

WIRRAL COUNCIL

CABINET

7 JULY 2014

SUBJECT	REVENUE OUT-TURN 2013/14
WARD/S AFFECTED	ALL
REPORT OF	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 2013/14 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 BACKGROUND AND KEY ISSUES

MONITORING 2013/14

- 2.1 Throughout the financial year Cabinet have received updates in respect of Revenue Monitoring with these reports having been submitted monthly. After the significant changes the Council went through during 2012/13, the 2013/14 year has seen an increasingly favourable position being reported.
- 2.2 To increase available funds the spending freeze process agreed on 6 September 2012 was retained throughout the financial year whilst reviews were undertaken of reserves to release sums no longer required for their original purpose.
- 2.3 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.
- 2.4 The last monitoring report, for Month 10, considered by Cabinet on 13 March 2014, projected a gross General Fund overspend of £1 million. Of this sum Cabinet had previously agreed to earmark £0.5 million against Future Council restructuring costs and £0.25 million to replenish balances used following December's exceptional weather events. Since then work has continued in order to complete 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.

- 2.5 The Budget for 2013/14 was agreed by Council on 5 March 2013 with any increase in the Budget agreed by full Council. Changes to the Budget since it was set 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; any technical adjustments.

Table 1: 2013/14 Original & Revised Net Budget by Department (£000)

	Original Net Budget	Approved Budget Changes Prior Mths	Approved Budget Changes Month 10	Revised Net Budget
Chief Executive	8,240	-4,816	166	3,590
People - Adult Social Services	82,951	-190	308	83,069
People – Children & YP, & Schools	91,738	-6,776	-166	84,796
People – Asset Mgmt & Transport	-	5,534	-16	5,518
People – Safeguarding	685	1,396	-29	2,052
People – Sports and Recreation	8,904	-42	-83	8,779
Places - Environment & Regulation	79,651	39	-202	79,488
Places – Housing & Comm Safety	15,342	-551	-82	14,709
Places – Regeneration	5,134	-2,005	-81	3,048
Places - Directorate Support	-	200	-60	140
Places - Invest Strat & Bus Sup	-	1,936	-10	1,926
Transformation & Resources	12,424	5,275	-420	17,279
Corporate Growth & Savings	-3,252	-	675	-2,577
Net Cost of Services	301,817	0	0	301,817

- 2.6 Comparing the Out-turn to month 10 and the revised budget:-

Table 2: 2013/14 Projected / Actual Variations by Department (£000)

Directorates	Revised Budget	Forecast Outturn	Actual Outturn	(Under) Over Month 10	(Under) Over Actual
Chief Executive	3,590	3,519	3,490	(71)	(100)
People - Adult Social Services	83,069	82,069	82,103	(1,000)	(966)
People – Children & Schools	84,796	83,096	82,400	(1,700)	(2,396)
People – Asset Mgt & Transport	5,518	5,518	5,392	0	(126)
People – Safeguarding	2,052	2,167	2,104	115	52
People – Sports and Recreation	8,779	8,559	8,494	(220)	(285)
Places – Env & Regulation	79,488	79,118	77,694	(370)	(1,794)
Places – Housing & Com Safety	14,709	14,709	12,309	0	(2,400)
Places – Regeneration	3,048	3,048	3,013	0	(35)
Places - Directorate Support	140	140	-52	0	(192)
Places - Invest Strat & Bus Sup	1,926	1,926	1,651	0	(275)
Transformation & Resources	17,279	16,859	16,540	(420)	(739)
Corporate Growth & Savings	-2,577	-2,577	-1,717	0	860
TOTAL	301,817	298,151	293,421	(3,666)	(8,396)
Less : Adults/Children to Reserve	0	2,700	3,362	2,700	3,362
NET UNDERSPEND	301,817	300,851	296,783	(966)	(5,034)

2.7 The main variations between the Budget and the Out-turn are shown in the table below. This includes the variations with Adults and Children's Services.

Table 3 : Analysis of the Departmental Variations

Directorate	Description	Over £m	Under £m
Chief Executives	Employees due to vacancies in Performance and Policy Teams		0.1
People- Adult Social Services	Community Care Services	2.6	
	Additional Income and funding		3.3
People- Children	Surestart & Childrens Centres		0.8
	Connexions Service		0.4
	Universal Services		0.4
	Targeted Services reduction in commissioned services		0.4
Sports and Recreation	Additional net income		0.3
Regeneration and Environment	Supporting People Programme (early delivery of 2014/15 savings)		2.0
	Parks and Countryside reductions in operational costs		1.0
	Increased income in various areas		0.7
	Investment Strategy		0.5
Transformation and Resources	Treasury Management including Capital Financing		2.0
	Employees due to vacancies primarily within Libraries / Business Processes (part of 2014/15 savings)		0.9
	Summons Costs Charges	1.6	
Corporate Growth and Savings	Transforming Business Support and Agency Savings covered in Directorate Outturns	1.3	
	Unutilised Slippage funding		0.4

2.8 The Budget 2013/14 included funding to correct previously understated budgets which are being supported pending the delivery of savings 2013/16 i.e. a loan arrangement. It was agreed that any underspend in 2013/14 within Adults and Children's Services would be set-aside to offset any short-fall in savings delivered in 2014/15. At the conclusion of 2013/14 £3.4 million has been set aside in a Families & WellBeing Budget Stabilisation Reserve.

2.9 The net underspend at the year end has been transferred to the Remodelling Reserve to help deliver the Council Vision for 2016. The main underspends in Directorates have included the achievement of 2014/15 savings in 2013/14, additional income and less expenditure in a number of services as the culture of needing to save has become accepted across the Council.

LEVEL OF GENERAL FUND BALANCES

- 2.10 The level of balances is locally determined using a risk-based assessment which takes into account the strategic, operational and financial risks facing the Council. The approach confirmed by Cabinet on 29 November 2012 and on 18 February 2013 was with the level of balances being set at, or above, the locally determined figure.
- 2.11 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. In setting the Budget 2014/15 the projected balances were revised to £13.0 million for 2013/14 and £17.3 million for 2014/15.
- 2.12 The out-turn shows the final figure to be £17.2 million which is close to the target figure for General Fund balances of £17.3 million for 2014/15.

Table 4: Summary of the General Fund balances

Details	£m	£m
Projected balance 31 March 2013 when setting the Budget 2013/14		13.6
Add : Increase following completion of 2012/13 accounts		+3.6
		17.2
Add : Cabinet 12 February 2014 to release Earmarked Reserve	9.9	
Net underspend 2013/14	5.0	
Transformation Grant received	0.6	+15.5
		32.7
Less ; Cabinet 12 February 2014 to create Remodelling Reserve	-9.9	
Less : Additions to Remodelling Reserve	-5.6	-15.4
Actual Balance 31 March 2014		17.2

- 2.13 The review of reserves formed part of the Revenue Budget 2014/17 report to Cabinet on 12 February 2014. This enabled a £9.9 million Remodelling Reserve to be created in order to help deliver the Council Vision for 2016. This came from the reserves released by Directorates (£3.7 million) and the re-designation of the Budget Support (£4.2 million) and Local Pay (£2 million) reserves. To this was added the Central Government Transformation Grant and the revenue underspend with the Reserve used to meet the costs of redundancies in 2013/14. The Remodelling Reserve was £14.2 million at 31 March 2014.

COLLECTION FUND

- 2.14 A number of significant changes implemented from April 2013 impact upon the Collection Fund. These included the commencement of the business rates retention scheme and the abolition of the Council Tax Benefit System and replacement with Local Council Tax Support. Business Rates Retention replaced the pooling arrangement with guaranteed central pool income with a system which involves a level of increased risk, partially mitigated with a Government 'top up' payment for authorities such as Wirral with a low business rates tax base.

- 2.15 The Collection Fund held a deficit of £1.8 million at 31 March 2014. The Collection Fund comprises Council Tax and Business Rates balances which are apportioned separately in accordance with the relevant legislation for each income source. Whilst Council Tax generated a surplus there was a greater deficit within Business Rates. This was due to the requirement to set aside increased provision for potential future business rates appeals and the deficit is shared with Government. Overall this results in Wirral's share of the Collection Fund equating to a surplus of £0.152 million.

Table 5 : Collection Fund Balance As At 31 March 2014

	£000
Council Tax	2,449
Business Rates (NNDR)	-2,297
Net Surplus	152

- 2.16 In accord with accounting requirements, the Wirral share of the surplus is shown in the Council's accounts and will, depending upon performance in 2014/15, be available for distribution in 2015/16.

PROVISIONS FOR BAD DEBTS

- 2.17 During 20012/13 the Council engaged Mr Eugene Sullivan to undertake a review of the procedures for the recovery of debt and actions taken to reduce the level of outstanding debt within Adult Social Services. The report to Cabinet on 23 May 2013 identified that there was the potential to write-off significant sums for which increased provision was made in the Accounts for 2012/13. In 2013/14, following the review of debts a number of write offs have been actioned and procedures changed.
- 2.18 Details of the performance for 2013/14 are contained in the Collection Summary 2013/14 which refers to the improved collection performance, the reduction in the level of debts at the year-end and debts written-off in the year. Work is continuing in respect of the assessment of the recoverability of older debts.

Table 6 : Provision For Potential Bad Debts

	At 31 Mar 2013	At 31 Mar 2014
	£000	£000
General Fund		
Sundry Debtors	10,900	7,208
Summons Costs	490	506
Housing Benefit	7,017	7,837
Collection Fund		
Business Rates	-	1,635
Council Tax	7,498	11,217

RESERVES

- 2.19 Details of the current level of the reserves and the movements during 2013/14 are shown in the Annex. The earmarked reserves increased from £65 million at 31 March 2013 to £84 million at 31 March 2014.
- 2.20 Careful consideration was given to any proposals which increase earmarked reserves with additional verification required as part of the 2013/14 closure of accounts process. The increase in reserves reflects the transfer of the outturn underspend of £5 million, Insurance and taxation related funding, which includes Business Rates, of £6 million, Public Health specific grant funding of £2 million and Families and Well Being Stabilisation relating to the loan repayment of £4 million. A number of these transfers reflect decisions to build up a fund to support the remodelling the Council, to meet anticipated future financial risks or to compile with external grant conditions.
- 2.21 Under the Education Reform Act 1988 all primary, secondary, special and nursery schools manage delegated budgets. At 31 March 2014 the balances held by schools totalled £ 11.7 million (£11.9 million at 31 March 2013) and these can only be used for schools' purposes.
- 2.22 The balance of the Insurance Fund reserves was £9.1 million at 31 March 2014. The Fund increased due to the transfer of funding from the insurance provision following an actuarial review of the future liabilities and claims. Additional cover was provided for Environmental Warranties which enabled the release of sums which were held within the Magenta Living : Wirral Council Community Fund to the benefit of both organisations (see Cabinet 19 June 2014 and the Insurance Fund Annual Report 2013/14 to Audit & Risk Management Committee on 23 June 2014)..

3.0 RELEVANT RISKS

- 3.1 There are none associated with this report which provides a summary of the Council's financial affairs for 2013/14 and the balances at 31 March 2014.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 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.

5.0 CONSULTATION

- 5.1 This is an end of year report. Consultation takes places as part of the planning and implementation of 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 when planning and implementing specific schemes or projects.

7.0 RESOURCE IMPLICATIONS

7.1 The financial headlines are:-

- a) For 2013/14 the Revenue Out-turn shows an underspend of £5 million which is set out in sections 2.6 and 2.7.
- b) The Balances at 31 March 2014 are £17.2 million which is close to the level forecast when the Budget 2013/14 was agreed.
- c) The Earmarked Reserves now include a Remodelling Reserve which was £14.2 million at 31 March 2014 and has been created to meet the costs of delivering the Council Vision for 2016 including associated investment and redundancy costs.

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

8.0 LEGAL IMPLICATIONS

8.1 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.

9.0 EQUALITIES IMPLICATIONS

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

10.0 CARBON REDUCTION IMPLICATIONS

10.1 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.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are no implications arising directly from this report.

12.0 RECOMMENDATIONS

- 12.1
- a) The Revenue Out-turn for 2013/14, which shows an underspend of £5 million which is more favourable than the £1 million projected at Month 10 be noted.
 - b) The transfer of the underspend to the Re-Modelling Reserve be agreed.
 - c) The Reserves as detailed in the Annex be agreed.

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

Earmarked Reserves Statement 2013/14.

REFERENCE MATERIAL

CIPFA Code Of Practice On Local Authority Accounting In The UK 2013/14.
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 2013/14

Earmarked Reserves	Balance 31 Mar 13	Movement 2013/14	Balance 31 Mar 14
	£000	£000	£000
Remodelling	-	14,156	14,156
Schools Balances	11,936	(254)	11,682
Insurance Fund	7,821	1,330	9,151
Housing Benefit	10,155	(3,267)	6,888
IT Development	3,161	631	3,792
Families & Well Being Budget Stabilisation	-	3,431	3,431
Business Rates Equalisation	-	3,259	3,259
Public Health Outcomes	-	1,953	1,953
One Stop Shop/Libraries IT Networks	1,878	-	1,878
Budget Equalisation	-	1,860	1,860
Community Fund Asset Transfer	2,146	(615)	1,531
Dedicated Schools Grant	472	930	1,402
Efficiency Investment Rolling Fund	2,000	(711)	1,289
School Harmonisation	668	409	1,077
Business Rates Appeals	-	1,000	1,000
Stay, Work, Learn Wise	908	-	908
Supporting People Programme	1,105	(200)	905
Intensive Family Intervention Project	871	-	871
Working Neighbourhood Fund	760	-	760
Schools Capital Schemes	581	169	750
ERDF Match Funding	444	286	730
Support and Assistance to Public in Need	-	626	626
Schools - PFI Affordability Gap	-	600	600
Public Health - Information and Performance	-	564	564
Home Adaptations	518	(23)	495
Childrens Workforce Development Council	558	(89)	469
Schools Automatic Meter Readers	415	-	415
Schools Special Contingency	370	(2)	368
Social Worker Retention	-	349	349
Business Improvement Grant	342	(14)	328
Children Centre Nurseries	-	322	322
Parks & Countryside - PPM Reserve	-	311	311
Local Pay Review	2,296	(2,000)	296
Schools Service IT	294	-	294
Homeless Prevention	271	-	271
Child Poverty	350	(100)	250
Strategic Asset Review	366	(155)	211
Worklessness	1,085	(890)	195
Planned Preventative Maintenance	463	(290)	173
Apprentice Programmes 2 & 3	546	(386)	160
Budget Support	4,200	(4,200)	-
Other Reserves	7,796	(136)	7,660
	64,776	18,854	83,630

Summary of Earmarked Reserves

Generic Purpose of Earmarked Reserves	Balance 31 Mar 2014 £ million
To Support Service Activities and Projects	26.5
To Support the Councils Remodelling Programme	19.3
Mitigation of Future Risks: Insurance and Taxation	20.3
Schools Related	17.5
Total Earmarked Reserves	83.6