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**REVENUE OUTTURN 2008-09**

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**Responsible Cabinet Member – Councillor Chris McEwan, Efficiency and Resources  
Portfolio**

**Responsible Director – Paul Wildsmith, Director of Corporate Services**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To present the revenue outturn 2008-09, to allow Members to consider the results in light of the Council's Medium Term Financial Plan (MTFP) for the General Fund and also consider the Collection Fund and Housing Revenue Account out-turn.

**Summary**

2. The Council's revenue results for 2008-09 are satisfactory. Cabinet is asked to approve carrying forward to 2009-10 a number of resource allocations. If the proposals in the report are approved there will be an increase in General Fund reserves of £152,000 compared with the approved MTFP.

**Recommendation**

3. It is recommended that :-
  - (a) The satisfactory results for 2008-09 revenue outturn be noted.
  - (b) The increase in General Fund corporate reserves in respect of corporately managed resources totalling £133,000 be noted.
  - (c) Transfer of £155,000 of capital resources to revenue reserves be approved.
  - (d) Contributions from departmental resources of £331,000 to General Fund corporate reserves be approved.
  - (e) Departmental balances of £218,000 be carried forward to meet committed expenditure in 2009-10.
  - (f) Resources totalling £692,000 be carried forward to 2009-10 to meet commitments in health improvement partnership working arrangements.

## Reasons

4. The recommendations is supported in order to maintain appropriate management arrangements for the Council's finances and make effective use of the Council's resources.

**Paul Wildsmith**  
**Director of Corporate Services**

## Background Papers

2008-09 Revenue Budget and Accounting Records

David Hall: Extension 2303

S17 Crime and Disorder	This report contains a proposal to carry forward resources of £22,000 to support the work of the Crime and Disorder Reduction Partnership
Health and Well Being	The report proposes the carry forward of £692,000 to support health improvement partnership working in Darlington.
Sustainability	There are no issues relating to environmental impact.
Diversity	There are no specific implications for diversity
Wards Affected	The proposals affect all wards
Groups Affected	The proposals affect all groups
Budget and Policy Framework	The report does not change the Council's budget or Policy Framework
Key Decision	The report does not represent a key decision
Urgent Decision	The report does not require an urgent decision for 'call-in' purposes
One Darlington: Perfectly Placed	The proposals in the report support delivery of the SCS through appropriate and effective deployment of the Council's resources.
Efficiency	The report does not contain new efficiency implications but is concerned with the delivery of efficiencies in 2008-09 and planned efficiencies in 2009-10 and future years. The proposed carry forward of funds to support partnership working between the Council and local NHS bodies also seeks to improve efficiency through more effective use of resources and better outcomes for residents.

## MAIN REPORT

### Information and Analysis

5. The Council's 2008-09 revenue accounts are close to being finalised, subject to Audit. The financial results for 2008-09 are an important part of the continuous cycle of financial management that includes resource allocation, budgeting, budget management and review.
6. The overall financial results are satisfactory. Departmentally managed budgets are £1.241M better than the MTFP. This includes some commitments that need to be carried forward to 2009-10 and some slippage of planned expenditure from 2008-09, which is considered under the proposed treatment of departmental balances in paragraphs 9 to 12. Before any transfers from departmental resources, corporate balances are £288,000 better than the MTFP. It is proposed that £331,000 of departmental resources be returned to corporate reserves. There is, however, a deficit of £467,000 on the Collection Fund. The improvement in corporate reserves, compared with the 2009-13 MTFP is, therefore, £152,000.

### General Fund

7. Table 1 summarises the 2008-09 outturn compared with the MTFP approved by Council on 26 February 2009.

**Table 1 – Summary of General Fund Outturns and Variances**

General Fund Outturn 2008/09		Budget £M	Outturn £M	Variance	
				£M	%
<b><i>Departmental Resources</i></b>					
1	Children Services	69.798	69.616	(0.182)	-0.3
2	Community Services	45.021	44.070	(0.951)	-2.1
3	Chief Executive's Office	6.818	6.774	(0.044)	-0.6
4	Corporate Services	9.209	9.145	(0.064)	-0.7
5	<b><i>Total Departmental Resources</i></b>	<b>130.846</b>	<b>129.605</b>	<b>(1.241)</b>	<b>-0.9</b>
<b><i>Corporate Resources</i></b>					
6	Joint Boards & Levies	0.648	0.660	0.012	1.9
7	Financing Costs	2.170	1.951	(0.219)	-10.1
8	Corporately Managed Resources	(0.088)	(0.014)	0.074	-
9	Change Fund	0.081	0.081	0.000	0.0
10	<b><i>Total Corporate Resources</i></b>	<b>2.811</b>	<b>2.678</b>	<b>(0.133)</b>	<b>-4.7</b>
11	<b><i>Net Expenditure</i></b>	<b>133.657</b>	<b>132.283</b>	<b>(1.374)</b>	<b>-1.9</b>
<b><i>Contributions To / From Reserves</i></b>					
<b><i>- Previously Approved</i></b>					
12	Planned Use of General Fund Reserve (2008-12 MTFP)	(1.641)	(1.641)	0.000	-
13	2008-09 In-year approvals by Council & Cabinet	(0.335)	(0.335)	0.000	-
14	Resources approved by Council 26th February 2009	(0.513)	(0.513)	0.000	-
15	Planned Use of Departmental Reserves B/Fwd from 2007/08	(0.207)	(0.207)	0.000	-
16	Departmental Balances C/Fwd -Approved in 2009-13 MTFP	0.221	0.221	0.000	-
17	Local Authority Business Growth Incentive Grant	0.463	0.463	0.000	0.0
<b><i>- Considered in this report</i></b>					
18	Health improvement commitments – c/fwd to 2009-10		0.692	0.692	-
19	Departmental Balances C/Fwd – requested in this report		0.218	0.218	-
20	Departmental Balances - to return to corporate reserves		0.331	0.331	-
21	Corporate underspends – to return to corporate reserves		0.133	0.133	-
22	<b><i>Total Resources</i></b>	<b>131.645</b>	<b>131.645</b>	<b>0</b>	

## Departmental Resources

8. In February 2009, Council approved carrying forward £221,000 by Chief Executive's (£71,000) and Corporate Services (£150,000) departments.
9. In addition to the previously approved carry-forwards, departmental balances are in credit by £1.241M at 31st March 2009.
10. The year-end balance includes £692,000 of commitments to the Health Improvement partnership working arrangements, which was reported to Cabinet in December 2008 and April 2009. Darlington Primary Care Trust (PCT) invested £1.5M in local health improvement initiatives in Darlington in 2008-09. Building on the work of the Health Improvement enquiry group, NHS funding is being invested through the Council as accountable body for the Local Strategic Partnership (LSP). The North East Alcohol Office (known as "Balance") also commissioned work through the Council in 2008-09. These resources have been used to deliver a range of health improvement initiatives. The Council's MTFP includes provision for on-going health improvement initiatives using the Council's own resources. The proposed carry forward of resources is to support delivery of these initiatives in 2009-10.
11. This leaves improved departmental balances of £549,000 compared with the 2009-13 MTFP, which is marginally better than the budget monitoring reported to Cabinet on 28<sup>th</sup> April 2009. Members are requested to approve the following specific carry forward of resources to 2009-10: -
  - (a) Community Services has a credit year-end balance of £951,000, of which £509,000 relates to health improvement initiatives referred to in paragraph 10. Of the remaining £442,000, it is proposed that £316,000 be returned to corporate reserves and approval is requested to carry forward £126,000 into 2009-10: -
    - (i) A project within Adult Services for the Learning Disability Development Funding was expected to be completed in 2008-09. This is still ongoing into 2009-10 and £51,000 is needed to complete it
    - (ii) It was planned to develop an in-house 'reablement' model in 2008-09, but the integration work with the PCT was seen to be a better way to progress this. This work is progressing in 2009-10 and the funds of £60,000 originally identified for set up costs and management support are requested to be carried forward to 2009-10.
    - (iii) Repair work to the Dolphin Centre Pool ceiling which was programmed to be completed in March 2009 but slipped into April; £15,000 is required to fund this work in 2009/10.
  - (b) Chief Executive's Department has a credit balance of £44,000 at the year-end. Approval is requested to carry forward the balance to 2009-10: -
    - (i) The Complaints team are in the process of procuring a complaints IT system, although funding was included in 2008-09 budget the quotation exercise crossed the financial year-end. The awarding of the contract is expected in the next few weeks and funding of £22,000 is required to cover this cost.

(ii) The remaining £22,000 is required to cover the cost of the Public Reassurance Campaign within the CDRP. This was committed to in 2008-09 but slipped into 2009-10.

(c) Corporate Services has a year-end credit balance of £64,000. Approval is sought for £48,000 to be carried forward for the Corporate Training budget, to pay for the ongoing Leadership and efficiency development programme. It was anticipated this activity would have been completed in 2008-09 but was delayed as the provider selection process took longer than anticipated and delivery dates have to be fitted around existing commitments. The final stage of the programme will now be completed in early 2010. The remaining £16,000 is to be returned to corporate reserves.

12. Table 2 summarises departmental balances as at 31<sup>st</sup> March 2009 if the proposals in paragraphs 10 and 11 are agreed. The proposed departmental carry forwards are shown in column 4 and contributions to corporate reserves is shown in column 5.

**Table 2 – Departmental Balances as at 31<sup>st</sup> March 2009**

	Departmental Carry forwards Approved in 2009-13 MTFP (1) £000	Balance of Departmental Resources (2) £000	Health Improvement Partnership funding commitments (3) £000	Departmental Commitments – Proposed carry forward to 2009-10 (4) £000	Balance of Departmental Resources to transfer to GF Reserves (5) £000
Children's Services	0	182	(183)	0	1
Community Services	0	951	(509)	(126)	(316)
Corporate Services	150	64	0	(48)	(16)
Chief Executive's	71	44	0	(44)	0
	<b>221</b>	<b>1,241</b>	<b>(692)</b>	<b>(218)</b>	<b>(331)</b>

### Corporate Resources

13. The proposed treatment of departmental balances in paragraph 11 would, if approved, increase corporate General Fund Reserves by £331,000.

14. A further reduction of £219,000 in net financing costs has been achieved since the revised MTFP approved by Council 26<sup>th</sup> February 2009 due to a number of actions taken to manage the financing costs in the changing economic climate. Further details can be found in the Treasury Management and Outturn Prudential Indicators Report, which is presented on this agenda. Joint Boards and Levies and Leading Edge Efficiencies together are overspent by £86,000.

15. Excluding proposed transfers from departmental resources, corporate resources are £133,000 better than the approved 2009-13 MTFP.

16. It is also proposed that £155,000 of capital resources be transferred to revenue. These are contributions made from previous years' revenue accounts towards funding capital expenditure.
17. Subject to audit, the General Fund reserve at 31<sup>st</sup> March 2009 is £9.542M, which is 11% of 2009-10 revenue budget (excluding schools). This is consistent with the Council's Policy on Reserves.

### ***Collection Fund***

18. The Collection Fund is a statutory account for Council Tax and Non-domestic Rates (NDR) collection and distribution. National pooling arrangements mean that the local impact of NDR collection is generally neutral. Council Tax collection, however, impacts directly on the resources available to the Council, Police and Fire authorities.
19. Subject to audit, the Collection Fund outturn for 2008-09 is a deficit of £232,000, which is approximately 0.6% of the total Council Tax demand for the year. When added to the deficit of £330,000 brought forward from 2007-08, the accumulated deficit at 31st March 2009 is £562,000, of which £95,000 relates to the Police and Fire Authorities and £467,000 to the Council.
20. The deficit is principally a result of back-dated banding appeals, which have reduced net income by £351,000. These are extremely difficult to predict and in 2008-09 a quarter of the years total came in March. In-year collection performance has remained high despite the difficult economic conditions and in fact increased in 2008-09, but arrears collection has fallen by around £170,000. The taxbase (the band-weighted number of properties) has increased more slowly over the last 2 years than it had done in previous years, so that the amount of tax due to be collected has been slightly less than forecast. Action taken to improve the Collection Fund position includes reviewing discount entitlements and further promotion of prompt payment by direct debit and revised instalment dates. These appear to be having positive impacts so far.
21. In setting the MTFP for 2009-10 to 2012-13 it was assumed that there would be no surplus or deficit. It now seems unlikely that the accumulated deficit will be eliminated during 2009-10. Because the Collection Fund is a separate statutory account, the deficit is not included in the Council's General Fund balances but the 2010-14 MTFP will need to take account of the Council's share of the accumulated deficit.

## **Corporate Resources Summary**

22. Taking all the above into account, the corporate General Fund reserve at 31st March 2009 is £9.542M, summarised in Table 3 below (lines 2 to 5). The planned level of General Fund Reserves at 31<sup>st</sup> March 2009 on which the current MTFP is based is £8.923M. The deficit on the Collection Fund reduces resources available for the 2010-14 MTFP. The overall improvement compared with the approved MTFP for 2009-13 is £152,000.

**Table 3 – General Fund Reserve as at 31<sup>st</sup> March 2009**

		£M
1	Planned corporate GF Reserve at 31st March 2009 (1)	8.923
2	Proposed net contribution from departmental balances in this report (Table 2)	0.331
3	Corporate resources (Paragraphs 14 and 15)	0.133
4	Capital resources returned to revenue balances	0.155
5	General Fund Reserves as at 31st March 2009	9.542
6	Collection Fund deficit	-0.467
7	Increase in corporate General Fund Reserves compared with MTFP (line 5 less line 1, less line 6)	0.152

(1) In 2009-13 MTFP approved by Council 26<sup>th</sup> February 2009

## **Housing Revenue Account**

23. The closing balance on the Housing Revenue Account (HRA) is £777,000 compared with a budgeted balance of £500,000. This is due to lower prudential borrowing requirements due to some capital works expenditure slipping into 2009/10. This resulted in lower capital financing costs in 2008/09.
24. The working balance on the HRA continues to show a healthy position at 4.9% of turnover.

## **Other Reserves**

25. School balances, which are effectively ring-fenced under legislation, have decreased from £2.219M at 31<sup>st</sup> March 2008 to £2.060M at 31<sup>st</sup> March 2009. At 4% of schools' delegated budgets this is a healthy but not excessive balance. Under the schools' financing scheme, all secondary schools with balances of more than 5% and primary schools with balances of more than 8% of their annual budget are required to give explanations of the purposes for which balances are being held. Children's Services are working with individual schools to review levels and planned uses of balances.

## **Outcome of Consultation**

26. No consultation was undertaken in the production of this report.