position on earmarked reserves at 31<sup>st</sup> March 2008.
  - Notes the latest forecast General Fund Revenue position for 2008/09.



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## **List of Background Papers**

Council Tax Setting report to Council on 3<sup>rd</sup> March 2008.  
Draft Statement of Accounts.

## GENERAL FUND REVENUE SUMMARY 2007/08

DIRECTORATE	REVISED BUDGET	OUTTURN	VARIATION	EXPLANATION
	£m	£m	£m	
CHILDREN'S SERVICES	91.672	91.672	0	
DACHS	85.113	85.098	-0.015	
DUE	52.523	53.004	0.481	See Note 1
CHIEF EXECUTIVE'S	8.142	8.659	0.517	See Note 2
LAW & PROPERTY	1.555	1.553	-0.002	
<i>MONEY MARKET ETC.</i>	<i>0.559</i>	<i>-0.415</i>	<i>-0.974</i>	See Note 3
<i>OTHER FINANCE, ICT &amp; PROCUREMENT</i>	<i>-28.422</i>	<i>-28.730</i>	<i>-0.308</i>	See Note 4
TOTAL FINANCE, ICT & PROCUREMENT	-27.863	-29.145	-1.282	
<b>Total Service Costs</b>	<b>211.142</b>	<b>210.841</b>	<b>-0.301</b>	
Use of Balances	-6.862	-6.561	0.301	
<b>BUDGET REQUIREMENT</b>	<b>204.280</b>	<b>204.280</b>	<b>-</b>	

## Notes:

1. Write-off of Landfill Allowance Trading Scheme (LATS) Allowances; Big Lottery Marketing Costs.
2. Mainly unbudgeted costs and income shortfall in respect of Leaps & Bounds project.
3. Extra investment income.
4. Extra income etc.

## EARMARKED RESERVES

	Balance 31/03/07 £'000	Balance 31/03/08 £'000	Movement £'000	Details
<b><u>Corporate Reserves</u></b>				
Working Capital	2,000	2,000	0	"Contingency of last resort"
Capital Funding Reserve	820	0	-820	
Insurance Fund	10,303	10,134	-169	To meet self insured claims
Corporate IT Strategy & Financial Systems	402	388	-14	To fund Corporate ICT developments
Business Rateable Value Growth Initiative	800	1,972	1,172	Share of income from national scheme
LPSA Revenue Reward	2,187	1,254	-933	Remaining allocated funding
Single Status	0	2,030	2,030	Towards costs of implementation
Other	222	136	-86	Prince's Youth Business Trust Interest
<b>Total Corporate</b>	<b>16,734</b>	<b>17,914</b>	<b>1,180</b>	
<b><u>Other Reserves</u></b>				
DGfL & Paragon Grants in Advance	5,879	6,345	466	To match expenditure in later years
School Balances	11,143	13,492	2,349	From Schools' Delegated Budgets, Trading etc.
Directorate Reserves	2,937	3,267	330	See Appendix 3
<b>Total Other</b>	<b>19,959</b>	<b>23,104</b>	<b>3,145</b>	
<b>Total</b>	<b>36,693</b>	<b>41,018</b>	<b>4,325</b>	

## Appendix 3

	Balance 31/03/07		Balance 31/3/08		Movement	Details
	£'000	£'000	£'000	£'000	£'000	
		384		426	42	Various initiatives and commitments
<b>Urban Environment</b>						
- Car Park Refurbishment	317		164			Funding of Car Park Capital Programme
- Other Capital Reserves	55		195			Funding of other Capital Projects
- Other	302		182			Various improvements & initiatives, etc.
<b>Total Urban Environment</b>		674		541	-133	
<b>Adult, Community &amp; Housing</b>						
- Ridge Hill	198		418			To cover volatility of ongoing costs
- LAA	0		102			Funding of work to meet LAA targets
- Accommodation Improvements	3		126			To cover accommodation improvement costs
- ICT Strategy	151		151			To fund ICT developments
- Other	277		175			Various improvements & initiatives, etc.
<b>Total Adult, Community &amp; Housing</b>		629		972	343	
<b>Finance, ICT &amp; Procurement</b>						
- Banking Hall Relocation	0		107			To fund Capital costs
- ICT Developments	418		353			Various ICT Initiatives
- Other	242		338			Other Initiatives
<b>Total Finance, ICT &amp; Procurement</b>		660		798	138	
<b>Law and Property</b>						
- Licensing	135		135			Income received in advance of spend
- ICT Developments	80		130			ICT Improvement Initiatives
- Other	375		245			Other Initiatives
<b>Total Law and Property</b>		590		510	-80	
<b>Chief Executive's</b>		0		20	20	Capital commitments
<b>Total</b>		<b>2,937</b>		<b>3,267</b>	<b>330</b>	



## CAPITAL BUDGET AND SPENDING 2007/08

Directorate	Approved Budget	Outturn Spend	Total Variance	Slippage/ Rephasing	Over/Under Spend	Comments
	£000	£000	£000	£000	£000	
Housing	32882	32894	12	15	-3	Minor savings
Urban Environment	27702	25525	-2177	-2413	236	See note 1 below
Children's Services	17265	16660	-605	-691	86	See note 2 below
Adult & Community	1369	1022	-347	-405	58	See note 3 below
Finance, ICT & Procurement	729	636	-93	-93	0	
Law & Property	1475	1450	-25	-25	0	
Chief Executive's	868	558	-310	-330	20	See note 4 below
<b>TOTAL</b>	<b>82290</b>	<b>78745</b>	<b>-3545</b>	<b>-3942</b>	<b>397</b>	

Note 1: Includes:

- *Lye Gyratory* - Extra costs of £103,000, largely arising from settlement of compensation claim. To be funded from within overall Transport capital resources.
- *A491 Brierley Hill Road* -- Extra costs of £183,000 due mainly to delays & increased costs relating to culvert works and works carried out by statutory undertakers. To be funded from within overall Transport capital resources.
- *Support for People with Disabilities* - Extra costs of £30,000 due to increased demand for dropped kerbs. Funded from revenue budgets.
- *Traffic Regulation Orders* - Extra spend of £73,000 in preparation for Civil Parking Enforcement. To be funded from within overall Transport capital resources.
- *Tipton Road Rail Bridge* - Extra charge of £82,000 from Network Rail on scheme completion. Offset by savings of £140,000 on completion of Leys Road Rail Bridge.
- *Red Hill Retaining Wall* -- Extra works to properties costing £36,000. To be funded from within overall Transport capital resources.

Note 2: Includes:

- *Netherton Neighbourhood Centre* - Extra costs of £45,000 relating to the conversion of for nos. 1-3 Northfield Rd. Funded from revenue resources.
- *St Edmund & St. John Primary Schools Sports Facilities* - Extra costs of £45,000 relating to additional fencing and gates, drainage modifications, delays caused by work to air raid shelters and removal of trees. Claim has been submitted for additional Lottery funding.

Note 3: Includes:

- *Stair Lifts* - Overspend of £50,000 as a result of works being undertaken ahead of schedule. Funded from revenue resources.

Note 4: Includes:

- *Castle & Crystal Credit Union* - Extra unavoidable costs of £21,000 relating to the refurbishment of the new offices in New Street, Dudley. The Government Office for the West Midlands (GOWM) has been approached for funding.

## HOUSING REVENUE ACCOUNT 2007/08

	Latest Approved Budget £m	Outturn £m	Variance £m
<u>Income</u>			
Dwelling rents	69.316	69.331	0.015
Non-dwelling rents	0.618	0.655	0.037
Charges for services and facilities	0.134	0.147	0.013
Contributions towards expenditure	0.939	1.143	0.204
Interest on balances	0.532	0.591	0.059
<b>Total Income</b>	<b>71.539</b>	<b>71.867</b>	<b>0.328</b>
<u>Expenditure</u>			
Management	15.132	14.759	-0.373
Responsive and cyclical repairs	20.278	22.808	2.530
Negative Subsidy	13.863	13.905	0.042
Transfer to Major Repairs Reserve	13.692	13.692	0.000
Interest payable	3.762	3.835	0.073
Revenue contribution to capital expenditure	4.301	2.021	-2.280
Other expenditure	1.824	1.840	0.016
<b>Total Expenditure</b>	<b>72.852</b>	<b>72.860</b>	<b>0.008</b>
<b>Deficit for the year</b>	<b>-1.313</b>	<b>-0.993</b>	<b>0.320</b>
<b>Surplus brought forward</b>	<b>6.588</b>	<b>6.588</b>	<b>-</b>
<b>Surplus carried forward</b>	<b>5.275</b>	<b>5.595</b>	<b>0.320</b>

**Gershon efficiency gains - 2007/08 backwards look**

Title	Ongoing gains sustained from 2006/07 (£)		Further gains achieved in 2007/08 (£)		...of which expected to be ongoing (£)		Cumulative gains as at end of 2007/08 (£)	
	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>	2,303,000	1,291,000	907,000	655,000	907,000	655,000	3,210,000	1,946,000
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, reduction in use of agency staff and savings made through staff turnover.							
<b>Children's services</b>	329,000	193,000	0	0	0	0	329,000	193,000
Overarching key actions taken:								
<b>Culture and sport</b>	297,000	292,000	50,000	45,000	50,000	45,000	347,000	337,000
Overarching key actions taken:	Achieving increased usage of museums and leisure centres with no increase in costs.							
<b>Environmental services</b>	395,000	347,000	180,000	160,000	180,000	160,000	575,000	507,000
Overarching key actions taken:	Reduction in waste disposal costs as a result of recycling initiatives and newly adopted roads have been cleaned and maintained within existing resources.							
<b>Local transport (highways)</b>	596,000	526,000	281,000	281,000	281,000	281,000	877,000	807,000
Overarching key actions taken:	Main efficiencies have come from the use of new highways materials and staff restructuring.							
<b>Local transport (non-highways)</b>	1,218,000	1,200,000	264,000	145,000	264,000	145,000	1,482,000	1,345,000
Overarching key actions taken:	Includes more efficient reimbursement of concessionary fares, savings from bus shelter advertising and other operational Passenger Transport Authority efficiencies.							
<b>LA social housing</b>	7,176,000	7,176,000	2,251,000	2,251,000	2,251,000	2,251,000	9,427,000	9,427,000

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.							
<b>Non-school educational services</b>	990,000	769,000	200,000	200,000	200,000	200,000	1,190,000	969,000
Overarching key actions taken:	Remodelling of some services and reduced costs of IT maintenance.							
<b>Supporting people</b>	0	0	0	0	0	0	0	0
Overarching key actions taken:								
<b>Homelessness</b>	0	0	0	0	0	0	0	0
Overarching key actions taken:								
<b>Corporate services</b>	3,407,000	1,771,000	1,106,000	338,000	1,106,000	338,000	4,513,000	2,109,000
Overarching key actions taken:	Mainly more efficient use of resources; allowing more to be done within the same resource level. This includes the personnel and ICT functions following restructuring as well as greater use of the call centre and one-stop shop.							
<b>Procurement</b>	961,000	887,000	455,000	395,000	455,000	395,000	1,416,000	1,282,000
Overarching key actions taken:	Savings have been made within both the contracting area and also as a result of using new technology such as e-Tendering.							
<b>Productive time</b>	297,000	297,000	0	0	0	0	297,000	297,000
Overarching key actions taken:								
<b>Transactions</b>	1,218,000	715,000	365,000	90,000	365,000	90,000	1,583,000	805,000
Overarching key actions taken:	Reduction in Benefits payment errors, more efficient use of resources; allowing more to be done with the same resources.							
<b>Miscellaneous efficiencies</b>	1,275,000	947,000	0	0	0	0	1,275,000	947,000
Overarching key actions taken:								
<b>Total</b>	<b>20,462,000</b>	<b>16,411,000</b>	<b>6,059,000</b>	<b>4,560,000</b>	<b>6,059,000</b>	<b>4,560,000</b>	<b>26,521,000</b>	<b>20,971,000</b>