

**REVENUE OUTURN 2008/09**

- 1.1 Appendix 2 outlines the Council's provisional financial outturn for the 2008/09 financial year. Despite a number of major pressures during 2008/09, the provisional outturn shows the budget has been managed in total with an under spend/surplus. Before any carry forwards, the Council underspent by £2,895,000, equating to 2.5% of the Council's net revenue budget for 2008/09.
- 1.2 In addition, the bottom line out-turn position in relation to schools is an overspend of £618k (0.9% of net budget), while the LEA/DSG element has an underspend of £349k (1.9% of net budget). Both of these are automatically carried forward under the DSG arrangements, and hence these figures are excluded from this report.
- 1.3 Underlying the Council's "bottom line" figure are a number of variations (at a Directorate level):
- Service overspends of £1.9m
  - Service underspends of £1.8m
  - In addition to the net overspend of £0.1m at Directorate level, there is a £3.0m underspend on Corporate and Agency budgets mainly related to capital financing costs and investment income.
- 1.4 The Council has used a robust action plan system for addressing Service overspends, which were monitored on a monthly basis, and has helped produce the favourable outturn position. Significant pressures in Customer Services & the Children's Services legal costs at the bottom line level during the financial year were contained.
- 1.5 The opportunity has also been taken at this early stage in the financial year to assess the ongoing implications of the provisional outturn on 2009/10, which nevertheless does require Strategic Directors to take some action to contain ongoing pressures from 2008/09 within the 2009/10 budget, as well as achieving planned savings for 2009/10.
- 1.6 The explanations for the 2008/09 outturn variations are given in Appendix 3 and some are highlighted below.
- 1.7 The main area contributing to the underspend relates to capital financing costs. Improvements in capital monitoring and the rephasing of the capital programme to more accurately reflect cash flow, together with favourable long term fixed interest rates, has meant the Council achieved additional income from interest on surplus cash balances. With the favourable cash balances, there was no need to undertake further borrowing during 2008/09, therefore also saving on debt interest costs. More details are provided in the Treasury Management Outturn report (Appendix 12).
- 1.8 The main areas of overspending have occurred in the Customer Services and Children's Services Portfolios. There are underspends in all the other

Portfolios. However there are wide variations between services within those broad headings.

## CURRENT SPENDING – IMPLICATIONS FOR 2009/10

1.9 The first formal monitoring report for the current year will now be presented to the Cabinet in September. Monthly reports will continue to be reported to Cabinet informally for both revenue and capital expenditure.

1.10 As part of the monthly monitoring process the main pressures faced by services during 2009/10 have been reflected in the budget set for 2009/10. In addition, some additional pressures for 2009/10 are emerging which need to be addressed with robust action plans. Strategic Directors also carried out a risk assessment of their budgets as part of the 2009/10 budget process to inform the Council's reserves strategy. All of these areas will be assessed as part of the updated Medium Term Service & Resource Planning process.

1.11 The emerging pressures total £1.9m. The table highlights that there are clearly cost pressures that will require strong control by Strategic and Divisional Directors. The main emerging ongoing pressures in 2009/10 are:

<b>Spend Pressure</b>	<b>£'000</b>
<b>Children's Services</b>	
Training Services	175
<b>Sub Total</b>	<b>175</b>
<b>Customer Services</b>	
Land Charges – additional recession pressure	150
Parking	900
Park & Ride – impact of concessionary fares / recession	200
Network Maintenance – street lighting efficiency savings	200
<b>Sub Total</b>	<b>1,450</b>
<b>Adult Social Services &amp; Housing</b>	
Pressure on Learning Difficulties budget – growth of costs	267
Adults – Older People & Physically disabled	-442
Adults Mental Health	545
Other minor variances	-5
<b>Sub Total</b>	<b>365</b>
<b>Corporate – Independent Safeguarding Authority - £100k budget not needed until 2010/11</b>	<b>-100</b>
<b>Total</b>	<b>1,890</b>

1.12 Strategic Directors and Divisional Directors will continue to prepare robust action plans to address both emerging pressures and savings required in 2009/10. These plans, and progress against the plans, will be reported to the Cabinet in September 2009, and will be closely monitored throughout the

2009/10 financial year. The largest single pressure identified above is in relation to Parking. The actions being taken include strengthening of parking enforcement, and consultation with business and community groups on a medium term charging strategy.

## **DECISIONS REQUIRED RELATING TO OVER AND UNDERSPENDS**

1.13 Decisions are needed on some of the items in Appendix 4 relating to under and overspending in 2008/09. Each section of Appendix 4 is clearly marked for information or for decision. In particular, decisions are required in Tables 3 and 4 of Appendix 4. If all these items are approved, this would give a final underspend of £1,650,000.

1.14 After allowing for the earmarked reserves referred to in paragraph 1.18 and other transfers to reserves detailed in 1.16 below, the net amount returned to unearmarked reserves would be £nil.

1.15 Table 4 of Appendix 4 contains requests to write off overspends as an exception to the Budget Management Scheme rules which would require recovery by service over a maximum of 3 years. The write offs are requested as it is not considered practical to recover these overspends against the continuing risk of overspending in 2009/10 and future years. Further details on the reasons for write off requests are detailed in Appendix 4.

## **OTHER 2008/09 MOVEMENTS AFFECTING RESERVES**

1.16 The net underspend position of £1,650,000 reported above does not include the following unbudgeted transactions, which are one-off in nature, or relate to previous years so are reported separately from the regular monitoring figures:

<b>Item</b>	<b>Amount (-ve = increase in reserves) £'000</b>	<b>Description</b>
Continuing Healthcare	-100	Removal of earmarked reserve – no longer required
Reduction in general bad debt provision	-40	Council's general bad debt provision reduced following review as part of closedown
Magistrates capital repayment	-16	
Other	-15	Mainly NNDR refunds on Council properties relating to previous years
<b>Total</b>	<b>-171k</b>	

1.17 The net effect of the above transaction is an increase in unearmarked reserves of £171k. The transactions are reflected in the detailed reserves shown in Appendix 11.

## USE OF UNDERSPEND TO MAKE EARMARKED RESERVES

1.18 The Cabinet may wish to take this opportunity to make the following provision within balances for potential costs which could arise, and which are not allowed for in the budget agreed during February 2009:

- Increase in Revenue Budget Contingency Reserve: £500k
- Increase in contribution towards PCT Integration costs to match PCT funding: £36k
- Non-recurring / development costs to enable the council to further improve service efficiency and effectiveness in the context of the expected squeeze on the public finances (the medium term financial challenge): balance of £1,285k

It is proposed that drawdown from any of the earmarked reserves is subject to agreement by the Section 151 Officer & relevant Strategic Director, in consultation with the Cabinet Member for Resources & relevant Cabinet Member. In the case of the Medium Term Financial Challenge reserve, any drawdown would be subject to a satisfactory business case.

## REVENUE RESERVES

1.19 A statement of revenue balances is included as Appendix 11. This was also reported in February 2009 at the time of budget setting, and has been updated for known changes (these are highlighted in the Appendix in the “changes” column and detailed in paragraph 1.16 above). If the requests shown in recommendations 2.3 – 2.4 are approved by the Cabinet, the overall situation would be as follows:

Description of the Revenue Reserves Movements	£'000
Estimated General Reserves 1 <sup>st</sup> April 2009 before outturn movements (February Budget Report 2009)	14,785
Transfers in 2009/10 as agreed by Council (February 2009 Budget Report)	-4,100
Estimated General Reserves following February Budget Report 2009	10,685
Net transfers into reserve (see paragraph 1.16)	+171
Additional use in carry forward of underspends, creating provisions and write off of overspends (recommendation 2.3 )	+1,650
Increase in earmarked Revenue Budget Contingency Reserve (recommendation 2.4 )	-500
Increase in earmarked PCT Integration reserve (recommendation 2.4 )	-36
Increase in earmarked Medium Term Financial Challenge reserve (recommendation 2.4 )	-1,285

Remaining available reserves would then be	<b>10,685</b>
<i>Recommended optimal level based on corporate risk assessment</i>	<b>10,685</b>

1.20 As a result, the Council is meeting the reserves strategy outlined in the budget report to Council on 17<sup>th</sup> February 2009.

1.21 The balances held by schools have decreased by £618k from £4.354m to £3.736m.

### **COLLECTION FUND OUTTURN POSITION**

1.22 As part of the 2009/10 Budget, an estimate was made on the position of the Council Tax Collection Fund as at the 31<sup>st</sup> March 2009. The estimate was for a surplus of £1.200m, of which the Council's share was £1.016m (the balance is paid to the Police and Fire Authorities). The actual outturn position on the Collection Fund for 2008/09 is a surplus of £1.483m (the Council's share is £1.256m). The improved position is a result of improved collection rates and higher than expected growth in the tax base.

1.23 At the time of budget setting, a cautious view was taken in relation to the 2009/10 performance in light of the economic downturn, and this is being kept under regular review. The improvement in the Collection Fund position will be factored into future years within the Medium Term Service & Resource Plan.

### **CAPITAL OUTTURN 2008/09**

1.24 The capital spend (excluding schools' devolved spend and Combe Down Stone Mines grant funded (CDSM) spend) was £6.7m below the 2008/09 revised budget, or £12.3m below the revised budget including schools and CDSM. Schools' controlled capital spend was £2.8m below budget, and CDSM capital spend was £2.8m below budget.

1.25 Services are requesting rephasing of variances (project slippage and net in-year overspends, excluding schools' devolved spend and CDSM) to 2009/10 of £4.8m (see Appendix 7). It is proposed to write off the remaining underspends of £1.9m.

1.26 Details of the overall capital outturn position are given in Appendix 6, with detail on rephasing requests in Appendix 7.

1.27 Generally, most slippage was incorporated in the 2009/10 budget setting, with £15m slipped at that time, and an additional £1m schools' devolved spend (£18m in 2008/09 budget setting). While the report is showing time slippage, this is not the same as project slippage. Projects are still completing on time and on budget.

### **Capital Resources**

1.28 The 2008/09 budgeted figure for capital receipts assumed Right to Buy (RTB) receipts of £1m from Somer Housing Association, General Fund

receipts of £nil and Children's Services earmarked receipts of £1.1m, giving estimated receipts of £2.1m. Actual receipts achieved, net of costs, were RTB sale receipts of £0.9m, General Fund receipts of £1.8m and Children's Services earmarked receipts of £nil. This is detailed in Appendix 10.

1.29 The current position is that, from 1 April 2008, non scheme-specific receipts are earmarked to Public Realm Improvements, and receipts from the schools' estate (currently in a negative position) are earmarked to match fund the potential Building Schools for the Future (BSF) funding.

1.30 The Council is also required to report how the 2008/09 programme is to be financed (including the £37.0m of grant funded Stone Mines). This is as follows:

	<b>£'000</b>
Total Capital Spending:	<b>76,653</b>
<b>Funded by:</b>	
Supported Borrowing	6,491
Capital Receipts	3,457
Capital Grants	59,060
3 <sup>rd</sup> Party Receipts	4,734
Capital Reserves	0
Revenue	898
Unsupported Borrowing	2,013

1.31 The £898k of revenue funding is predominantly in respect of the IT investment programme. In recent years the programme has been funded from unsupported borrowing. It is proposed to return to revenue funding now that the Council's reserves targets have been met.

1.32 The likely favourable revenue impact of the capital outturn is being evaluated and will be included in the April – June Monitoring Report.

1.33 B&NES is Accountable Body for the Growth Points Fund on behalf of the West of England. In 2008/09 capital grant of £7.5m was received from DCLG. Of this £6.5m was distributed to individual UAs to fund specific projects. £0.8m revenue grant was received which was distributed to the four UAs.

1.34 The use of B&NES Growth Points capital allocation has been revised given the change in circumstances with respect to Bath Western Riverside and it has been used to fund Social Housing and part of the unfunded element of Bath Transportation Package expenditure. It is proposed that this approach is continued in 2009/10 and 2010/11.

1.35 £750k of contingency has been released from the Writhlington School build project; this is included in Appendix 8 as part funding the Writhlington Applied Learning Centre.

### **Approval of Capital Projects**

1.36 As explained in the Council Report of February 2009, there were a number of items included in 'italics' which were not approved at the time, due to a

requirement either to be signed off through the Capital Review process or where further work was required on how a funding stream should be spent. A number of these items have now progressed to the stage where they require approval, and are included in Appendix 8.