

**Meeting of the Cabinet – 20<sup>th</sup> June 2012**

**Report of the Treasurer**

**Revenue and Capital Outturn 2011/12**

**Purpose**

1. To report the provisional financial results for the year ended 31st March 2012.

**Background**

2. The Council's final accounts for the year ended March 2012 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.

	<b>Approved Budget £m</b>	<b>Outturn £m</b>	<b>Variance £m</b>
Total Service Costs	239.568	238.490	-1.078
Council Tax Freeze Grant	-2.766	-2.766	-
Contribution to Balances	1.954	3.032	1.078
<b>Budget Requirement</b>	<b>238.756</b>	<b>238.756</b>	<b>-</b>

4. There have been net underspends in the Directorate of Corporate Resources, (£1.070m) and the Chief Executive's Directorate (£0.008m). Further details are set out in Appendix 1.

### General Balances

5. The impact of the above leaves General Balances at 31st March 2012 as follows:

	<b>Forecast Position*</b>	<b>Latest Position</b>
	<b>£m</b>	<b>£m</b>
<b>Balance at 31<sup>st</sup> March 2011</b>	<b>9.1</b>	<b>9.1</b>
Budgeted contribution to balances 2010/11	2.0	2.0
Overall 2011/12 Draft Outturn	-	1.1
<b>Balance at 31<sup>st</sup> March 2012</b>	<b>11.1</b>	<b>12.2</b>

\*2012/13 Budget Report to Council 5<sup>th</sup> March 2012

6. The improved level of general balances will go some way to help the Council manage the significant pressures it continues to face in future years.

### General Fund Earmarked Reserves

7. The outturn shown in this report is after transfers to and from earmarked reserves. Earmarked reserves at 31<sup>st</sup> March 2012 were £61.8m, a net reduction of £9.1m compared to 31<sup>st</sup> March 2011. This arises mainly from an increase in schools reserves that are ring-fenced to be used by schools, more than offset by the use of the balances on the capital resources reserve and single status reserve to fund capital expenditure and repay previous borrowing. Ongoing savings resulting from the use of the single status reserve have been allocated to support the net costs of the pay and grading review. A summary is shown at Appendices 2 & 3.
8. In accordance with normal practice, the requirement for these reserves will continue to be reviewed and any changes will be reported back to the Cabinet as part of the 2013/14 budget setting process.

### Capital Spending and Financing

9. The Council's capital expenditure in the year totalled £85.7m, as follows. A comparison with budget is shown in Appendix 4.

	<b>£m</b>
Housing .....	44.7
Other Adult & Community .....	1.9
Urban Environment .....	18.0
Children's Services.....	19.2
Corporate Resources .....	1.7
Chief Executive's.....	0.2
	<hr/>
	<b>85.7</b>
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10. This expenditure has been financed as follows.

	<b>£m</b>
Borrowing / Leasing.....	21.8
Capital Receipts .....	2.9
Major Repairs Allowance (Housing) .....	14.5
Revenue.....	15.6
Grants / Contributions (inc. Lottery).....	30.9
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	<b>85.7</b>
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In addition to the above, the Council borrowed £335.6m to fund the HRA Self-Financing settlement payment to the Government.

#### Housing Revenue Account (HRA)

11. The latest approved budget for the HRA allowed for a deficit in the year 2011/12 of £1.149m. The actual outturn shows a surplus of £2.661m, a positive variance of £3.810m, as detailed in Appendix 5.

12. The balance remaining on the HRA at 31<sup>st</sup> March 2012 was £5.606m. This balance will be rolled forward to help maintain the Decent Homes Standard and address a backlog of improvement works, including bringing vacant properties back into use. Further detail is provided in the *Review of Housing Finance* report elsewhere on this agenda.

#### Collection Fund

13. The Collection Fund surplus at 31<sup>st</sup> March 2012 is £1.093m, of which Dudley's share is £0.967m. The majority of this (£0.729m) has been taken into account when setting the Council Tax for 2012/13; the balance plus any further surplus arising from ongoing review of the Collection Fund will be taken into account in 2013/14

#### General Fund Revenue Budget Monitoring 2012/13

14. The Council's Medium Term Financial Strategy identified a number of estimates and assumptions that would need to be kept under regular review, including the following:

- Single Status and Equal Pay costs are no more than estimated;
- the impact of general levels of inflation, pay and interest rates do not vary materially from current forecasts;
- there will be no other unplanned expenditure (including any resulting from demographic pressures) or shortfalls in income, which cannot be met from reserves;

Directors are monitoring the financial impact of the above and of other legislative and policy issues. At present it is anticipated that any pressures can be met from within existing Directorate budgets. Any further pressures which arise that cannot be funded from existing budgets will be reported back to Cabinet in due course.

## **Finance**

15. This report is financial in nature and information about the individual proposals is contained within the body of the report.

## **Law**

16. 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**

17. The proposals take into account the Council's Policy on Equality and Diversity.

## **Recommendations**

18. That Cabinet:
- Notes the draft outturn for 2011/12.
  - Notes the effect of the General Fund Revenue Outturn on General Balances at 31<sup>st</sup> March 2012.
  - Notes the position on earmarked reserves at 31<sup>st</sup> March 2012.
  - Notes the latest forecast General Fund Revenue position for 2012/13.



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Treasurer

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## **List of Background Papers**

Council Tax Setting report to Council on 5<sup>th</sup> March 2012.  
Draft Statement of Accounts

## General Fund Revenue Summary 2011/12

Directorate	Revised Budget £m	Outturn £m	Variation £m	Explanation
Children's Services	103.613	103.613	-	
DACHS	106.966	106.966	-	
DUE	49.961	49.961	-	
Chief Executive's	4.210	4.202	-0.008	See Note 1
Corporate Resources	-25.182	-26.252	-1.070	See Note 2
<b>Total Service Costs</b>	<b>239.568</b>	<b>238.490</b>	<b>-1.078</b>	
Council Tax Freeze Grant	-2.766	-2.766	-	
Contribution to Balances	1.954	3.032	1.078	
<b>Budget Requirement</b>	<b>238.756</b>	<b>238.756</b>	<b>-</b>	

## Notes:

1. Minor net savings.
2. Includes:
  - Better than expected net Treasury returns (-£0.890m).
  - Redundancy costs less than provided for (-£0.177m). As previously reported to Cabinet, where savings and efficiencies necessary to deliver the 2012/13 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 outturn includes a prudent provision of just over £1.5m for redundancies, including provision for members of staff who may be successfully redeployed before the end of their notice period. This process is ongoing and the accounting provision for redundancy costs, and consequently the final outturn, may change as a result.
  - Reduction of bad debt provision to reflect improved debt recovery performance (-£0.470m).
  - Extra housing benefit subsidy (-£0.400m).
  - Vacancies and other net service savings (-£0.174m).
  - Contribution to the Insurance Fund (+£1.041m). This mainly reflects potential obligations under a Scheme of Arrangement that was set up when our former insurers, Municipal Mutual Insurance, ceased to operate in 1993. There is an increased risk, following the outcome of recent liability cases, that the Scheme of Arrangement will be triggered and councils will be required to underwrite losses.

## Earmarked Reserves

	Balance 31/03/11 £'000	Balance 31/03/12 £'000	Movement £'000	Details
<b><u>Corporate Reserves</u></b>				
Working Capital	2,000	2,000	0	"Contingency of last resort"
Insurance Fund*	7,188	4,483	-2,705	To meet self insured claims
Corporate IT Strategy & Financial Systems	207	119	-88	To fund Corporate ICT developments
LAA / LPSA Reward	1,416	666	-750	To be spent on Partnership projects, etc.
Single Status**	11,597	0	-11,597	Towards costs of implementation
Capital Resources**	6,859	0	-6,859	To fund capital commitments
Other	92	138	46	
<b>Total Corporate</b>	<b>29,359</b>	<b>7,406</b>	<b>-21,953</b>	
<b><u>Other Reserves</u></b>				
DGfL & Paragon Grants in Advance	12,858	12,581	-277	To match expenditure in later years
School Balances	20,107	27,593	7,486	From Schools' Delegated Budgets, Trading etc.
Directorate Reserves	8,593	14,264	5,671	See Appendix 3
<b>Total Other</b>	<b>41,558</b>	<b>54,438</b>	<b>12,880</b>	
<b>Total</b>	<b>70,917</b>	<b>61,844</b>	<b>-9,073</b>	

\* Partially reallocated to "provisions" to comply with latest accounting requirements.

\*\* Fully used to fund capital expenditure and repay previous borrowing.

<b>Directorate Reserves</b>	<b>Balance 31/3/11</b>		<b>Balance 31/3/12</b>		<b>Movt.</b>	<b>Details</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
<b>Children's Services</b>						
Grants carried forward	381		114			Grant funding to be applied to ongoing projects in 2012/13
Social Care	564		2475			Funding of initiatives for children in care
Other	103		238			Traded service reserves etc.
		1048		2827	1779	
<b>Urban Environment</b>						
Road resurfacing and potholes	1725		0			To repair damaged and potholed road surfaces
Electronic Document Mgt.	0		338			To improve operational efficiency
Economic Development	852		873			Regeneration initiatives including Dudley Town Centre and Castle Hill
Planning and Environmental Health	44		174			Including Local Development Framework
Environmental Management	246		270			Including Car Parks
Culture and Leisure	82		146			Including Saltwells Nature Reserve Accommodation
		2,949		1,801	-1148	
<b>Adult, Community &amp; Housing</b>						
Supporting People	123		576			Roll forward of grant funding
Housing initiatives	322		569			Other housing initiatives, inc. Mortgage Arrears Advice and Debt Prevention
Hospital Discharge	0		3404			To fund ongoing placements
ICT strategy	144		258			To fund ICT developments
Care and security at home	166		166			To meet costs of ongoing scheme
Social care reform grant	479		795			To support the modernisation agenda 'making it real'
Other social care	779		615			Including learning disability initiatives and blue badge scheme
Libraries and adult learning	27		312			including support for library modernisation and support for family learning
		2040		6695	4655	
<b>Corporate Resources</b>						
ICT Development	185		130			Various investments in software and long term ICT infrastructure
Repairs and Maintenance	549		291			To fund ongoing programme
HR	350		330			HR and Payroll developments including Pay & Grading, and back scanning
Benefits	670		939			Recession grant carried forward funding pressures on benefits assessments and
Other	242		525			Including legal pressures and business transformation
		1996		2215	219	
<b>Chief Executive's</b>						
Unspent Grants	373		391			To finance the Recognising and Responding to Radicalisation (RECORA), Drug and alcohol action team (DAAT), and Peer Support Programme (PSP) projects.
Other	187		335			Including transformation and election costs
		560		726	166	
<b>Total</b>		<b>8,593</b>		<b>14,264</b>	<b>5,671</b>	

## Capital Budget and Spending 2011/12

	Of which:					Comments
	Approved Budget	Outturn Spend	Total Variance	Slippage/ Rephasing	Over/Under Spend	
<b>Directorate</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
Housing	45442	44655	-787	-795	8	See note 1
Other Adult & Community	2276	1890	-386	-386	0	
Urban Environment	19855	18034	-1821	-1853	32	See note 2
Children's Services	21091	19211	-1880	-1834	-46	See note 3
Corporate Resources	1739	1692	-47	-47	0	
Chief Executive's	414	205	-209	-209	0	
<b>TOTAL</b>	<b>90817</b>	<b>85687</b>	<b>-5130</b>	<b>-5124</b>	<b>-6</b>	

1. Extra costs of CAB work at Brierley Hill Library
2. Minor net variances including £23,000 of add footway reconstruction works at School Road, Quarry Bank.
3. Lower than estimated cost of Summerhill School improvements.



## Housing Revenue Account

## Appendix 5

	Latest Approved Budget £000	Outturn £000	Variance £000
<b><u>Income</u></b>			
Dwelling rents	-80,653	-80,449	204
Non-dwelling rents	-691	-688	3
Charges for services and facilities	-188	-214	-26
Contributions towards expenditure	-1,159	-1,358	-199
Interest on balances	-8	-22	-14
<b>Total income</b>	<b>-82,699</b>	<b>-82,731</b>	<b>-32</b>
<b><u>Expenditure</u></b>			
Responsive and cyclical repairs	23,497	21,231	-2,266
Management	14,554	12,844	-1,710
Negative Subsidy	22,549	22,208	-341
Transfer to Major Repairs Reserve	14,525	14,525	0
Interest payable	6,659	7,104	445
Revenue contribution to capital expenditure	1,029	1,029	0
Other expenditure	1,035	1,129	94
<b>Total expenditure</b>	<b>83,848</b>	<b>80,070</b>	<b>-3,778</b>
<b>Surplus (-)/ Deficit for the year</b>	<b>1,149</b>	<b>-2,661</b>	<b>-3,810</b>
<b>Surplus brought forward</b>	<b>-2,945</b>	<b>-2,945</b>	<b>0</b>
<b>Surplus carried forward</b>	<b>-1,796</b>	<b>-5,606</b>	<b>-3,810</b>

Main reasons for variance include:

- Rental income was lower than budgeted, in part because more houses than expected were sold under Right to Buy, but also because of an increase in tenants' moves, and an increase in the provision for bad debts.
- Contributions to expenditure from leaseholders and aerial income were greater than budgeted.
- Savings on responsive and cyclical repairs as a result of efficiencies and lower demand will be carried forward to future years.
- Savings in Management arose from staff vacancies and savings on running costs.
- Variation in interest payable due mainly to statutory calculation of interest charged to HRA but largely offset by a reduction in negative subsidy payments.