

Wiltshire Council

Cabinet

14 June 2011

Subject: Revenue Outturn 2010-2011

**Cabinet Member: Councillor John Brady
Finance, Performance and Risk**

Key Decision: No

Executive Summary

To advise Cabinet of the final outturn position as at 31 March 2011 for the financial year 2010-2011. The year end position is an underspend of £0.733 million. This is a £1.693 million decrease in the forecast position at month 10, due to better departmental outturns than forecast.

Proposal

That Members note the report showing a outturn underspend of £0.733 million, and agreed proposed ring fencing into two new earmarked reserves, £500,000 to invest to save and £200,000 to ICT projects.

Reasons for Proposals

That Members can approve the final outturn for 2010-2011.

**Michael Hudson
Interim Chief Finance Officer**

Wiltshire Council

Cabinet

14 June 2011

Subject: Revenue Outturn 2010-2011

Cabinet Member: Councillor John Brady
Finance, Performance and Risk

Key Decision: No

Purpose of Report

1. To advise Cabinet of the revenue outturn position for financial year 2010/2011.

Background

2. This report is set out in the format of the most recent budget monitoring report.

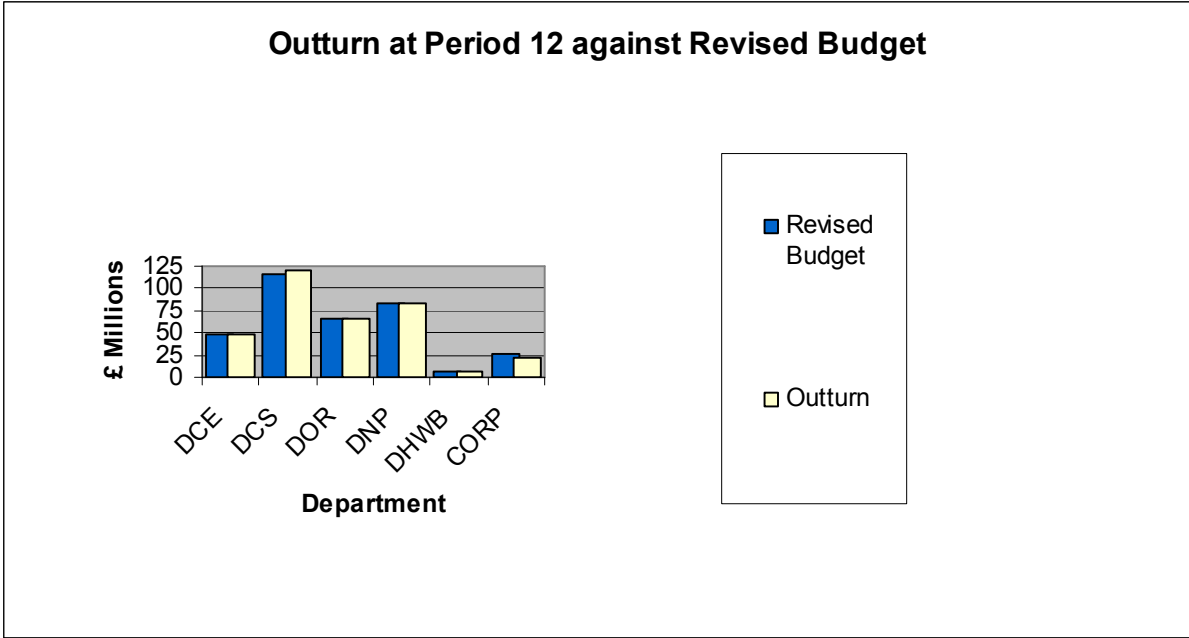
Summary

3. The projected year end position for the relevant account is as follows:

	Revised Budget £ m	Actual Outturn £ m	Under/ Overspend £ m	Movement from period 10 £ m
General Fund	346.321	345.588	0.733	(1.693)
HRA	(1.006)	(2.060)	(1.054)	(1.340)

4. The outturn for the General Fund shows a continued improvement from regular monitoring during the year.

5. The graph below shows the forecast outturn position against the revised annual budget for each department as at period 12. A full analysis is provided in Appendix 1.



- 6. The outturn position on the general fund is an underspend of £0.733 million. This represents an improvement of £1.693 million on the budget monitoring position reported to members for month 10.
- 7. The outturn shows improved position since month 10 report. The details around these departmental outturns are set out in the detailed monitoring section below and Appendix 1.
- 8. This outturn shows an improvement on figures in the financial plan. The financial plan will be updated to reflect this.
- 9. It is proposed that the £0.700 million of the underspend is ring fenced into two new earmarked reserves to be used on specific projects; as outlined below, this would leave a return to reserves at the end of the year of £33,000.
 - i. £500,000 to be ring fenced to an invest to save earmarked reserve to allow for a pot for pump priming of new corporate initiatives to produce savings
 - ii. £200,000 to be ring fenced to an ICT projects earmarked reserve to allow for funding of proposed ICT projects.

Recommendation

10. The outturn position for 2010/11 be noted and members approve that earmarked reserves are set up with £500,000 in invest to save and £200,000 for ICT projects.

Detailed Monitoring

General Fund

11. The overall net position by departments is as follows:

Department	Revised Budget £ m	Actual Outturn £ m	(Under)/ overspend £ m	(Under)/ overspend Reported at period 10 £ m	Movement since period 10 £m
DCE (paras 13-16)	48.166	47.800	(0.366)	0.248	(0.614)
DCS (paras 17-19)	116.088	120.672	4.584	4.800	(0.216)
DNP (paras 20-24)	82.868	82.390	(0.478)	1.023	(1.501)
DHWB (paras 25-26)	7.228	6.952	(0.276)	0.075	(0.351)
DOR (paras 27-35)	66.452	66.533	0.081	0.000	0.081
Corporate (paras 36-39)	25.519	21.241	(4.278)	(5.186)	0.908
TOTAL	346.321	345.588	(0.733)	0.960	(1.693)

12. A summary of the forecast is set out by Departments in the following sections:

Department for Children and Education (DCE)

13. The Department for Children & Education is reporting an underspend of £0.366 million. This represents a favourable movement of £0.614 million compared with the previously reported forecast of £0.248 million overspend. The summary for the Department includes variances against services funded by the Dedicated Schools Grant (DSG) however this does not impact on the overall outturn position as the overall underspend against DSG is rolled forward in accordance with the conditions of grant. Variances against DSG have been reported to Schools Forum throughout the financial year.
14. Expenditure has been tightly controlled through the year and the favourable movement in February and March is attributable to a number of key items including the maximisation of grant income and a reduction in expenditure against the forecast for SEN Transport.
15. **Standards Funds** – Following changes to the schools funding system for 2011/12 which included the mainstreaming of former standards funds in to DSG, the Department for Education (DfE) wrote to Local Authorities in March stating that the final payment of 2010/11 standards funds would not be made to LAs as the funding was now included in the DSG for 2011/12. LAs disagreed

with this approach and the non payment does in fact represent a reduction in grant in 2010/11. For Wiltshire the reduction is £1.088 million.

16. Following representations from the LGA and Association of Directors of Children's Services (ADCS) the DfE confirmed that authorities should set up a debtor in the 2010/11 accounts to reflect the 2010/11 standards funds instalment being paid as part of the 2011/12 DSG, and then also accrue at the end of 2011/12 to reflect the funding of 2011/12 grant as part of the 2012/13 DSG. Wiltshire has complied with this guidance and set up a debtor for £1.088 million in the 2010/11 accounts. The risk of this approach is that the funding will not be forthcoming in 2012/13 and therefore the Council will face a reduction in schools funding in that year. This position will be reviewed when the final DSG settlement is received in late June/early July to establish whether this risk can be reduced in the current year.

Community Services

17. The Department of Community Services is reporting an outturn for 2010/11 of an over spend £4.584 million, which is an improvement of £0.216 million against the previously reported forecast over spend of £4.8 million.
18. During February and March, the Department continued to ensure that expenditure was tightly controlled through a panel process and all packages of care authorised at Head of Service or Service Director level.
19. The favourable movement reported is attributable to a reduction between forecast and actual spend for the year against the department's passenger transport budget and an improvement against forecast for the joint funded arrangements with the NHS for people cared for under S.117 of the Mental Health Act.

Neighbourhood & Planning

20. The Department is reporting an underspend of £0.478 million for the financial year. The outturn position is a significant improvement on the previously reported forecast of a £1.023 million overspend.
21. The reported £0.600 million pressure in dealing with the activity on Highways Winter Maintenance during the winter months rose to £0.922 million by the outturn. An additional nine route runs were completed over the budget in addition to the increased cost, due to necessity, of purchasing salt within the winter period as opposed to the summer.
22. This was offset by an underspend within the Strategic Highways Service line, mainly attributed to additional developer income received as well as additional street works income driven by utility companies.
23. Across the other service lines within the Department small favourable variances were recorded against the budget. This includes improvements in February and March of previously reported pressures relating to shortfalls against income targets within Car Parking and Development Services.

24. This has allowed the Department to contribute to the Councils overall position and also address known but as yet un-quantified cost pressures with respect to provisions for services facing pay harmonisation.

Public Health & Wellbeing

25. The outturn for the Department is a £0.276 million underspend against a previous forecast of a £0.075 million overspend; a reduction of £0.351 million since the last report.
26. The previous forecast was based on an overspend on staff costs within the Public Protection service, however robust management of this pressure and on discretionary spend during the remaining months in conjunction with an improvement in the income received resulted in an underspend for the service and the Department as a whole.

Resources

27. The Department is showing a small overspend of £0.081 million for the financial year, an increase on the previously reported balanced position.
28. As previously reported, adequate provisions have now been finalised in the accounts to deal with any outstanding issues surrounding the in sourcing of ICT services. A £0.400 million overspend was anticipated against the ICT service line but this has improved at outturn and the overspend reduced to £0.250 million even after taking into consideration the provision made by officers.
29. The other major variances and movements since the last report within Resources relate to £0.366 million overspend within the Finance service line and a combined overspend of £0.866 million on Strategic Property Services and Campus and Operational Delivery Programme (CAOD). Both are explained below.
30. Although the renewal of the insurance contract led to significant savings, as previously reported, increased costs over budget, mainly associated with insurance claims, reduced the saving. Additional significant pressures around interim staffing measures put in place during the year and bank charges led to an overspend on the service of £0.366 million.
31. The financial year saw a massive upheaval and improvement in the way the finances of the Council related to property costs were captured and reported following the centralisation of all property related revenue costs. Add to this the work around the creation of new cost centres and reporting hierarchies within SAP that allows the accurate splitting out and capturing of property running costs for those properties within the CAOD programmes control and those remaining under strategic property services control
32. Work has now been completed and now provides improved financial management information for the CAOD programme and, moving forward, will enable improved reporting, tracking and transparency.

33. The overspend on property running costs are a direct result of the previously identified structural budget deficit inherited from predecessor Councils relating to administrative buildings within the CAOD programme.
34. This represents a £0.866 million pressure across the Strategic Property Services and CAOD which would be managed by officers during the financial year and for 2010/11 the overspend has been contained within the overall bottom line of the Resources Department.
35. The overspends been offset by the management of the remaining service lines within the Department to the bottom line, with the majority returning favourable variances, the most significant being a £0.477 million underspend on Benefits – Subsidy & Payments, which is in relation to more income being recouped than budgeted on Housing Benefit Overpayments.

Corporate Headings

36. The underspend reported under Corporate Headings now amounts to £4.278 million against a previously reported underspend of £5.189 million, a movement of £0.911 million.
37. The total cost of severance relating to the management review undertaken in 2010/11 was less than forecast. Previous forecasts predicted severance costs of circa £6.3 million revenue with a further £1.4 million being capitalised under the Secretary of State's approved directive. After making adequate provision following changes brought in this year on accounting for redundancy costs, and maximising the most effective of financing the costs using the flexibility of the directive, the actual cost to hit the general fund was £5.9 million, £0.4 million lower than forecast.
38. As previously reported to members re-profiling in the Capital Programme has led to reduced borrowing and associated revenue borrowing costs resulting in a significant underspend this financial year.
39. In addition, outstanding de-minimus VAT claims relating to previous District Councils have now been settled with HMRC (Her Majesty's Revenues & Customs) this has seen a one off income to the Council of circa £0.8 million.
40. As part of the year end closedown process a review of the assessment of need was undertaken by the S.151 to review provision required. This ensures adequate provision for bad debt, pay harmonisation and draw down from earmarked reserves. This resulted in an overall decrease in the underspend within the corporate headings section of £0.911.

Housing Revenue Account

41. The latest forecast as at period 10 is a £0.286 million overspend against the net budget, however the final outturn shows an underspend £1.054 million. This arises from underspending against budget in supervision and management, (general and special) and repair and maintenance.

Reserves

42. The tables below shows the year end outturn position on the general fund balance and estimated earmarked reserves held by the council. This shows the general fund at 31 March 2011 standing at £13.2 million. This is a significant improvement on the forecast estimate at month 10 due to the improvement in the outturn position above.

General Fund Reserve	£ million	£ million
Balance as at 1 April 2010		13.770
Loss of LABGI grant	(0.574)	
Current Forecast Underspend	0.733	
Proposed movement to ring fenced accounts	(0.700)	
Total Forecast movement		(0.541)
Balance 31 March 2011		13.229

	Opening Balance 1 April 2010 £ million	Drawdown £ million	Closing Balance 31 March 2011 £ million
Earmarked Reserves			
Capital Revenue Reserve	1.500	(1.500)	0.000
PFI Reserve	4.251	(1.100)	3.151
Insurance Reserve	6.019	(1.569)	4.450
Schools Balances	17.493	(1.444)	16.049
WTP Reserve	0.228	-	0.228
Libraries operating reserve	0.051	-	0.051
Housing	0.042	-	0.042
CRB System Reserve	-	0.049	0.049
Elections Reserve	-	0.200	0.200
Street Lighting Reserve	-	0.100	0.100
Area Board Reserve	-	1.200	1.200
Grants	10.689	(1.650)	9.039
Proposed new ICT earmarked Reserve	-	0.200	0.200
Proposed new Invest to Save Reserve	-	0.500	0.500
Balance 31 March	40.273	(5.014)	35.259

43. As part of the year end closedown process a review of the assessment of need was undertaken by the S.151 to link all the earmarked General Fund balances to risk. The figures above represent the updated figures in line with the Councils financial plan. Looking forward, the Council faces significant transformation to deliver savings required in the next four years. Some of this will need pump priming funds to help change occur sooner and encourage innovation. As such it is proposed that earmarked reserves are established to fund this transformation, and the ICT needed to support it.
44. Due to changes in presentation due to the introduction of International Financial Reporting Standards (IFRS) for 2010/2011, it is now required to present grants received in advance in a different way than previous years. Therefore the earmarked reserves have been restated to include grants. These have been taken into account in setting the financial plan and do not represent new money.

Main Consideration for the Council

45. To note the current budget monitoring report.

Environmental Impact of the Proposal

46. None have been identified as arising directly from this report.

Equality and Diversity Impact of this Proposal

47. No equality and diversity issues have been identified or arising from this report.

Legal Implications

48. None have been identified as arising directly from this report.

Risk Assessment

49. During the year, the Council has faced significant service financial pressures, including Central Government grant reductions, have been identified across departments during the financial year. Actions to manage these pressures have been agreed previously and work undertaken to manage the financial position.
50. The Council has identified in its corporate risk register various elements which have been covered in previous monitoring reports, most notably the impact the current economic climate has on the Council's finances and the recent potential liability surrounding the claim against a Wiltshire school.

Financial Implications

51. These have been examined and are implicit throughout the report.

Proposals

That Members note the report showing a outturn underspend of £0.733 million, and agreed proposed ring fencing into two new earmarked reserves, £500,000 to invest to save and £200,000 to ICT projects.

Reasons for Proposals

That Members can approve the final outturn for 2010-2011.

Michael Hudson
Interim Chief Finance Officer

Report Authors: Matthew Tiller and Michael Hudson

Unpublished documents relied upon in the preparation of this report: NONE

Environmental impact of the recommendations contained in this report: NONE

Appendix 1 – Wiltshire Council Revenue Budget Monitoring Report