

**TELFORD & WREKIN COUNCIL**

**COUNCIL – 24 JUNE 2010**

**FINANCIAL OUTTURN REPORT 2009/10**

**REPORT OF THE HEAD OF FINANCE**

**1.0 PURPOSE**

To inform Members of the final outturn position for Revenue and Capital for 2009/10.

**2.0 RECOMMENDATIONS**

Members are asked to approve the following recommendations :-

- 2.1 Approve the Revenue outturn position and related virements in Appendix III for 2009/10 which is subject to audit by the Council's external auditors
- 2.2 Approve the Capital outturn position and related supplementary estimates and slippage in Appendix IV as summarised in the report.
- 2.3 Note performance against income targets

**3.0 SUMMARY**

**3.1 REVENUE**

The gross revenue budget for 2009/10 was £386m – the net budget for reporting purposes just over £125m. The revenue outturn position is within budget with a final net underspend of £0.332m (-0.27% of net budget) which is a small improvement from the last monitoring report. Regular monitoring has been undertaken throughout the year and Management Teams have worked hard to maintain outturn within budget. There have been a number of service pressures experienced in 2009/10: the cost of providing care to Looked After Children and Specialist Education; Property Portfolio rental and Planning Fee income shortfalls due to the impact of the recession; winter maintenance costs associated with the adverse weather conditions experienced; and public inquiry costs. Benefits have arisen from treasury activities, the unused element of the budgeted contingency, council tax/housing subsidy and reduced landfill costs which have greatly assisted the overall position.

Within the overall position, provision has been made for the estimated cost of single status in 2009/10 (4% of the relevant pay bill); the one-off project costs associated with completing the single status project (to March 2012); and the 2009/10 one-off costs relating to the council re-structure.

### **3.2 CAPITAL**

There were delays to the commencement of some schemes but all main projects are now underway and rigorous progress monitoring arrangements in place. Capital spend ended the year at **£45.2m** against an approved estimate of £79.8m which was in the main due to the re-phasing into 2010/11.

### **3.3 INCOME MONITORING**

Council Tax collection (£57m), Business Rates (£64m) and sales ledger income (£50m) all ended the year with collection rates ahead of target which is pleasing given the economic climate.

### **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.

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

### **4.0 PREVIOUS MINUTES**

05/03/09 – Full Council, Service & Financial Planning Strategy

21/07/09 – Cabinet, Financial Performance Report

27/10/09 – Cabinet, 2009/10 Financial Monitoring Report

12/01/10 – Cabinet, 2009/10 Financial Monitoring Report

27/04/10 – Cabinet, 2009/10 Financial Monitoring Report

### **5.0 2009/10 REVENUE BUDGET**

**5.1** The Council had a gross revenue budget of £386m for 2009/10 and the final net revenue outturn position is as follows:

	£m
Net Budget	124.583
Net Expenditure	124.251
Net Underspend	-0.332
Percentage Net Variance	-0.27%

5.2 Variations by Service Delivery Unit are summarised below and further detail is provided in Appendix II.

Service Delivery Unit	Year End Variation - £			
	Corporate	Asset Rent	Service	Total (excl. asset rents)
Safeguarding & Corporate Parenting	0	(4,672)	1,974,785	1,974,785
Learning & Achievement	0	863,896	629,985	629,985
Regeneration & Housing	0	0	(52,291)	(52,291)
CYP One Off Balances/Other	0	0	(1,604,201)	(1,604,201)
Variances				
Property & Design	241,792	276,417	186,976	428,768
Economic Development	50,000	0	3,030	53,030
Environmental Services	489,618	428,086	(115,938)	373,680
Planning & Transport	373,182	0	(274,627)	98,555
Adult Social Care (Delivery)	0	3,763	(198,009)	(198,009)
Adult Social Care (Commissioning)	0	0	(343,780)	(343,780)
Customer & Leisure Services	112,129	(87,679)	(211,285)	(99,156)
Governance	(68,189)	750	(154,550)	(222,739)
ICT & Procurement	0	98,728	(213,354)	(213,354)
Finance	23,503	0	(76,738)	(53,235)
Core Services	79,451	0	(11,808)	67,643
Council Wide	(1,315,491)	(1,579,289)	144,011	(1,171,480)
<b>Total</b>	<b>(14,005)</b>	<b>0</b>	<b>(317,794)</b>	<b>(331,799)</b>

5.3 This position is after making provision for: the estimated cost of single status in 2009/10 (4% of the relevant pay bill); the one-off project costs associated with completing the single status project (to March 2012); and the 2009/10 one-off costs relating to the council re-structure.



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.

The position in relation to controllable service balances is shown in the table below.



	£m
Service Balances 1 April 2009	1.284
Service Balances 31 March 2010	1.579
Increase in Service Balances	0.295



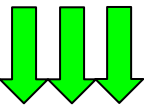






This includes £0.955m service overspend balance relating to Children & Families. A separate review of service balances and other service reserves is being undertaken and will include looking at options to address the 'overdrawn balance' in Children & Families.





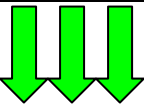
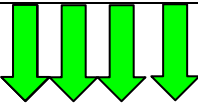

- 5.4 As in previous years, the 2009/10 budget was cash limited and as a result the net over (+) or under (-) spending on controllable budgets for each service area under the current rules is carried forward into 2010/11. Credit balances can be used to fund one-off expenditure items in future whilst overspends must be found by the appropriate service as a first call on 2009/10 budgets. This is subject to the review, mentioned in 5.3 above, currently being undertaken.
- 5.5 Only the larger projected variances (those over £100k) are highlighted separately below by Service Delivery Unit while full detail on all variances over £50k is shown in Appendix II:

Key		
£0 to £100k	↑	 Underspend
£101+to £250k	↑↑	 Overspend
£251+to £500k	↑↑↑	
over £500k	↑↑↑↑	

## Variations

Service Delivery Unit	Projected Variation £m [change since last report]	
<p><b><u>Safeguarding &amp; Corporate Parenting</u></b></p> <p>The year end overspend stands at £1.975m which is after the £1.4m virements from pay/general inflation benefits and treasury previously approved i.e. a gross overspend of £3.375m.</p> <p>£1.174m of the overspend relates to <b>Looked After Children</b>. The number of children in care at year end was 274 which reflected around 40 additional placements above the average throughout last year. £0.934m of the overspend relates to Social Work and the additional cost of agency staff due to ongoing vacancy levels, increased numbers of assessments and care proceedings.</p>	+1.975 [Reduced Overspend]	
<p><b><u>Learning &amp; Achievement</u></b></p> <p><b>Specialist Education</b> – the provision of additional special placements for children and young people demonstrating higher end behavioural, emotional and social difficulties and autistic spectrum disorder need and meeting the needs of educational statemented children.</p>	+0.580 [Increased overspend]	

<p><b>One off Balances and Other Variations across all CYP Service Delivery Units</b> – A total benefit of £1.604m has been identified towards the Service Delivery Unit overspends. This is a combination of £1.194m flexible use of grant income and £0.410m from other underspends.</p>	<p>-1.604 [Increased benefit]</p>	
<p><b><u>Property &amp; Design</u></b></p> <p><b>Asset &amp; Property Management</b> – a shortfall in PIP rental income due to a high level of void properties and other PIP costs; an impact of the recession. The service is actively trying to increase occupancy levels</p> <p>Use of one-off balances towards rental shortfall</p> <p><b><u>Planning &amp; Transport</u></b></p> <p><b>Planning Fees</b> – shortfall in planning fees due to a downturn in the economy.</p> <p>Use of previous years trading surplus and vacancy management.</p> <p><b>Public Inquiries</b> – inquiry into the planning application for opencast mining in Lawley giving rise to £0.283m overspend. There is a further inquiry highlighted relating to Granville Incinerator with legal costs of £0.090m falling in 2009/10; costs associated with any appeal will fall in 2010/11.</p> <p><b>Landfill costs</b> – benefits from increased recycling and diversion from landfill.</p>	<p>+0.961 [Marginally lower Overspend]</p> <p>-0.461 [increased benefit]</p> <p>+0.276 [Reduced overspend]</p> <p>-0.276 [Increased benefit]</p> <p>+0.373 [Increased overspend]</p> <p>-0.289 [Increased benefit]</p>	     
<p><b><u>Environmental Services</u></b></p> <p><b>Concessionary Travel</b> – benefit of £0.116m due to lower take-up than budgeted.</p> <p><b>Street Lighting energy costs</b> - £0.180m overspend</p>	<p>-0.116 [Increased benefit]</p> <p>+0.180 [Increased overspend]</p>	 

<p><b>Winter Maintenance</b> - £0.268m overspend arising from the adverse weather conditions</p>	<p>+0.268 [Increased overspend]</p>	
<p><b><u>Adult Social Care (Delivery)</u></b></p> <p><b>Mental Health</b> – Staff vacancies and purchasing underspends from reduced number of supported clients have resulted in underspends during the year.</p> <p><b>Substance Misuse</b> – Staff vacancies and consistently reduced care costs have resulted in underspends during the year</p>	<p>-0.142 [Reduced underspend]</p> <p>-0.117 [Increased underspend]</p>	  
<p><b><u>Adult Social Care Commissioning</u></b></p> <p><b>Supporting People</b> – being used to offset pressures across Adult Social Care purchasing.</p>	<p>-0.143 [Reduced benefit]</p>	
<p><b><u>ICT &amp; Procurement</u></b> – Overall underspend arising from vacant posts which are part of the 2010/11 savings strategy.</p>	<p>-0.289 [Increased benefit]</p>	
<p><b><u>Treasury</u></b> – benefits from restructuring undertaken earlier in the year, the impact of cash flow and the changed regulations for calculating MRP have given rise to a projected underspend of £1.367m for 2009/10, after the £0.400m virement to Children &amp; Families.</p>	<p>-1.367 [increased benefit]</p>	
<p><b>Council Tax/Housing Benefit Subsidy</b> – benefit subsidy higher than budgeted i.e. less subsidy lost due to reduced use of expensive B&amp;B as temporary accommodation.</p>	<p>-0.292 [increased benefit]</p>	

## 6.0 Reserves & Balances

- 6.1 The main General and Special Fund balances are £4.159m at 31<sup>st</sup> March 2010 prior to reviewing and rationalising other reserves as part of the continuing closedown work. 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 position on the main General, Special Fund and Service Balances is:

	Corporate £m	Service £m	Total £m
Balances at 1 <sup>st</sup> April 2009	<b>7.041</b>	<b>1.284</b>	<b>8.325</b>
In year service adjustments		-0.023	-0.023
Use of Balances: General balances	-0.950		-0.950
One Off Initiatives & Contingency	-1.946		-1.946
Outturn Position against budget	+0.014	+0.318	+0.332
<b>Balances at 31<sup>st</sup> March 2010</b>	<b>4.159</b>	<b>1.579</b>	<b>5.738</b>

7.0 **2009/10 CAPITAL PROGRAMME**

The capital programme for 2009/10 was £79.811m (including new allocations detailed in Appendix IV); spend at year end totalled **£45.168m**. There were delays to the commencement of some schemes in 09/10, giving a year end variation of **£34.643m**, but all main projects are now underway and rigorous progress monitoring arrangements in place.

Priority Area	2009/10 Approved Budget £m	2009/10 Expenditure £m	%	Variation £m
Adult Care & Support	1.504	0.415	27.6	-1.089
Active Lifestyles – Leisure & Culture	1.353	<b>0.271</b>	<b>20.0</b>	<b>-1.082</b>
Housing, Regeneration & Prosperity	29.498	11.719	39.7	-17.779
Children & Young People	24.777	16.244	65.6	-8.533
Environment & Rural Areas	12.843	<b>9.755</b>	<b>76.0</b>	<b>-3.088</b>
Community Protection & Cohesion	2.710	1.814	66.9	-0.896
An Efficient Community Focussed Council	7.126	<b>4.950</b>	<b>69.5</b>	<b>-2.176</b>
<b>Total</b>	<b>79.811</b>	<b>45.168</b>	<b>56.6</b>	<b>-34.643</b>

7.1 The main reasons for scheme delays/slippage to 2010/11 are shown below with detail included in Appendix IV :

	Year End Variation £m
Funding negotiations caused delays to the project commencement; projects are now underway and due for completion in 10/11 Building Schools for the Future; Regeneration Schemes (Sutton Hill / Brookside/ Woodside); Tennis Centre; Town Centre; Civic Offices	11.184
New/Improved Schools – some delays experienced during the early stages of schemes; work now underway and opening dates will be as planned Lightmoor Primary; Lawley Primary; Windmill Primary; Wrekin View Childrens' Centre; Newport Girls High School	2.445
Late notification of grant received therefore spend re-profiled into 2010/11	0.368
Downing House – project complete, apart from retentions, and showing £0.46m underspend.	0.460
Additional public consultation, refining programme details and contract negotiations: BTI - Dawley, Newport, Wellington, Ironbridge, Oakengates, Hadley Integrated Transport & Highways New technology	4.881
Housing The main slippage is against the original New Growth Point funding programme due to ensuring the funding was linked to the Local Investment Plan and the proposed launch for the Market Engagement Fund element.	4.737
The discovery of great-crested newts delayed the start of works in relation to Stoneyhill	0.727
Play Areas and Parks – prolonged adverse weather caused delays in the programme of works	1.153
Reductions to the amount of external grant received and review of the specification together with some slippage into 2010/11 in relation to the Railfreight project.	0.872

## 8.0 TREASURY UPDATE

The Council's treasury management position at the beginning and end of the year is as follows: -

	<b>31 March 2009</b>	<b>31 March 2010</b>
	<b>Principal</b>	<b>Principal</b>
	<b>£m</b>	<b>£m</b>
Fixed Rate Borrowing	125.024	123.024
Variable Rate Borrowing	64.099	0.000
<b>Total Debt</b>	<b>189.123</b>	<b>123.024</b>
Investments - in-house	84.507	54.000
- with external managers	58.397	19.811
<b>Total Investments</b>	<b>142.904</b>	<b>73.811</b>
<b>Net Indebtedness</b>	<b>46.219</b>	<b>49.213</b>

At the end of the year there was a benefit of £1.367m from treasury activities, which was after the £0.4m transferred to Children & Families. This has arisen from a combination of the current low interest rates for short-term borrowing and the impact of cash flow during the year.

## 9.0 CORPORATE INCOME MONITORING

9.1 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.

### 9.2 **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 2009/10 was:

2009/10 Target	2009/10 Outturn	2009/10 Variance	2008/09 Outturn
97.2%	97.5%	+0.3%	97.7%

Council Tax collection was 0.3% ahead of the year end target which is pleasing given the economic climate; and 0.2% behind last years

outturn figure. Collection has followed the national trend experienced by other local authorities.

	Mar 2009	Mar 2010
No. of properties	67,926	68,432
Debit	£56,787,891	£57,564,090

Although there is an increase in the number of properties, this is less than we would have expected for the borough from previous projections.

### 9.3 NNDR-Business Rates

The % of business rates for 2009/10 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%.

2009/10 Target	2009/10 Outturn	2009/10 Variance	2008/9 Outturn
97.8%	98.2%	+0.4%	98.3%

NNDR collection ended the year ahead of target by 0.4%, and was only 0.1% behind last years collection.

	Mar 2009	Mar 2010
No. of properties	4,534	4,574
Debit	£62,812,601	£64,142,735

### 9.4 Sales Ledger

Recovery processes for other income due to the council vary between income billed by Social Services (circa £24m a year) and the rest, which is around £26m 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. Target are set relating cumulative debt outstanding from all years to the current annual debit:

Age of Debt	Target %	March 2010		
		£m	%	
2-6 months	2.5	0.61	2.31	0.19 Ahead of target
6-12 months	1.1	0.30	1.11	0.01 Behind target
Over 12 months	1.3	0.30	1.12	0.18 Ahead of target
Total	4.9	1.21	4.54	0.36 Ahead of target

Overall outstanding Sales Ledger debt is 0.36% inside target which equates to £1.2m uncollected debt on a rolling 12 month debt of £26m.

**Adult Social 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. Overall arrears are within target and a dedicated resource has been identified to continue to closely monitor and review this area.

Outstanding Debt	Target %	March 2010		
		£'000	%	
2 – 6 months	0.9%	303	1.3%	Outside target
7 – 12 months	0.6%	100	0.4%	Inside target
> 12 months	1.1%	117	0.5%	Inside target
<b>Total</b>	<b>2.6%</b>	<b>520</b>	<b>2.2%</b>	<b>Inside target</b>

## 10.0 **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

## 11.0 **BACKGROUND PAPERS**

2009/10 Budget Strategy / Financial Ledger reports

Report Prepared by: Ken Clarke, Head of Finance – 01952 383100;  
Pauline Harris, Corporate Finance Manager - 01952 383701