

## WIRRAL COUNCIL

### CABINET

21 JUNE 2012

<b>SUBJECT</b>	<b>FINANCIAL OUT-TURN 2011/12</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>ACTING CHIEF FINANCE OFFICER</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR PHIL DAVIES</b>
<b>KEY DECISION</b>	<b>YES</b>

#### 1.0 EXECUTIVE SUMMARY

1.1 A full review of the financial accounts for 2011/12 has now been completed. This report provides a comparison of the Out-turn against the Estimate for 2011/12 and an analysis of the major variations together with details of the amounts held in reserves and provisions at 31 March 2012.

1.2 In respect of the General Fund the main headlines are:-

- a) For 2011/12 there was a net underspend of £3.9 million. 'One-off' savings within Treasury Management, Housing Benefit and on the Efficiency investment Budget more than offsetting the overspends which was primarily within Adult Social Services. As the Budget 2012/13 included for a net overspend of £2 million the year-end position shows an improvement of £5.9 million.
- b) The level of balances at 31 March 2012 increased by £2 million. This included £14.2 million transferred from reserves in the year with £7.8 million used to support the 2011/12 Budget and includes £4 million for the Council Tax Reimbursement for 2012/13 that now has to be accounted for in the 2011/12 financial year.
- c) The Councils provisions and reserves at 31 March 2012 were £13 million lower than a year earlier. This was essentially through the release and transfer of a number of provisions and reserves into General Fund balances.

#### 2.0 BACKGROUND AND KEY ISSUES

##### **General Fund Revenue Accounts 2011/12**

2.1 The table compares estimated expenditure with the actual position for 2011/12. 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.

2.2 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. This results in the large 'underspend' within Finance and accounts for a significant element of the 'overspends' within Children & Young People and Technical Services. 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 2.4 exclude these adjustments and reflect the departmental issues as reported to Cabinet throughout the year.

	<b>Current Estimate £000</b>	<b>Final Out-turn £000</b>	<b>Variation £000</b>
Adult Social Services	69,097	75,887	6,790
Children & Young People	74,477	88,551	14,074
Schools	190	176	(14)
Finance	26,061	(4,171)	(30,232)
Law, HR and Asset Management	15,839	16,584	745
Regeneration, Housing and Planning	24,822	24,143	(679)
Technical Services	63,179	68,787	5,608
Merseytravel	28,817	28,817	0
Local Pay Review	218	218	0
Departmental Overspends	2,000	In above	(2,000)
Council Tax Reimbursement	0	3,990	3,990
Contribution from balances	(9,688)	(7,970)	1,718
<b>TOTAL EXPENDITURE</b>	<b>295,012</b>	<b>295,012</b>	<b>0</b>

#### **INCOME**

Revenue Support Grant	37,498	37,498	0
Council Tax Freeze Grant	3,285	3,285	0
Local Support Grant	1,483	1,483	0
National Non Domestic Rate	121,312	121,312	0
Council Tax Income	131,434	131,434	0
<b>TOTAL INCOME</b>	<b>295,012</b>	<b>295,012</b>	<b>0</b>

	<b>Current Estimate £000</b>	<b>Final Out-turn £000</b>	<b>Variation £000</b>
<b>STATEMENT OF BALANCES</b>			
Balance as at 1 April 2011	14,070	14,070	0
Contribution to General Fund Budget	(9,688)	(7,970)	(1,718)
Contribution from Other Reserves	14,023	14,248	(225)
Balance as at 31 March 2012	18,405	20,348	(1,943)

## 2.3 Contribution from other Reserves

2.3.1 At the time of setting the Budget 2011/12 the expected level of balances were £6.9 million. A number of contributions to General Fund balances have been made as result of Cabinet decisions in this financial year. These are summarised below:

	<b>£000</b>
Financial Outturn 2010/11	1,000
Review of Reserves and Provisions	
Working Neighbourhoods Fund	3,312
Other Reserves and Provision	2,266
EVR/VS Provision	2,670
Housing Benefit	<u>5,000</u>
Total Contributions from Other Reserves	14,248

## 2.4 Analysis of Main Variations

2.4.1 After excluding the required accounting adjustments outlined earlier the departmental variations were;-

<b>Department</b>	<b>Overspend £m</b>	<b>Underspend £m</b>
Adult Social Services	5.9	-
Children & Young People	0.9	-
Finance	-	9.9
Law, HR & Asset Management	0.2	-
Regeneration, Housing and Planning	-	1.1
Technical Services	0.1	-
<b>Overall Underspend</b>		<b>3.8</b>

As part of the Budget 2012/13 provision was made in 2011/12 for a net overspend of £2 million:-

<b>Department</b>	<b>Overspend £m</b>	<b>Underspend £m</b>
Adult Social Services	5.9	-
Children & Young People	1.1	-
Finance	-	4.5
Regeneration, Housing and Planning	-	0.5
<b>Overall Overspend</b>	<b>2.0</b>	

The overall position is that there has been an improvement of £5.9 million though 'one-off' savings from Housing Benefits of £2.6 million, further savings from treasury management activities of £1.2 million, the under-use of the Efficiency Investment Budget of £1.5 million and savings within Regeneration, Housing and Planning of £0.6 million.

2.4.2 The main departmental variations were:-

	<b>Overspend £000</b>	<b>Underspend £000</b>
<b>Adult Social Services</b>		
Contracts / EVR savings not achieved	2,950	
Increased demand for care services	2,689	-
Community care shortfall	1,200	-
NHS winter pressures funding	-	1,133
<b>Children &amp; Young People</b>		
Social care - foster care and adoptions	4,180	-
Integrated transport	1,200	-
Children's centres income	-	1,200
School improvements	-	1,070
Early Intervention Grant	-	1,000
Control of general expenditure	-	906
<b>Finance</b>		
Treasury Management activities (net of increase in bad debt provision)	-	3,735
Efficiency Investment Fund	-	3,538
Housing Benefit grant and payments	-	2,655
<b>Law, HR &amp; Asset Management</b>		
Asset Savings not achieved	726	-
Staffing, legal and audit fees	-	516
<b>Regeneration, Housing and Planning</b>		
Planning income reduced	550	-
Next Generation Broadband	-	1,075
Control of general expenditure	-	450
<b>Technical Services</b>		
Crematorium and Golf income	440	-
Pacific and Floral Pavilion income	410	-
Car Parking including income	300	-
Austerity / Control Spend measures	-	685
Streetlighting	-	250

## 2.5 Adult Social Services

2.5.1 Throughout the year the Acting Director and Director reported the pressures in containing spend within the budget allocated and the final out-turn reflects those earlier projections.

2.5.2 During 2011/12 there have been underlying pressures of £2.6 million relating to increased demand particularly for older peoples services and learning disabilities. These have been partly offset by the receipt of the 'one-off' winter pressure funding that was allocated the Department of Health.

2.5.3 The delayed achievement of savings including those from the Early Voluntary Retirement / Voluntary Severance scheme and the market review (contract negotiations) of £3 million. Additionally there has also been a £1.2 million shortfall on community care services due to re-provision costs exceeded the sums that were allocated.

## **2.6 Children & Young People**

2.6.1 Throughout the year the department reported financial pressures within Social Care relating to residential care and foster care placements. The number of children in residential placements has exceeded the target and the number of foster allowances paid is greater than at the beginning of 2011/12.

2.6.2 The transport service continues to show increased costs within the areas of Special Educational Needs and vulnerable adults. Whilst these have been partially mitigated by identifying efficiencies such as re-routing journeys the end position shoed as £1.2 million overspend.

2.6.3 In order to offset the increased costs the opportunity was taken to re-align grant funding to meet Council priorities such as for Early Intervention Grant. In addition Children's Centre income targets have been exceeded over a number of years and the accumulated surplus was used to meet the costs.

## **2.7 Finance**

2.7.1 The Efficiency Investment Budget was used to fund a number of specific items including the Early Voluntary Retirement / Voluntary Severance scheme re-provision costs (£1.8 million). As part of the Budget 2012/13 it was agreed that £2 million would be allocated in 2011/12 to fund potential departmental overspends. At the year-end the residual amount of £1.5 million remained unused.

2.7.2 Treasury Management activity including management of the Council's cash flow and funding of the capital programme has resulted in savings. After setting aside additional sums for potential bad debts arising from the current economic position there was a net underspend of £3.7 million. Of this sum £2.5 million was reported and included as a saving within 2011/12 as part of the Estimates 2012/13. The Treasury Management Annual Report 2011/12 is on this agenda.

2.7.3 As with previous years improvements in respect of the administration and payment of Housing and Council Tax benefit to eligible recipients have continued to realise savings. This approach continues to offer the potential for further savings in future years.

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

2.8.1 The transfer and disposal of assets plus the rationalisation of office accommodation and facilities management have been the subjects of a number of reports to Cabinet. This has delayed the achievement of savings and this shortfall has been partly met by 'one-off' savings on the costs of democracy, audit fees and by expenditure controls.

## **2.9 Regeneration, Housing and Planning**

2.9.1 The decision to release the 2011/12 allocation for the Next Generation Broadband resulted in an underspend of £1.1 million which was incorporated within the projections for the year as reported in the Estimates 2012/13.

2.9.2 Planning and building control income was less than budgeted due to the ongoing economic conditions but a number of actions were taken within the department to control spending and mitigate this shortfall.

## **2.10 Technical Services**

2.10.1 Monitoring reports throughout the year identified difficulties meeting the income targets in respect of car parking, the Floral Pavilion / Pacific Road and golf courses. In order to contain overall spend within the budget allocated actions were taken to reduce departmental costs in a number of areas from the commencement of the year.

## **2.11 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. The exercise is now expected to conclude during the 2012/13 financial year. In accordance with Accounting Standards, money has been set-aside in the 2011/12 accounts to meet potential costs arising from this back-dating.

## **2.12 Council Tax Reimbursement**

2.12.1 On 1 March 2012 the Council agreed the Budget 2012/13 which included the reimbursement of £3.99 million to Council Taxpayers. As residents were notified of this in the Council Tax demands received in March 2012 this commitment is required to be included within the 2011/12 financial year.

2.12.2 The reimbursement is funded from General Fund balances. In order to account for this in 2011/12 a provision has been established to cover the commitment which has required the funding set aside from balances in 2012/13 to be brought forward to 2011/12.

## 2.13 Statement of Balances

2.13.1 At 1 April 2011 the balances were £15.1 million. When Council agreed the Budget 2011/12 the projections were for £6.9 million at 31 March 2012. This projection was revised to £18.4 when the Budget 2012/13 was agreed with £9.6 million of this sum used in setting the Budget 2012/13.

2.13.2 At 31 March 2012 the balances were £20.3 million. After the accounting adjustment for the Council tax reimbursement the final position for 2011/12 shows that balances are £5.9 million higher than expected – the reasons being detailed in the section 2.4.1. An updated Budget Projections for 2013/16 report will be presented to Cabinet on 19 July 2012.

## 2.14 Collection Fund

2.14.1 The income to the Fund was £218.2 million with expenditure of £216.9 million:-

	<b>£000</b>
Wirral Precept	131,434
Police Precept	15,336
Fire and civil Defence Precept	6,793
Business Rates	61,502
Adjustment to provision	<u>1,829</u>
	<b><u>216,894</u></b>

2.14.2 The surplus for 2011/12 of £1.3 million results in a Collection Fund surplus of £2.3 million at 31 March 2012. In accordance with accounting practice the Wirral share of the surplus is included within the Comprehensive Income and Expenditure Statement of the Authority.

## 2.15 Provisions and Reserves

2.15.1. At 31 March 2012 the following provisions for bad debts were made within the General Fund:-

	<b>£000</b>
Sundry Debtors	7,622
Summons Costs	635
Housing Benefit	<u>6,543</u>
Total	<b><u>14,800</u></b>

2.15.2 At 31 March 2012 the following provision was made for bad debts within the Collection Fund:-

	<b>£000</b>
Council Tax	8,572

2.15.3 In accordance with 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.

2.15.4 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.

## **2.16 Insurance Fund**

2.16.1 The combined balance of the Insurance Fund and Reserve has increased by £0.4 million to £15.7 million at 31 March 2012 with the Fund making a contribution of £0.2 million to General Fund balances in 2011/12.. The Insurance Fund Annual Report 2011/12 is on the agenda for this meeting.

## **2.17 School Balances**

2.17.1 Under the Education Reform Act 1988 all primary, secondary, special and nursery schools now manage delegated budgets. At 31 March 2012 the balances held by the schools totalled £11.7 million. These can only be used for schools' purposes and are not, therefore, available to support general Council expenditure.

## **3.0 RELEVANT RISKS**

3.1 There are none associated with this report which provides a summary of the Council's financial affairs for 2011/12 and the balances at 31 March 2012. The financial position is monitored throughout the year and is within the Performance and Financial Review reports presented to Cabinet each quarter.

## **4.0 OTHER OPTIONS CONSIDERED**

4.1 No other options were considered. There is a legal requirement to publish the Council financial accounts at the end of each financial year.

## **5.0 CONSULTATION**

5.1 This is an end of year report. Consultation takes place as part of the planning and implementation of the specific schemes within the Council Budget.

## **6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

6.1 There are none arising directly from this report. These would be considered as part of the planning and implementation of the specific schemes.

## **7.0 RESOURCE IMPLICATIONS**

7.1 The financial implications are within the Executive Summary and are detailed throughout this report.

7.2 There are no staffing, IT or asset implications arising directly from this report.

## **8.0 LEGAL IMPLICATIONS**

8.1 There is a legal requirement to publish the Statement of Accounts each year. This report provides an extract related to the revenue accounts and related balances, including sums held in reserves and provisions.

## **9.0 EQUALITIES IMPLICATIONS**

9.1 There are no implications arising from this report as it is a report on the overall financial affairs for the financial year. An Equality Impact Assessment (EIA) is not required.

## **10.0 CARBON REDUCTION IMPLICATIONS**

10.1 There are no implications arising directly from this report. These will be included within reports to Cabinet on individual schemes and included within the annual Carbon Budget report.

## **11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

11.1 There are no implications arising directly from this report.

## **12.0 RECOMMENDATIONS**

12.1 That the revenue out-turn for 2011/12 be agreed.

12.2 That the provisions and reserves be agreed.

## **13.0 REASON FOR RECOMMENDATIONS**

13.1 Local authorities have to produce an annual Statement of Accounts which demonstrates the financial performance of the Council for the year and the financial position at the end of that period. The Accounts must comply with the Code of Practice on Local Authority Accounting and Reporting Standards and the full Statement is approved by Audit & Risk Management Committee on behalf of the Council. This report informs Cabinet of the key elements.

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## **REFERENCE MATERIAL**

Code of Practice on Local Authority Accounting in the UK 2011/12 - CIPFA.  
Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 – as amended in subsequent years.  
Accounts and Audit Regulations 2003.

## **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Cabinet - Estimates 2010/11	22 February 2010
Cabinet - Revenue Out-turn 2009/10	24 June 2010
Cabinet - Estimates 2011/12	21 February 2011
Cabinet - Revenue Out-turn 2010/11	23 June 2011
Cabinet - Estimates 2012/13	21 February 2012

## APPENDIX

### GENERAL FUND PROVISIONS AS AT 31 MARCH 2012

	<b>£000</b>
Council Tax Refund Reimbursement	3,990
Working Neighbourhoods Fund	713
Land Charges	569
Carbon Reduction Commitment	488
You Decide	306
Other	<u>1,777</u>
	7,843

#### **Council Tax Refund Reimbursement**

Council Taxpayers were notified through the Council Tax demands for 2012/13 that were sent in March 2012 of the reimbursement. This provision is to fund the reimbursement.

#### **Working Neighbourhoods Fund**

There are a number of contractual commitments to schemes that the Fund supports. The provision contains the sums identified for the delivery of schemes to reduce worklessness, increase apprenticeships and award grants.

#### **Land Charges**

For claims for searches carried out in previous years and is to cover any Council liability for claims for income incorrectly charged in respect of searches.

#### **Carbon Reduction Commitment**

To fund the purchase of allowances from the Government in 2012/13 which relate to 2011/12 and therefore have to be included within the 2011/12 financial year.

#### **You Decide**

You Decide funding for Area Forums. Commitments to using this allocation have been made and this provision covers the funding of the actual activities and items that the Council has committed to implement.

## GENERAL FUND RESERVES AS AT 31 MARCH 2012

	<b>£000</b>
School Balances	11,767
Housing Benefit	11,155
Working Neighbourhoods Fund	7,960
Debt Restructuring and Financing	7,941
Minimum Revenue Provision	4,400
Community Fund Community Asset Transfer	3,301
IT/Intranet	3,161
Local Pay Review	2,641
One Stop Shop / Libraries IT Network	2,119
Supporting People Programme	1,505
Cosy Homes Insulation	1,244
School Harmonisation	1,241
Stay, Work, Learn Wise	908
Schools Capital Schemes	801
Matching Fund	558
20MPH Zones	550
Home Adaptations	537
West Wirral Schemes	530
Merseyside Information Service Termination Costs	500
ERDF Match Funding	500
Strategic Asset Review	495
Planned Preventative Maintenance	483
Heritage Fund	420
Schools Automatic Meter Readers	415
Childrens Workforce Development Council	399
Schools Contingency	370
Business Improvement Grant	342
Local Area Agreement Reward	322
Primary Care Trust – Physical Activities	300
Schools Service IT	294
Schools Summer Term	280
Homelessness Prevention	271
Schools Premature Retirement Costs	233
Group Repair	231
Energy Conservation	230
Vehicle Purchase	220
Road Surfacing	220
Street Lighting	210
Other Reserves	<u>8,904</u>
Total Reserves	<b>76,614</b>

### **Schools Balances**

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

	<b>£000</b>
Schools underspending	11,992
Schools overspending	<u>(225)</u>
Net Schools balances	<u>11,767</u>

### **Housing Benefit**

There is an ongoing issue relating to the previous Housing Benefit Supporting People arrangements, the potential claw-back of subsidy and sums set-aside for the further development of the integrating the supporting IT systems.

### **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.

### **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.

### **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.

### **Community Fund Community Asset Transfer**

The Community Fund grant has been allocated by Wirral Partnership Homes and this is the balance of the grant to implement the Community Fund Asset Transfer. After progress made in 2011/12, the funding is to be used by 31 March 2013.

### **IT/Intranet**

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

### **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.

### **One Stop Shop / Libraries IT Network**

To develop the Information Technology systems within the One Stop Shops and libraries as part of the provision of a more integrated service.

**Supporting People Programme**

Permission has been granted from the Department for Communities and Local Government (DCLG) 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.

**Cosy Homes Insulation**

To facilitate a programme of insulation in homes through out Wirral.

**Schools Harmonisation**

To fund the potential costs associated with implementing Phase 2 of the Local Pay Review which relates to those employees within schools.

**Stay, Work, Learn Wise**

The Stay, Work, Learn Wirral Wise grant may be required to be repaid.

**Schools Capital Schemes**

This is for the delivery and completion of capital schemes 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.

**20MPH Zones**

This has been set up to part fund a four year programme to provide 20mph speed limits in residential areas within Wirral.

**Home Adaptations**

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

**West Wirral Schemes**

To support regeneration schemes in West Kirby and Hoylake. The reserve is to be used as match funding for any capital schemes developed in the future.

**Merseyside Information Service**

This has been created to cover any further potential costs from the winding up of this organisation. It will be used when the accounts for the services have been finalised.

**ERDF Match Funding**

The authority has applied for European Regional Development funding over a 2 year period to support its Business Support Programme, aiming to promote and support new and existing businesses with a view to consolidating and expanding economic activity. Support from the European Regional Development Fund will be dependent upon match funding of 50% from the Authority.

**Strategic Asset Review**

Reserve established to support the implementation of the review and includes funding for Guinea Gap and capacity building activities.

**Planned Preventative Maintenance**

Fund held to complete a programme of planned preventative maintenance within the Law, HR and Asset Management department and at a number of libraries.

**Heritage Fund**

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

**Schools 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 over a three year period to assist schools in the implementation of the Carbon Reduction Commitment.

**Children's Workforce Development Council**

Income received in 2011/12 to fund training and supervision for newly qualified social workers. This will be used to fund the cost of training and supervising newly qualified social workers and to pay for agency cover if social workers are absent to go on training courses (Early Professional Development Scheme and Newly Qualified Social Workers Income) and will also be used to fund 2 posts (Social Work Improvement Fund).

**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.

**Business Improvement Grant**

Grants are awarded by a Business Support panel and are funded from a revenue budget. As at the 31 March 2012 grant awards totalling £342,010 were outstanding pending valid claims from the grantee. Such claims will be submitted and financially settled in the 2012/13 financial year.

**Local Area Agreement (LAA) 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.

**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.

**Schools Service IT**

The service is fully funded from schools contributions and this reserve supports the service in the event of changing demands for IT services from schools.

**Schools Summer Term**

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

**Homelessness Prevention**

The fund is used to offer loans to prevent repossessions and evictions.