

**Report to:** Cabinet

**Date:** 29th May 2008

**Subject:** Final Accounts 2007/08 - Summary of Provisional Revenue Outturn

**Report of:** Executive Director - Business Support Services

**Contact officer:** Steve Clegg Ext 2260

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**Purpose / summary:** To advise Members of the provisional spending position for 2007/08. Work to validate the figures and ensure compliance with statutory requirements and proper accounting practices is still proceeding.

**Alternative options considered and reason for selecting the one recommended:** Not appropriate

**Recommendation / decision:** To note the current position and consider the proposals to carry forward certain underspends into 2008/09.

**Key Decision:** This report does not involve a key decision.

**Risks / Implications:**

Financial: The report shows a provisional surplus for 2007/08 of £7.712m. As the Original Estimate was based on a deficit budget of £0.267m this equates to an improvement in balances of £7.979m. Of this £4.864m has been identified for potential carry forward.

Staffing: None specifically

Policy: None specifically

Equal Opportunities - Has a Not appropriate.

Diversity Impact Assessment been conducted?

Wards affected: None specifically

**Property Implications– Does the proposal involve a reduction, addition or change to the Council’s asset base or its occupation?**

No

**Does this proposal have significant implications for the Council and the local population?**

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

**Does this proposal involve a new policy or procedure or significant changes to an existing policy or procedure?**

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

Has the Director of Legal and Property Services confirmed that the recommendations within this report are lawful and comply with the Council’s Constitution? **Yes**

Has the Director of Finance and IT confirmed that any expenditure referred to within this report is consistent with the Council’s budget? **Yes**

Are any of the recommendations within this report contrary to the Policy Framework of the Council? **No**

**For Cabinet reports only :**

Categorisation of the report:	<b>X</b>
Discussion leading to a decision	<b>X</b>
Monitoring	
Sharing for corporate understanding	

	<b>X</b>
Discussion	<b>X</b>
Decision	
Information	

**Tracking/Process:**

	Consultation	Ward Members	Partners
Panel	Overview & Scrutiny	Cabinet	Council
		29 <sup>th</sup> May 2008	

There are no Background Papers to this Report within the meaning of Section 100D of the Local Government Act 1972.

Proper Officer David J Smith

Date 19<sup>th</sup> May 2008

## **1. Summary**

This report contains the provisional revenue outturn for 2007/08.

The original budgets were increased for automatic carry forwards and retention bids with funding coming from balances. These increases in budget have been taken into account in calculating the year end variations being reported here. The variation is still being validated but at this moment in time it has been assessed as £7.712m and the position shown across service areas in Appendix A.

An analysis of the major variations within the £7.712m has been extracted and this is listed in Appendix B. A potential amount of £4.864m has been identified for carry forward and details are included later in the report. Changes to the proposed carry forwards may emerge when the final figures are determined in June.

A comparison with the position predicted at the end of Quarter 3 has been done and an initial explanation of what has changed is provided in Appendix C. Finally the potential impact of the changes being reported here on the overall balances held by the Council has been shown in Appendix D.

## **2. Background**

The early closure of the accounts is seen as helpful with future budget planning and is essential to the stewardship of the Council's finances. That is the reason why this provisional revenue outturn report is produced.

However it has to be appreciated that the figures in it are not final. The position on provisions and reserves and internal recharges has not been agreed. The work to split the under/over spends between controllable/non-controllable within services is still continuing. The position on debtors and creditors and grants cannot be calculated yet. The statutory requirement to comply with proper accounting practices may also change the accounting treatment of certain items.

As soon as this essential validation work has been completed over the next few weeks and the comprehensive disclosure requirements met then the full Statement of Accounts will be submitted to the Audit Committee on the 26th June 2008

## **3. Provisional Outturn 2007/08**

The draft position across Panels is shown in Appendix A.

There are not expected to be any changes to the amounts of revenue support grant, national non-domestic rates, council tax and collection fund surplus anticipated when the 2007/08 budget was set.

Any changes to the planned use of reserves are still being considered. For instance the potential liabilities against the Insurance Fund have not been decided and the amount eventually determined to be a provision will impact on how much of the Insurance Fund is to be treated as Reserve.

#### 4. Proposed Carry Forwards 2007/08

	£'000	£'000
IT Investment Account	997	
Highways Maintenance	762	
Brighter Borough	518	
Twin (Township) Wards	82	
Disability Discrimination	47	
Unspent IT on CRM transferred to Leisure Trust	<u>18</u>	2,424
Unspent Budgets on Benefits Administration	300	
Underspend on Asset Management Salaries	192	
Unspent Set up Costs on Leigh sports Village	135	
Unspent IT on Terrier Computerisation	57	
Unspent Budget on Energy Management Software	<u>41</u>	725
Re-investment from Support Services Review		738
Waste Disposal – Purchase of Bins	489	
- Pilot on Bulky Waste	<u>135</u>	624
Investment in Building Schools for the Future		353
		<u>4,864</u>

The first six items amounting to £2.424m are all authorised by specific Committee minutes in previous years and in previous years have been treated as automatic carry forwards and added to budgets for the following year.

The next 5 items amounting to £0.725m have been reported as part of the budget setting process or budget monitoring process. There is a case for the unspent budgets on Benefits to be relocated into the IT Investment Account to fund replacement systems. The Asset Management underspend is being used to fund a centre manager for the JSC. The unspent budget for Leigh Sports Village of £0.135m that was set aside for set up costs as part of the 2007/08 budget approved by Cabinet is also proposed for carry forward. This can be added to the budget of £0.200m that was provided for when the 2008/09 estimates were approved. The remaining items are part of earmarked sums for schemes where part of the payment has slipped into 2008/09. The proposal is that these are added to budgets for the following year as this is consistent with previous decisions of Cabinet

The arrangements around the Support Services Review have also been reported to Cabinet previously. The amount of £0.738m included above is only an estimate as work to identify the potential savings during 2007/08 within the support services budgets held at the centre and within service departments is not yet completed. It is proposed that the estimated underspend on the support services once finalised is retained within balances for the time being until a clearer picture emerges as to how it is to be deployed to front line services after the one off transitional costs of implementation have been funded. Once this is determined then budgets in 2008/09 can be adjusted as necessary to reflect the anticipated deployment.

The savings on Waste Disposal during 2007/08 have been managed with the intention of them being used for Dry Recyclables and if required to help fund any roll out of the pilot on bulky waste. The savings remain to be finalised as do the costs of these schemes but indicative figures for the potential carry forwards for these projects have been included as an example of the sums that may be involved. The first assumption is that none of the current income budget of £0.135m for collecting bulky waste will be achievable in 2008/09. The second assumption is that the balance of any net savings on Waste Disposal will be available towards the purchase of bins in the event that the capital element of the Waste Performance and Efficiency Grant does not continue in 2008/09. There is already approved growth in the revenue budget to extend the Dry Recyclables scheme. The amount of this carry forward may change when the final figures for 2007/08 are determined.

In a previous Cabinet report it was agreed that Wigan would work with Salford to jointly procure a Local Education Partnership (LEP) and establish a time limited team to deliver the Building Schools for the Future (BSF) project. At that time the costs were estimated at £0.522m towards the LEP and £0.600m per annum for the BSF Team but these are under review. The suggested funding to meet these costs are underspends by CYPS in 2007-08, the pre Dedicated Schools Grant balances remaining from closed schools and the Positive Future Reserves when these have been transferred to the Council. Some costs have already been charged against the CYPS budget in 2007-08. After taking into account the sums available from other funding sources it has been calculated that £0.353m of the 2007/08 CYPS underspend will need to be carried forward and added to the CYPS budgets for the following year. Again the amount of this carry forward may change when the final figures for 2007/08 are determined.

Members are asked to consider these proposals and endorse the approach outlined here subject to finalisation of the actual figures over the next few weeks. The intention is to report final position on the carry forwards to Cabinet at the end of June along with the overall financial position and the changes in reserves.

## **5. Service Area Details**

As explained above it has not yet proved possible to properly split the controllable and non-controllable items and therefore only the major items within each service area have been identified and are listed in Appendix B. These are subject to final agreement and discussion with departmental staff and Executive Directors and the analysis is likely to change if the experience of previous years is repeated.

The Council has received Local Area Business Growth Incentive (LABGI) funding in 2007/08 of £0.527m that was not anticipated when the 2007/08 budget was approved. In addition the Council received £0.317m in 2006/07 that was taken to balances. As previously reported requests have been made for the Council to spend the "reward on business in the borough" - to promote future investment, creation of new jobs and to help new business and so in line with this policy the amount of £0.844m has been set aside from balances and been redirected into capital resources. The intention is for a further £1.388m of LABGI funding expected to be received in 2008/09 to be treated in the same way. This treatment is reflected in the Capital Programme report.

## 6. Support Services Review

The savings relating to employees working within the unified support services are still being identified and this work is running alongside the process to determine the final numbers of staff to be included within the unified functions. The indications from the service departments at present suggest there will no savings from Adults, around £138k from CYPS after recycling other savings into funding the BSF arrangements, and no savings from Environment after funding the call centre developments. The indications from the central departments suggest around £200k from Legal and Property after protecting the funds earmarked for the JSC and £400k from Finance and IT after allowing for additional investment in telecommunications and relocations. These figures should be viewed as very much indicative as some may be required to invest in the transforming and change agenda.

## 7. DSO Surpluses

These are listed in the Table below. The results are currently better than anticipated when the budget was set. As the bulk of the surpluses within Environment are generated internally further validation work is necessary to substantiate that the income is in alignment with the client side.

	Original	Adjusted	Provisional	Variation
	£'000	£'000	Outturn	£'000
			£'000	£'000
Metrofresh– Building Cleaning	-2	-2	-35	-33
Metrofresh – Catering	0	0	90	90
Other Street Cleaning	-44	-44	-81	-37
Refuse Collection	-31	-31	-193	-162
Highways	-85	-85	-85	0
Leigh Building Services	-20	10	-118	-128
	-182	-152	-422	-270
Transport	-114	-108	0**	108

\*\*The Transport surplus reported as £0 is after the transfer of a £0.253m surplus to the Transport reserve. This transfer of this surplus is in line with the previously approved policy whereby all surpluses and losses are retained by the Transport DSO to help fund future investment in vehicles.

The position on Metrofresh - Catering operation whilst a deficit is lower than previously forecast as pupil feeding numbers have begun to pick up again and some efficiencies have been made against certain expenditure heads. An improved surplus on Metrofresh - Building Cleaning operation has also been achieved.

The surplus on Refuse Collection and Other Cleaning contains the benefit from the buy back of bonus in previous years. It was agreed last year that if the General Fund budget is to remain in balance then the savings from any buy back costs need to be ring-fenced from DSO surpluses in future years. Expenditure of £0.330m was incurred on facilitating bonus removal in 2006/07.

After accounting for further buy out costs of £0.133m there is an increase on the budgeted surplus for the Total Cleansing DSO of £0.199m. However a budget saving of £0.114m from the Transport DSO has been passed onto the Cleansing DSO via reduced charges and this also needs to be taken into account. Once this is done there remains £0.085m to partly offset the buy back costs of £0.330m incurred in 2006/07 leaving £0.245m to be repaid to balances in future years.

The surplus shown against Leigh Building Services is what remains after allocating a proportion of the overall surplus to the HRA.

## **8. Comparison between Quarter 3 and Quarter 4**

The details of any significant variations identified to date are listed in Appendix C. It is likely that better information and explanation will emerge over the coming weeks and whilst a number of these were expected and referred to in the Quarter 3 report it was considered imprudent to anticipate them at the time.

The previously reported position on Adult Services has improved mainly as a result of £1.490m of additional money recovered from the PCT due to the retrospective changes in Continuing Care eligibility. Some individual cases date back to the 1990s and are for quite large amounts. This process is ongoing as cases are still being referred to the PCT for agreement and potential refund, although this work is now substantially complete. It was considered imprudent to anticipate all of this income at Quarter 3 until the funds had actually been received.

On Environmental Services there was no expectation at Quarter 3 that there would be an underspend on Highways Maintenance of £0.762m and this was not included in the predicted year end position at the time. It will be carried forward automatically in any event. The other budgets on landfill disposal, the rephasing of schemes and the outcome of the rental reviews are difficult to predict in advance. The slippage on the budgets being funded by Planning Delivery Grant was not anticipated at the time.

The loss of the YPO dividend was identified in the Quarter 3 report but as no decision had been taken not to pay it by the YPO then no amount was included in the predicted year end position. The benefits from the DSO's trading position were again referred to in the budget monitoring report but it was decided to not include these in the year end position until the trading position was established at the year end. The extra interest of £200k was impossible to predict given the on going fluctuations in interest rates received from Banks.

## **9. Costs of Retirement Benefits**

The Financial Reporting Standard (FRS) 17 requires Councils to ensure that the operating costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned by employees. For the purposes of this report these costs have not been included because there is no impact on the General Fund. However when these costs of £5.2m that have been estimated by the actuary are included as required by proper accounting practices there will be a significant impact on the cost of services.

## **10. Projected Balances Position**

Balances at 1 April 2007 stood at £21.489m. Appendix D provides details of the movements on this balance to show a revised balance as at 31 March 2009 of £18.910m after allowing for the proposed carry forwards of £4.864m. There are of course significant risks and uncertainties identified against these balances as set out in the budget report. For instance the outcome of the Pay and Grading review is unknown and the potential cost of a 1% uplift in the relevant pay bill is around £1.4m. There are also a number of major capital programme projects based upon complex funding packages of grant and capital receipts that may impact adversely on the Council. All in all total risks of nearly £19m were identified when the sensitivity of balances were modelled as part of the three year Medium Term Forecast.

However potential actions were identified to manage the risks down to nearer £10.5m and this is much closer to the 5% balances proposed in the budget report as being a reasonable level over the period of the Medium Term Forecast. The twin objectives of the approach are to balance the cost to the taxpayer of holding balances whilst minimising the effect on the Council of any financial risk arising during the year. This level of balances provides an opportunity to smooth any tax increases over the medium term. The balances held will of course in line with the practice adopted in previous years, be reviewed as apart of the Medium Term Financial Strategy over the summer months.

## **11. Conclusion**

Any improvement in the financial position is always helpful and the reports and action taken during the year all continue to point to a commitment to the efficiency agenda, continuous improvement and value for money. This is evidenced by the Use of Resources scorecard and the positive feedback from the external auditors over many years. But inevitably risks and pressures remain to be balanced for instance on equal pay, job evaluation and a number of our major capital projects.

Closing the accounts of a major organisation given the scale and volume of financial transactions is always a challenge and never more so than in recent years as there have been significant changes in accounting practices and the ever expanding disclosure requirements have added to the burden.

For those reasons the figures in this report are not final and any variations until validation work is completed must be seen as provisional at this stage. As explained the final position on carry forwards will be reported in June.

Summary Budget Monitoring Statement - Provisional Outturn

APPENDIX A

Budget Monitoring Statement : April 2007 - March 2008

Panel	Restated Original Budget	In year Virement	Budget Profile Period 1-12	Spend as per Agresso Period 1-13	Adjusted for other items period13	Total Provisional Outturn Period 1-13	Adjusted Variation
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Adult Services	61,048		61,048	58,925	2,642	61,567	519
Children & Young People	51,594		51,594	54,116	-3,298	50,818	-776
Community Protection	8,567	138	8,705	6,961	1,538	8,499	-206
Environment	40,083	-144	39,939	40,649	-2,169	38,480	-1,459
Audit, Governance & Improvement Review	15,475	-24	15,451	13,361	-1,700	11,661	-3,790
Regeneration	21,003	10	21,013	21,722	-347	21,375	362
Passenger Transport Levy	18,278		18,278	18,278		18,278	0
DSO Surpluses	-280	20	-260	-422		-422	-162
Capital Charges & Asset Reversals	6,316		6,316	18,627	-14,511	4,116	-2,200
<b>Total</b>	<b>222,084</b>	<b>0</b>	<b>222,084</b>	<b>232,217</b>	<b>-17,845</b>	<b>214,372</b>	<b>-7,712</b>

**APPENDIX B**

**ANALYSIS OF MAJOR VARIATIONS 2007/08**

	£000's	£000's
<b>Children &amp; Young People Pane</b>		
<b>Adult Services</b>		
Cost of Transition Clients	1,500	
New Day Services	175	
Supporting People Eligibility Changes	150	
Continuing Care Income received from PCT	-1,490	
Residential, Day & Domiciliary costs	554	
Travel & Restrictions on Non Essential Items	-370	
Other Variations	<u>          </u>	519
<b>CYPS</b>		
Redundancy Costs	-306	
Transport Costs (Home to School)	439	
Staff Slippage across the service	-437	
Other Variations	-20	
<b>Social Care</b>		
Children Looked After - Out of Borough Residential and Agency Fostering payments	610	
After Care Payments	-169	
Staff Slippage in Family Resource Centres, Family Support and Leaving Care services	-803	
Agency Staff Costs	300	
Fostering Services	-48	
Other Variations	<u>-342</u>	-776
<b>Community Protection Panel</b>		
<b>Public Protection</b>		
Salary Slippage within Regularity Service	-392	
Auto Cfwd Disability Discrimination	-47	
Auto Cfwd Townships	-82	
Reduced Recharges to Capital from Private Sector Renewal	214	
Security Services Increased Expenditure on CCTV / Security Measures	62	
Security Services - Reduced Fair Funding Buyback from Schools	39	
	<u>          </u>	-206
<b>Environmental Services Pane</b>		
Underspend on Highway Maintenance	-762	
Overspend on Winter Maintenance	66	
Legislative Changes on the Disposal of Hazardous Waste	-465	
Reduced Costs of Waste Disposal	-114	
Slag Lane Project Rephasing	-125	
Increased Income obtained from RASWA	-77	
Salary Slippage on Road Safety and School Crossing Patrols	-75	
Slippage on Salaries across the service	-237	
Slippage of Expenditure funded by Planning Delivery grant	-137	
Rent Review of Properties	-121	
Reduction in Planning Application Fees	199	
Car Parks - Reduced Fee Income	362	
Minor Variations	<u>27</u>	-1,459

**Audit Governance & Improvement Committee**

Slippage in Salaries in Benefits Section	-224	
Benefits Miscellaneous Budget not utilised	-300	
Manchester Airport Dividend not included in the budget	-1,250	
Brighter Borough	-518	
YPO Dividend previously reported but not anticipated in Qtr 3 figures	354	
Chief Executive's Department - Redundancy Costs	50	
ProCo Loan Write Off only	30	
Slippage in Salaries on Asset Management activity arising from Vacancies	-350	
Slippage in Salaries across the Finance Business Units arising from Vacancies	-392	
IT reduced Salary Costs	-194	
IT Investment Account	-997	
Joint Service Centre - Professional Fees	71	
Minor Variations	-70	-3,790

**Regeneration Panel****Leisure Residual**

Leigh Sports Village Set Up Costs	-135	
Decommissioning Costs	243	
Cfwd of unspent IT on CRM transferred to the Leisure Trust	-18	
Lower than anticipated Income on Economic Regeneration including clawback of grant.	104	
Lower than anticipated Markets Rental Income	148	
Other Variations	20	362

**DSO Surpluses and Deficits**

-162

**Capital Charges & Asset reversals**

Utilising LABGI as Direct Revenue Financing	527	
Other Funds - Business Growth Incentive Scheme (LAGBI)	-527	
Reduction in External Interest Charges	-2,200	-2,200

**Total Controllable Variations****-7,712**

**Comparison between quarter 3 predicted outturn and current predicted outturn**

	Quarter 3	Provisional Outturn	Variation
	£000	£000	£000
<b>Adults</b>	1,820	519	-1,301
<b>CYPS</b>	-629	-776	-147
<b>Community Protection</b>	-285	-206	79
<b>Environment</b>	-114	-1,459	-1,345
<b>Audit, Governance &amp; Improvement</b>	-3,994	-3,790	204
<b>Regeneration</b>	579	362	-217
<b>DSO</b>	-8	-162	-154
<b>Capital &amp; Asset charges</b>	-2,431	-2,200	231
<b>Total projected position</b>	<b>-5,062</b>	<b>-7,712</b>	<b>-2,650</b>

**Analysis of Major Variations Only****Adults**

Continuing Care Income from PCT	-1,056
Charging Policy Debt	-160
Local Implementation Strategy (PCT)	-100

**Environment Services**

Highway Mntce Underspend to be cfwd	-762
Winter Maintenance Overspend	66
Slag Lane Project Rephasing	-125
Reduction in Civic Amenity Disposal Costs	-54
Rent Review of Properties	-121
Cost Slippage - funded by Planning Delivery Grant	-137
Aftercare Costs lower than anticipated	-55
Increased Income from RASWA	-77

**Audit Governance & Improvement**

YPO Dividend - none to be declared 2007/08	354
Further Staffing Slippage on Asset Management	-120

**Regeneration**

Lower than anticipated De-commissioning Costs	-193
Further Reduction on Marker Rental Income	56
Lower than anticipated Costs on LSV	-135

**DSO**

Benefit of Buy Outs and Improved Trading	-281
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**Capital and Asset Charges**

Extra Interest Earned despite reduced Base Rate	-200
Additional LABGI funds received	-96
LABGI utilised as a contribution towards capital	527

Other minor items (balancing figure)	19
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<b>Total Variations</b>	<b>-2,650</b>
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**Appendix D****Provisional Analysis of Movements in General Fund Balances**

	<b>£000</b>
Opening Balances 1 April 2007	21,489
Deduct contribution towards budget deficit	-267
Less funding for carry forward bids from 2006/07	-3,913
	<hr/> 17,309
Deduct contribution towards 2008/09 Budget Strategy - Capital Programme Deficit	-1,247
	<hr/> 16,062
Add provisional variation as per Appendix A	7,712
Deduct proposed carry forward to 2008/09	-4,864
<b>Predicted Balances 31 March 2009</b>	<hr/> <b>18,910</b> <hr/>