

Meeting of the Cabinet – 17th June 2009

Report of the Interim Director of Finance

Revenue and Capital Outturn 2008/09

Purpose

1. To report the provisional financial results for the year ended 31st March 2009.

Background

2. The Council's final accounts for the year ended March 2009 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 2008/09 is summarised in the following table.

	Revised Budget 2008/09 £m	Outturn 2008/09 £m	Variance £m
Total Service Costs	227.166	226.444	-0.722
Use of Balances	(6.295)	(5.573)	0.722
Net Revenue Expenditure / Budget Requirement	220.871	220.871	-

4. Details of the outturn, together with reasons for the variance from approved budget are shown at Appendix 1.
5. During the year there were a number of over and underspends which were reported to cabinet , for example, Leaps & Bounds, Energy costs, Tower Street ; higher investment returns .However, compared to the original budget approved in March 2008 overall spending has been met from within the approved budget with a net underspending of just over £720,000 which represents less than 0.5% variance on the budget and less use of balances has therefore been necessary. There have been a number of favourable variances, the most significant being:
 - £0.433m from improved income to the Directorate of Finance, ICT & Procurement, including Benefits Subsidy grant (£0.167m) and recovery of Court Costs (£0.155m);

- £0.204m investment income arising from better than anticipated cash flows at the year end.

General Balances

6. The impact of the net overall underspend against budget will leave General Balances at 31st March 2009 as follows:

	Estimate £m	Actual £m
Balance as at 1st April 2008	7.905	7.905
Additions during the year (net transfers from earmarked reserves)	3.000	3.000
Less: Used in 2008/09	(6.295)	(5.573)
General Balances at 31st March 2009	4.610	5.332

7. The reduced use of balances in 2008/09 will go some way to help in managing the pressures that the Council can expect to face in the current economic climate.

General Fund Earmarked Reserves

8. Earmarked reserves (including Schools reserves) at 31st March 2009 were £40.1m, a net decrease of £1.5m compared to 31st March 2008. A summary is shown at Appendices 2 & 3. 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 2010/11 budget setting process.
9. The approved budget and Medium Term Financial Strategy (MTFS) for 2009/10 – 2011/12 was prepared on the basis that future reviews of earmarked reserves would need to generate up to a further £1m of General Balances.

Capital Spending and Financing

10. The Council's capital expenditure in the year totalled £77.6m, as follows. A comparison with budget is shown in Appendix 4.

	£m
Housing	30.0
Other Adult & Community	1.7
Urban Environment	23.3
Children's Services.....	20.7
Finance, ICT & Procurement.....	0.5
Law & Property.....	0.9
Chief Executive's.....	0.5
	<hr/> 77.6 <hr/>

11. This expenditure has been financed as follows.

	£m
Loan	23.0
Capital Receipts	1.9
Major Repairs Allowance (Housing)	14.1
Revenue	5.3
Grants / Contributions (inc. Lottery).....	33.3
	<hr/>
	77.6
	<hr/> <hr/>

Equal Pay and Single Status

12. Although the actual cost of the Single Status Agreement and the timing of any Equal Pay Back Pay (EPBP) settlements have still to be determined, the Council has been given a direction by the Government in 2008/09 to treat a further £45.0m 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)

13. The latest approved budget for the HRA allowed for a deficit in the year 2008/09 of £4.181m. The actual deficit has been reduced to £3.969m, mainly as a result of savings in Housing Management. This gives a positive variance of £0.212m compared with budget.

14. The balance remaining on the HRA at 31st March 2009 was £2.466m. 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.

Value for Money Efficiency Gains

15. The Comprehensive Spending Review 2007 (CSR07) set targets of 3% per annum for value for money efficiency gains for the period 2008-09 to 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 an efficiency gain of 3% in 2008-09 equates to a target of £8.8 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 £6.9 million of such surplus efficiencies and a provisional total of £4.7 million further efficiencies have been identified by directorates in 2008-09, as summarised in Appendix 6, giving a total of £11.5 million. There may be some minor adjustments to this figure before the actual total is finalised and submitted to DCLG in July 2009.

17. Appendix 6 provides brief details of how the 2008-09 efficiencies have been achieved. Procurement efficiencies amounted to £1.7 Million of the total, the

remainder coming from business process changes and staffing efficiencies.

18. The efficiency indicator is measured cumulatively. Therefore a surplus of £2.7 million will be carried forward into 2009-10 and counted against the 2009-10 target along with additional efficiencies identified for that year.

General Fund Revenue Budget Monitoring 2009/10

19. The Council's Medium Term Financial Strategy identified a number of issues that would need to be kept under regular review:
- (a) Single Status and EPBP costs are no more than estimated;
 - (b) Local Authority Business Growth Incentive (LABGI) income is forthcoming as assumed;
 - (c) general levels of inflation, including energy cost inflation, 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, including Airport Company dividends, 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.
20. Directors are monitoring the impact on budgets of the above and of a range of legislative and policy issues. Further reports on performance against budgets will be brought to Cabinet later in the year.

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, and the Local Government Act 2003.

Equality Impact

23. These proposals comply with the Council's policy on Equal Opportunities.
24. 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

25. That the Cabinet:
- Notes the draft outturn results for 2008/09, including Value for Money efficiencies.
 - Notes the effect of the General Fund Revenue Outturn on General Balances at 31st March 2009.
 - Notes the position on earmarked reserves at 31st March 2009.
 - Notes the latest forecast General Fund Revenue position for 2009/10.



.....
Bill Baker
Interim Director of Finance

Contact Officers: Iain Newman
Telephone: 01384 814805
Email: iain.newman@dudley.gov.uk

John Everson
Telephone: 01384 814806
Email: john.everson@dudley.gov.uk

List of Background Papers

Council Tax Setting report to Council on 2nd March 2009.
Draft Statement of Accounts
FMMR reports to cabinet.

GENERAL FUND REVENUE SUMMARY 2008/09

DIRECTORATE	REVISED BUDGET	OUTTURN	VARIATION	EXPLANATION
	£m	£m	£m	
CHILDREN'S SERVICES	61.344	61.344	-	
DACHS	97.132	97.096	-0.036	
DUE	58.066	58.050	-0.016	
CHIEF EXECUTIVE'S	11.678	11.664	-0.014	
LAW & PROPERTY	3.304	3.287	-0.017	
<i>MONEY MARKET ETC.</i>	<i>-8.172</i>	<i>-8.376</i>	<i>-0.204</i>	See Note 1
<i>OTHER FINANCE, ICT & PROCUREMENT</i>	<i>24.882</i>	<i>24.449</i>	<i>-0.433</i>	See Note 2
TOTAL FINANCE, ICT & PROCUREMENT	16.710	16.073	-0.637	
Area Based Grant	-21.068	-21.070	-0.002	
Total Service Costs	227.166	226.444	-0.722	
Use of Balances	-6.295	-5.573	0.722	
BUDGET REQUIREMENT	220.871	220.871	-	

Notes:

1: Better than anticipated cash flows.

2: Increased income, including Benefits Subsidy grant and recovery of Court Costs.

EARMARKED RESERVES

	Balance 31/03/08 £'000	Balance 31/03/09 £'000	Movement £'000	Details
<u>Corporate Reserves</u>				
Working Capital	2,000	2,000	0	"Contingency of last resort"
Insurance Fund	10,134	6,449	-3,685	To meet self insured claims
Corporate IT Strategy & Financial Systems	388	164	-224	To fund Corporate ICT developments
Business Rateable Value Growth Initiative	1,972	1,102	-870	Share of income from national scheme
LPSA Revenue Reward	1,254	694	-560	Remaining allocated funding
Single Status	2,030	7,638	5,608	Towards costs of implementation
Other	136	181	45	Prince's Youth Business Trust Interest
Total Corporate	17,914	18,228	314	
<u>Other Reserves</u>				
DGfL & Paragon Grants in Advance	6,345	5,612	-733	To match expenditure in later years
School Balances	14,052	12,248	-1,804	From Schools' Delegated Budgets, Trading etc.
Directorate Reserves	3,267	3,988	721	See Appendix 3
Total Other	23,664	21,848	-1,816	
Total	41,578	40,076	-1,502	

Appendix 3

	Balance 31/3/08		Balance 31/3/09		Movement	Details
	£'000	£'000	£'000	£'000	£'000	
Children's Services						
- Budget Strategy	250		505			To manage the outcomes of the Budget Strategy for Vulnerable Groups and Children's Social Care
- Other	176		306			Other Initiatives, inc. new processes for taking children into care
Total Children's Services		426		811	385	
Urban Environment						
- Car Park Refurbishment	164		176			Funding of Car Park Capital Programme
- Other	377		299			Other initiatives, inc. Dudley Town Centre Regeneration
Total Urban Environment		541		475	-66	
Adult, Community & Housing						
- Ridge Hill	418		418			To manage sensitivity of costs to changes in service demand
- Accommodation Improvements	126		101			Accommodation improvements, inc. Lye Health & Social Care Centre
- ICT Strategy	151		221			To fund ICT developments, inc. Libraries
- Other	277		406			Other initiatives, inc. Local Improvement Networks and Mortgage Arrears
Total Adult, Community & Housing		972		1146	174	
Finance, ICT & Procurement						
- ICT Developments	433		329			Various Initiatives inc. Homeworking and other Invest to Save projects
- Other	365		257			Other Initiatives, inc. Procurement developments
Total Finance, ICT & Procurement		798		586	-212	
Law and Property						
- Repair & Maintenance Commitments	0		202			To fund ongoing programme
- Other	510		230			Other initiatives, inc. ICT developments
Total Law and Property		510		432	-78	
Chief Executive's						
- Worklessness	0		515			Roll forward of Working Neighbourhood Transitional Funding for projects to help people gain sustainable employment
- Other	20		23			Other Initiatives
Total Chief Executive's		20		538	518	
Total		3,267		3,988	721	

CAPITAL BUDGET AND SPENDING 2008/09

	Budget	Spend	Variance	Rephasing	Spend	Comments
Directorate	£000	£000	£000	£000	£000	
Housing	31492	29955	-1537	-1537	0	
Urban Environment	24206	23333	-873	-913	40	See note 1 below
Children's Services	20175	20686	511	510	1	
Adult & Community	1789	1755	-34	-38	4	
Finance, ICT & Procurement	573	465	-108	-116	8	See note 2 below
Law & Property	930	864	-66	-66	0	
Chief Executive's	725	544	-181	-195	14	See note 3 below
TOTAL	79890	77602	-2288	-2355	67	

Note 1: Includes:

- Burnt Tree Island - extra costs of £32,000 to support bid for main scheme funding (to be funded from future land disposals).
- Footway Reconstruction - extra scope of schemes once started costing £47,000 (funded from revenue budgets).
- Pool Rd Car Park - extra electrical / CCTV costs of £8,000 (funded from car parks revenue budgets).
- Himley Hall North Wing - extra works to complete project costing £11,000 (funded from revenue resources).
- Other minor variances funded within Local Transport Plan resources, and outturn savings on various projects.

Note 2: Costs of statutory requirement to include efficiency info. on Council Tax bills (funded by Govt grant).

Note 3: Final works and adaptations to Credit Union offices (funded by European Regional Development Fund), as previously reported.

HOUSING REVENUE ACCOUNT 2008/09

	Latest Approved Budget £000	Outturn £000	Variance £000
<u>Income</u>			
Dwelling rents	-72,957	-73,005	-48
Non-dwelling rents	-639	-670	-31
Charges for services and facilities	-140	-150	-10
Contributions towards expenditure	-1,213	-1,555	-342*
Interest on balances	-184	-189	-5
Total income	-75,133	-75,569	-436
<u>Expenditure</u>			
Management	15,699	15,520	-179
Responsive and cyclical repairs	26,276	26,756	480*
Negative Subsidy	17,123	17,162	39
Transfer to Major Repairs Reserve	14,108	14,108	0
Interest payable	4,253	4,194	-59
Revenue contribution to capital expenditure	0	0	0
Other expenditure	1,855	1,798	-57
Total expenditure	79,314	79,538	224
Deficit for the year	4,181	3,969	-212
Surplus brought forward	-6,437	-6,437	0
Surplus carried forward	-2,256	-2,468	-212

* Additional spend on repairs and maintenance mainly funded from contributions from leaseholders, tenants' rechargeable repairs, and income from insurance claims in relation to flood damage.

Value for Money Efficiency Gains 2008-09

Directorate	Main Areas of Efficiency	£'000's
DACHS	Management and procurement efficiencies in Building Services. Improved rent collection Savings from external provision of residential care. Increase in clients receiving direct payments for social care	3,288
Chief Executive's	In-house provision of temporary clerical and administrative support	285
Children's Services	Management and administration efficiencies	112
DUE	Procurement efficiencies from transportation project	638
Finance, ICT & Procurement	Staffing efficiencies	247
Law and Property	Staffing efficiencies	92
Sub-Total		4,662
Allowable Efficiencies Carried Forward from 2007-08		6,883
Cumulative Total		11,545
3% Efficiency Target		8,797
Surplus (+)/Shortfall (-)		2,748