

WIRRAL COUNCIL

CABINET - 20 JUNE 2007

REPORT OF THE DIRECTOR OF FINANCE

FINANCIAL OUT-TURN 2006/07

1. EXECUTIVE SUMMARY

- 1.1. A full review of the financial accounts has now been completed with a financial out-turn report due to be submitted to each relevant Overview and Scrutiny Committee. This report provides an overall comparison of the out-turn to the estimate for 2006/07 with an analysis of the major variations.

2. FINANCIAL IMPLICATIONS

2.1. General Fund Revenue Accounts 2006/07

- 2.1.1 Set out below is a table comparing estimated expenditure with the actual position for 2006/07. The Final Out-turn includes contributions to or from reserves and other accounting adjustments. The main variations are shown in section 2.2

	Current Estimate £000	Final Out-turn £000	Variation £000
Adult Social Services	77,532	78,014	482
Children & Young People	61,146	62,679	1,533
Corporate Services	6,397	5,866	-531
Finance	13,380	13,197	-183
Regeneration	33,603	31,008	-2,595
Technical Services	32,067	31,589	-478
Treasury Management	2,901	3,444	543
Merseytravel	23,332	23,332	0
TOTAL SERVICE EXPENDITURE	250,358	249,129	-1,229
Contribution to balances	1,041	2,228	1,187
LPSA reward grant	(1,827)	(1,785)	42
LABGI grant	(1,265)	(1,265)	0
Formula Grant amending report	(753)	(753)	0
TOTAL EXPENDITURE	247,554	247,554	0
INCOME			
Revenue Support Grant	21,181	21,181	0
National Non Domestic Rate	109,721	109,721	0
Council Tax Income	115,188	115,188	0

Collection Fund Surplus	1,464	1,464	0
TOTAL INCOME	247,554	247,554	0

	Current Estimate £000	Final Out-turn £000
STATEMENT OF BALANCES		
Balance as at 1 April 2006	1,423	1,767
Contribution from General Fund	1,041	2,228
Contribution from Other Reserves	7,771	7,484
Balance as at 31 March 2007	10,235	11,479

2.2. Analysis of Main Variations

2.2.1 Increases in capital charges relating to the revaluation of assets and the impact of deferred charges and Government grants deferred credit are offset by corresponding entries within the Treasury Management accounts. Similarly there has also been a £1.8 million adjustment relating to the abatement of the Private Finance Initiative unitary charge payment. In summary the departmental figures adjusted for these changes are :-

Department	Overspend £000	Underspend £000
Adult Social Services	593	
Children & Young People	716	
Corporate Services		94
Finance		183
Regeneration		236
Technical Services		1
Treasury Management		2,024
Overall underspend		1,229

2.2.2 The main departmental variations were :-

	Overspend £000	Underspend £000
Adult Social Services		
Community Care	5,003	
Staffing including agency costs	500	
Hired and Contracted Costs	500	
Health Income		4,166
Client Income		1,040
Provision of equipment		300
Children & Young People		
Foster Care Payments	1,052	
Children's Homes	620	
Lodging Allowances	215	
Children and Adolescent Mental Health	200	
Service Grant costs		

Premature Retirement Costs	134	
Legal Fees	107	
Family Centres and Surestart		887
Independent Residential Care		756
Corporate Services		
Coroner Service	114	
Change Management		151
Finance		
IT Project development costs	119	
Housing Benefits Administration		319
Regeneration		
Employee Savings from Implementation Team, Health and Trading Standards		217
Technical Services		
Car park income	264	
Traffic Management		168
Property		106
Treasury Management		
Financing costs including interest		1,484
Housing related activities		451

2.3 Adult Social Services

- 2.3.1 During the year the financial monitoring reports highlighted potential increases in expenditure with the projections of the Director of Adult Social Services subjected to scrutiny by Scrutiny Committees and the Cabinet. In determining the budget for 2007/08 the pressures experienced during 2006/07 were also recognised with an additional sum of £4.7 million being made available.
- 2.3.2 Overspending on social care resulted from a reduction in the attrition rate of people already receiving services. The numbers entering the service during 2006/07 were more or less in line with the forecasts, but the departure rate was far less than in previous years. Actions were put in place to either offset or partly offset the unavoidable care costs that were faced in 2006/07.

2.4 Children & Young People

- 2.4.1 During the year the financial monitoring reports highlighted potential increases in expenditure with the projections of the Director of Children's Services subjected to scrutiny by Scrutiny Committee and the Cabinet. A projected overspend of £0.65 million was reported to Cabinet on the 24 January 2007. This forecast was subsequently reduced to £0.45 million in March 2007.
- 2.4.2 The overspend was a result of increased Foster Care payments and additional Children's Homes costs. The increase in foster caring capacity and the impact of guidance issued by the Department for Education and Skills on minimum fostering allowances resulted in a £1.1million overspend on a budget of £4.7 million. This was partly offset by savings in independent residential care, with the numbers in the most expensive care reducing. There were also increased staffing costs in Children's Homes. A number of offsetting savings were made within the Family Centres and Sure Start.

2.5 Regeneration

2.5.1 During the year the financial monitoring reports highlighted potential increases in expenditure with the projections of the Director of Regeneration subjected to scrutiny by Scrutiny Committee and the Cabinet. The Department faced financial pressures within Cultural Services with increasing energy costs, income projected to be below that budgeted and difficulties delivering service re-engineering savings. The Cabinet agreed on 14 December 2006 to allocate additional resources of £1.9 million. As a consequence of this the service remained within the revised budget.

2.6 Treasury Management

2.6.1 The use of borrowing for 2006/07 to fund the capital programme was less than anticipated due to the slippage of expenditure and the consequent need to borrow. Also the Council successfully attracted additional grant funding and contained the Housing Market Renewal Initiative expenditure removing the need to use the resources Cabinet agreed could be brought forward from 2007/08. This combined with better cash flow management and the benefits of rising interest rates during 2006/07, the Council being a net investor, resulted in interest savings.

2.7 Statement of Balances

2.7.1 At 31 March 2007 the balances were £1.2 million higher than projected as a result of a net underspend during the financial year.

2.8 Collection Fund

2.8.1 The income of the Collection Fund was £187.4 million and the expenditure was £190.2 million:-

	£000
Wirral Precept	115,188
Police Precept	12,727
Fire and Rescue Precept	5,849
Business Rates	54,843
Adjustment to provision	(104)
Surplus distributed to billing and precepting authorities	<u>1,700</u>
	<u>190,203</u>

2.8.2 The deficit for the year of £ 2.8 million reduces the balance on the Collection Fund to a £0.6 million deficit at 31 March 2007. The movement on the Fund to a deficit position reflects changes during 2006/07 in the way that the single persons discount interacts with housing benefit payments. This was not known when setting collection rates with the change impacting upon virtually all local authorities and going back prior to 2006/07. A report to the Cabinet on 14 December 2006 highlighted this with General Fund resources being set aside in the Housing Benefits Reserve.

2.9 Provisions and Reserves

2.9.1. At 31 March 2007 the following provisions for bad debts were made within the General Fund:-

	£000
Sundry Debtors	1,590
Community Charge Summons Costs	669
Housing Benefit	<u>5,687</u>
Total	<u>7,946</u>

2.92 At 31 March 2007 the following provisions were made for bad debts within the Collection Fund:-

	£000
Council Tax	6,928
Business Rates	<u>965</u>
Total	<u>7,893</u>

2.9.3 In addition to providing for bad debts the Council maintains provisions and reserves to meet possible future liabilities. These are analysed in detail at Appendix 1 and 2 respectively.

2.10 Insurance Fund

2.10.1 The combined balance of the Insurance Fund and Reserve has been increased by £0.9 million to £ 18.3 million at 31 March 2007.

2.10.2 The balance on the Fund is partly invested externally and at 31 March 2007 the market value of this investment was £1.6 million which is £0.8 million more than the cost.

2.10.3 The Fund can advance up to £50,000 in interest free loans to departments. During the year £5,000 was repaid, leaving total outstanding loans of £ 4,000. At 31 March 2007 a total of £1 million was also available to promote risk management schemes.

2.11 Housing Revenue Account (HRA)

2.11.1 The Authority transferred its housing stock to Wirral Partnership Homes and Beechwood & Ballantyne Community Housing Association on 7 February 2005. The HRA has now been closed, with approval to close granted by the Department for Communities and Local Government effective from 27 March 2007. For further information a more detailed report is included on the agenda for this meeting.

2.11.2 The HRA balances have been transferred to a General Fund reserve and in line with the transfer agreement will be used to support the 'Deal In The Round' as agreed by Council on 24 January 2005. The HRA balance at 31 March 2007 was therefore nil.

2.11.3 The General Fund (Community Fund) Reserve has been established and stands at £8.8 million. This will be used, subject to Members approval of the report on the HRA, to extinguish the loan to Wirral Partnership Homes with the balance being paid over to the Community Fund.

2.12 **School Balances**

2.12.1 Under the Education Reform Act 1988 all primary, secondary, special and nursery schools now manage delegated budgets. At 31 March 2007 the balances held totalled £9.807 million which can only be used for schools' purposes and are not, therefore, available to support general expenditure.

3. **STAFFING IMPLICATIONS**

3.1. There are no specific implications arising out of this report.

4. **LOCAL MEMBER SUPPORT IMPLICATIONS**

4.1. There are no specific implications arising out of this report.

5. **LOCAL AGENDA 21 STATEMENT**

5.1. There are no specific implications arising out of this report.

6. **PLANNING IMPLICATIONS**

6.1. There are no specific implications arising out of this report.

7. **EQUAL OPPORTUNITIES IMPLICATIONS**

7.1. There are no specific implications arising out of this report.

8. **COMMUNITY SAFETY IMPLICATIONS**

8.1. There are no specific implications arising out of this report.

9. **HUMAN RIGHTS IMPLICATIONS**

9.1. There are no specific implications arising out of this report.

10. **RECOMMENDATIONS**

10.1. That:

- (1) the out-turn for the 2006/07 accounts be agreed;
- (2) the provisions be agreed; and
- (3) the reserves be agreed.

APPENDIX 1

GENERAL FUND PROVISIONS 2006/07

	£000
Clawback for Regeneration Schemes	571
Highways Maintenance	464
Match funding	225
Replacement wheelie bins	200
Local Pay Review Support costs	189
Merseyside Information Service	168
Local Development Framework	165
Other	<u>748</u>
Total General Fund provisions	<u>2,730</u>

Clawback for Regeneration Schemes

A number of refurbishment schemes have been undertaken which use a variety of Government grants. If any of the assets which have benefited from such grants are subsequently sold then the terms of the funding may require the grant to be repaid to Government.

Highways Maintenance

Required to fund specific works to be carried out on footways on housing estates as part of the overall risk management strategy.

Match funding

Required to match a series of commitments including artistic and cultural developments, golf events and the Hoylake and West Kirby Improvement Plan.

Replacement wheelie bins

To be used to fund the replacement of damaged or lost bins.

Local Pay Review Support costs

Required to cover the costs arising from the assessment and implementation of the local pay review that is currently underway.

Merseyside Information Service

To be used to cover costs arising from the winding up of this organisation. The provision will be used when the accounts for the service have been finalised.

Local Development Framework

A number of local development framework studies were approved by Cabinet on 15 March 2007. The implementation is due to commence in 2007/08.

APPENDIX 2

GENERAL FUND RESERVES 2006/07

	£000
School Balances	9,807
Housing Benefit and Council Tax Benefit System	9,367
Community Fund	8,771
Housing Benefit	6,800
PFI Revenue	4,705
Debt Restructuring and Financing	3,473
Supporting People Programme	2,342
IT Reserve	1,800
Former HRA Contingency	1,500
Wirral & North Wales Purchasing Organisation	600
Schools Contingency	561
Dedicated Schools Grant	527
Investment Strategy	409
Capital Schemes	395
Matching Fund	339
Sports Centre Cost Contingency	300
One Stop Shop IT Network	292
Wirral Home Improvement Agency	207
Tourism	201
Other	<u>4,091</u>
Total General Fund reserves	<u>56,487</u>

Schools Balances

The Reserves are earmarked for use by the schools and the balance consists of: -

	£000
Schools Underspending	10,682
Schools Overspending	(875)
Total	9,807

Housing Benefit and Council Tax System

There is an ongoing issue relating to the previous Housing Benefit Supporting People arrangements, a potential clawback of subsidy against recent years and a new integrated Housing Benefits and Council Tax IT system was implemented during 2006-07.

Community Fund

This reserve will be used to extinguish the loan to Wirral Partnership Homes with the balance being paid over to the Community Fund to finance housing improvement and regeneration schemes in Wirral.

Housing Benefit

The Council is able to claim subsidy for a substantial proportion of Housing and Council Tax Benefit payments made to eligible claimants. This involves the submission of annual claims to the Department for Work and Pensions (DWP) that are subject to audit by the Audit Commission.

The remaining long standing claims are to be finally settled with the DWP and the Council having agreed settlement this will occur in 2007/08.

Changes in the interpretation of legislation and subsidy arrangements for single person's discounts require adjustments to be made to prior years. The Council reserves the right to challenge the reasonableness of any calculations in respect of clawback.

PFI Revenue

A Government Grant supports the PFI Scheme and the Council has agreed that the surplus grant received in the early years should be carried forward to offset PFI costs in future years.

Debt Restructuring and Financing

To cover the premiums associated with the early repayment of debt, future interest rate increases and costs associated with the termination of leases.

Supporting People Programme

This reserve is from Supporting People Grant that has been received in previous years. It is to be spent in a number of initiatives which are currently being developed by the Regeneration Department with spending anticipated to take place in 2007/08 and 2008/09.

IT Reserve

To expand and develop the corporate ICT services.

Former HRA Contingency

Permission to close the HRA has been granted. There are a number of outstanding liabilities which may arise in later years. These include outstanding contract retentions and rechargeable jobs, unrealised income and potential insurance liabilities. In addition there may be unforeseen liabilities.

Wirral and North Wales Purchasing Organisation

The purchasing consortium is being dissolved and the Councils share of the final settlement of all outstanding liabilities is due to be paid in 2007/08

Schools Contingency

Created to cover formula errors that would have been unknown at the time schools budgets were set. Such adjustments may result in an additional budget being allocated from this reserve.

Dedicated Schools Grant

Contains Dedicated Schools Grant that was not spent in 2006/07 with the majority of this to be distributed in 2007/08.

Investment Strategy

To be used to implement a number of initiatives related to the development of the Investment Strategy and the Housing Market Renewal Initiative.

Capital Schemes

The majority of the Capital Schemes reserve is for PFI wiring within Schools.

Matching Fund

The aim is to provide funds for any special initiatives that may arise involving grants, which will need to be matched by the Authority.

Sports Centre Cost Contingency

This reserve has been established to fund a number of costs that the service may be faced with in the forth coming financial year.

One Stop Shop IT Network

To develop the Information Technology systems within the One Stop Shops.

Wirral Home Improvement Agency

From Government funding this reserve has been created to fund a non - profit making agency that helps the elderly, disabled and vulnerable remain in their own homes.

Tourism

To support the ERDF grant funded project 'Marketing Wirral for Tourism'.