

Report To: Council

Date of Meeting: 10th July 2012

Lead Member / Officer: Cllr Julian Thompson-Hill

Report Author: Head of Finance and Assets

Title: Final Revenue Outturn 2011/12

1 What is the report about?

1.1 Cabinet has received regular monitoring reports throughout the financial year on the performance of expenditure against budget and savings agreed as part of the Medium Term Financial Plan. This report details the final position at financial year end and the proposed treatment of year-end balances. The first draft of the Annual Statement of Accounts for 2011/12 will be submitted to the external auditors on 30th June. The audited accounts will then be presented to the Audit Committee in September for formal approval.

2 What is the reason for making this report?

2.1 The Council's constitution requires full Council to approve the establishment, use of and contributions to, financial reserves.

3 What are the Recommendations?

3.1 That Council approves the final revenue outturn position for 2011/12

3.2 That Council approves the treatment of reserves and balances as detailed in this report

4 Report details

4.1 The overall financial outturn position for 2011/12 is an underspend against the approved budget which together with an increase in the yield from Council Tax strengthens the financial position of the Council. As a consequence it is possible to make recommendations for the transfer of funds to specific reserves that will continue to assist the Council in addressing the severe financial pressures of the next few years and will help to build capacity to deliver investment in schools in the future.

4.2 The final Revenue Outturn figures are detailed in Appendix 1. The final position on service and corporate budgets was an under spend of £1.6m. Expenditure on schools was £223k below the delegated budget.

4.3 The outturn position for services and corporate budgets was £603k higher than previously reported to Cabinet in March. The most significant movement is within School Improvement & Inclusion where the late determination of eligible expenditure within a number of grant schemes meant that expenditure

incurred during the year could be claimed and funded against grants. In addition, there was a reduction in specialist placement costs toward the end of the year. The impact of both of these issues was approximately £300k.

- 4.4 Toward the end of the financial year, there was a significant improvement in the position of the schools in financial difficulty which has contributed toward the overall improved position for schools. This has a direct impact on the in-year movement on school balances. Spending from schools delegated budgets was £223k less than the level of the overall LMS formula budgets and therefore school balances have increased by the same amount. Details of individual schools balances are shown in appendix 3. Total school balances are now £1.808m.
- 4.5 Services continue to be proactive in planning for savings for future years, and the financial impact of some of those proposals began to take affect toward the end of 2011/12. The council budgeted to make a contribution to balances of £300k which in keeping with previous reports is assumed in the final outturn position.
- 4.6 Further information regarding service outturn is as follows:

Business Planning & Performance – the majority of the under spend relates to the budget supporting the Cymorth grant. The council has a core budget supporting the grant funding which has begun to wind down and be replaced by Families First grant. The Project Management Team budget was also under spent as a result of recharging more costs than planned to projects.

The under spend in **Legal & Democratic Services** has arisen as savings planned for 2012/13 were delivered early.

Finance & Assets – the under spend includes £6k in Accountancy, £4k in Revenues & Benefits and £26k in Audit. The latter amount is earmarked to fund costs associated with the loss of external contracts in 2012/13. The Property budget was under spent by £105k which reflected reduced costs throughout the year and additional income generated through fees charged to projects. The Property budget includes the non-devolved repair and maintenance budget was under spent by £38k.

Highways & Infrastructure – achieved an under spend of £261k, which is in line with projections over the last quarter of the year. The position included overspends on highway maintenance budgets (£202k) but under spends on major project budgets (£144k), network management (£55k) and fleet management (£55k). Proposals to use the balance carried forward include revenue funding for the Foryd Harbour project, changing coin mechanisms on parking ticket machines (to accommodate new 5p and 10p coins) and funding costs relating to the Olympic Torch event.

Planning, Regeneration & Regulatory Services – the majority of the under spend reported (£100k) relates to the 2011/12 budget allocation for Town Plans/Closer to the Community schemes which it has been agreed will be rolled forward to 2012/13.

Adult Services – although the outturn is balanced, as part of the agreed budget strategy, uncommitted Supporting People grant funding of £100k. The Supporting People grant will be cut by 4% in 2012/13 and 2013/14 and 5% for each of the following three years. The remainder of the grant surplus has been transferred to the supporting people grant reserve (£713k) as part of the strategy agreed through the service challenge process to fund future pressures within adult social care – including the impact of capping charges for day care, increases to residential care fees and general increases in demand for services.

The small overspend in Leisure, **Libraries and Community Development** includes is an overspend on the Pavilion Theatre budget (£91k) though measures have been taken to ensure that this is rectified in 2012/13. The service inherited an £86k overspend on the Llangollen Pavilion budget in 2010/11 which this year achieved an under spend of £21k.

The under spend in **Strategic HR** is as a result of vacancies in Health & Safety and lower expenditure on training budgets.

The under spend in **Customer Services** includes savings on a number of vacant posts within the ICT and Customer Care budgets.

The under spend in **Environment** includes elements of savings in the 2012/13 Medium Term Plan being achieved ahead of schedule. Also, changes to agency workforce regulations during the year contributed to the saving.

The under spend on **Corporate** budgets has increased by £100k from the figure previously reported and is now £306k. The under spend is due to corporate expenditure on pension back-funding, bank charges and audit fees being lower than expected. The corporate budget line includes the budgeted contribution to reserves of £300k.

- 4.7 The position on the yield from **Council Tax** is impacted upon by an increase in the number of dwellings in the County, together with a very high level of tax collection (98% which is likely to be the highest in Wales). Assumptions when the budgets were set had taken account of a likely drop in collection rates as a result of the continuing difficult economic picture generally but the council still successfully maintained a high collection rate, which is a considerable achievement.
- 4.8 An assumption of the number of new properties was built into the calculation of the Council's Tax Base and used at Budget Setting time to calculate the level of Council Tax chargeable at Band D. This same assumption was used by Welsh Government to calculate the level of government funding through RSG for the year. A prudent approach was necessary as an overstated tax base would have resulted in reduced government funding.
- 4.9 As reported throughout the year, the final level of Council Tax yield was thought likely to exceed the original estimates used when setting the budget. The final yield is £351k (0.9%) higher than the original estimate and the Council therefore has a one off benefit.

- 4.10 Given the position overall within services, it is proposed at this stage that departments carry forward any net under spends in full to help deliver the 2012/13 budget strategy. Services will be required to outline in more detail how the balances brought forward will be used in 2012/13 in the Finance Report to Cabinet in July.
- 4.11 The final position means that the council has £600k one-off cash funding available. This is a significant achievement and the council must ensure that the funding is used in the most effective way. It is proposed that this be used to build cash reserves to contribute to the Modernising Education/21st Century Schools capital programme.
- 4.12 A number of other contributions to and from Reserves and Provisions have been allowed for within the accounts. These are detailed in Appendix 2 and will require approval by full Council. Movements to reserves not already highlighted include.

5 How does the decision contribute to the Corporate Priorities?

- 5.1 Effective management of the council's revenue and capital budgets and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities.

6 What will it cost and how will it affect other services?

- 6.1 The council's net revenue budget for 2011/12 was £175m. The final position excluding schools was a net under spend of £1.6m (0.9%). Included within this position is the impact of grant funding confirmed late in the financial year and the budgeted contribution to reserves. It is proposed that those services that achieved an under spend carry the net balance forward to 2012/13. The position within each service and intended use of balances will be reviewed early in 2012/13.

7 What consultations have been carried out?

- 7.1 The budget has been reported to cabinet throughout the year. Lead Cabinet Members have consulted on an ongoing basis with Heads of Service to agree necessary remedial action required to deliver the outturn position.

Chief Financial Officer Statement

- 7.4 The council has delivered significant revenue budgets savings of £6.4m in 2011/12 which is a considerable achievement. Services continue to be both prudent and effective in identifying savings going forward, some of which have had an impact in 2011/12. This along with the determination of some grant funding late in the year and an improved council tax yield has again delivered a strong budget performance.

The principle of maintaining a suitable level of un-earmarked general balances together with specific reserves and provisions for potential commitments or investments in capital is key to helping the Council deliver and improve services during a period of severe financial pressure. It is essential that good

budgetary control and financial planning continues to be applied to avoid the possibility of overspends in the current and future years, particularly in the light of the extremely tight budget settlements for the next few years.

The financial benefit the council has derived from excellent council tax collection rates this year and in previous years is likely to diminish from 2013/14 as changes to the council tax benefit system mean that more costs will pass from central government to the council and collection rates are likely to drop as eligibility rules change.

Members have asked previously for details of the position on individual school's balances at the end of the financial year. These are shown in Appendix 3.

8 What risks are there and is there anything we can do to reduce them?

- 8.1 The general economic position and the impact upon council services in the medium term remains challenging and it is therefore prudent that the council continues to maintain adequate reserves to meet the financial challenges ahead and to deliver the agreed budget strategy.

9 Power to make the Decision

- 9.1 Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.