

ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET

1.	Meeting:	Cabinet
2.	Date:	20th July 2011
3.	Title:	Revenue Account Outturn 2010/11
4.	Directorate:	Financial Services

5. Summary

- In 2010/11 the Council **budgeted** to spend **£216.985m** on its **General Fund Revenue Account**. **Actual spending for the year was £214.756m**, a **saving** against budget of **£2.229m (or 1.0%)**.
- In addition, the **Delegated Schools' Budget was £185.276m**. Actual spend against this was **£185.196m**, an **under-spend of £80,000** for the year which has been added to Schools' Reserves which at 31st March 2011 stand at **£2.828m**.
- The **Housing Revenue Account** in 2010/11 showed a variance to budget of **+£4.118m** which has been met from HRA Reserves.
- Reflecting the above out-turn position the Council's Revenue Reserves as at 31 March 2011 stand at: Reserves available to support the Budget **£8.4m** and Earmarked Reserves (incl Schools and HRA Reserves) **£31.3m**

6. Recommendations

That Cabinet:

1. **Note the Council's General Fund, Schools' and the Housing Revenue Account (HRA) Revenue Outturn Position Statements for 2010/11.**
2. **Note the level of the Council's Revenue Reserves as at 31 March 2011; and**
3. **Approve the carrying forward of the under-spends of £500,029 in accordance with the Council's approved policy on the carry forward of year end balances on the Revenue Account.**

7. Proposals and Details

7.1 Revenue Outturn 2010/11

Rotherham's net Revenue Budget (excluding Delegated Schools' Budget £185.276m) for the 2010/11 financial year was £216.985m whilst actual spending was £214.756m, resulting in an under-spend of £2.149m or 1%. In addition to this, the Delegated Schools' Budget was underspent by £0.080m.

The revenue out-turn position is analysed by Directorate at **Appendix 1** with the principal reasons for the variations set out in **Appendix 2**. More detailed Directorate Outturn reports have been presented to individual Cabinet Members for their portfolio areas of responsibility.

Delivering such a positive outturn position belies the budget challenges faced by the Council in 2010/11. Having taken office in May 2010, the Coalition Government made several announcements reducing the specific grants paid to local government both in 2010/11 and subsequent financial years. Nationally, specific grant reductions of £1.166bn were announced on 24th May 2010. This was followed by the Chancellor of the Exchequer's Emergency Budget in June containing further grant reductions leading up to the Comprehensive Spending Review (CSR) in October 2010.

The reductions affected both revenue and capital grant funding streams, reducing them by £5m each in year. In response, the Council initiated a full review of its budget during the summer 2010 with the short term objective of balancing the Council's Budget in 2010/11 but with an eye on future years as it was clear that the Chancellor's proposals would have a longer term impact on the Council's funding position.

As well as managing the funding reductions, budget monitoring identified significant financial pressures of £5.6m, chiefly in relation to social care for children. To address both these issues the Council identified and implemented a series of management actions, which allowed additional resources to be allocated in support of the Children and Young People's Services budget. The Revised 2010/11 Revenue Budget was agreed by Cabinet on 17th November 2010.

In spite of these significant pressures and commitments, the Council has managed to achieve, through careful financial management, a positive financial out-turn. Excluding the position on schools, there is a net under spend of £2.149m (1.0%) on the Council's Revenue Budget. This reflects the Council's continued prudent and sustainable approach to financial management.

As part of the process of reconfiguring and rationalising its services in order to meet the challenges facing it both in 2010/11 and future years the Council offered the option of voluntary severance scheme during the latter half of the financial year. By the 31st March 2011 some 483 employees had left or had been given approval to leave the Council under the terms of its Voluntary Severance arrangements (that is Voluntary Early Retirement, Voluntary Redundancy, Phased Retirement and Redeployment).

In total the Voluntary Severance scheme cost £7.6m last year. This was composed of severance payments of £6.4m and £1.2m in pensions strain payments to the South Yorkshire Pensions Authority. These costs were met corporately by means of:

- Successful Capitalisation Direction bids to DCLG totalling £2.2 million, (Severance costs £1.3m and pensions strain £0.9m), enabling these amounts to be funded from capital resources in 2010/11.
- The remaining costs were financed using resources freed up by accounting opportunities identified by the adoption of International Financial Reporting Standards (IFRS).

7.2 Schools Budgets

Schools' budgets totalled £185.276m last year, spending against these budgets came to £185.196m, an underspend of £0.08m which was added to schools' balances. Schools' Balances stood at £3.152m as at 31st March 2011 - the level of these Balances is monitored throughout the year. The Department for Education (DfE) makes it clear, that schools are autonomous and self-managing and as such, within set guidelines the use of balances is under their control.

7.3 Housing Revenue Account

The outturn position for 2010/11 for the Housing Revenue Account showed a variance for the year of +£4.118m, which reduced the HRA general reserve to £2.772m as at 31st March 2011. The principal reasons for the reduction in HRA balances are shown in detail in **Appendix 2**.

Going forward, Central Government has announced its intention to abolish the current HRA subsidy system with effect from April 2012 and to replace it with a devolved financial system that allows councils to retain their net rental income to service a newly allocated level of housing debt. In return for a one off distribution of debt, the Council will be entitled to retain all net rental income from the housing stock and develop its own integrated asset and debt management strategy for the HRA.

7.4 Carry Forward of Balances into 2011/12

The following treatment of year end balances is proposed:

- **Trading services**
The Council's existing practice of carrying forward 100% of surpluses and deficits will continue and these will be taken into account in future year's business plans.
- **One-off or specific project budgets**
In cases where there are exceptional items of expenditure e.g. large one-off items or earmarked funding for special projects or developments, an application and supporting case has to be made to SLT to recommend to Cabinet the carry

forward of 100% of any unspent balance at the end of the financial year if the project remains to be completed.

The outturn position for 2010/11 now reported reflects the position before the approval of the carry forward of trading services and specific balances. **Appendix 3** shows the position under each of the categories and the supporting case for each application to carry forward one-off or specific project budgets.

SLT has considered the requests for carry forward and recommends to Cabinet that all requests are approved. These total £0.5m composed of: £0.243m in respect of traded services and £0.257m relating to one-off or exceptional items.

Reserves and Balances

As at 31st March the Council had £39.7m in its reserves. This total is composed of uncommitted reserves that can be drawn on, if required, to support budgets and earmarked reserves set aside to meet specific needs and purposes which are ring-fenced to particular services.

Reserves to Support the Budget:

General Fund balances are held in order to protect the Council against unforeseen costs and contingencies and to mitigate financial risks. In order to ensure that a prudent level of balances is held the value of balances is risk assessed annually as part of the budget setting process. As a result of the under-spend against budget this year **£8.402m of uncommitted General Fund Reserves are available as at 31st March 2011**. This is equivalent to 3.9% of its Net Revenue Budget and is deemed to be a prudent level.

Earmarked Reserves

At the end of the 2010/11 financial year the Council's earmarked reserves stood at £31.3m comprising:

- Schools' Balances of £3.152m
- HRA Reserves of £3.037m,
- PFI Reserve (£12.769m) to meet future contractual liabilities over the life of the Schools and Leisure PFI schemes
- Insurance Reserve (£1.483m) to meet future claim liabilities
- Commutation Adjustment Reserve (£8.394m) to meet future debt repayment liabilities
- Other Earmarked Reserves (£2.527m).

SLT and Cabinet are asked to note the level of the Council's Revenue Reserves as at 31 March 2011.

8. Finance

In total, the Council **budgeted to spend £402.261m on its General Fund Revenue Account in 2010/11**, (excluding Schools' Budgets the total was £216.985m). **The actual spend was £400.032m** an underspend of £2.229m or 0.6% less than budget. This is made up of the following:

	£m	%
General Fund (excl. Schools Delegated Budgets)	- 2.149	1.0
Schools Delegated Budgets	+0.080	0.0
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	+2.229	0.6%
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The summarised effect of this outturn position on the Council's reserves has been set out above in the Reserves and Balances section of this report.

9. Risks and Uncertainties

Decisions about the level of resources (including reserves and balances) that are deployed to deliver the Council's priorities involve risk and uncertainty. However, the impact of unforeseen circumstances and adverse variances against budget can be minimised by continuing improvements in financial management, including the more effective management of financial risks.

10. Policy and Performance Agenda Implications

Approval with regard to the earmarking/use of Council balances should be given as soon as possible so as to give certainty to the final level of approved budget for the current financial year.

11. Background Papers and Consultation

Cabinet Reports

- Proposed Revenue Budget and Council Tax for 2010/11, 24th February, 2010
- Revenue and Capital Budget Monitoring reports to SLT and Cabinet.
- 2010/11 Budget Report to Cabinet 17th November 2010

Other Documents

- Statement of Accounts 2010/11

Contact Name: *Andrew Bedford, Strategic Director of Finance, 22004, andrew.bedford@rotherham.gov.uk*

APPENDIX 1

<u>Directorate</u>	<u>Budget</u>	<u>Out-Turn</u>	<u>Surplus/ Deficit</u>	<u>Trading</u>	<u>Non- Trading</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
C&YPS	46,623,631	46,482,141	-141,490	-43,000	-98,490
EDS	47,677,559	47,471,588	-195,971		-195,971
Adult Social Services	72,336,065	71,347,314	-988,751		-988,751
Neighbourhoods	<u>4,456,449</u>	<u>4,110,634</u>	<u>-345,815</u>		<u>-345,815</u>
	76,792,065	75,457,314	-1,334,566		-1,334,566
Chief Executive	8,952,438	8,796,378	-156,060		-156,060
Financial Services	10,828,939	10,507,927	-321,012	-200,000	-121,012
Central Services	26,119,919	26,120,198	279		279
TOTAL (Excl Schools)	216,985,000	214,836,180	-2,148,820	-243,000	-1,905,820
Schools' Budgets	185,276,000	185,196,000	-80,000		-80,000
TOTAL	402,261,000	400,032,218	-2,228,820	-243,000	-1,985,820

APPENDIX 2 - EXPLANATION OF MAJOR BUDGET VARIATIONS IN 2010/11

C&YPS

The Children and Young People's service (excluding schools) has spent £0.142m less than the revised budget agreed in November. The chief budget variations are:

- **Commissioning and Social Work - Over-spend £0.587m:** chiefly attributable to staffing costs, supplies and services expenditure and welfare and direct payments offset by an under-spend on premises and additional grant income.
- **Children Looked After – Over-spend £0.641m:** Spending on Residential Out of Authority Placements and Independent Fostering placements was significantly higher than budgeted for due to higher cost of children requiring such placements – most of this pressure was addressed through the supplementary estimate by Cabinet in November. The total cost of placements has risen despite a slight reduction in the total number of looked after children due to an increase in the number of more expensive out of authority placements required to meet the very complex needs of specific children. In addition, a significant number of children in out of borough foster care placement are likely to be in the placement long term. The commissioning work to negotiate a reduction of placement costs for these placements has begun.
- **DSG Non-school Funding - Under-spend £0.286m:** this underspend is mainly due to the additional income generated from SEN Extra District placements and the redistribution of grant.
- **Strategic Management – Under-spend £0.378m:** mainly due to redistribution of unring-fenced grant funding.
- **Special Education Provision – Under-spend £0.356m:** resulting from reduced costs on SEN placements as resulting from two relatively expensive placements ceasing in year when the children became adults and one when the child moved out of the area.
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- **School Effectiveness – Under-spend £0.111m:** mainly due to redistribution of grant funding.
- **Specific Grant – Under-spend £0.042m:** This under-spend includes a requested carry forward for Rotherham Ready traded service of £54,341 (surplus) and an overspend on Training Pays of £73,202 for the costs relating to the closing down of the grant, off set by a further underspend on other grants of £61,111.
- **Schools Balances -** The Schools balances brought forward into 2010/11 were £2,747,672. An in-year increase of these balances to the value of £79,947. This leaves balances of £2,827,619 to be carried forward into 2011/12. A separate report detailing the schools balances and their planned use will be submitted in late July.

EDS

The overall service out-turn position was £0.196m below budget. The chief variations against budget were.

- **Asset Management** - although the service operated during the year with an imposed moratorium on spend, there have been some pressures within the Service which gave rise to an over-spend of £0.237m. In particular: Office Accommodation and Land and Property related costs, loss of fees within the Strategic Property Team due to a reduced Capital Programme and pressures on commercial properties. These have been partially mitigated by significant in year staff reductions within the Service.
- **Business Support Unit** achieved a £0.125m under-spend as a result of managed vacancies, the moratorium on spend and a controlled Training programme
- **Culture and Leisure £0.379m under-spend** as a result of the moratorium on spend and staff vacancies throughout the service and an under-spend on the Libraries Materials Fund.. The service also managed to contain pressures within the following areas: costs relating to the Clifton Park contract which remains incomplete as a result of UCS Civils going into administration, staff cover costs at the Civic Theatre and costs associated with membership of South Yorkshire Archives.

Carry forwards totalling £93k are included in the above total - these are: Third Party Payments WREN, Adventure Play Area, Bar Park and School Museum Fund.

- **Streetpride- the £0.068m over-spend** was largely due to pressure on the winter maintenance budget. The budget of £528k has been provided for a below average winter but the severe weather in early December caused an overspend of £394k. This was partly offset by savings made within Waste Management (£247k) including £190k of in-year savings offered. The service has pressures on staffing costs due to overtime charges, though this is gradually reducing and there is a provision made relating to the PFI contract. These are being mitigated by some operational savings, due to temporary changes to contractual arrangements (Sterecycle).

Further savings partially offsetting some over-spends have been produced by Network Management (£196k) as a result of improved income recovery in some areas and reduced spend due to the moratorium. These have offset reduced Car parking income;

Adult Services

The net out-turn for adult services shows a under-spend of £0.989m. The key variations can be summarised as follows:

- **Assessment & Care Management** - the overall under-spend in this service was £0.309m. This was composed of: underspends by Older People (Independent) £136k in respect of a number of vacant social work posts and the Intermediate Care pooled budget. The latter was mainly due to slippage on employee costs and an under-spend on independent sector residential and nursing care due to fewer placements than planned. Property charges and Health also generated additional income. However, the underspend was reduced by an over-spend on the independent sector Home Care budget due to an increase in average weekly hours during the year together with an increase in average costs of Direct Payments care packages.
- **Physical and Sensory Disabilities - £0.083m under-spend:** The main pressures during the year were a continued increase in number of clients (+15) receiving direct payments and an increase in both the number of hours (+1,000 hours) and cost of independent sector home care. These over-spends were offset by an under-spend on residential and nursing care including the delayed implementation of specialist respite care together with efficiency savings on voluntary sector contracts.
- **Safeguarding - £0.090m under-spend:** due to vacant posts including slippage as a result of recruitment difficulties.
- **Independent Living - £0.188m under-spend:** was a result of vacant posts across the service and additional income from charges for Rothercare.
- **Health and Well Being - £0.476m under-spend:** Spending on Learning Disabilities was £0.543m below budget mainly as a result of additional income from charges within supported living and vacancies within community support schemes (£147k). This area also received increased income from Continuing Health Care funding within Residential and Nursing Care (£271k). Direct Payments also under-spent by £60k due to demand being less than forecast and vacant posts within Management and Support gave rise to £52k of savings.

Similarly Mental Health Services spent £184k less than budget, in spite of an increase in the uptake of Direct Payments in this area. An additional 60 clients received a service during the year costing £155k more than planned. These pressures have been offset by an under-spend in residential and nursing care due to fewer placements than planned plus additional income from health (£233k). Reviewing a number of service level agreements with independent and voluntary sector providers also gave rise to £65k of efficiency savings.

Against these under-spends however Older People (In-House) services was £0.251m over-spent. The main element of this was In-House Residential Care which was £626k over budget due to additional agency costs to cover sickness absence plus a recurrent budget pressure on income from charges. This over-

spend was offset by an under-spend on employees within Extra Care Housing (£327k), together with increased income from additional services and an under-spend on vehicle running and leasing costs for the Adult Services Transport unit (£88k).

Neighbourhoods

Neighbourhoods' spending was 7.8% or £0.346m below the final budget for the service. The primary reasons for the variations are:

- **Independent Living spending was £0.064m below budget** - chiefly in respect of Housing Choices where a £0.054m under-spend resulted from the increased use of grant funding in the Homelessness area and reduced costs of lighting for communal buildings.

Housing & Neighbourhood Services - £0.282m underspend: the under-spend was attributable to Safer Neighbourhoods (£135k) where a significant proportion of the savings achieved, in excess of (£100k) were the result of vacant posts and Voluntary Severance/Retirement in addition to the careful controls in place on non-essential expenditure. £69k savings in Business Regulation and Neighbourhood Partnerships resulting from vacant posts and staff taking Voluntary Severance/Retirement and additional income (£20k) in Licensing services at the end of the financial year mainly due to increased licensing applications.

Chief Executives'

The £0.156m underspend on the Chief Executive's department's budget was in large part due to under-spending in respect of the Rotherham Partnership (£96k) and the Migration Impact Fund (£44k) for which carry forwards are being requested. In other parts of the department an overspend of £147k on the Legal Services Team was offset by savings in the Chief Executive's office, the Performance and Quality and Corporate Research Teams.

Financial Services

Financial Services spent £0.321m or 2.96% less than Budget in 2010/11. This included a surplus of £0.2m in respect of the Schools Finance Traded Services which includes the Schools Staff Sickness Insurance Scheme and Schools Finance Traded Service, which provides professional support, consultancy and a financial management service to Head Teachers and Governing Bodies. The rest of the under-spend £121,000 is chiefly attributable to an over recovery of income in both Housing Benefits and the Registrar's Department in RBT, which was partially offset by additional running costs for the Customer Service Centres.

Housing Revenue Account (HRA)

The principal reasons for the £4.118m reduction in the HRA balance were:

- An additional revenue contribution made to support capital expenditure (RCCO) of £1.530m. This was to fund year 4 payment commitments to contractors (£1.2m) and the Decent Homes programme (£0.330m). The HRA also made additional investment into the Repairs and Maintenance programme of £1.124m.
- The out-turn position reflects an increase in the Subsidy payable to the Government of £1.162m
- An increase in the Management Fee of £3.109m.

These additional cost pressures were partially offset by:

- Less than anticipated supervision and Management costs of £0.417m and increased rental income of £0.713m;
- A reduction of £0.895m in actual interest payable by the HRA and reduced debt management costs £0.183m.
- Lower than expected bad debt provision for both rent arrears and tenants' rechargeable repairs (£0.117m),

APPENDIX 3 - CARRY FORWARD OF REVENUE BUDGET UNDER-SPENDS AND OVER-SPENDS IN 2010/11

Carry Forward of Traded Balances

In accordance with the 9th April 2008 Cabinet decision to carry forward 100% of traded services surplus and deficits and be included in future years' business plans, the following trading service balances will be carried forward in to 2011/12 financial year.

C&YPS

- £11,029 Schools Catering Service (Trading deficit). At the end of 2007/08 financial year it was agreed that the service be required to recover the £200k deficit balance at £50k per annum over a period of 4 years. The balance at the end of March 2010 was £178,294. At the end of March 2011 Catering had made a surplus of £167,265 leaving only a £11,029 deficit still to be recovered.
- £54,341 Rotherham Ready (Trading surplus). This carry forward is required to continue to fund enterprise projects delivered through Rotherham Ready. This income has been generated through sale of resources developed by Rotherham Ready, delivery of Rotherham Ready programmes and participation as a key note speaker at international and national events.

Financial Services

- £157,000 This surplus relates to the Schools' Staff Sickness Insurance Scheme which provides financial compensation to schools which need to employ additional staff to cover their own staff's absence.
- £43,061 This surplus is for Schools' Finance Traded Service which provides financial management and professional support and advice to Head Teachers and Governing Bodies in managing their financial resources

Carry Forward of One-off or specific project budgets

As previously indicated, the existing policy requires that in the case of exceptional items of expenditure, an application and supporting case be made to SLT to recommend to Cabinet the carry forward of 100% of any unspent balance at the end of the financial year.

These requests are set out below by Directorate:

EDS -

The carry forward of under-spends totalling £94k is requested. These under-spends have been included in the Directorate under-spend reported in this report.

- £10,000 In respect of legal fees incurred in the transfer of Bar Park from Sheffield City Council.
- £25,000 Adventure Play Area - the under-spend will be used to fund the continuation of the Play Area following grant fall out
- £18,716 Third Party Funded spending, which is committed, but not spent in 2010/11.
- £40,000 School Museum Service under-spend to be used to fund the short term continuation of the service until restructuring is completed.

Neighbourhoods

- £23,000 Community Leadership Fund - the Members Community Leadership Fund had an under spend of £29k at the year end. It was agreed on 11th April at Cabinet Member meeting for Community Development and Equality and Young Persons Issues to request the carry forward of £23,000 as an earmarked balance to 2011/12.

Chief Executive

Carry forwards are requested for the following grant funded activities

- £96,368 Funding for the Rotherham Partnership is provided by organisations like the South Yorkshire Police, the Chamber of Commerce, NHS Rotherham, Rotherham Hospitals, Voluntary Action Rotherham and Thomas Rotherham and Dearne Valley Colleges.
- £43,572 Migration Impact Fund grant not spent in 2010/11.

TOTAL

- **£500,029** **Of this, £243,373 relates to trading accounts and £256,656 to specific balances.**