

CABINET

13 JUNE 2013

SUBJECT	REVENUE OUT-TURN 2012/13
WARD/S AFFECTED	ALL
REPORT OF	INTERIM DIRECTOR OF RESOURCES
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR PHIL DAVIES
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

- 1.1 This report informs Cabinet of the Revenue Out-turn for 2012/13 including details of the reserves and provisions. At the time of preparing the report, this is work-in-progress and any updates will be advised before the meeting

2.0 RECOMMENDATIONS

- 2.1 a) That the Revenue Out-turn for 2012/13, which shows that balances have increased by £3.6 million due to the out-turn being £2.7 million below the projection at Month 11 and the release of £0.9 million of previously used Capital Reserves to General Fund balances, be noted.
- b) That the creation of the Redundancy Reserve of £5.5 million, previously identified as a cost for 2013/14, be agreed.

3.0 BACKGROUND AND KEY ISSUES**MONITORING 2012/13**

- 3.1 Throughout the financial year Cabinet have received updates in respect of Revenue Monitoring with these reports having been submitted monthly since September (when the Month 3 monitoring reports were considered). At that time the projected overspend was £17 million.
- 3.2 To increase available funds actions were taken to release an Earmarked Reserve that was no longer required, a Spending Freeze process was agreed on 6 September 2013. Further reviews were undertaken of the Reserves in order to release further sums to help address the financial shortfall.
- 3.3 To address concerns over the adequacy and accuracy of individual budgets a budget realignment exercise took place. Conducted on a departmental basis budgets were re-allocated to overspending areas from underspending areas.

- 3.4 The last monitoring report, for Month 11, considered by Cabinet on 18 April 2013, projected an overspend of £7.4 million. Since then work has been on-going in order to finalise the accounts for the financial year. The timescales for completion mean that there could potentially be further changes until the meeting of the Cabinet and Members will be advised accordingly.
- 3.5 The Budget for 2012/13 was agreed by Council on 1 March 2012 and any increase in the Budget has to be agreed by full Council. Changes to the budget since it was set and these are summarised in the table below. These comprise variations approved by Cabinet / Council including approved virements, budget realignments reflecting changes to the departmental structure and responsibilities, and expenditure freeze decisions, as well as any technical adjustments.

Table 1: 2012/13 Original & Revised Net Budget analysed by Department

	Original Net Budget	Approved Budget Virements Mths 1-11	Previous Freeze Decisions	Approved Budget Virements Month 12	Revised Net Budget
	£000	£000	£000	£000	£000
Adult Social Services	66,660	571	-85	-	67,146
Children & Young People	73,665	-195	-172	-	73,298
Finance	24,610	-2,424	-493	-	21,693
Law, HR & Asset Mgt	13,901	1,166	-54	-	15,013
Reg, Hsg & Planning	25,764	-768	-962	-	24,034
Technical Services	59,478	195	-526	-	59,147
Freeze Savings	-	-	2,292	-	2,292
Efficiency Fund	-	2,132	-	-	2,132
Net Cost of Services	264,078	677	0	0	264,755

- 3.6 Comparing Month 11 to the projected final position there were changes due to:-

Table 2: 2012/13 General Fund Budget variations by Department

	Revised Net Budget	Forecast Outturn Month 11	Under /Over Month 11	RAGBY Class	Under / Over Final	Change
	£000	£000	£000		£000	
Adult Social Services	67,146	78,540	11,400	R	11,400	-
Children & Young People	73,298	75,998	2,700	R	1,900	-800
Finance	21,693	17,544	-4,200	Y	-5,200	-1,000
Law, HR & Asset Mgt	15,013	16,246	1,200	R	1,600	+400
Reg, Hsg & Planning	24,034	23,053	-1,000	Y	-2,000	*-1,000
Technical Services	59,147	60,813	1,700	R	1,400	-300
Freeze Savings	2,292	-	-2,300	n/a	-2,300	-
Efficiency Fund	2,132	-	-2,100	n/a	-2,100	-
Net Cost of Services	264,755	272,194	7,400		4,700	-2,700

*whilst Regeneration, Housing and Planning reported an increased underspend the release of a similar sum from Reserves did not occur as the funds were deemed to still be required.

The reasons for the improvements were:-

- Children and Young People for reductions in foster care and agency costs
- Finance due to unspent sums relating to the Council Tax Reimbursement (£0.7 million) and savings on Housing Benefit and staffing costs.
- Regeneration, Housing and Planning due to underspending on tourism and support for Area Forums.
- Technical Services due to staffing and related savings.

Whilst the increased overspend was:-

- Law, HR and Asset Management due to premises related costs.

RAGBY REPORTING AND OTHER ISSUES

3.7 The Red and Yellow RAGBY issues that are the subject of corporate focus have been reported throughout the year. The main variations being:-

Table 3 : 2012/13 Analysis Of The Main Variations

Department	Description	Overspend £m	Underspend £m
Adult Social Services	Care Services	7.0	
	Market review / increase costs	2.6	
	Staffing (including Agency costs)	1.4	
Children & Young People	Care Services	3.0	
	Integrated Transport Unit	0.9	
	Connexions Service		0.9
	Planned maintenance / works		0.4
	Sure start / Children's Centres		0.4
Finance	Premature Retirement Costs		0.3
	Housing Benefit		2.0
	Treasury Management		1.7
	Staffing		0.9
Law, HR, Asset Mgt	Council Tax Reimbursement		0.7
	Savings not achieved		
	- Facilities management	0.9	
	- Business transformation	0.3	
	- Staffing - Terms & conditions	0.3	
Reg, Hsg & Planning	Premises - libraries and sports	0.5	
	Planned maintenance / works		0.8
	Area Forum – Grants		1.3
Technical Services	Supported Housing		0.5
	Highways income	1.1	
	Car parking income	0.6	
	Golf income	0.4	
	Street lighting		0.3
	Parks		0.3
Freeze Savings	Planned maintenance		0.3
	Staffing – Pay Award		0.6
	Empty Shops (policy option)		0.5
	Green economy (policy option)		0.5
	Libraries Book Fund		0.4
Efficiency Fund	Leisure Services		0.3
	Removal of revenue budget		2.1
Total - Main Variations		19.0	15.2

- 3.8 In respect of the variations in Table 3, the 2013/14 Budget included decisions to address those recurring variances which had not previously been addressed and those savings which were considered to be undeliverable.

LEVEL OF GENERAL FUND BALANCES

- 3.9 When setting the 2012/13 Budget the expected level of balances was £8.8 million. With the issues identified from the monitoring it became evident that this need not take into account the strategic, operational and financial risks facing the Council. Cabinet on 29 November 2012 agreed this risk-based approach and on 18 February 2013 confirmed that the level of balances be set at, or above, the locally determined figure.
- 3.10 When setting the Budget 2013/14 the projected balances were £23.8 million with £10.2 million used to support the Budget 2013/14 leaving balances of £13.6 million.
- 3.11 The out-turn shows the final figure to be £17.2 million which is in excess of the £13.6 million and is closer to the target figure for General Fund balances of £17.7 million for 2014/15.

Table 4: Summary of the General Fund balances

Details	£m	£m
Projected balance 31 March 2013 when setting the Budget 2012/13		+8.8
Add : Increase following completion of 2011/12 accounts	+2.0	
Add : Council Tax re-imburement met in 2011/12 rather than budgeted 2012/13	+3.9	+5.9
<i>Sub total</i>		+14.7
Less : Cabinet decisions since the 2012/13 Budget was agreed	-0.7	
Add : Cabinet decision September 6 to release Earmarked Reserve	+7.0	
Cabinet decision November 29 to release Earmarked Reserves	+10.5	+16.8
Less : Overspends for the year (includes Efficiency Fund removal)		-4.7
Add : Further release of reserves (see 3.12)	+8.2	
Add : Release of Capital Reserves (see 3.13)	+0.9	+9.1
Less ; Creation of Efficiency Fund Reserve	-2.0	
Less ; Creation of Redundancy Reserve (see 3.14)	-5.5	
Less : Transfer to provision for Bad Debts (see 3.17-3.19)	-1.0	-9.5
Projected balance 31 March 2013		27.4
Used in setting the Budget 2013/14		-10.2
Available balances 31 March 2013		17.2

- 3.12 The further release of reserves was primarily to meet the issues identified in respect of income that was deemed to be not collectable. The main reserve released was the Debt Restructuring and Refinancing Reserve of £7.9 million. Given the profile of the Council debt and the/ current market conditions this reserve is unlikely to be required so was returned to General Fund balances.
- 3.13 The release of the Capital Reserves is referred to in the Capital Out-turn report. Capital Receipts have been used to finance schemes that were funded from Capital Reserves enabling the £0.9 million of reserves to be released to General Fund balances.

- 3.14 The Council has agreed a Senior Management restructure and a number of Departmental restructures. Having taken these decisions, a commitment has been made which needs to be reflected in the 2012/13 Accounts and, at this stage, has been included as a Reserve. This assists with the Budget 2013/14 as the redundancy costs have been funded in 2012/13 which does not preclude any submission to Government for permission to capitalise this spend.

COLLECTION FUND

- 3.15 The Collection Fund was reported to Cabinet on 24 January 2013. The Estimate 2012/13 showed a deficit of £0.6 million for the year. The year-end position shows that a surplus of £0.2 million has been achieved.
- 3.16 The Collection Fund holds a surplus of £0.4 million at 31 March 2013. In accord with accounting requirements the Wirral share of the surplus is shown in the accounts and will, depending upon performance in 2013/14, be available for distribution in 2014/15.

PROVISIONS FOR BAD DEBTS

- 3.17 The position regarding Sundry Debts was referred to in the month 8 monitoring report. This involved an examination of the level of bad debt relating to income which has previously been included within the authority's accounts which had been assumed was collectable. At that time the release of Earmarked Reserves to cover this cost had been identified.
- 3.18 Reports were presented to Cabinet on 23 May 2013 which included the review undertaken by Mr Eugene Sullivan and the actions taken to reduce the level of outstanding debt within Adult Social Services. This identified that there was the potential to write-off significant sums for which provision has been made in the accounts. Once this work has been concluded those debts which are recommended to be written-off will be reported to Cabinet for approval.

3.19 Table 5 : Provision For Potential Bad Debts

	At 31 Marr 2012	At 31 Mar 2013
	£000	£000
General Fund		
Sundry Debtors	7,622	*10,900
Summons Costs	635	490
Housing Benefit	6,543	7,017
	14,800	18,407
Collection Fund		
Council Tax	5,303	7,498

* Increases in the provision were £3 million from Finance and £1 million from the allocation of reserves.

RESERVES

- 3.20 Details of the current level of the reserves and the movements during 2012/13 are shown in the Annex. As highlighted in Table 4 in excess of £26 million has been returned to General Fund balances during the financial year. This has contributed to the significant reduction in General Fund reserves from £86 million to £65 million.
- 3.21 Careful consideration was given to any proposals which increase earmarked reserves. Additional verification was required as part of the 2012/13 closure of accounts process to ensure that control of the revenue budget overspend continued to have the highest priority. The additions were primarily being due to compliance with external grant conditions and the delivery of schemes or projects which continued into 2013/14.
- 3.22 Under the Education Reform Act 1988 all primary, secondary, special and nursery schools manage delegated budgets. At 31 March 2013 the balances held by schools totalled £11.9 million and these can only be used for schools' purposes.
- 3.23 The balance of the Insurance Fund reserves was £7.8 million at 31 March 2013. During the year the Fund contributed £0.9 million to General Fund balances primarily through the impact of improved risk management in reducing property claims and the release of a fund for non-highway risk improvements.

4.0 RELEVANT RISKS

- 4.1 There are none associated with this report which provides a summary of the Council's financial affairs for 2012/13 and the balances at 31 March 2013.

5.0 OTHER OPTIONS CONSIDERED

- 5.1 No other options were considered. There is a legal requirement to publish the Statement of Accounts and agree the spend and financing at the end of the financial year.

6.0 CONSULTATION

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

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There are none arising directly from this report. These would be considered when planning and implementing specific schemes or projects.

8.0 RESOURCE IMPLICATIONS

8.1 The financial headlines are:-

- a) For 2012/13 the Revenue Out-turn shows an overspend of £4.7 million which is set out in sections 3.6 and 3.7.
- b) The Balances at 31 March 2013 are £17.2 million which is £3.6 million higher than was forecast when the Budget 2013/14 was agreed. This increased level of balances is closer to the target figure of £17.7 million required for 2014/15.
- c) During the year £26 million has been released from Earmarked Reserves. A Redundancy Reserve of £5.5 million has been created for costs which would have had to be found in the 2013/14 financial year.

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

9.0 LEGAL IMPLICATIONS

9.1 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 the period. The Accounts must apply with the Code Of Practice on Local Authority Accounting. There is a legal requirement to publish the Statement of Accounts each year.

10.0 EQUALITIES IMPLICATIONS

10.1 There are no implications arising directly from this report being a report on the overall financial affairs for the financial year just completed.

11.0 CARBON REDUCTION IMPLICATIONS

11.1 There are no implications arising directly from this report. These are included in reports to Cabinet on individual schemes and in the Carbon Budget report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are no implications arising directly from this report.

13.0 REASONS 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 the period. The full Statement is approved by Audit & Risk Management Committee on behalf of the Council. This report informs Cabinet of the key elements.

REPORT AUTHOR: Tom Sault
Head Of Financial Services
telephone: 0151 666 3407
email: tomsault@wirral.gov.uk

ANNEX

Annex Earmarked Reserves Statement 2012/13.

REFERENCE MATERIAL

Code Of Practice On Local Authority Accounting In The UK 2012/13 – CIPFA.
Local Government Act 2003 and subsequent amendments.
Local Government (Capital Finance and Accounting) Regulations 2008.
Accounts and Audit (England) Regulations 2011.

SUBJECT HISTORY

Council Meeting	Date
Cabinet – Estimates 2012/13	21 February 2012
Cabinet – Revenue Out-turn 2011/12	21 June 2012
Cabinet – Revenue Monitoring 2012/13	Monthly reports since September 2013

EARMARKED RESERVES STATEMENT 2012/13

Earmarked Reserves	Balance	Balance
	1 April 2012	31 March 2013
	£000	£000
Schools Balances	11,767	11,937
Housing Benefit	11,155	10,155
Insurance Fund	9,635	7,822
Working Neighbourhood Fund	7,959	761
Debt Restructuring	7,941	0
Minimum Revenue Provision	4,400	0
Community Fund Asset Transfer	3,301	2,146
Intranet Development	3,161	3,161
Local Pay Review	2,641	2,296
One Stop Shop/Libraries IT Networks	2,119	1,878
Supporting People Programme	1,505	996
Cosy Homes Insulation	1,244	*
School Harmonisation	1,241	668
Stay, Work, Learn Wise	908	908
Schools Capital Schemes	777	*
Matching Fund	558	0
20 MPH Zones	550	*
Home Adaptations	537	518
West Wirral Schemes	530	*
Merseyside Information Service	500	*
ERDF Match Funding	500	444
Strategic Asset Review	495	251
Planned Preventative Maintenance	483	463
Heritage Fund	420	*
Schools Automatic Meter Readers	415	415
Children's Workforce Development Council	399	559
Schools Contingency	370	370
Business Improvement Grant	342	342
Local Area Agreement Reward	322	322
Primary Care Trust Physical Activities	300	*
Schools Service IT	294	294
Schools Summer Term	280	*
Homeless Prevention	271	271
Redundancy Reserve	0	5,500
Efficiency Investment Fund	0	2,000
Worklessness Programme	0	1,084
Intensive Family Intervention Project	0	871
Apprentice Programme	0	546
Child Poverty	0	350
Other Reserves	8,928	7,574
Total Reserves	86,248	64,902

* denotes below £250,000 at 31 March 2013.