

# WIRRAL COUNCIL

## CABINET

24 JUNE 2010

### REPORT OF THE DIRECTOR OF FINANCE

#### REVENUE OUT-TURN 2009/10

##### 1. EXECUTIVE SUMMARY

- 1.1. A full review of the financial accounts for 2009/10 has now been completed. This report provides an overall comparison of the out-turn against the estimate for 2009/10 and an analysis of the major variations together with details of the amounts held in reserves and provisions at 31 March 2010.

##### 2. FINANCIAL IMPLICATIONS

###### 2.1. General Fund Revenue Accounts 2009/10

- 2.1.1 Set out below is a table comparing estimated expenditure with the actual position for 2009/10. The final out-turn includes contributions to and from reserves and other accounting adjustments which are required in order to comply with the prescribed guidance, the Code of Practice on Local Authority Accounting and Reporting Standards.
- 2.1.2 An element of the variations results from the required adjustments and includes those due to the treatment of capital that are offset by a corresponding entry within the Treasury Management accounts. Similarly with any re-allocations of central support service and administrative buildings charges there is no overall impact upon the total Council expenditure. The variations detailed in section 2.3 exclude these adjustments and reflect the departmental budgets as reported to Cabinet throughout the year.

	Current Estimate £000	Final Out-turn £000	Variation £000
Adult Social Services	85,811	88,502	2,691
Children & Young People	78,494	70,705	(7,789)
Corporate Services	5,877	5,386	(491)
Finance	20,299	7,082	(13,217)
Law, HR and Asset Management	8,334	10,835	2,501
Regeneration	48,456	62,997	14,541
Technical Services	43,075	44,557	1,482
Merseytravel	26,305	26,305	-
Local Pay Review	1,044	1,044	-
Contribution from balances	(3,061)	(2,746)	315
LABGI grant	(200)	(233)	(33)

<b>LAA Reward Grant</b>	(1,400)	(1,400)	-
<b>TOTAL EXPENDITURE</b>	<b>313,034</b>	<b>313,034</b>	-

### **INCOME**

Revenue Support Grant	28,643	28,643	-
Area Based Grant	31,975	31,975	-
National Non Domestic Rate	124,094	124,094	-
Council Tax Income	129,009	129,009	-
Collection Fund Surplus	(687)	(687)	-
<b>TOTAL INCOME</b>	<b>313,034</b>	<b>313,034</b>	-

### **STATEMENT OF BALANCES**

	<b>Current Estimate £000</b>	<b>Final Out-turn £000</b>	-
Balance as at 1 April 2009	8,283	8,283	-
Contribution to General Fund	(3,061)	(2,746)	315
Contribution from Other Reserves	5,501	8,222	2,721
Balance as at 31 March 2010	10,723	13,759	3,036

## **2.2. Contribution from other Reserves**

- 2.2.1 The contributions include the sum of £2.5 million from the Insurance Fund following the completion of the fund accounts and a further payment of £0.2 million in respect of the recovery of VAT.

	<b>£000</b>
Fleming Case VAT Recovery	3,392
Insurance Fund	2,471
Housing Benefit	1,500
Other	<u>859</u>
Total Contributions from Other Reserves	<u>8,222</u>

## **2.3 Analysis of Main Variations**

- 2.3.1 After excluding the required accounting adjustments outlined earlier the departmental variations were:-

<b>Department</b>	<b>Overspend £000</b>	<b>Underspend £000</b>
Adult Social Services	2,438	-
Children & Young People	304	-
Corporate Services	-	30
Finance	-	3,779
Law, HR & Asset Management	-	261
Regeneration	276	-
Technical Services	737	-
<b>Overall Underspend</b>	<b>-</b>	<b>315</b>

2.3.2 The main departmental variations were :-

	Overspend £000	Underspend £000
<b>Adult Social Services</b>		
Non-Residential Care Charges	1,100	-
Residential and Nursing Care Charges	738	-
Staffing Costs	570	-
<b>Children &amp; Young People</b>		
Independent Residential Care	1,693	-
Fostercare, adoptions and lodgings	453	-
Instrumental Music Service	283	-
Home to School Transport	206	-
Use of Grants	-	1,874
Staffing and Training	-	420
<b>Corporate Services</b>		
No significant variations	-	-
<b>Finance</b>		
Bad Debts Provision	1,500	-
Housing Benefit Grant and Payments	-	2,960
Investment Income	-	1,185
Council Tax Collection	-	515
<b>Law, HR &amp; Asset Management</b>		
Audit Fees	-	324
<b>Regeneration</b>		
Income shortfall golf/sports centres	263	-
<b>Technical Services</b>		
Winter Maintenance	304	-
Car Parking including income shortfall	264	-

## 2.4 Adult Social Services

- 2.4.1 The department throughout the year reported pressures of £2.8 million within its budgets for Community Care and income from residential/non-residential care charges. The projected overspend was £2.5 million after taking into account specific cost reduction measures.
- 2.4.2 In line with this projection the final outturn was an overspend of £2.4 million. A contributing factor to this overspend has been the increasing number of older people with critical and substantial needs entering the service. There have also been additional pressures from the number of younger adults with complex disabilities moving into the service out of the education system.

- 2.4.3 A number of efficiencies were implemented during the year and residential nursing care contracts have been re-negotiated to realise further efficiencies in 2010/11.

## **2.5 Children & Young People**

- 2.5.1 Whilst significant financial pressures were reported through out the year these were to a large extent contained through slippage in the SureStart programme, reductions in Area Based Grant funded budgets and the use of stringent expenditure controls.
- 2.5.2 The provision of care services for children is a volatile area of the budget. As part of the 2009/10 budget additional resources were allocated to support the service and delivered improved outcomes for children. However, independent residential placements increased beyond that anticipated following the impact of the Baby P case. This reflected the national trend with the number of placements for the year exceeding the target and budget for 2009/10. The budgets for fostering and adoption have come under similar pressure.
- 2.5.3 Special Educational Needs transport costs exceeded the budget. The Instrumental Music Service faced increased staffing costs, although tuition charges were increased there has been a shortfall in income from charges to schools.
- 2.5.4 Budgets funded by Area Based Grant such as for Narrow the Gap and Extended Schools were top sliced to offset pressures elsewhere. Slippage in the Surestart programme, from higher than anticipated turnover in Children's Centres and delays in Phase 3 enabled the grant to fund expenditure on other children's priorities.

## **2.6 Corporate Services**

- 2.6.1 During the year financial monitoring reports highlighted no variations.

## **2.7 Finance**

- 2.7.1 Under Treasury Management the target for investment income was adjusted to reflect the economic downturn and low interest rates. However with close management and the settling of markets it has been possible to achieve a surplus of £1.2 million.
- 2.7.2 Cabinet on 14 January 2010 agreed to the transfer of £3.9 million of capital programme schemes to departmental revenue budgets. This was funded by a transfer of the budget for debt rescheduling and capital financing.
- 2.7.3 Improvements in respect of the administration and payment of Housing and Council Tax benefit to eligible recipients have continued to realise savings. This has in part been achieved through the use of a number of service access points, working with partners and improved processing technology. This approach offers the potential to make further savings in the coming years.

- 2.7.4 As in 2008/09 the continuing difficult financial climate is having an impact upon the ability of individuals to meet their financial obligations. In recognition of this the sums outstanding and due to the Council are at increased risk of not being met and this has required an increase in the provision for bad debts.

## **2.8. Law, HR and Asset Management**

- 2.7.5 During the year the pressures were from a shortfall of income from managed properties and abortive capital scheme costs being charged to revenue. Underspending in audit fees occurred and budget is now subject to further review. This compensated for pressures in other areas.

## **2.8 Regeneration**

- 2.8.1 The financial monitoring reports identified that the final spend would exceed the budget. This primarily resulted from a shortfall in the income generated in Cultural Services from golf courses and sports centres.
- 2.8.2 The 2009/10 budget included for the implications of the Strategic Asset Review and, in particular, the financial effects of a reduction in the number of libraries. This was subsequently amended by the revocation of the decision and the retention of the libraries thus ceasing the planned capital investment into the proposed Neighbourhood Centres.

## **2.9 Technical Services**

- 2.9.1 Monitoring reports identified difficulties meeting the income targets in respect of Car Parking operations and fee income from planning and development fees and architects fees through the effects of the recession. At the end of the year the main variation was in respect of car parking.
- 2.9.2 Due to adverse weather conditions winter maintenance overspent by £0.3 million. Cabinet on 4 February 2010 agreed to an additional budget allocation of £250,000 for emergency pothole repairs due to the extreme weather conditions experienced at the start of the year.

## **2.10 Local Pay Review**

- 2.11.1 The liability to the Council to meet the on-going costs of the implementation of the harmonisation and local pay review is being back-dated to 1 April 2007. Cabinet is regularly updated as to the latest position with the exercise expected to conclude during the 2010/11 financial year. In accordance with Accounting Standards, money has been set-aside in the 2009/10 accounts to meet these potential costs.

## **2.12 Statement of Balances**

2.12.1 At 31 March 2009 the balances were £8.3 million. When Council agreed the budget for 2009/10 the projections were for £10.7 million and so the out-turn of £13.7 million represents an increase of £3 million. This increase is detailed in the preceding sections of this report being due to the contribution to balances from the Insurance Fund of £2.5 million, additional money from the Fleming case VAT recovery of £0.2 million and a net underspending on the General Fund of £0.3 million.

## **2.13 Collection Fund**

2.13.1 The income of the Collection Fund was £211.9 million and the expenditure was £211.4 million:-

	<b>£000</b>
Wirral Precept	129,008
Police Precept	14,663
Fire and Rescue Precept	6,504
Business Rates	59,202
Adjustment to provision	<u>2,026</u>
	<b><u>211,403</u></b>

2.13.2 The surplus for the year of £0.5 million includes the recovery of the previous year deficit and results in a Collection Fund surplus of £0.1 million at 31 March 2010. In accordance with revised accounting practice the Wirral share of the surplus is included within the Income and Expenditure Account of the Authority.

## **2.14 Provisions and Reserves**

2.14.1. At 31 March 2010 the following provisions for bad debts were made within the General Fund:-

	<b>£000</b>
Sundry Debtors	4,676
Community Charge Summons Costs	676
Housing Benefit	<u>5,488</u>
Total	<b><u>10,840</u></b>

2.14.2 At 31 March 2010 the following provision was made for bad debts within the Collection Fund;-

	<b>£000</b>
Council Tax	6,693

2.14.3 In accordance with revised accounting practice, the Authority shows within its own accounts the element of Council bad debt and provision relating to its share of the total debt. Business Rates are now accounted for on an agency basis. There is therefore no provision for this in the Council accounts.

2.14.4 In addition to providing for bad debts the Council maintains provisions and reserves which are amounts set-aside to meet identified possible future liabilities. These are analysed in the Appendix.

## **2.15 Insurance Fund**

2.15.1 The Insurance Fund contributed a total of £2.5 million to the General Fund balance during the year. The combined balance of the Insurance Fund and Reserve has been decreased by £0.2 million to £18.1 million at 31 March 2010.

2.15.2 The Insurance Fund Annual Report is on the agenda for this meeting of the Cabinet.

## **2.16 School Balances**

2.16.1 Under the Education Reform Act 1988 all primary, secondary, special and nursery schools now manage delegated budgets. At 31 March 2010 the balances held totalled £8.4 million which can only be used for schools' purposes and are not, therefore, available to support general Council 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. BACKGROUND PAPERS**

- 10.1. Code of Practice on Local Authority Accounting in the UK – SORP 2009  
10.2. Capital Finance and Accounting Regulations 2009  
10.3. Accounts and Audit Regulations 2003.

**11. RECOMMENDATIONS**

- 11.1 That the revenue out-turn for 2009/10 be agreed.  
11.2 That the provisions and reserves be agreed.

IAN COLEMAN  
DIRECTOR OF FINANCE

FNCE/120/10

## APPENDIX

### GENERAL FUND PROVISIONS AS AT 31 MARCH 2010

	<b>£000</b>
Housing Benefit	3,153
Public Interest Disclosure Act (PIDA) –Supported Living	241
Empty Property	188
Match Funding	167
Local Development Framework	137
Local Area Agreement (LAA) Network Support	134
Merseyside Information Service	125
Highway Works	103
Other	517
	<u>4,765</u>

#### **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.

There are a number of outstanding claims issues requiring final settlement with the DWP. Changes in the interpretation of legislation and subsidy arrangements may require adjustments to be made to prior years. The Council reserves the right to challenge the reasonableness of any calculations in respect of claw-back.

#### **Public Interest Disclosure Act (PIDA) –Supported Living**

The Public Interest Disclosure Act report identified individuals within In-House Supported Living accommodation who had been overcharged for their care. A provision is required as repayment of these charges will be made in 2010-11.

#### **Empty Property**

This is required for the Council funding contribution to HOUSED improvements in Craven Street.

#### **Match Funding**

This is required to match a series of commitments including artistic and cultural developments, golf events and the Hoylake and West Kirby improvement plan.

#### **Local Development Framework**

This represents the sum remaining for the implementation of a number of studies that were approved by Cabinet on 15 March 2007 and have been programmed over forthcoming years.

#### **Local Area Agreement (LAA) Network Support**

This provision relates to sums set aside to fund the development of the Local Area Agreement. The provision will support both the Authority and voluntary network activities in delivering the Local Area Agreement.

**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 services have been finalised.

**Highways Works**

This is a contingency for the writing-off of irrecoverable debts that include rechargeable works, road reinstatements and outstanding debtors to the Operational Services Division.

## GENERAL FUND RESERVES AS AT 31 MARCH 2010

	£000
Housing Benefit	15,295
Working Neighbourhoods Fund	11,779
School Balances	8,427
Debt Restructuring and Financing	7,941
Local Pay Review	6,375
Connexions Partnership Pension	4,690
Minimum Revenue Provision	4,400
IT/Intranet	1,633
Supporting People Programme	1,632
Schools Capital Schemes	1,376
Former HRA Contingency	1,125
Group Repair	880
Strategic Asset Review	866
Dedicated Schools Grant	785
Schools Harmonisation	600
Private Finance Initiative Revenue	420
Heritage Fund	420
Automatic Meter Readers	415
Assistive Technology	400
Match Funding	395
Local Area Agreement Reward	380
Schools Contingency	370
One Stop Shop IT Network	349
Energy Investment – Street Lighting	310
Primary Care Trust – Physical Activities	300
Sports Centre contingency	300
Schools Service IT	294
Summer Term	280
Structural Maintenance	250
Home Adaptations	233
End of Life Care	210
Youth Service	209
Local Development	202
Contact Point	200
Other	<u>6,325</u>
Total Reserves	<u>80,066</u>

### Housing Benefit

There is an ongoing issue relating to the previous Housing Benefit Supporting People arrangements, the potential claw-back of subsidy against recent years and sums set-aside for the further development of the Integrated Benefits and Council Tax IT system.

### **Working Neighbourhoods Fund**

Working Wirral resources are used to commission activity to deliver the Investment Strategy priorities of tackling worklessness, improving skills levels and increasing enterprise, business growth and investment. The reserve represents the sums identified for the delivery of the programme which covers a number of years.

### **Schools Balances**

These reserves are earmarked for use purely by the schools. The balance consists of: -

	<b>£000</b>
Schools underspending	10,119
Schools overspending	<u>(1,691)</u>
Net Schools balances	<u>8,427</u>

### **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.

### **Local Pay Review**

The amount identified, and set-aside, to fund the costs of implementing proposals to harmonise and simplify working arrangements as well as meeting the requirements arising from the implementation of equal pay legislation.

### **Connexions Partnership Pension**

The Council, along with other Councils on Merseyside has agreed to commission Greater Merseyside Connexions Partnership for the delivery of information services to young people and provide a financial guarantee for the potential unfunded pension liabilities. The Partnership is an admitted body of the Merseyside Pension Fund and the Wirral share of the guarantee has been assessed as £4.690 million (apportioned on population across Merseyside).

### **Minimum Revenue Provision (MRP)**

The Capital Finance and Accounting Regulations 2008 introduced new methods for calculating the MRP. The reserve has been established to offset any resultant increase in costs.

### **IT/Intranet**

For the expansion and development of ICT services in the implementation of the programme agreed as part of the IT Strategy.

### **Supporting People Programme**

Permission has been granted from the Department for Communities and Local Government to retain any administration and specific programme grant for use in future years. This reserve is to be spent on a number of initiatives to support people in need to live in their own homes.

### **Schools Capital Schemes**

The reserve was set aside for the delivery and completion of capital schemes within schools.

**Former HRA Contingency**

There are a number of outstanding liabilities that may arise in later years relating to the former Housing Revenue Account. These include outstanding contract retentions, rechargeable jobs and potential insurance claims. The reserve also provides for any other unforeseen liabilities relating to the HRA that may arise in the future.

**Group Repair**

This sum relates primarily to funding towards the 'Triangles Property Renovation Scheme'. Residents and landlords also contribute to the cost of the works, with the balance being utilised to support future renovation schemes.

**Strategic Asset Review**

Reserve established to support the implementation of the strategic asset review and includes funding for items such as Guinea Gap and capacity building activities.

**Dedicated Schools Grant**

The additional Dedicated Schools Grant that was received less the 2009-10 overspend on the schools budget. This will be included in the 2010-11 formula distribution to schools.

**Schools Harmonisation**

To fund the potential costs associated with implementing Phase 2 of the local pay review which relates to those employees within schools.

**Private Finance Initiative (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.

**Heritage Fund**

To provide funding for individuals, associations and communities to enhance the recording, preservation and protection of the urban, maritime and rural heritage of Wirral.

**Automatic Meter Readers**

Reserve established to cover the running costs of installation and maintenance of automatic meter readers in Wirral schools. This initiative to introduce meters in 2010/11 is to assist schools in the implementation of the Carbon Reduction Commitment.

**Assistive Technology**

To cover the future costs of assistive technology to help people maintain their independence.

**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.

**Local Area Agreement Reward**

To fund agreed allocations of performance grant held by Wirral Council acting as the LAA accountable body. These will be paid to LAA partners in accordance with grant conditions.

**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.

**One Stop Shop IT Network**

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

**Energy Investment – Street Lighting**

This sum relates to the balance from a policy option to pilot the implementation of an energy efficient Street Lighting Programme in 2010-11.

**Primary Care Trust – Physical Activities**

Funding from the primary care trust for health related schemes. These will take place in Council sports centres and be organised by Sport Development.

**Sports Centre Contingency**

To assist in developing the programme for youth participation in sporting activities.

**Schools Service IT**

To support the service in the event of demands for IT support by schools changing in future years.

**Summer Term**

To cover the cost of advisory teachers in the summer term in the event of schools not deciding to purchase services.

**Structural Maintenance**

Funding agreed by Cabinet to support the 2010-11 Structural Maintenance programme.

**Home Adaptations**

To facilitate a programme of minor adaptations to improve standards of living.

**End of Life Care**

To support the training and education for staff, predominately domiciliary care staff, in end of life care.

**Youth Service**

This represents the balance of the assimilation costs of the Wirral Youth Theatre.

**Local Development**

To support the costs of forward planning over the next couple of years and includes the drafting of the local development framework. A proportion of this sum will fund capital expenditure.

**Contact Point**

The reserve is the carrying forward of part of the Standards Fund grant from 2007-08 to fund the future Contact Point programme.