

CABINET

22 MAY 2012

Title: Provisional Revenue And Capital Outturn 2011/12	
Report of the Cabinet Member for Finance and Education	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Accountable Director: Tracie Evans, Corporate Director of Finance and Resources	
Summary: <p>The Council's revenue outturn (subject to final accounting entries) is a net under spend of £2.0m against a net revenue budget of £183.4m (1.1%). The final position, however, is subject to the full closure of the Council's accounts as the Statement of Accounts are drafted and then subject to external audit.</p> <p>The 2011/12 budget includes a planned contribution of £1.5m to further improve General Fund (GF) balances. The 2011/12 under spend of £2.0m, and the planned contribution to balances of £1.5m, has resulted in the GF balance increasing by £3.5m from £10.8m to £14.3m.</p> <p>This provides a significant improvement in the Council's financial position and exceeds the target to achieve a £10.0m GF balance set by the Corporate Director of Finance and Resources.</p> <p>The revenue outturn figures have been calculated after taking into account roll forward requests. Details of these roll forward requests are contained in appendix D of the report.</p> <p>The Housing Revenue Account (HRA) also generated a surplus of £3.8m which has been transferred to HRA balances (which are ring-fenced). The in year surplus increases the reserve position from £4.4m to £8.2m at 31 March 2012.</p> <p>Capital spend of £127.7m was incurred in 2011/12 against the revised capital budget of £167.6. In year under spends on capital projects are requested to be rolled forward and are detailed in appendix E of the report.</p>	
Recommendation(s)	
The Cabinet is recommended to:	
(i) Note the provisional outturn position for 2011/12 of the Council's revenue budget as detailed in paragraphs 2.3 to 2.10 of the report;	

- (ii) Note the provisional outturn against the 2011/12 savings targets in paragraph 2.11 of the report;
- (iii) Note the provisional outturn position for the HRA as detailed in paragraph 2.12 of the report;
- (iv) Note the provisional outturn position for 2011/12 of the Council's capital budget as detailed in paragraph 2.13 of the report;
- (v) Approve the 2013/14 savings proposals detailed in paragraph 2.14 of the report;
- (vi) Approve the requests to roll forward budgets into 2012/13 and the resulting budget amendments contained in appendix D of the report;
- (vii) Approve the requests contained in appendix E of the report for 2011/12 capital under spends to be rolled forward into 2012/13.

Reason(s)

As a matter of good financial practice, the Cabinet should be informed of the final 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.

1 Introduction and Background

- 1.1 This report provides a summary of the Council's General Fund, HRA revenue and capital provisional outturn positions for 2011/12. Good financial management has meant that the General Fund balance has increased by £3.5m to £14.3m. This position includes the achievement of £19.1m of in year savings targets that represented a significant challenge for the Council.
- 1.2 The Outturn report to Cabinet on 14 June 2011 reported that, as at 31 March 2011, General Fund balances stood at £10.8m. This position was an increase of £2.8m on the position twelve months earlier.
- 1.3 It is important that the Council regularly monitors its revenue and capital budgets to ensure good financial management. This is achieved by monitoring the Council's financial results on a monthly basis through briefings to the Cabinet Member for Finance, Revenues and Benefits and monthly monitoring reports to Cabinet. This ensures Members are regularly updated on the Council's overall financial position and enables the Cabinet to make relevant financial and operational decisions to meet its budgets.
- 1.4 The last Budget Monitoring Report for 2011/12 was presented to Cabinet on 20 March 2012 covering the period April 2011 to January 2012. It projected a contribution to the General Fund balance of £2.8m resulting in a final balance of £13.6 as at 31 March 2012.
- 1.5 This report is based upon the core information contained in the Oracle general ledger system supplemented by examination of budgets between the budget holders and the relevant Finance teams. In addition, there is an extensive capital

monitoring process to ensure capital outcomes are met. The position in this report may be subject to change as the Council finalises the entries required to produce the statutory Statement of Accounts and those statements will be subject to review by external audit over the summer.

2 Overall Outturn Position

2.1 The Directorate revenue outturn (before the planned contribution to balances of £1.5m) is an under spend of £2.0m for the end of the financial year. The overall effective £3.5m under spend (£2.0m plus £1.5m contribution) has resulted in the Council's General Fund balance remaining above the budgeted target of £10.0m. The Chief Finance Officer has a responsibility under statute to ensure that the Council maintains appropriate balances.

2.2 In the report to Members regarding the setting of the 2011/12 annual budget and Council Tax, the Corporate Director of Finance and Resources, after consideration of the factors outlined in the CIPFA guidance on Local Authority Reserves and Balances 2003, set a target GF reserves level of £10.0m. The General Fund balance at 31 March 2011 was £10.8m and the current balance for the end of the financial year (including the planned contribution to balances of £1.5m) is £14.3m.

The HRA budget for 2011/12 includes a contribution to the HRA reserve of £1.5m. At the 31 March 2012, the HRA has an under spend of £2.3m resulting in a contribution to the HRA reserve of £3.8m (£2.3m add £1.5m).

	Balance at 1 April 2011 £'000	Balance at 31 March 2012 £'000	Target Balance at 31 March 2012 £'000
General Fund	10,841	14,345	10,000
Housing Revenue Account (including Rent Reserve)	4,448	8,267	5,917

The outturn position for 2011/12 across the Council for the General Fund is shown in the table below.

Council Summary	Net Budget £'000	Outturn 2011/12 £'000	Over/(under) Budget £'000
<u>Directorate Expenditure</u>			
Adult and Community Services	64,459	64,366	(93)
Children's Services	69,729	69,729	0
Housing and Environment	23,479	23,579	100
Finance and Resources	26,031	25,523	(508)
Chief Executive	725	122	(603)
Central Expenses	(1,041)	(1,941)	(900)
Total Service Expenditure	183,382	181,378	(2,004)
Planned Contribution to Balances			(1,500)
Total Outturn for 2011/12			(3,504)

The reported outturn is shown after taking into account roll forwards requested in appendix D of the report.

2.3 Directorate Performance Summaries

The Directorate's outturn performance is outlined in the paragraphs below.

2.4 Adult and Community Services

Directorate Summary	2010/11 Outturn	2011/12 Budget	2011/12 Outturn
	£'000	£'000	£'000
Net Expenditure	69,951	64,459	64,366
Projected over/(under)spend			(93)

The Adult and Community Service outturn position at month 12 of the 2011/12 financial year is under spent by £93k. The service has requested to carry forward £121k which is included in the under spend figure.

The Directorate is experiencing severe pressures at the interface with local hospitals and the PCT at this time, which may have led to budget over spends if the Directorate had not been successful in securing through negotiation the funding 'to support social care where it benefits health' of £2.4m. This means we are able to report a 0.14% under spend. Discussions continue with the ONEL PCT cluster about the impact of their budgetary policy on jointly commissioned services and on Council services. A national access grant of £554k was given by the Department of Health in January 2012 to cope with the increased demand of needs due to the cold weather. Monies were also given to GPs, Acute Hospitals and PCTs to which enabled them to manage their seasonal demand.

The 2011/12 budgets reflect savings decisions made as part of the Council Tax setting process, which amounted to reductions of £4.6m from the Adults and Community Services Budget. This represented a challenge to deliver without service detriment. The savings decisions for 2012/13 are also very challenging with budget reductions of £3.5m.

All the savings for Adult and Community Services were achieved for 2011/12. Community Equipment and Mental Health showed pressures all year however, these savings were achieved by off-setting the £2.4m NHS monies used 'to support social care where it benefits health'.

2.5 Children's Services

Directorate Summary	2010/11 Outturn	2011/12 Budget	2011/12 Projection
	£'000	£'000	£'000
Net Expenditure	61,913	69,729	69,729
Projected over/(under)spend			0

The Children's Service has achieved a balanced budget position including the full delivery of £4.5m of savings built into the budget. The outturn position of each division is summarised below:

Education

The Education division is under spent by £275k at outturn, after allowing for £572k of carry forward requests. The transport budget for Special Educational Needs (SEN) has over spent by £400k. £150k of this over spend is due to the in year loss of external grant income. The remainder is largely attributable to increasing places at Trinity (24 places) and the Additionally Resourced Placements (36 places) and the children filling these additional places being eligible for transport. The cost of in-house provision and transport assistance remains more cost effective than sending children out of borough. Savings of £670k were achieved through additional income generation from training courses, the deployment of grant income and the holding back of all non essential spend to support pressures elsewhere within the service and to ensure the full delivery of savings for 2012/13.

Targeted Support

The Targeted Support division is under spent by £1.3m at outturn, after allowing for £22k of carry forward requests. This significant under spend has been managed by reducing and ceasing expenditure to manage pressures elsewhere within the service and to ensure approved savings of £1.1m are achieved in full from this budget in 2012/13.

Complex Needs and Social Care

The Complex Needs and Social Care division is over spent by £1.6m at outturn. The borough continues to experience an increase in its young person population, Looked After Children (LAC) numbers continue to increase and the number of children eligible for free school meals (a key indicator of need) has increased by 20% from January 2011 to January 2012.

Commissioning and Safeguarding

The Commissioning and Safeguarding division is under spent by £815k at outturn, after allowing for £245k of carry forward requests. Additional income from the Schools' Service Level Agreements and delays to the Heathway's respite facility coming into service have realised savings of £350k. The remainder of the under spend is across the service and has been used to fund pressures in other parts of the Directorate.

Other Management Costs

This centrally held budget is over spent by £730k at outturn, after allowing for £830k of carry forward requests. The majority of this is attributable to a revenue contribution to capital to cover the over spend on the final phase of children centre capital schemes. However, overall the Directorate achieved a breakeven position.

2.6 Dedicated School Grant (DSG)

The DSG is a ring fenced grant to support the education of school aged pupils within the borough. The grant is allocated between the Schools and Centrally Retained budget in agreement with the Schools Forum. In 2011/12 DSG of £187.9m was received with £19.5m being retained centrally.

2.7 Housing and Environment

Directorate Summary	2010/11 Outturn	2011/12 Budget	2011/12 Outturn
	£'000	£'000	£'000
Net Expenditure	23,961	23,479	23,579
Projected over/(under)spend			100

The Directorate has faced a difficult year with significant pressures within the core budgets and an additional £4.3m of savings to be delivered.

The Housing General Fund has experienced increased demand for bed and breakfast accommodation. This is an expensive form of providing temporary accommodation that has an impact on the amount of Housing Benefit recoverable under the subsidy scheme.

The Environment and Enforcement division has significant core budgetary pressures - a fact which has been substantiated by a zero-based budgeting exercise undertaken during the course of the year. These are mainly in respect of the use of agency staff, overtime and transport to deliver core services.

The most significant new pressure for this service has been in respect of the £1.0m savings in relation to increased income for the parking service. Due to a number of system and other exceptional issues, £486k of these savings has proved difficult to achieve.

The services have mitigated these pressures by identifying and delivering action plans together with bringing forward approved 2012/13 financial savings and tight control over non-essential expenditure.

2.8 Finance and Resources

Directorate Summary	2010/11 Outturn	2011/12 Budget	2011/12 Projection
	£'000	£'000	£'000
Net Expenditure	14,662	26,031	25,523
Projected over/(under)spend			(508)

The Finance & Resources Directorate outturn for 2011/12 is a £508k under spend.

The under spends across the different services have mainly been achieved through vacant posts (partly due to premature delivery of 12/13 savings) and tight control over non-essential expenditure.

Savings have also been achieved through an improved rebate received from the Matrix Contract due to a procurement led negotiation and Road Adoption & Planning fees exceeding the target set.

A £720k pressure against court costs income was experienced within the Revenues and Benefits budgets. This pressure is mainly due to improved Council Tax collection that has resulted in less court action and hence reduced court cost income.

The Directorate has achieved its 2011/12 saving targets.

2.9 Chief Executive

Directorate Summary	2010/11 Outturn	2011/12 Budget	2011/12 Projection
	£'000	£'000	£'000
Net Expenditure	991	725	122
Projected over/(under)spend			(603)

The Chief Executive Directorate outturn is a £603k under spend, mainly due to services making transitional arrangements to deliver agreed 2012/13 savings prematurely i.e. keeping posts vacant which are due to be deleted and also over achievement of income targets.

The Directorate has achieved its 2011/12 saving targets.

2.10 Central Expenses

Directorate Summary	2010/11 Outturn	2011/12 Budget	2011/12 Projection
	£'000	£'000	£'000
Net Expenditure	(19,482)	(1,041)	(1,941)
Projected over/(under)spend			(900)

As part of the Central Expenses savings target for this year, £1.0m was planned to be generated through implementing revised Terms and Conditions of employment across the Council. Due to the delayed implementation, only part of the savings was achieved resulting in a £630k shortfall. This shortfall has been managed within the Central Expenses budget and the Directorate as a whole was £900k under spent.

Following a change to the Value Added Tax (VAT) liability of various Council services the Council successfully submitted a one off VAT claim for £420k. The claim related to VAT payments made over a number of years on sports tuition, parking charges and cultural admission.

Due to the management of our cash balances a net under spend of £476k was achieved against the budgets for interest payable and interest receivable.

2.11 In Year Savings Targets

The delivery of the 2011/12 budget was dependent on meeting a savings target of £20.3m. Directorate outturns are summarised in the table below. The savings shortfalls have been included in the Directorate outturns set out in section 2.5 to 2.11 above. A detailed breakdown of savings is provided in appendix B.

Directorate Summary of Savings Targets	Target £'000	Outturn £'000	Shortfall £'000
Adult and Community Services	4,620	4,620	-
Children's Services	4,500	4,426	74
Housing and Environment	4,264	3,729	535
Finance & Resources	1,046	1,046	-
Chief Executive	1,914	1,914	-
Central Expenses	4,000	3,370	630
Total	20,344	19,105	1,239

2.12 Housing Revenue Account (HRA)

The Housing Revenue Account delivered a significant surplus of £3.8m. This enables the Council to maintain a healthy balance of £8.2m (approximately 8% of gross income).

The primary reason for the increased surplus is through the negotiation and reduction of overall repairs & maintenance costs which has resulted in a saving of around £1.1m.

The slippage in the Estate Renewal programme has also meant that the incremental loss of income from the decanting of properties has not materialised.

A detailed HRA is provided in appendix C.

2.13 Capital Programme

The Capital Programme budget has been updated to reflect the capital roll forwards approved by Cabinet on 14 June 2011 and all subsequent approvals.

Directorate Summary of Capital Expenditure	Original Budget £'000	Revised Budget £'000	Outturn 2011/12 £'000	Variance £'000
Adult & Community Services	10,322	13,531	12,757	(774)
Children's Services	56,993	77,381	61,376	(16,005)
Housing & Environment	37,472	52,786	35,206	(17,580)
Finance & Resources	16,868	23,868	18,340	(5,528)
Total	121,655	167,566	127,679	(39,887)

In addition to the above capital expenditure, the Council has also entered into a Private Finance Initiative (PFI) with Thames Partnership for Learning for the construction of a new building for Dagenham Park School.

However, as part of the PFI contract the construction costs and associated risks are met by Thames Partnership for Learning and in return the Council pays an agreed annual charge. The PFI was completed in March 2012.

A detailed capital outturn and capital roll forward requests are included in appendix E.

Variances by area are summarised below:

Adult & Community Services

- Community Services, Heritage & Libraries - (£324k) under spend
- Leisure & Olympics (£450k) - under spend

Children's Services

- Schools - (£15,793k) under spend
- Other schemes - (£212k) under spend

Housing & Environment

- Housing Revenue Account - (£16,498k) under spend
- General Fund Housing - (£673k) under spend
- Environment & Enforcement - (£305k) under spend
- Parks and Open Spaces - (£104k) under spend

Finance & Resources

- Asset Strategy - £47k over spend
- ICT - (£213k) under spend
- Regeneration - (£4,872k) under spend

Central Expenses

- Redundancy Costs – (£490k) under spend

Explanations for project variances over £100k are provided in appendix F.

2.14 2013/14 Savings Proposals Requesting Approval

At its meeting on 14 December 2011, Cabinet agreed to the following in relation to the Libraries service:

- Closure of Wantz and Markyate libraries;
- Implementation of the break clause to allow the relocation of services from the Muirhead Quay depot to Valence Library;
- Creation of an integrated service in Thames View by bringing the library and children's centre service together;
- Development of the services offered from Valence Library, Valence House and the adjacent park for children, young people and older people.

It is estimated that these proposals will achieve a full year saving of £425k.

As further options are required to ensure that the Council's savings target can be achieved, officers have developed a further proposal, which has two key elements:

- Closure of the Castle Green library; and
- Re-shaping the service currently delivered at the Marks Gate library.

It is estimated that the savings from these proposals will be £226k in 2013/14; A full Equalities Impact Assessment has now been carried out and Members are requested to agree these savings proposals.

These savings were included in the Medium Term Financial Strategy for 2013/14 when presented to assembly on 22nd February 2012.

2.15 Financial Control

At the end of 2011/12 all key reconciliations have been prepared and reviewed and no major reconciling items unexplained.

3 Prudential Indicators

3.1 Regulations issued under the Local Government Act 2003 require local authorities to have regard to the CIPFA Prudential Code for Capital Finance. This code considers the prudence, affordability and sustainability of capital investment decisions made by the Council.

3.2 The Council set a series of “prudential indicators” to measure capital investment decisions against the key principles of the code. They include the level of capital expenditure, the associated financing costs and impact on Council Tax and Housing Rents. They also include treasury management indicators which set out limits for investment and borrowing decisions throughout the year.

3.3 Appendix F sets out the outturn position for 2011/12 against the indicators. The Capital Financing Requirement was higher than anticipated due to the Dagenham Park School Private Finance Initiative (PFI).

4 Options Appraisal

The report provides a summary of the financial position at the relevant year end and as such no other option is applicable for appraisal or review.

5 Consultation

The report has been circulated to appropriate Divisional Directors for review and comment. Specific implications are noted in section 7.

Individual Directorate elements have been subject to scrutiny and discussion at their respective Directorate Management Team meetings.

6 Financial Implications

This report details the financial position of the Council.

7 Legal Issues

There are no legal implications for an outturn report.

Background Papers Used in the Preparation of the Report

- Provisional Revenue and Capital Outturn 2010/11; Cabinet 14 June 2011;
- Budget and Medium Term Plan 2011/14; Cabinet 26 February 2011.

Appendices

- A – General Fund Outturn
- B – Savings Targets Outturn
- C – Housing Revenue Account Outturn
- D – Revenue Roll Forward Requests
- E – Capital Outturn and Roll Forward Requests
- F – Explanations for Variances on Capital Projects
- G – Prudential Indicators