

**TELFORD & WREKIN COUNCIL**

**COUNCIL – 25<sup>TH</sup> JUNE 2009**

**FINANCIAL OUTTURN REPORT AND STATEMENT OF ACCOUNTS  
2008/09**

**REPORT OF THE INTERIM CORPORATE DIRECTOR: RESOURCES**

**1.0 PURPOSE**

To inform Members of the final outturn position for Revenue and Capital for 2008/09.

**2.0 RECOMMENDATIONS**

**Council is asked to agree the following recommendations:**

- 2.1 Approve the 2008/09 Revenue outturn position, which is subject to audit by the Council's external auditors; and the related virements for 2008/09 and those for 2009/10, detailed in Appendix IV, together with the formal statement of accounts in Appendix VI;**
- 2.2 Approve the Capital outturn position and related supplementary estimates and slippage in Appendix V as summarised in the report; the £6m capital allocation detailed at 7.2 which provides additional investments in 2009/10 and the changes to the Borough Towns Programme set out in paragraph 7.3;**
- 2.3 Note performance against income targets;**
- 2.4 That the Terms of Reference of the Audit Committee be amended to allow the Committee to approve the Council's final, audited Statement of Accounts, as detailed in paragraph 3.4 of the report.**

**3.0 SUMMARY**

**3.1 REVENUE**

The gross revenue budget for 2008/09 was £366m – net budget for reporting purposes just over £117m. The revenue outturn position is within budget with a final net underspend of £368,000 (-0.31% of net budget) which is an improvement from the last monitoring report. Regular monitoring has been undertaken throughout the year and Portfolio Management Teams have worked hard to maintain outturn within budget. There have been a number of service pressures experienced in 2008/09, notably the cost of providing care to Looked After Children and Specialist Education, which together with the impact of the economic downturn have made it a challenging year. Benefits from treasury activities, reduced insurance premiums and

the unused element of the budgeted contingency have greatly assisted the overall position.

Within the overall position, provision has been made to meet the costs associated with the council's initial re-structure and a contribution to BSF project costs.

### **3.2 CAPITAL**

Overall, capital expenditure ended the year under the final approved estimate, at £62.6m against an approved estimate of £77.6m.

### **3.3 INCOME MONITORING**

Council Tax collection (£57m), Business Rates (£63m) and sales ledger income (£44m) all ended the year with collection rates below target. This is a clear impact of the economic downturn and comparisons with other Local Authorities indicate that similar issues are being experienced nationally.

### **3.4 GENERAL**

The accounts have been completed to very tight timescales in order to meet the Accounts & Audit Regulations deadline of presenting the unaudited Statement of Accounts to Members before the end of June. It is proposed that the final, audited statement of accounts be brought back to the Audit Committee in September for approval. The current terms of reference of the Audit Committee include: "Review the Statement of Accounts, external auditor's opinion and reports on them to members and monitor management action in response to the issues raised by external audit" and it is proposed that the terms of reference be amended to include the Approval of the Statement of Accounts.

**3.5** Summaries of the outturn on revenue and capital along with major variations are shown as appendices.

### **4.0 PREVIOUS MINUTES**

- 4.1** 06/03/08– Full Council, Service & Financial Planning Report
- 28/07/08 – Cabinet, 2008/09 Financial Monitoring
- 27/10/08 – Cabinet, 2008/09 Financial Monitoring
- 09/02/09 – Cabinet, 2008/09 Financial Monitoring
- 05/03/09 – Full Council, Service & Financial Planning Report
- 20/04/09 – Cabinet, 2008/09 Financial Monitoring
- 23/06/09 – Cabinet, Financial Outturn Report 2008/09

### **5.0 2008/09 REVENUE BUDGET**

**5.1** The Council had a gross revenue budget of £366m for 2008/09 and the final net revenue outturn position is as follows:

	£
Net Budget	117,061,000
Net Expenditure	116,692,851



Net Variance	-368,149
Percentage Net Variance	-0.31%

5.2 The net position by policy area is shown in Appendix I and the variations are summarised in the table below.

Portfolio	Service Variations	Council Wide/Non-Controllable Variations		Total
		Council Wide/Other	Asset Rents	
		£	£	
Children & Young People	2,684	0	-10,772	-8,088
Environment & Regeneration	-54,410	351,991	280,188	577,769
Adult & Consumer Care	-94,645	4,287	49,784	-40,574
Resources	-149,875	566,827	0	416,952
Chief Executive/Policy	3,934	13,867	0	17,801
Community Services	70,853	55,614	-15,334	111,133
Treasury Management	0	-2,289,008	0	-2,289,008
Council Wide Items	0	1,149,732	-303,866	845,866
	<b>-221,459</b>	<b>-146,690</b>	<b>0</b>	<b>-368,149</b>




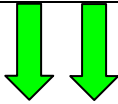



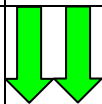
Some of these figures under 'council wide variations' will subsequently be adjusted to comply with FRS17 (accounting for Pensions regulations) in the formal statement of accounts. However these are notional amounts which do not impact on the overall bottom line or service variations.





5.3 Only the larger projected variances (those over £100k) are highlighted separately below by portfolio alongside a brief summary of each portfolio's position, while full detail on all variances over £50k is shown in Appendices II and III:


Key		
£0 to £100k	↑	 underspend
£100+to £250k	↑↑	 overspend
£250+to £500k	↑↑↑	
over £500k	↑↑↑↑	

### Service Budgets (see Appendix II)

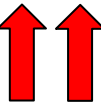





Portfolio	Projected Variation £m	
<b>CHILDREN &amp; YOUNG PEOPLE</b>		
Overall the Portfolio has ended the year very close to budget with a <b>small service overspend of £2,684</b> . Costs relating to Children & Families and Specialist Education have been the key pressure reported throughout the year. As planned, the Portfolio has used grant monies to support the overall position – providing an overall benefit of £1.030m. Optimising the use of grant funding		



is also part of the 2009/10 budget strategy which will be kept under review.  <b>Children &amp; Families</b> - At year end the overspend in relation to LAC was £0.476m which was a combination of the use of agency staff covering for vacant social worker posts and the types of placement required. If the trend continues this will be a key area of concern for 2009/10.	+0.476	
<b>Specialist Education</b> – Additional specialist support required in the Primary sector together with additional care for specific cases.	+0.949	
<b>Catering</b> – Increased costs were experienced during the year relating to higher nutritional standards set by Government and lower than anticipated take-up.	+0.170	
<b>Insurance</b> – reduced insurance costs following the 2008/09 tender.	-0.168	
Optimising the <b>use of grant funding</b> – Education and Children & Families	-1.030	
<b>ENVIRONMENT &amp; REGENERATION</b>		
The Portfolio ended the year <b>with a service underspend of £54,410.</b>		
<b>Street Lighting</b> – the part year impact of 59.9% increase in energy costs gave rise to an overspend during the year.	+0.386	
<b>Concessionary Travel</b> – lower than anticipated take-up during 2008/09 - this level of underspend is unlikely to be ongoing, particularly with the extension of the scheme to 9am start.	-0.144	
<b>Waste</b> - £0.269m benefit arising from improved recycling which offsets £0.065m in relation to the waste procurement project.	-0.269 +0.065	
<b>Planning &amp; Development</b> – there was a reduction in the number of major planning applications leading to a shortfall of planning fee income in 2008/09; this has been covered from a trading account reserve.	+0.178  -0.178	

<b>Property Investment Portfolio Rentals</b> – voids due to the economic downturn.	+0.232	
<b>ADULT &amp; CONSUMER CARE</b>		
Overall the Portfolio is reporting a <b>service underspend of £94,645</b> at year end.		
<b>Care Packages</b> –the key issue arising in 2008/09 was the cost of care packages relating to Adults with Learning Disabilities and Mental Health Clients with year end overspends of £0.215m and £0.303m respectively. Additional funding of £1.2m has been approved for 2009/10 to meet future provision and demand.	+0.322	
<b>Older People/Mental Health/PSD</b> – Assessment & Care Management – underspends arising from vacancies due to difficult recruitment conditions which exists nationally.	-0.444	
<b>RESOURCES</b>		
The Portfolio ended the year with a <b>service underspend of £149,875</b> .		
<b>Revenues &amp; Benefits</b> – optimising the use of grant income resulted in employee costs being lower than budgeted. The service was also able to put set aside balances to meet commitments in 2009/10.	-0.108 +0.135	
<b>CHIEF EXEC./POLICY</b>		
<b>A small overspend of £3,934</b> was reported at year end.		
<b>COMMUNITY SERVICES</b>		
The Portfolio ended the year with a <b>service overspend of £70,853</b> which will be met by controllable balances brought forward from 2007/08		
Income – a shortfall of income across various leisure sites was reported at year end, partly attributable to the recession.	+0.147	

Utility Costs – increased gas and electricity costs across Leisure centres, The Place and Libraries.	+0.171	
--	--------	---

**COUNCIL WIDE AND OTHER NON-CONTROLLABLE BUDGETS (See appendix III)**

<b>Street Lighting</b> – additional costs incurred due to changes in the Council's inventory of luminaries, calculated by Central Networks	+0.163m	
<b>Housing &amp; Council Tax Benefit</b> – use of Bed & Breakfast accommodation for homelessness cases cost the Council £0.477m in unrecoverable subsidy in 2008/09, partly off-set by overpayments recovery. Actions to significantly reduce the need for B&B use are being implemented by Adult & Consumer Care. However, the current economic climate may lead to an increase in homelessness in the medium term and the overall position therefore needs close monitoring.	+0.291	
<b>Asset &amp; Property Management</b> – part year loss of income arising from voids in the Property Investment Portfolio. Opportunities to relet are being reviewed.	+0.196	
<b>Insurance</b> – savings arising from the 2008/09 renewals process.	-0.431	
<b>Business Transformation</b> – cost of the business efficiency team – funding originally approved from the use of balances; now met from other council wide underspends identified.	+0.304	
<b>Treasury</b> – benefits from slower than anticipated cash flow together with investment opportunities taken at favourable interest rates and debt rescheduling activities (net of £1.2m set aside for the 2009/10 contingency and credit crunch initiatives). This includes £0.645m benefit from changes to the accounting treatment for the repayment of debt, which has been accepted in principle by KPMG but is still subject to agreement by the Audit Commission on a national basis.	-2.289	

<b>Other Council Wide Items</b> – includes the one-off costs associated with the Council restructure, and funds for the BSF project costs.	+0.973	
<b>Land Charges</b> – a shortfall in fee income due to a reduction in the number of searches exacerbated by the current economic climate.	+0.137	
<b>Asset Rentals</b> - These are technical charges to comply with accounting requirements which place a charge on services and have a reversing entry in the Asset Management Account – therefore there is no impact on the net revenue budget and accounts. .		

5.4 Formal approval is required for the revenue virements relating to the 2008/09 final outturn position, which are detailed in Appendix IV. There are also a number of 2009/10 virements relating to the disaggregation of Community Services budgets which are detailed in Appendix IV and require formal approval.

## 6.0 Reserves & Balances

6.1 The main General and Special Fund balances are £7.044m at 31<sup>st</sup> March 2009, which takes into account the approved use of balances of £0.230m. These form part of the overall balances of the Council which are presented in the Statement of Accounts. Subsequent to closedown the full risk based evaluation of all balances will be undertaken to determine an updated view of balances available for the budget strategy.

6.2 The majority of the controllable “in hand” service balances carried forward are committed for spending in 2009/10.

6.3 The position on the main General, Special Fund and Service Balances is:

	Corporate £'000	Service £'000	Total £'000
Balances at 1 <sup>st</sup> April 2008	<b>7,127</b>	<b>1,015</b>	<b>8,142</b>
In year service adjustments:			
Use of service balances		-133	-133
Repayment of Catering debt		+181	+181
use of corporate balances	-230		-230
Outturn Position against budget	+147	+221	+368
<b>Balances at 31<sup>st</sup> March 2009</b>	<b>7,044</b>	<b>1,284</b>	<b>8,328</b>

Service balances are shown net of the unfunded investment balance on catering – in line with the required treatment in the published accounts.

## 7.0 **2008/09 CAPITAL PROGRAMME**

The capital programme for 2008/09 was £77.6m; spend at year end totalled £62.6m giving an underspend of £15.0m, summarised in the table below

	2008/09 Approved Budget £m	2008/09 Expenditure To Date £m	%	Variation  £m
Adult & Consumer Care	4.990	4.001	92%	(0.989)
Children & Young People	18.636	16.870	91%	(1.766)
Environment & Regeneration	47.775	38.051	80%	(9.724)
Community Services	2.833	1.960	69%	(0.873)
Resources/ Council Wide	3.392	1.718	51%	(1.674)
<b>Total</b>	<b>77.626</b>	<b>62.600</b>	<b>81%</b>	<b>(15.026)</b>

7.1 The main scheme delays/slippage to 2009/10 is shown below with detail included in Appendix V :

	£m
Growth Point Areas Funding	2.571
Town Centre	0.811
Local Transport Plan	1.344
Railfreight	2.474
TSLEC	1.353
ICT	2.164

7.2 As part of the Council's regeneration programme the following investment plans are being brought forward to 2009/10 – these will provide additional support to the local economy during the recession, together with additional funding to accelerate improvements to roads and footpaths across the borough.

In accordance with the Constitution, these are presented for formal Council approval.

Roads, footpaths & lighting – 2011/12 programme accelerated to 2009/10 to improve roads and footpaths across the borough. £m  
3.000

Oakengates town centre – to support regeneration schemes which will help to address some of the key issues raised by local people in the major survey conducted last year 0.500

Ironbridge – additional funding for the Ironbridge Gorge area 0.500

Wellington – funding towards the transformation of Wellington’s Civic Quarter, taking on board suggestions from local people	0.500
Newport – to support regeneration proposals	0.500
Sutton Hill - additional match funding requirement to secure HCA funding for the regeneration of Sutton Hill local centre	0.590
Leegomery - required additions to the original scope of work for the development of Leegomery local centre	0.100
Hadley – feasibility study; working with Hadley & Leegomery Parish Council to investigate opportunities to regenerate the local centre	0.050
Contingency	0.260
<b>Total</b>	<b>6.000</b>

This will be funded from a combination of reviewing the overall capital programme spend and the benefits of treasury management savings from debt restructuring.

- 7.3 Following discussions with the Regeneration Partnerships, it has been suggested that the funds allocated to Borough Towns projects through the BTI Community Chest should instead be allocated proportionally to each of the Partnerships to be used in addition to the existing individual Partnership allocations. It is therefore proposed that the Borough Towns Programme is amended accordingly, to transfer the outstanding balance (which is approximately £170,000) to the individual partnerships and that the criteria for the BTI grants programme are amended as necessary. All of the Partnerships have indicated their support for this change.

## **8.0 CORPORATE INCOME MONITORING**

- 8.1 The Council’s budget includes significant income streams which are regularly monitored to ensure they are on track to achieve stretch targets that have been set and so that remedial action can be taken at a very early stage. The three main areas are Council Tax, NNDR (business rates) and Sales Ledger. Year end information relating to these is provided below. It should be noted that the Council pursues outstanding debt vigorously, until all possible recovery avenues have been exhausted, but also prudently provides for bad debts in its accounts.

### **8.2 Council Tax**

This is a national performance indicator which measures council tax collection during the year - the measure does not take account of debt that continues to be pursued and collected after the end of the financial year in which it became due. As a general rule the final collection figure for any financial year exceeds 99%.

Performance is cumulative during the year and expressed against the complete year's debit. Performance at the end of 2008/09 was:

2008/09 Target	2008/09 Outturn	2008/09 Variance	2007/08 Outturn
98.00%	97.7%	-0.3%	97.9%

Council Tax collection was 0.3% behind the year end target and 0.2% behind last years outturn figure. The national economic situation continues to have an effect on the collection of Council Tax, like Business Rates and Sales Ledger. This is likely to continue into the new financial year. We are working with customers to encourage the take up of discounts, exemptions, benefits and reliefs.

### 8.3 NNDR-Business Rates

The % of business rates for 2008/09 only, that should have been collected during the year. This target, as for council tax, ignores our continuing collection of earlier years' liabilities.

The measure does not take into account the debt that continues to be pursued and collected after the end of the financial year in which it became due. As a general rule the final collection figure for any financial year exceeds 99%.

2008/09 Target	2008/09 Outturn	2008/09 Variance	2007/08 Outturn
99.0%	98.3%	-0.7%	99.0%

NNDR collection ended the year below target, by 0.7%, and was 0.7% behind last years collection. The national economic situation continues to have an effect on the collection of business rates and it is likely to continue. The new legislative changes are in place from 1/4/9 to assist smaller business premises in the form of 100% empty property relief ongoing and small business rates relief for premises with rateable values below £15k.

We have written to all local businesses to inform them that Central Government announced on Tuesday 31<sup>st</sup> March 2009 that it is intending to bring forward regulations to enable businesses to defer payment of up to 60% of the increase in their 2009-10 business rate bills until 2010-11 and 2011-12, under certain circumstances. The related legislation is due over the next few months.

### 8.4 Sales Ledger

Recovery processes for other income due to the council vary between income billed by Social Services (just under £20m a year) and the rest, which is around £20m a year. Debt below 2 months old is classified as a normal credit period, the more we collect income at the point of delivery or customer service request in future rather than raising bills; the more we reduce collection costs and improve cash flow. Targets are set relating cumulative debt outstanding from all years to the current annual debit:

Age of debt	Target %	Mar 2009	
		£m	%
2-6 months	0.90	0.513	2.32
6-12 months	0.80	0.191	0.87
Over 12 months	1.10	0.230	1.04
Total	2.80	0.935	4.23

Overall outstanding Sales Ledger debt is 1.43% outside target, which is again a reflection of the current economic situation This also included some significant invoices which were paid soon after the year end.

**Adult & Consumer Care** - recovery of these debts – usually from vulnerable clients - has to be handled carefully and is often complex, which is the experience of many Local Authorities. In some cases, the amounts outstanding are secured by legal charges on property, which cannot be realised until properties are eventually sold.

	Target £000	Target %	Actual March £000	Actual March %
2-6 months	222	1.0%	89	0.4%
7-12 Months	136	0.6%	73	0.3%
> 12 months	646	2.9%	367	1.7%
	1,004	4.5%	529	2.4%

## 9.0 **OTHER CONSIDERATIONS**

### **Equality & Diversity**

There are no implications directly arising from this report.

### **Environmental Impact**

There are no implications directly arising from this report

### **Legal Comment**

Regular financial monitoring forms part of the assurance for strong financial management. Section 28 of the Local Government Act 2003 makes it a statutory duty for Local Authorities to monitor their income and expenditure against budget, and to take action if overspends or shortfalls in income emerge.

### **Links with Corporate Priorities**

Good financial monitoring forms part of building a Modern, Effective Council.

### **Opportunities & Risks**

The opportunities and risks associated with the report have been identified and assessed. Arrangements will be put in place to manage the risks and maximise the opportunities that have been identified.

### **Financial Implications**

The financial implications are fully detailed within the report.

### **Ward Implications**

District Wide Implications

**10.0 BACKGROUND PAPERS**

2008/09 Budget Strategy / Financial Ledger reports

Report Prepared by: Paul Clifford, Head of Finance – 01952 383700;  
Pauline Harris, Corporate Finance Manager - 01952 383701