

Meeting of the Cabinet – 29th June 2011

Report of the Treasurer

Revenue and Capital Outturn 2010/11

Purpose

1. To report the provisional financial results for the year ended 31st March 2011.

Background

2. The Council's final accounts for the year ended March 2011 have been completed, subject to audit. The final audited accounts will be presented to Audit Committee in September. If there are any changes to the draft outturn set out in this report, these will also be reported to Cabinet in September.

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.

	Approved Budget £m	Outturn £m	Variance £m
Total Service Costs	230.044	230.037	-0.007
Contribution to Balances	5.407	5.414	0.007
Budget Requirement	235.451	235.451	-

4. Budget reports to Cabinet and Council highlighted a risk that the approved budget for 2010/11 would be overspent by around £0.6m due to increased costs of Looked After Children. General Balances were earmarked to fund this. As a result of actions taken by the Directorate of Children's Services to minimise the financial impact, this anticipated overspend has not materialised.
5. The budget included a contingency of £1m for pay and price inflation. As outlined in previous reports to Cabinet, this contingency was retained until the end of the year in view of a number of pressures on budgets. Directorates successfully managed these pressures and the contingency was ultimately not required.

6. As previously reported to Cabinet, where savings and efficiencies necessary to deliver the 2011/12 budget related to employee costs, they would as far as possible be made through not filling vacancies, deleting posts, redeployment and voluntary requests for reduced hours. However, it was recognised that redundancies were likely to be required in a number of areas. The latest forecast cost of such redundancies is just under £8.0m. These include voluntary and compulsory redundancies already approved, including those approved at various times during 2010/11, together with the most recent estimate of further redundancies required to complete the process. The budget made provision for redundancy costs of £6m required for 2011/12 to be met directly or indirectly from borrowing. The budget reports to Cabinet and Council recognised that these costs were very difficult to predict and that any costs in excess of this level would need to be met from revenue. Accordingly, redundancy costs of £2.0m that cannot be met from borrowing have been included in the outturn set out above.
7. The redundancy process is still ongoing and is likely to be the subject of close scrutiny by external audit. The accounting provision for redundancy costs, and consequently the outturn, may change as a result.
8. There have been net underspends in the Directorate of Corporate Resources, (£0.847m) including better than expected Treasury returns, and the Chief Executive's Directorate (£0.138m), totalling around £1m.

General Balances

9. The impact of the above will leave General Balances at 31st March 2011 as follows:

	Forecast Position*	Latest Position	
	£m	£m	£m
Balance at 31st March 2010	3.3	3.3	
Original planned contribution to balances 2010/11	3.5	3.5	
Net variations from original budgets approved by Cabinet	0.5	0.5	
Review of Earmarked Reserves	1.4	1.4	
Potential overspend in Directorate of Children's Services	-0.6	-	
<i>Inflation contingency not required</i>	-	1.0	
<i>Redundancy costs</i>	-	-2.0	
<i>Other savings</i>	-	1.0	
Overall 2010/11 Draft Outturn	-	-	
Balance at 31st March 2011	8.1	8.7	

*2011/12 Budget Report to Council 7th March 2011

10. The improved level of general balances will go some way to help the Council manage the pressures it faces. These include the short-term impact of reductions in specific grants for Children's Services (as set out in budget reports to the Cabinet and Council) as well as the wider pressures associated with the delivery of the budget and medium term financial strategy.

General Fund Earmarked Reserves

11. Earmarked reserves at 31st March 2011 were £71.1m, a net increase of £15.1m compared to 31st March 2010 restated figures. This arises mainly from an increase in schools reserves that are ring-fenced to be used by schools and a one-off final receipt that will be required to maintain the Dudley Grid for Learning service in schools following the termination of annual government grant. A summary is shown at Appendices 2 & 3.
12. 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 2012/13 budget setting process.

Capital Spending and Financing

13. The Council's capital expenditure in the year totalled £90.1m, as follows. A comparison with budget is shown in Appendix 4.

	£m
Housing	39.7
Other Adult & Community.....	1.4
Urban Environment	19.6
Children's Services.....	25.1
Corporate Resources	4.0
Chief Executive's.....	0.3
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	90.1
	<hr/> <hr/>

14. This expenditure has been financed as follows.

	£m
Loan	41.4
Capital Receipts	3.2
Major Repairs Allowance (Housing)	5.5
Revenue.....	2.1
Grants / Contributions (inc. Lottery).....	37.9
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	90.1
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Housing Revenue Account (HRA)

15. The latest approved budget for the HRA allowed for a deficit in the year 2010/11 of £2.775m. The actual deficit has been reduced to £0.802m, a positive variance of £1.973m, as detailed in Appendix 5.
16. The balance remaining on the HRA at 31st March 2011 was £2.491m. This balance will be rolled forward to help maintain the Decent Homes Standard and other services to tenants.

Collection Fund

17. In recent years, estimated taxbase figures have been particularly prudent in the light of economic conditions. However, against a background of continued robust performance in collecting Council Tax, it is now forecast that there will be a Collection Fund surplus at 31st March 2011 of £0.763m. Subject to proportionate allocations to the Police and Fire authorities, this surplus will be taken into account when setting the Council Tax for 2012/13.

General Fund Revenue Budget Monitoring 2011/12

18. The Council's Medium Term Financial Strategy identified a number of estimates and assumptions that would need to be kept under regular review:
 - (a) Formula Grant for 2012/13 is as per the figures announced with the provisional 2011/12 settlement, and for 2013/14 is in line with the totals announced in the Comprehensive Spending Review;
 - (b) Single Status and Equal Pay costs are no more than then estimated;
 - (c) general levels of inflation, pay and interest rates do not vary materially from then current forecasts;
 - (d) there will be no other unplanned expenditure (including any resulting from demographic pressures) or shortfalls in income, which cannot be met from reserves;
 - (e) Council Tax rises are in line with Office for Budget Responsibility (OBR) forecasts.
19. 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.
20. However, there are two particular issues that need to be addressed at the present time.

- **Children's Services**

When setting the 2011/12 budget, it was noted that the reduction in Early Intervention Grant (EIG) compared with the Children's Services grants it replaces, together with the discontinuation of other Children's grants amounted to a loss of funding of around £3.6m. A further review of expenditure was to be undertaken to mitigate this loss. In the meantime £3.6m was set aside within General Fund Balances as a contingency whilst this process was underway.

Following a thorough review of spending, this shortfall can be mitigated by redesigning services, reducing back office functions, reducing activity, and restructuring parts of the Directorate. However, in order to address prevention and early intervention needs, it is proposed to continue investment of £2m in the current year in targeted activities in the following areas of social work: support for early identification of children at risk in order to prevent family breakdown, family support to reduce admissions to care and unify families; and school support to ensure leadership improvements.

Further reductions of £0.8m in the Youth Justice and Music grants, which were announced after budget setting, have been addressed by redesign of services and a reduction of activity.

- **Urban Environment,**

Following deterioration of the condition of the borough's highway infrastructure as a result of three consecutive severe winters, £1m extra funding was approved by Council in March for road repairs, in addition to the £725,000 grant allocated to the Council by the Department of Transport aimed at tackling the impact of the harsh winter on the boroughs roads. It is proposed to allocate an additional £275,000 to further accelerate the highway maintenance programme, with the combined total funding of £2m providing for the resurfacing of 180 side roads across the borough in addition to essential works to repair potholes and highway defects.

These pressures can be funded from available general balances. It is proposed that Council be recommended to adjust 2011/12 general fund revenue budgets accordingly.

21. Further reports on performance against budgets will be brought to Cabinet later in the year.

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 Cabinet:
- Notes the draft outturn for 2010/11.
 - Notes the effect of the General Fund Revenue Outturn on General Balances at 31st March 2011.
 - Notes the position on earmarked reserves at 31st March 2011.
 - Notes the latest forecast General Fund Revenue position for 2011/12.
 - Recommends to Council that 2011/12 general fund revenue budgets be amended as set out in paragraph 20.



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Treasurer

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List of Background Papers

Council Tax Setting report to Council on 7th March 2011.
Draft Statement of Accounts
FMMR reports to Cabinet.

GENERAL FUND REVENUE SUMMARY 2010/11

DIRECTORATE	REVISED BUDGET	OUTTURN	VARIATION	EXPLANATION
	£m	£m	£m	
CHILDREN'S SERVICES	88.425	88.425	-	
DACHS	107.994	107.994	-	
DUE	51.962	51.962	-	
CHIEF EXECUTIVE'S	7.233	7.095	-0.138	See Note 1
CORPORATE RESOURCES	-6.152	-6.021	0.131	See Note 2
Area Based Grant	-19.418	-19.418	-	
Total Directorate Costs	230.044	230.037	-0.007	
Contribution to Balances	5.407	5.414	0.007	
BUDGET REQUIREMENT	235.451	235.451	-	

Notes:

1. Mainly lower costs of managing EDL protests than anticipated.
2. Inflation contingency of £1m not required; redundancy costs in excess of budget by £1.978m; service savings of £0.847m, including extra benefit subsidy and positive cashflow impacts on treasury activity.

EARMARKED RESERVES

	Balance 31/03/10* £'000	Balance 31/03/11 £'000	Movement £'000	Details
<u>Corporate Reserves</u>				
Working Capital	2,000	2,000	0	"Contingency of last resort"
Insurance Fund	7,039	7,188	149	To meet self insured claims
Corporate IT Strategy & Financial Systems	338	207	-131	To fund Corporate ICT developments
LAA / LPSA Reward	6,759	1,416	-5,343	To be spent on Partnership projects, etc.
Single Status	9,294	11,597	2,303	Towards costs of implementation
Capital Resources	4,957	6,859	1,902	To fund capital commitments
Other	171	92	-79	
Total Corporate	30,558	29,359	-1,199	
<u>Other Reserves</u>				
DGfL & Paragon Grants in Advance	2,383	12,858	10,475	To match expenditure in later years**
School Balances	15,796	20,253	4,457	From Schools' Delegated Budgets, Trading etc.
Directorate Reserves	7,263	8,594	1,331	See Appendix 3
Total Other	25,442	41,705	16,263	
Total	56,000	71,064	15,064	

* Restated to reflect International Financial Reporting Standards (IFRS) requirement to account for unspent unringfenced grants as reserves.

** Includes one-off receipt of grant in 2010/11 in lieu of annual contributions.

Directorate Reserves	Balance 31/3/10		Balance 31/3/11		Movement	Details
	£'000	£'000	£'000	£'000	£'000	
Children's Services						
Grants carried forward	193		381			Grant funding to be applied to ongoing projects in 2011/12
Social Care	169		564			Funding to address legal charges and processes for children in care
Other	401		103			Traded service reserves etc.
		763		1048	285	
Urban Environment						
Road resurfacing and potholes	0		1725			To repair damaged and potholed road surfaces
Car Parks	258		94			Repairing car park infrastructure
ERDF Matchfunding	515		515			To matchfund ERDF grant re Castle Hill development
Economic Regeneration	196		231			Various Regeneration initiatives including Dudley Town Centre
Environmental Management	137		153			Funding for Asset Management and Flood/Drainage initiatives
Other	429		232			Other initiatives, some grant-funded, including funding for Stray Horses
		1,535		2,950	1415	
Adult, Community & Housing						
Supporting People	364		123			Roll forward of grant funding
Housing initiatives	256		322			Other housing initiatives, inc. Mortgage Arrears Advice and Housing Needs Survey
Ridge Hill	218		188			To manage sensitivity of costs to changes in service demand
ICT strategy	140		144			To fund ICT developments
Care and security at home	109		275			To meet costs of ongoing scheme
Social care reform grant	966		479			Roll forward of grant funding
Other social care	532		509			Other social care initiatives inc funding for transition to healthwatch and E learning.
		2585		2040	-545	
Corporate Resources						
ICT Development	399		185			Various initiatives inc. digital telephony
Repairs and Maintenance & DPC	70		549			To fund ongoing programme
HR	320		350			HR and Payroll developments including Pay & Grading
Other	666		451			Various initiatives inc Benefits and Legal
Grants unspent	399		461			Benefits recession grant, to be spent on maintaining service and addressing
		1854		1996	142	
Chief Executive's						
Transitional Funding	128		0			
Unspent Grants	160		373			To finance the Recognising and Responding to Radicalisation (RECORA), Drug and alcohol action team (DAAT), and Peer Support Programme (PSP) projects.
Other	238		187			Other initiatives including relocation of staff and Transformation
		526		560	34	
Total		7,263		8,594	1,331	

CAPITAL BUDGET AND SPENDING 2010/11

	Approved Budget	Outturn Spend	Total Variance	Of which:		Comments
				Slippage/ Rephasing	Over/Under Spend	
Directorate	£000	£000	£000	£000	£000	
Housing	40273	39691	-582	-582	0	
Urban Environment	23807	19614	-4193	-4193	0	
Children's Services	26501	25107	-1394	-1394	0	
Adult & Community	1421	1389	-32	-32	0	
Corporate Resources	4436	3981	-455	-455	0	
Chief Executive's	460	310	-150	-151	1	Minor overspend
TOTAL	96898	90092	-6806	-6807	1	

Housing Revenue Account

Appendix 5

	Latest Approved Budget £000	Outturn £000	Variance £000
<u>Income</u>			
Dwelling rents	-75,998	-76,030	-32
Non-dwelling rents	-695	-666	29
Charges for services and facilities	-173	-184	-11
Contributions towards expenditure	-1,079	-1,459	-380
Interest on balances	-19	-13	6
Total income	-77,964	-78,352	-388
<u>Expenditure</u>			
Management	15,667	14,276	-1,391
Responsive and cyclical repairs	22,877	22,877	0
Negative Subsidy	27,324	27,338	14
Transfer to Major Repairs Reserve	5,474	5,474	0
Interest payable	5,884	5,849	-35
Revenue contribution to capital expenditure	2,192	2,088	-104
Other expenditure	1,321	1,252	-69
Total expenditure	80,739	79,154	-1,585
Deficit for the year	2,775	802	-1,973
Surplus brought forward	-3,293	-3,293	0
Surplus carried forward	-518	-2,491	-1,973

Main reasons for variance include:

- Contributions to expenditure from leaseholders and aerial income were greater than budgeted.
- Savings in Management arose from staff vacancies, lower than anticipated utility costs, and savings on other projects.
- Slippage on capital schemes meant that not all the revenue contribution to capital expenditure was required.
- Savings on "other expenditure" e.g. insurance.