

# WIRRAL COUNCIL

## CABINET

25 JUNE 2009

### REPORT OF THE DIRECTOR OF FINANCE

#### REVENUE OUT-TURN 2008/09

##### 1. EXECUTIVE SUMMARY

1.1. A full review of the financial accounts for 2008/09 has now been completed. This report provides an overall comparison of the out-turn to the estimate for 2008/09 and an analysis of the major variations together with details of the reserves and provisions.

##### 2. FINANCIAL IMPLICATIONS

###### 2.1. General Fund Revenue Accounts 2008/09

2.1.1 Set out below is a table comparing estimated expenditure with the actual position for 2008/09. 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 charges there is no overall impact upon the total Council expenditure. The variations detailed in section 2.2 exclude these adjustments and reflect the departmental budgets 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	91,206	101,024	9,818
Children & Young People	75,746	82,344	6,598
Corporate Services	5,920	5,567	(353)
Finance	16,077	16,443	366
Law, HR and Asset Management	3,156	4,721	1,565
Regeneration	43,883	47,072	3,189
Technical Services	39,202	40,785	1,583
Treasury Management	3,848	(12,883)	(16,731)
Net Overspendings	1,400		(1,400)
Merseytravel	25,311	25,311	-
Local Pay Review	4,545	2,155	(2,390)

Contribution from balances	(9,351)	(11,571)	(2,220)
LABGI grant	(1,700)	(1,725)	(25)
<b>TOTAL EXPENDITURE</b>	<b>299,243</b>	<b>299,243</b>	-

#### INCOME

Revenue Support Grant	18,015	18,015	-
Area Based Grant	29,107	29,107	-
National Non Domestic Rate	129,413	129,413	-
Council Tax Income	123,217	123,217	-
Collection Fund Surplus	(509)	(509)	-
<b>TOTAL INCOME</b>	<b>299,243</b>	<b>299,243</b>	-

<b>Current Estimate</b>	<b>Final Out-turn</b>
<b>£000</b>	<b>£000</b>

#### STATEMENT OF BALANCES

Balance as at 1 April 2008	11,115	11,115
Contribution to General Fund	(9,351)	(11,571)
Contribution from Other Reserves	6,743	8,739
Balance as at 31 March 2009	8,507	8,283

## 2.2. Analysis of Main Variations

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

<b>Department</b>	<b>Overspend £000</b>	<b>Underspend £000</b>
Adult Social Services	5,751	
Children & Young People	443	
Corporate Services		18
Finance		742
Law, HR & Asset Management	49	
Regeneration	** 846	
Technical Services	841	
Treasury Management		2,834
<b>Overall Overspend</b>	<b>2,336</b>	

\*\* As per Cabinet on 10 December 2008 the Department released £230,000 of reserves which were agreed to partially offset this overspend.

2.2.2 The main departmental variations were :-

	<b>Overspend £000</b>	<b>Underspend £000</b>
<b>Adult Social Services</b>		
Community Care	2,000	-
PCT related debts cancelled	1,807	-
Non-residential charges	900	-
Efficiency savings delayed	662	-
Employees	212	-
<b>Children &amp; Young People</b>		
Independent Residential Care	579	-
Employees / Vacancy Control	486	-
Children's Homes	418	-
Transport (includes home-to-school)	381	-
Use of Grants	-	1,461
<b>Corporate Services</b>		
No significant variations	-	-
<b>Finance</b>		
IT Project Development	270	-
Housing Benefit Grant and Payments	-	889
<b>Law, HR &amp; Asset Management</b>		
No significant variations	-	-
<b>Regeneration</b>		
Service re-engineering	644	-
Income shortfall from golf and cemeteries	276	-
<b>Technical Services</b>		
Building Control / Land Charges income	731	-
Operational Services Division	368	-
Winter Maintenance	350	-
Highways Infrastructure Works	-	670
<b>Treasury Management</b>		
Increase in bad debts provision	1,100	-
Investment Income	-	2,200
Borrowing Costs	-	1,200
Capital Financing	-	400

## **Adult Social Services**

- 2.3.1 Regular reports throughout 2008/09 highlighted potential increases in expenditure with the projections of the Director of Adult Social Services subjected to Scrutiny by both Cabinet and the Overview and Scrutiny Committees. Cabinet on 28 May 2009 agreed to the cancellation of outstanding debts relating to Primary Care Trusts and these are charged against the department. The final level of overspend is in line with the revised projections.
- 2.3.2 The main pressure continues to be within community care where increased demand together with the impact of the contractual inflation rises both contributed towards the overspend. Actions have been taken as part of the 2009/10 budget to deliver savings in this area of activity.
- 2.3.3 A number of efficiencies were implemented during the year, such as staffing restructures, and consequentially the full benefits were not realised in 2008/09 but should be for 2009/10.
- 2.3.4 In terms of the anticipated improvements in non-residential charges the increased contributions from service users did not meet expectations. This was affected by the economic situation as contributions reflect property values and assessed income. The situation is being monitored in 2009/10.

## **2.4 Children & Young People**

- 2.4.1 The measures that were put in place by the Director during the financial year resulted in the projected overspend that was highlighted in June 2008 of around £3 million being largely contained. This was essentially achieved through directing a range of grants towards the pressure areas in order to obtain maximum benefit from the available resources.
- 2.4.2 The provision of care services for children is a volatile area of the budget. It was planned that the year would see a reduction in the numbers placed with the Authority. However, the impact of the Baby P case increased awareness and the planned managed reduction in placements did not materialise. The resultant impact was seen within the Independent residential care and Children's home budgets. As part of the 2009/10 budget additional resources were allocated to support the service.
- 2.4.3 The department faced an ambitious service re-engineering programme in the year which allied with the existing vacancy control targets was not fully achieved during the year. Whilst benefits will continue into 2009/10 this again presents a challenge in the new financial year.
- 2.4.4 Transport, and particularly home-to-school transport, was regularly identified as being under pressure to remain within the allocated budget. The impact of the rising demand, the volatility in the energy market and the need for employee support all contributed towards this overspend.

## **2.5 Corporate Services**

2.5.1 During the year financial monitoring reports highlighted no variations.

## **2.6 Finance**

2.6.1 The improvements in respect of the administration and payment of Housing and Council Tax benefit to eligible recipients continue. The increasing numbers of recipients and the improved systems and controls in place have increased the Government Grant.

2.6.2 The benefit process is supported through the increasing availability of access channels although the main access remains via the One Stop Shops. This, and the improved technology, which offers further reductions in administration costs has enabled savings to continue to be made.

2.6.3 The costs in respect of IT projects relate to a number of on-going areas of work which are primarily supporting the corporate systems and which have not been allocated as part of the support service recharges,

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

2.7.1 During the year the budget for this new department was established and the financial monitoring reports highlighted no variations.

## **2.8 Regeneration**

2.8.1 The financial monitoring reports identified that the final spend would exceed the budget allocated by £0.8 million primarily as a result of a shortfall in the achievement of the Service Re-engineering savings. Progression of these was an integral part of the Strategic Asset Review and the appropriate financial benefits were incorporated within the 2009/10 budget.

2.8.2 Income generation remains a key area within the Cultural Services budget and subject to external influences. The targets remain challenging and again proved difficult to achieve with income from the cemeteries and crematorium and golf courses being below target.

## **2.9 Technical Services**

2.9.1 Monitoring reports throughout the year identified shortfalls meeting the income targets in respect of Building Control and land charges. Cabinet agreed to a re-alignment of budgets and to additional resources being allocated for 2009/10.

- 2.9.2 In terms of highways maintenance the awarding of the new contract to an external contractor from April 2009 meant that the Operational Services Division would cease to exist at the end of the financial year. The Director sought to ensure that all issued work would be completed prior to the change and consequently if the works could not be completed the work was not programmed. Whilst this resulted in a deficit for Operational Services there was a compensatory saving within the Technical Services budget.
- 2.9.3 The increased costs in respect of winter maintenance were identified in time to address any potential overspend. In order to contain the spend as far as possible compensatory reductions were made in the highways, street lighting and coast protection programmes.

## **2.10 Treasury Management**

- 2.10.1 The benefits from improved Treasury Management activities were regularly updated in the monitoring reports. The annual report is included on this agenda.
- 2.10.2 The more effective management of cash flow reduced the need for temporary borrowing which realised a budget saving. With further controls exercised on borrowing, and the use of maturing investments to temporarily fund spend, savings were also made on interest payments. The Council has also benefited from the increased rates offered as a result of the turbulence on the financial markets. This represented a windfall for 2008/09 and the impact of the recession resulted in the budgeted expectations from this activity being reduced. With the implications of the Capital Finance and Accounting Regulations 2008 some of the savings have been set-aside for use in future years.
- 2.10.3 The financial climate is also 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.

## **2.11 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. Cabinet is regularly updated as to the latest position with the exercise expected to conclude during the 2009/10 financial year. In accordance with the accounting standards, money has been set-aside in the 2008/09 accounts.

## 2.12 Statement of Balances

2.12.1 At 31 March 2008 the balances were £11.1 million. When Council agreed the budget for 2008/09 the projections were for £8.5 million and so the out-turn of £8.3m shows a reduction of £0.2 million. This is due to the net overspending for the year including the cancellation of PCT debts which was partially offset by an additional contribution from the Insurance Fund.

## 2.13 Collection Fund

2.13.1 The income of the Collection Fund was £207.7 million and the expenditure was £206.7 million:-

	<b>£000</b>
Wirral Precept	123,217
Police Precept	13,928
Fire and Rescue Precept	6,247
Business Rates	62,299
Adjustment to provision	<u>998</u>
	<b><u>206,689</u></b>

2.13.2 The surplus for the year of £1 million includes the recovery of the previous year deficit and results in a Collection Fund deficit of £0.4 million at 31 March 2009. Cabinet in 2008 was advised of the Wirral Council share of the deficit and provision was made in the Council General Fund to meet this cost.

## 2.14 Provisions and Reserves

2.14.1. At 31 March 2009 the following provisions for bad debts were made within the General Fund:-

	£000
Sundry Debtors	3,108
Community Charge Summons Costs	645
Housing Benefit	<u>4,995</u>
Total	<b><u>8,748</u></b>

2.14.2 At 31 March 2009 the following provisions were made for bad debts within the Collection Fund:-

	£000
Council Tax	6,675
Business Rates	<u>2,012</u>
Total	<b><u>8,687</u></b>

2.14.3 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.

## **2.15 Insurance Fund**

2.15.1 The Insurance Fund contributed a total of £5.1 million to the General Fund balance during the year with the majority of this following the annual assessment of liabilities that was presented to Cabinet in July 2008. The combined balance of the Insurance Fund and Reserve has been decreased by £1 million to £18.3 million at 31 March 2009.

2.15.2 The balance on the Fund is partly invested externally and at 31 March 2009 the market value of this investment was £1.6 million which is £0.7 million more than the cost.

2.15.3 The Insurance Fund annual report is also on this agenda.

## **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 2009 the balances held totalled £9.2 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 2008

10.2. Capital Finance and Accounting Regulations 2008.

10.3. Accounts and Audit Regulations 2003.

11. **RECOMMENDATIONS**

11.1 That the revenue out-turn for 2008/09 be agreed.

11.2 That the provisions and reserves be agreed.

IAN COLEMAN  
DIRECTOR OF FINANCE

FNCE/198/09

## APPENDIX 1

### GENERAL FUND PROVISIONS AS AT 31 MARCH 2009

	<b>£000</b>
Housing Benefit	3,453
Collection Fund	691
Group Repair	532
Highway Works	352
Energy Investment	310
Strategic Asset Review	297
Highway Maintenance	237
You Decide	220
Local Area Agreement (LAA) Network Support	200
Replacement Wheelie Bins	200
Merseyside Information Service	182
Match Funding	167
Local Development Framework	160
Equal Pay Back Pay	150
Highway Maintenance Contract	146
Other	<u>1,192</u>
	<u>8,489</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 remaining longstanding 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.

#### **Collection Fund**

This sum was established during 2007/08 and has been set-aside to meet the Council share of the reported deficit on the Collection Fund.

#### **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.

#### **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.

**Energy Investment**

This sum relates to the balance from a policy option relating to energy efficiency measures which are anticipated to be completed during the 2009/10 financial year.

**Strategic Asset Review**

This provision relates to decommissioning costs and a review of administration buildings likely to be incurred relating to the implementation of the Strategic Asset Review.

**Highway Maintenance**

This provision has been set-aside to improve footpaths in, and around, housing estates as part of meeting the overall risk management strategy.

**You Decide**

This sum relates to amounts committed in relation to the participatory budgeting scheme introduced during 2008/09 and will be expended during 2009/10.

**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.

**Replacement Wheelie Bins**

This provision forms part of the overall strategy to replace wheelie bins as they become subject to deterioration.

**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.

**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.

**Equal Pay Back Pay**

The Authority has identified pay inequalities among its employees and back pay has subsequently been paid to individuals who have been treated unfairly. This provision represents the cost of those claims that have been settled after 31 March 2009.

**Highway Maintenance Contract**

To meet the costs associated with the tendering exercise for the highway maintenance (HESPE) contract.

## APPENDIX 2

### GENERAL FUND RESERVES AS AT 31 MARCH 2009

	<b>£000</b>
Housing Benefit	13,999
School Balances	9,350
Debt Restructuring and Financing	7,022
Working Neighbourhoods Fund	5,524
Local Pay Review	5,490
Minimum Revenue Provision	4,400
Schools Capital Schemes	4,211
Supporting People Programme	2,139
Public Finance Initiative Revenue	1,834
IT Reserve	1,683
Connexions Partnership Pension	1,380
Former HRA Contingency	1,148
Schools Contingency	570
Dedicated Schools Grant	419
Matching Fund	374
One Stop Shop IT Network	373
Heritage Fund	325
Primary Care Trust – Physical Activities	300
Schools Harmonisation	300
Sports Centre contingency	300
Summer Term Reserve	279
Home Adaptations	233
Children's Care Services Review	223
Schools Service IT Reserve	204
Contact Point	200
Other	<u>4,241</u>
Total Reserves	<u>66,521</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 that was implemented during 2006.

#### **Schools Balances**

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

	<b>£000</b>
Schools Underspending	10,589
Schools Overspending	<u>(1,239)</u>
	<u>(9,350)</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.

### **Working Neighbourhoods Fund**

Working Wirral resources to commission activity to deliver the Investment Strategy priorities of tackling worklessness, improving skills levels and increasing enterprise, business growth and investment. Significant requests for funding were received, requiring prioritisation of the applications which was finalised in October 2008.

### **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.

### **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.

### **Schools Capital Schemes**

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

### **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.

### **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.

### **IT Reserve**

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

### **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 £1.38m (apportioned on population across Merseyside).

**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.

**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. Also includes £200,000 for meeting 50% of the increased insurance costs to schools.

**Dedicated Schools Grant**

The additional Dedicated Schools Grant that was received less the 2007/08 overspend on the schools budget. This will be included in the 2009/10 formula distribution to 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.

**One Stop Shop IT Network**

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

**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.

**Primary Care Trust – Physical Activities**

Funding from the primary care trust for health related schemes that will occur in 2009/10. These will take place in Council sports centres and be organised by Sport Development.

**Schools Harmonisation**

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

**Sports Centres**

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

**Summer Term Reserve**

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

**Home Adaptations**

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

**Children's Care Services Review**

To fund costs of the review of Children's Social Care services as a result of the Baby P case. This involves a detailed review of all activity and aims to identify areas where improvement is needed to ensure that children in Wirral are fully protected.

**Schools Service IT**

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

**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.