

SUPPLEMENTARY 1



THE CABINET

Tuesday, 10 May 2011

**Agenda Item 4. Council's Provisional Revenue And Capital Outturn
2010/11 (Pages 1 - 5)**

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CABINET**10 MAY 2011****REPORT OF THE CABINET MEMBER FOR FINANCE, REVENUES AND BENEFITS**

This report is submitted under Agenda Item 4. The Chair will be asked to decide if it can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency in order for the Cabinet to be appraised of the current financial position.

Title: Council's Provisional Revenue And Capital Outturn 2010/11	For Information
<p>Summary: The Council's provisional revenue outturn (subject to final accounting entries) is a net underspend of £2.8m against a net revenue budget of £154.8m (2%).</p> <p>The impact of the 2010/11 underspend is that the financial position at 31 March 2011 has improved to reflect a revenue account balance of £10.8m at the end of 2010/11 compared to a balance of £8.1m at the end of 2009/10. This provides a significant improvement in the Council's financial position at the 31 March 2011.</p> <p>The Housing Revenue Account (HRA) also generated a surplus which has been transferred to HRA balances (which are ring-fenced) increasing them by £1m from £3.4m at the start of the year to £4.4m at 31 March 2011.</p> <p>Capital spend of £102.9m was incurred in 2010/11 against the revised capital budget of £115.6m (89%).</p> <p>Wards Affected: All</p>	
<p>Recommendation(s) The Cabinet is recommended to note:</p> <ul style="list-style-type: none"> (i) The provisional outturn and the Councils General Fund balance at 31 March 2011 (ii) The provisional outturn and balances of the Housing Revenue Account, paragraph 4 (iii) The provisional outturn position of the Council's Capital Programme, paragraph 7 	
<p>Reason(s) As a matter of good financial practice, the Cabinet should be informed of the outturn and performance of the Council's Revenue and Capital resources. Knowledge of the variances from planned budgets will assist members in making sound future decisions.</p>	
<p>Comments of the Chief Financial Officer This report states the provisional financial position for the Council at the end of the 2010/11 financial year and shows significant improvement on the two previous years. The overall position reported encompasses a number of significant pressures which have been reported consistently throughout the year. Compensating actions have been taken during the year to manage pressures and these are shown to have been successful. Many pressures continue into 2011/12 which will need to be closely monitored and managed.</p>	

Comments of the Solicitor to the Council

The report confirms the projected outturn of the Council's revenue and capital budgets for 2010 - 2011. The Council has an obligation upon a to set a balanced budget each year by virtue of section 32 Local Government Finance Act 1992 taking account of required expenditure, contingencies and reserves among other things. Section 43 makes corresponding provision for major precepting authorities. Those sections require the relevant authorities to set an 'appropriate' level of reserves for the year in question. The reserves may be drawn upon during the year even if as a result they fall below the minimum. Members will note the reported position and comments made in relation to reserves and the budget position for this year going forward. The section 151 Officer has indicated that she considers £10m to be an appropriate level of reserves for the Council. The report confirms that due to effective in year measures the Council is predicted to exceed this target and have £10.8m in reserve. Members will no doubt be pleased to note the progress reported and also have regard to any service areas which continue to pose challenges notwithstanding the overall favourable report.

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1. Background

- 1.1 Throughout 2010/11 the Cabinet made decisions about any major changes to the original revenue and capital budgets approved by the Cabinet in February 2010.
- 1.2 2010/11 was a difficult year with the impact of a Government Emergency Budget requiring the Council to find additional in-year savings of £8m in order to meet the Government's savings target and protect the previous year's improvement in the Council's reserves.

2. The Council's General Fund Position

- 2.1 The provision outturn position for the Council's General Fund budgets at the end of 2010/11 is a net underspend of £2.8m on its General Fund Revenue services against a profiled budget for the year of £154.7 million (2% under budget).

	<u>Budget</u> <u>£'000</u>	<u>Actual</u> <u>£'000</u>	<u>Over/ (under)</u> <u>spend</u> <u>£'000</u>
General Fund Services	154,771	152,036	(2,776)

- 2.2 This is a provisional outturn based on the work completed to date as part of the closure process. There may be changes to this position as work continues on the

preparation of the Statement of Accounts and these will be reported to Cabinet as the accounts are finalised.

- 2.3 The effect of the net corporate underspend is that reserves have increased from £8.1m to £10.8m.

	£'000
Opening balances	8,065
Net transfer to balances	2,776
Closing balances	10,841

- 2.4 The Council set a target at the beginning of this financial year to improve the reserves position to £10m, the minimum amount expected for good practice accounting. The current financial position has meant that the target was exceeded by £0.8m.

3 Service General Fund Position

- 3.1 During the last financial year, all departments were asked to find an additional £1.8m savings to reflect the Government's in-year Emergency Budget cuts. For Finance and Resources, this figure was increased to £3m. The provisional out turn should therefore be viewed with this context in mind.
- 3.2 The provisional General Fund Outturn position for service budgets is summarised below.

<u>Service Department</u>	<u>Budget</u>	<u>Outturn</u>	<u>Over/(under) spend</u>	<u>Over/(under) spend</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>%age</u>
Adult & Community Services	70,151	69,951	(200)	(0.3)
Children's Services	61,429	61,913	484	0.8
Customer Services	27,314	28,041	727	2.7
Finance & Resources	12,388	11,411	(977)	(7.9)
Net Service Position	171,282	171,316	34	(0.01)
Corporate	(16,511)	(19,321)	(2,810)	(16.8)
Total	154,771	151,995	(2,776)	(1.8)

- 3.3 A brief summary of each of the department's significant issues arising in 2010/11 is provided below.
- 3.4 Adult & Community Services

The provisional out-turn position for Adult and Community Services (ACS) at the year end represents a £200k underspend, 0.29 % of the Department's net budget.

The projection throughout the year was anticipating a broadly break-even position , but enhanced budgetary prudence at year end led by the ACS Management Team, together with robust negotiations with external partners, and the pre-delivery of

some savings scheduled for next year resulted in a modest under-spend overall across all ACS services.

3.5 Children's Services

The Children's Services provisional outturn position shows an improvement of £500k from the £1m projected overspend previously reported. This is due to a combination of additional one-off grant funding being secured and further management actions being brought to bear to bring down expenditure.

3.6 Customer Services

The Customer Services outturn position shows an increase of £330k from the projected overspend of £400k previously reported. This movement is largely due to increased in-year fuel costs.

3.7 Finance and Resources

Overall, the Department has achieved a provisional underspend of £977k against its revised budget.

This Department experienced many pressures due to the departmental Support Services Review which saw a wholesale downsizing of the core support to the Council which has resulted in an overall underspend.

3.8 Corporate Budgets

The Corporate position covers the area of interest on balances and borrowing costs, use of reserves, levies and the use of the contingency budget.

In 2010/11 these budgets showed a combined underspend position of £2.8m. This position is subject to final reserve movements which are not expected to impact on the General Fund reserves outturn position.

4. **Housing Revenue Account**

- 4.1 The Housing Finance Act 1972 requires local authorities to maintain a separate Housing Revenue Account (HRA) and the Local Government and Housing Act 1989 requires the Council to ring-fence the HRA thereby preventing any cross-subsidisation from the General Fund. The Council also maintains a statutory duty to ensure that the HRA does not fall into deficit. The provisional outturn for the Housing Revenue Account shows a working balance at 31 March 2011 of £4.420m compared to an opening balance of £3.400m and a projected closing balance of £4.369m.

5. **Collection Fund**

- 5.1 The Collection Fund account as been prepared subject to reconciliation with the NNDR3 statutory government return and will be completed by 31 May 2011.

6. Pension Fund

- 6.1 The investment valuation information in respect of the Barking and Dagenham Pension Fund has been confirmed by the managing agent (State Street) and the updated Actuarial information received (Hymans) to ensure that the accounts of the Barking and Dagenham Pension Fund will be completed by 31 May 2011.

7. Capital Programme

- 7.1 The 2010-11 capital programme is showing a provisional outturn of £102.97m which is 89% of the budget approved by cabinet. £12.67m of unspent budgets are as a result of slippage in current projects. Some slippage is expected in large capital projects many of which are projects lasting for more than one year. The Corporate Director of Finance and Resources will bring a separate report to Cabinet showing the reasons for slippage. The departmental analysis of capital projects is shown in table below:

Capital Outturn	2010/11 Original Budget	2010/11 Revised Budget	2010/11 Outturn	2010/11 Variance
Department	£'000	£'000	£'000	£'000
Adults & Community Services	17,603	18,977	17,421	(1,556)
Children's Services	80,499	41,385	40,526	(859)
Customer Services	46,953	43,256	36,505	(6,751)
Finance & Resources	14,977	12,026	8,521	(3,505)
Total	160,032	115,644	102,973	(12,671)

8. Risk Management

- 8.1 As the accounts will not be finalised until June when they are presented to Public Accounts and Audit Select Committee, there is the risk of further adjustments to the financial position presented in this report. This is an inevitable consequence of reporting at this time but any significant changes along with the final audited position will be reported back through the regular budget monitoring reports to Cabinet in the coming months.

Background Papers Used in the Preparation of the Report:

- Oracle Reports
- Cabinet Budget Monitoring Reports

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