

Title of Report:	Provisional Outturn Report 2010-11
Report to be considered by:	Executive
Date of Meeting:	16 June 2011
Forward Plan Ref:	EX2116

Purpose of Report: To inform the Executive of the provisional outturn for the 2010-11 financial year.

Recommended Action: To note the report.

Reason for decision to be taken: This report forms part of the Council's performance monitoring framework.

Other options considered: n/a

Key background documentation:

- Papers held by accountancy
- Financial Statements 2010-11 to be released to external audit by the 30th June 2011

The proposals will also help achieve the following Council Plan Theme:

☒ **CPT13 - Value for Money**

The proposals contained in this report will help to achieve the above Council Plan Priorities and Themes by:
Monitoring the council's financial performance in respect of the agreed budget.

Portfolio Member Details	
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Date Portfolio Member agreed report:	23 May 2011

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Implications

Policy:	n/a
Financial:	The financial implications to the Council are articulated in the report.
Personnel:	n/a
Legal/Procurement:	n/a
Property:	n/a
Risk Management:	Risks associated with the Council's budget are contained in the council's Strategic Risk register and the risk Registers of Individual Services.
Equalities Impact Assessment:	Stage 1 completed

Is this item subject to call-in?	Yes: ☒	No: ☐
If not subject to call-in please put a cross in the appropriate box:		
The item is due to be referred to Council for final approval		☐
Delays in implementation could have serious financial implications for the Council		☐
Delays in implementation could compromise the Council's position		☐
Considered or reviewed by Overview and Scrutiny Commission or associated Task Groups within preceding six months		☐
Item is Urgent Key Decision		☐

Executive Summary

1. Introduction

- 1.1 This is the final report to be presented to the Executive concerning the Council's financial performance in respect of the 2010-11 financial year. This report outlines the provisional outturn for the different council services. It should be noted that this position may well change over the coming weeks, as the council is required to produce full financial statements by the end of June 2011, but is unlikely to be materially different.
- 1.2 The Council's provisional outturn is an underspend of £686k against its revised 2010-11 budget.
- 1.3 The financial year 2010-11 has been a particularly turbulent one for the Council's finances. In June 2010 there was an emergency budget announced by the new coalition Government which reduced the in-year financial resources available to the public sector by £6.2bn. The Council's share of this reduction was £1.054m to the revenue budget with further reductions due to the abolition of the Planning Delivery Grant and the removal of Local Area Agreement reward funding.
- 1.4 The Council adopted a recruitment freeze and kept posts vacant to save circa £800k, and also reduced budgets in areas previously in receipt of Area Based Grant by over £600k to achieve a break even position at the end of the financial year. At month 9 the Council also capitalised circa £1.5m of highways revenue expenditure due to a change in accounting standards. These items helped to reduce the forecast overspends in service areas and to mitigate the impact of the central Government cut to Council funding. The main service area where the Council overspent significantly was in the Adult Social Care service in 2010-11, as forecast for much of the financial year.
- 1.5 The Council managed to achieve an underspend position for the financial year whilst also funding a significant restructuring exercise for the 2011-12 budget, managing over £1m of in year reductions and maintaining the delivery of Council services.

2. Proposals

- 2.1 For Executive to note this report.

3. Conclusion

- 3.1 The provisional outturn is expected to be a £686k underspend for the Council against a net budget of £118.172m. This represents an underspend of 0.6% against the budget. It should be noted that the final actual outturn position that will increase or decrease the Council's general reserve will be reported in the Council's full financial statements which are due to be published in draft format on the Council's website, and for release to the Council's external audit provider KPMG to review, in late June 2011.

Executive Report

1. Introduction

- 1.1 This report details the provisional outturn for the Council for the financial year 2010-10. The report highlights the over and underspends for the year by directorate and service.
- 1.2 The overall financial outturn is anticipated to be £686k underspent. This represents an underspend of 0.6% against the revised Council budget for 2010-11.

2. Overview of 2010-11

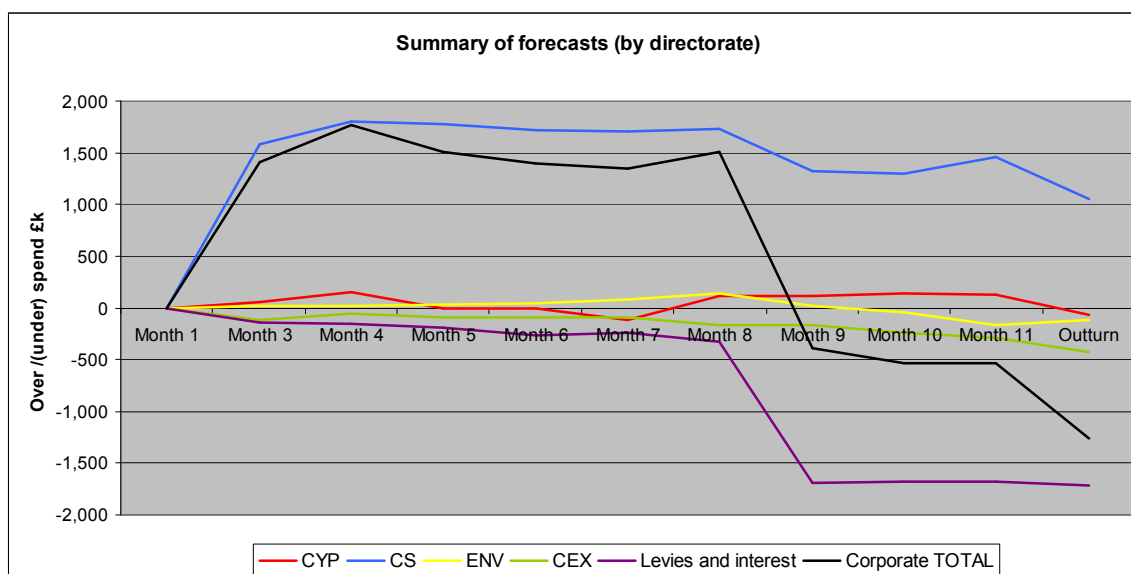
- 2.1 The financial year 2010-11 was a year of unprecedented changes to the Council's financial position. The Council's original budget for management reporting stood at £119.23m at the beginning of the financial year. As result of the emergency budget announced on the 22nd June 2010, the budget was revised to £118.17m. This reduction of over £1m budget had a significant impact on the management of the Council's finances for the rest of the year. A recruitment freeze was enacted to reduce costs by £800k, with further savings of £660k coming from Area Based Grant (ABG) funded areas that were impacted on by central Government funding reductions.
- 2.2 The Adult Social Care service had by far the largest overspend of any Council service of £1,603k, thus being the contributing factor to a Council wide directorate overspend of £448k. The service did receive some one-off income from central Government of £326k towards the end of the financial year which offset some of the pressures, though the service still overspent by a significant sum.
- 2.3 As a result of implementing International Financial Reporting Standards the council was able to reallocated highways revenue expenditure into capital expenditure. This freed up just under £1.5m net of revenue expenditure that was able to offset the corporate pressure, and enable an underspend of £686k. Further detail on this was presented to the Executive at the quarter 3 report.
- 2.4 A summary of the financial year, and the changes is presented below:

Revised budget position:

Net budget as at 1.4.2010	£119.22m	Summary budget changes:
Reduction to net budget from Emergency Budget	(£1.05m)	
Revised budget as at 1.7.2010	£118.17m	
Item	Financial impact / £m	
Net budget as at 1.4.2010	119.22m	
Recruitment freeze due to Emergency Budget	(0.7)	
ABG savings related to the emergency budget	(0.66)	
Capitalisation of highways expenditure	(1.36)	
New Government funds - ASC	(0.33)	
New Government funds – Legal	(0.07)	
ASC outturn – gross of one off funding	1.93	
Non-ASC service outturn position	(1.12)	
Funding of redundancy costs	0.58	
Outturn position	117.49	
Revised budget as per the above	118.17	
Outturn variance	(0.68)	

3. 2010-11 revenue provisional outturn

3.1 The Council is anticipated to be £686k under spent. A summary of the Council's performance by directorate and service is highlighted in appendix 1. This represents a variation of 0.6% on the Council's net budget:



3.2 The Adult Social care service overspent by far the largest amount of any of the Council's services during 2010-11. There were a combination of factors that have led to this overspend. Primarily there were increased costs in providing service to

those clients with learning disability, both due to increased demand, and due to the level of care required. The older people element of the service was much closer to break even, and this position was achieved with the help of the £326k one-off monies from the Department of Health and due to the PCT funding 14 delayed discharge clients from the NHS.

- 3.3 All of the other Council services achieved an over or under spend within £300k of their revised budgets following the reductions to the Council budget due to the coalition Government's emergency budget. The Council did face a number of other changes within its budget during 2010-11, and appendices 2a to 2d detail how directorates managed these during the year. The Council did also benefit from a number of one-off income streams during 2010-11, with some of these coming from month 9 onwards.

4. Funding of the 2011-12 budget restructuring

- 4.1 At the bottom of appendix 1 is a summary of the anticipated costs of the restructuring to Council services for setting the 2011-12 budget. The Council set aside circa £2m from previously earmarked reserves to fund the restructuring costs to set the 2011-12 budget. Due to the scale of the restructuring required, this reserve was exceeded. A summary of the costs that could not be met from within specific grants i.e. that fell on the Council to fund is below:

(i) Costs associated with the in-year budget reductions and the 2011-12 restructuring (excluding Adult Social Care): £1,663k

(ii) Costs associated with the restructuring of Adult Social Care: £949k

- 4.2 The Council underspend by £1.2m and, as shown at the bottom of the appendix 1, this enabled the Council to meet its obligations to pay for 2011-12 restructuring costs of £580k, leaving an underspend returned to the General Reserve of £686k..

5. Provisional Capital Outturn 2010/11

	Revised Capital Budget 2010/11 £000	Provisional Council Funded Spend £000	Provisional External Funded Spend £000	Total Outturn £000	Variance £000
Community Services	4,786	1,212	981	2,193	(2,593)
Chief Executive	24,853	7,674	11,776	19,450	(5,403)
Children and Young People	18,527	2,485	12,194	14,679	(3,578)
Environment	16,797	11,537	1,413	12,950	(3,847)
Total	64,693	22,908	26,364	49,272	(15,421)

- 5.1 Total capital expenditure in 2010/11 was £49.3 million. This represents an estimated underspend of £15.4 million against the provisional final budget of £64.7 million. This includes an underspend against the Council funded capital budget of approximately £7.2 million. However the budget figures and the split between Council and external funding are subject to final decisions to be made about the allocation of capital receipts and external funding to offset expenditure in 2010/11.

(1) Community Services

The underspend of £2.6 million includes £600,000 in respect of Disabled Facilities Grants, most of which has been allocated to clients, but is not yet shown as committed in the Council's accounting system. £434,000 of the underspend relates to the Newbury Museum project which is now expected to start on site in 2012/13. In addition the Housing Service planned to underspend against its programme of housing repairs and improvements (including empty homes and temporary accommodation) by approximately £800,000, in order to free up resources to help fund other capital investment priorities for the period 2011 to 2016. (This proposal was included in the report on the Capital Strategy and Programme 2011-16 which was approved by the Council on the 3 March).

(2) Chief Executive

This includes major schools projects managed by the special projects team. The underspend in 2010/11 includes £2.6 million in respect of Denefield School which is planned for completion in November 2012. £1.6 million of expenditure on ICT schemes is now expected to slip into 2011/12 including the completion of the Timelord project, the Storage Area Network replacement and the Data Centre Refurbishment which are all now expected to be completed in 2011/12.

(3) Children and Young People

Expenditure on the Education programme is approximately £3.5 million lower than budgeted. This is because of the reprofiling of spend on a number of schools schemes including Theale Green, Chieveley, Speenhamland and Kintbury St Mary's which are now expected to be completed in 2011/12. In addition the 2010/12 programme included £740,000 for the Secondary Schools Development Strategy – the design stage of this project started in March 2010 and the projects selected to be completed are now expected to start on site in 2012.

(4) Environment

Capital expenditure on Environment schemes was approximately £3.8 million below the budget for 2010/11. This includes £1.6 million in respect of Highways improvement schemes of £500,000 was committed at year end and will be spent within the first two months of the new year and a further £640,000 was planned to be reprofiled to 2011/12. £700,000 of the underspend relates to the preparation of the site for the new Waste Management facility at Padworth which will also be completed in 2011/12. The 2010/11 programme also included £500,000 for schemes to promote energy and carbon savings across the Council. Only a small amount of this

fund has so far been allocated because it has taken some time to identify schemes which offer the best value for money and which deliver significant revenue savings. It is now proposed to spread the remaining funding for this programme over the next 3 years.

6. The full financial statements

- 6.1 The Government has recently changed the Accounts and Audit regulations. This has removed the requirement for members to approve the financial statements for release to external audit (KPMG). Instead, the s151 officer must sign off the financial statements by the 30th June for KPMG to commence their audit. Members of the Governance & Audit committee are then required to approve the financial statements by the end of September 2011 upon receipt of KPMG's ISA 260 summary report.
- 6.2 The financial statements provide a much greater level of detail concerning the 2010-11 financial transactions than this report and also in a very different format to comply with International Financial Reporting Standards.
- 6.3 The financial statements will include the finalised outturn position. As part of the implementation of IFRS, this outturn will be displayed in a different format with additional reporting analysis compared to previous years.
- 6.4 The draft financial statements will be posted on the Council's internet as soon as practicably possible after the Council's s151 has certified these to be ready for external audit later in June.

Appendices

Appendix 1 – Outturn by Directorate and service
Appendix 2a to 2d – Directorate summaries

Consultees

Local Stakeholders: Not consulted
Officers Consulted: Corporate Board
Trade Union: Not consulted