

**REVENUE OUTURN 2009/10**

1.1 Appendix 2 outlines the Council's provisional financial outturn for the 2009/10 financial year. Despite a number of major pressures during 2009/10, the provisional outturn shows the budget has been managed in total with an under spend/surplus. Before any carry forwards or transfers to reserves, the Council underspent by £1,805,000, equating to 0.6% of the Council's gross revenue budget (excluding DSG) for 2009/10.

1.2 In addition, the bottom line out-turn position in relation to schools is an overspend of £652,000, while the LEA/DSG element has an underspend of £958,000. 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 £1.846m
- Service underspends of £0.859m
- In addition to the net overspend of £0.987m at Directorate level, there is a £2.792m underspend on Corporate and Agency budgets mainly related to capital financing costs and investment income, and inflation provisions that were not required during the year.

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 offset some of the previously reported spending pressures. Significant pressures in Customer Services & the Children's Services care placement costs at the bottom line level during the financial year were contained.

1.5 The explanations for the 2009/10 outturn variations are given in Appendix 3, and some are highlighted below.

1.6 The main area contributing to the underspend are:

Capital financing costs and investment interest:

Additional investment interest was earned due to higher than anticipated cash balances with higher interest rates achieved. The Minimum Revenue Provision (MRP) in respect of debt repayments was lower than budgeted, mainly due to rephasing of capital spend into future years. More details are provided in the Treasury Management Outturn report elsewhere on the agenda.

Corporate Budgets – Pay inflation, Super inflation and VAT Refunds:

Underspends arose due to the 2009/10 pay award being settled at a lower rate than budgeted for, remaining inflation provisions related to utilities, insurance and recycling not being required due to proactive procurement and one-off VAT refunds relating to leisure admissions and tuition fees.

1.7 The main areas of overspending have occurred in the Customer Services and Children's Services Portfolios. There was a small overspend in the Adult

Social Services & Housing Portfolio, and there were underspends in all the other Portfolios. However there are wide variations between services within those broad headings.

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

- 1.8 Decisions are needed on some of the items in Appendix 4 relating to under and overspending in 2009/10. Each section of Appendix 4 is clearly marked for information or for decision. In particular, decisions are required in Tables 2 and 3 of Appendix 4. If all these items are approved, this would give a final underspend of £1,489,000.
- 1.9 After allowing for the earmarked reserves referred to in paragraph 1.13 and other transfers to reserves detailed in 1.11 below, the net amount returned to unearmarked reserves would be £nil.
- 1.10 Table 3 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 2010/11 and future years.

## **OTHER 2009/10 MOVEMENTS AFFECTING RESERVES**

- 1.11 The net underspend position of £1,489,000 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) £k</b>	<b>Description</b>
Provision for 2009/10 Overspend	-370	Removal of earmarked reserve covering potential net revenue overspends arising in 2009/10.
General Bad Debt Provision	38	Increase in Council's general bad debt provision following review as part of closedown activities.
Capital Repayment	-81	Service repayment of previous capital overspend related to Automatic Public conveniences
Other minor transactions	-14	Avon & Somerset Magistrates loan repayment, VAT adjustments and other small transactions.
Un-earmarking of reserve	-121	Transfer of amounts from revenue contribution to capital reserve where not used to fund capital expenditure.
Dissolving the Exceptional Risk Reserve	-467	Amount above February 2010 budget report from dissolving the Exceptional Risk Reserve with the exception of the Recession Reserve
<b>Total</b>	<b>-1,015k</b>	<b>Increase in un-earmarked reserves</b>

1.12 The net effect of the above transaction is an increase in unearmarked reserves of £1,015k.

### **USE OF UNDERSPEND TO MAKE EARMARKED RESERVES**

1.13 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 2010:

- Increase in Revenue Budget Contingency Reserve: £2.290m.
- Create an earmarked reserve for the corporate Carbon Management Programme: £144k.
- Create an earmarked reserve for the corporate Procurement Programme: £70k.

The last two items relate to specific underspends in 2009/10 and recognise that there is a corporate programme of work over several years.

The proposed transfer to the Revenue Budget Contingency reflects the risks to the revenue budget in light of the emerging national public sector financial position, recent announcements specifying cuts to local government grants in 2010/11, and the further potential financial impacts likely in the Chancellor's budget which will be announced in June 2010.

### **REVENUE RESERVES**

1.14 If the requests shown in recommendations 2.2 and 2.3 are approved by the Cabinet, the overall situation would be as follows:

<b>Description of the Revenue Reserves Movements</b>	<b>£'000</b>
Estimated General Reserves 1 <sup>st</sup> April 2010 before outturn movements (February Budget Report 2010)	<b>18,920</b>
Transfers in 2010/11 as agreed by Council (February 2010 Budget Report)	-8,440
Estimated General Reserves following February Budget Report 2010	<b>10,480</b>
Net transfers into reserve (see paragraph 1.11)	+1,015
2009/10 Outturn position, including additional use in carry forward of underspends and write off of overspends (recommendation 2.2 )	+1,489
Increase in earmarked Revenue Budget Contingency Reserve (recommendation 2.3 )	-2,290
Creation of earmarked Carbon Management & Procurement Programme reserves (recommendation 2.3)	-214

Remaining available reserves would then be	<b>10,480</b>
<i>Recommended optimal level based on corporate risk assessment</i>	<b>10,480</b>

1.15 As a result, the Council is meeting the reserves strategy outlined in the budget report to Council on 16<sup>th</sup> February 2010.

1.16 The balances held by schools have decreased by £652k from £3.736m to £3.084m.

### **COLLECTION FUND OUTTURN POSITION**

1.17 As part of the 2010/11 Budget, an estimate was made on the position of the Council Tax Collection Fund as at the 31<sup>st</sup> March 2010. The estimate was for a surplus of £1.000m, of which the Council's share was £0.846m (the balance is paid to the Police and Fire Authorities). The actual outturn position on the Collection Fund for 2009/10 is a surplus of £1.149m (the Council's share is £0.973m).

### **CAPITAL OUTTURN 2009/10**

1.18 The capital spend was £12.8m less than the 2009/10 revised budget, of which £2.7m related to Combe Down Stone Mines (CDSM).

1.19 Services are requesting rephasing of variances (project slippage and net in-year overspends) to 2010/11 of £8.0m, which includes £2.4m for CDSM (see Appendix 7). It is proposed to write off the remaining underspends and budget adjustments of £2.4m and rephase £2.3m of Children's Services grants (funding streams) into italics.

1.20 Details of the overall capital outturn position are given in Appendix 6, with detail on rephasing requests and over/underspends in Appendix 7.

1.21 Generally, much financial slippage was incorporated in the 2010/11 budget setting, with £13m slipped at that time (£15m in 2009/10 budget setting). While the report reflects financial slippage, major projects are still completing on time and on budget.

### **CAPITAL RESOURCES**

1.22 The 2009/10 budgeted figure for capital receipts assumed Right to Buy (RTB) receipts of £1m from Somer Housing Association, General Fund receipts of £2.0m and Children's Services earmarked receipts of £1.1m, giving estimated receipts of £4.1m. Actual receipts achieved, net of costs, were RTB sale receipts of £0.6m, General Fund receipts of £3.6m and Children's Services earmarked receipts of £0.5m.

1.23 The current position is that, from 1 April 2008, non scheme-specific receipts are earmarked to Public Realm Improvements and property maintenance, and receipts from the schools' estate are earmarked for School Improvements.

1.24 The Council is also required to report how the 2009/10 programme is to be financed (including the £22.0m of grant funded Stone Mines). This is as follows:

	<b>£'000</b>
Total Capital Spending:	<b>73,907</b>
<b>Funded by:</b>	
Supported Borrowing	6,003
Capital Receipts	4,657
Capital Grants	62,060
3 <sup>rd</sup> Party Receipts	589
Revenue	598
Unsupported Borrowing	0

1.25 The £598k of revenue funding is predominantly in respect of the IT investment programme.

1.26 B&NES is Accountable Body for the Growth Points Fund on behalf of the West of England. In 2009/10 capital grant of £6.4m was received from DCLG. Of this £1.5m was distributed to individual UAs to fund specific projects. £0.5m revenue grant was received for 2009/10 which is being used to strengthen the capacity of the West of England.

1.27 The use of B&NES Growth Points capital allocation has been earmarked for the City Information System (Public Realm) and Bath Western Riverside. This will need to be reviewed in light of the current public sector austerity measures.

### **APPROVAL OF CAPITAL PROJECTS**

1.28 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.