

**FINAL OUTTURN 2010-11 - FINANCIAL PERFORMANCE****1.0 INTRODUCTION**

1.1 This report sets out the Council's financial performance for 2010-11, and summarises the final revenue and capital outturn positions for services. It focuses upon the key financial issues affecting services, and highlights significant changes from the position reported at the Three Quarter Year Review (TQR). The report includes updates on the Capital Programme, Treasury Management, Debt, and in-year collection rates for Council Tax and Business Rates.

**2.0 OVERALL SUMMARY**

2.1 Table 1 provides an analysis of the impact of the outturn on the Council's general reserves or "balances" and compares this with the position at TQR.

**Table 1 – Impact on Balances**

	Budget 10-11	TQR 10-11	Outturn 10-11
	£m	£m	£m
Planned Repayment to Balances	4.3	4.3	4.3
<u>Adjusted by:</u>			
<u>Additions to Balances</u>			
Fleming VAT claims	0.6	1.6	1.8
Business Financing Scheme	0.3	0.3	0.4
<u>Use of Balances</u>			
Transfer to VR reserve	-1.5	-1.5	-1.5
Service Outturn Impacts		-7.7	-2.2
Supplementary Revenue Estimates		-0.2	-0.1
Other Corporate items		-0.3	-0.4
<b>Net Total Impact on Balances</b>	<b>3.7</b>	<b>-3.5</b>	<b>2.3</b>
Balances at 1 April 2010		10.2	10.2
<b>Balances at 31 March 2011</b>		<b>6.7</b>	<b>12.5</b>

2.2 The impact of the 2010-11 outturn on the level of balances is a net increase of £2.3m. This increase in reserves has been achieved despite significant underlying budget pressures in services, particularly in Adults,

- and represents an improvement of £5.8m since the TQR position reported to Members in February. This is explained by better than forecast positions on services' outturn position (£4.0m), capital financing (£0.5m) surpluses on earmarked reserves and provisions (£1.0m), and unbudgeted income (£0.3m).
- 2.3 Overall, services are reporting an overspend of £9.5m, which represents an improvement of £4.0m since TQR. A favourable variance on the capital financing budget, together with unallocated contingencies, and surplus balances on earmarked reserves and provisions have resulted in offsetting underspends of £7.3m. These have reduced the net service overspend to £2.2m, compared to a forecast of £7.7m at TQR. This position is shown in Table 2 below.
- 2.4 After also taking into account corporate items, including appropriations to earmarked reserves, supplementary revenue estimates, and Fleming VAT claims income, together with the planned contribution to reserves of £4.3m, a net overall increase of £2.3m in balances has been achieved.

**Table 2 – Service Final Revenue Outturn**

	FINAL OUTTURN 2010-11						MEMO
	Net Budget	Actual Outturn	Variance from Budget	SREs for Approval	Proposed Carry forwards	Net Variance	Variance at Three Quarter Review
	£000	£000	£000	£000	£000	£000	£000
<b>CHILDREN &amp; FAMILIES</b>	<b>46,129</b>	<b>47,092</b>	<b>963</b>			963	<b>4,094</b>
Adults	69,372	78,137	8,765			8,765	8,376
Health & Wellbeing	12,113	13,052	939			939	957
<b>ADULTS, COMMUNITY &amp; HEALTH &amp; WELLBEING</b>	<b>81,485</b>	<b>91,189</b>	<b>9,704</b>			9,704	<b>9,333</b>
<b>PLACES</b>	<b>51,743</b>	<b>51,984</b>	<b>241</b>			241	<b>264</b>
Treasurer & Head of Assets	26,090	26,413	323	(200)		123	760
HR & OD	3,247	3,071	(176)			(176)	(89)
Borough Solicitor	6,363	5,981	(382)		160	(222)	(402)
Policy & Performance	8,413	7,346	(1,067)			(1,067)	(450)
Corporate Improvement	425	364	(61)			(61)	(20)
<b>PERFORMANCE &amp; CAPACITY</b>	<b>44,538</b>	<b>43,175</b>	<b>(1,363)</b>	<b>(200)</b>	<b>160</b>	<b>(1,403)</b>	(201)
<b>Sub Total - Services</b>	<b>223,895</b>	<b>233,440</b>	<b>9,545</b>	<b>(200)</b>	<b>160</b>	<b>9,505</b>	<b>13,490</b>
<b>CENTRALLY HELD ITEMS</b>							
<b>Capital financing Unallocated contingencies</b>	<b>13,694</b>	<b>11,123</b>	(2,571)			(2,571)	(2,100)
<b>Surplus reserves /provisions</b>	<b>7,624</b>	<b>5,157</b>	(2,467)			(2,467)	(2,400)
	<b>(907)</b>	<b>(3,224)</b>	(2,317)			(2,317)	(1,300)
<b>Total Service Outturn</b>	<b>244,306</b>	<b>246,496</b>	<b>2,190</b>	<b>(200)</b>	<b>160</b>	<b>2,150</b>	<b>7,690</b>

### 3.0 KEY SERVICE ISSUES

Below is a summary of the key service outturn issues, and main changes from the forecasts made at the Three Quarter Year Review (TQR).

### **Children & Families - £1.0m overspend**

- 3.1 The final outturn for Children and Families is an overspend position of £0.963m. At the Three Quarter Review the reported position was a net overspend of £4.1m, after allowing for remedial action of £4.6m. However this position was improved at year end following the reprioritisation of spend against a further £3m of unallocated SureStart funding, Standards funds and Dedicated Schools Grant (DSG).
- 3.2 The most significant improved remedial action has been to increase the level of unallocated grant that can be used flexibly across the Department to help reduce the overall spending pressure. Previously £1m of SureStart grant had been available; at TQR it was thought this figure was more likely to be around £2.5m which can be used to support early intervention activity previously funded from Council base budgets; however at year end another £1.5m was identified as available.

### **Integrated Delivery**

- 3.3 The increased numbers of Looked After Children has been a feature of the budget pressure during 2010/11, and Cared For Children/Children in Need/Child Protection overspent by £4.7m. In November 2009, when the budget information was gathered to build the 2010/11 budget there were 370 Looked After Children. Early in 2010/11 the numbers increased to a peak of 490 children, which based on the national average cost of care for each child of £50k per annum, would have added over £6m of full year budget pressure. Through proactive intervention strategies the Department has started to reduce the numbers needing to be taken into care, with 439 children currently being looked after as at March 2011. This has already been reflected in decreasing agency (£100k) and fostering (£90k) costs.
- 3.4 In addition the service has been given £4m growth in 2011-12 in order to address the fundamental issue of budgeting at the right level. However whilst recognising that this growth ensures this service is adequately funded at the start of the year, the service acknowledges this is a continuing area of budget pressure. In the first two months of 2011-12, two multi sibling families have come into care, increasing the numbers of Looked After Children to 446 in June 2011.

### **Improvement and Achievement**

- 3.5 Strengthening safeguarding arrangements for children and young people is a key priority. Over the preceding 2 years this entailed a review of the approach to safeguarding across the Borough, which resulted in increasing numbers of children requiring care, before more recently moving to an approach with increased intervention and support, which aims to keep more children in their own homes. Additionally, significant

steps have been taken to reposition the Service in its relationship with schools. Government policy promoting autonomous schools and the redirecting of funding streams from the Local Authority to schools has promoted a positive dialogue with schools regarding the future delivery and purchasing of central support services. Moving forward this has additionally enabled more resources to be delegated to schools enabling them to determine much more transparently which services they need to purchase and from where.

- 3.6 Transport remains an area of budget pressure, in both Home to School transport and Looked after Children. At LGR insufficient budget was allocated to Cheshire East resulting in a final overspend of around £700k. This has been addressed in the budget setting for 2011-12, with growth of £1.0m being allocated to transport, to meet this inherited underfunding, and to absorb increasing fuel prices and the impact of the revised hard to place protocol. This area will come under review in 2011-12.

Dedicated Schools Grant (DSG)

- 3.7 The outturn position on the Local Authorities Schools account at the end of 2010/11 is a credit balance of £0.538m. This is due to underspends within centrally retained DSG budgets. It has been agreed with Schools Forum (meeting of the 21st June) that the Local Authorities DSG carryforward of £0.538m will be ringfenced so that it will either be used by the Local Authority to meet schools related expenditure, or it will be delegated to schools at a later date. A report will be made to Schools Forum later in the year to advise on how the carryforward will be used.

**Table 3 - Dedicated Schools Grant**

Contingency Title	Budget 2011/12 £m	Budget 2010/11 £m	Actual 2010/11 £m	Variance £m
1. General contingency	0.914	0.414	0.414	0.000
2. Early Years	0.096	0.096	0.000	(0.096)
3. SEN	2.828	1.328	2.338	1.010
4. LA Rates	0.193	0.193	0.085	(0.108)
5. DSG Pupil Numbers	0.000	0.220	0.000	(0.220)
Total	4.031	2.251	2.837	0.586
6. Less DSG carryforward 09/10 to offset SEN overspend	0.000	0.000	(1.158)	(1.158)
DSG underspend 2010/11	4.031	2.251	1.679	(0.572)
Other DSG overspends			0.034	0.034
DSG underspend 2010/11				(0.538)

- 3.8 Schools have carryforward balances of £ 9.975m at the end of 2010/11. These will be carried forward in full for schools use in 2011/12.

- 3.9 Work is currently underway to understand the full year implications in 2011/12 of these final positions and to improve procedures around costs traditionally recharged towards the end of the financial year.

#### Conclusion

- 3.10 During the latter part of 2010-11, Children and Families underwent a thorough budget review, building up a Needs Led budget based on services and requirements. The budget policy proposals allocated growth of £5.8m to the service, to target the shortfall in budget provision in Looked after Children and in Transport, and to help develop an alternative residential provision. However the service has also been tasked with delivering £5.6m savings, through efficiencies in commissioning, reductions in placements and as a result of the changes to the level of grant funding received.
- 3.11 As part of this, the service has again restructured and created three service delivery arms; Early Intervention and Prevention; Safeguarding and Specialist Support; and Strategy, Policy and Performance.
- 3.12 The First Quarter Review for 2011/12 will provide a first in depth analysis of all of the factors including the current year growth, any inherent problems carried forward from 2010/11 and any new emerging pressures. It will report on the three service arms within children and Families, alongside Schools, and will therefore tie together the ongoing Benefits Realisation work with all other financial issues.

#### **Adults, Community and Health & Wellbeing - £9.7m overspend**

- 3.13 The final outturn position of an overspend of £8.7m on the Adults part of the service represents a deterioration of £0.4m from the £8.3m reported at the Three Quarter Year (TQR). The final position for Health & Wellbeing of an overspend position of £939k correlates very closely with the £957k reported at TQR. In total terms therefore the final position for the Adults, Community, Health & Wellbeing department is an overspend of £9.6m which is a worsening of the position by almost £0.4m.

#### Summary

- 3.14 Whilst the final outturn represents a relatively small change from TQR there are a number of issues which need drawing out at this point. Firstly, Members may recall the warning of possible further deterioration being reported to Cabinet at the Away Day in March. This worsening of the position was given as being in the range of £1.5m to £3.0m.
- 3.15 A range of £1.5m to £3.0m was quoted as a number of factors were still to be determined at that point, including for example, negotiations with Health on the apportionment of certain financial issues that span the

Health / Social Care spectrum of activities. This final position indicates the range provided was too bleak and the desire expressed at the time and since, to stay below the estimated range has been exceeded.

- 3.16 Care costs, which are the key financial driver within Adults have turned out as expected. This is positive in terms of the early indications that can be drawn from the recent developments being implemented around cost control and initiatives to prevent costs rising in a period of increased demand (more robust reviews, short period of reablement etc). These will be fully followed through on a full year basis in 2011/12 and reported at the key points It reflects the point made at Cabinet/CMT meeting in March that the service did not consider that there were any operational reasons to suppose that the position had worsened..
- 3.17 The projected final outturn for Health & Wellbeing closely reflects the position outlined at TQR. The overall position masks individual compensating variances and actions remedial action taken which are outlined in detail below.

Adults, Community & Health and Wellbeing (£9.6m over spend)

- 3.18 The majority of this relates to Adults Social Care (£8.7m). This latest position more accurately captures the full year impact of underlying budget pressures built up from the inception of the Council and takes full account of the permanent base budget available to fund these pressures.
- 3.19 Since the inception of the Council the directorate has grappled to contain the growth in care costs being incurred as a result of the demographics within the Borough. This was exacerbated by the fact that it is now clear that the original budget for adult social care represented a significant underfunding of the service. However, pressure on care costs are set to continue as the population ages, with those aged 65-74 anticipated to grow by over 17% and those over 85 anticipated to grow by almost 20% over the next 5 years alone. Alongside this growth in care costs, both the projected outturn and wider financial budgetary position of the department and Council need to be considered.
- 3.20 Since 1<sup>st</sup> April 2009 care costs in Cheshire East have increased by 6% year on year compared with 4% nationally. The issues are not just confined to the ageing population. Learning Disability (LD) clients coming through transition from Children's Services to Adults are increasing, in terms of both numbers and in the complexity of conditions presented. Whilst the projected percentage increase is small (just over 3% over the next 5 years) the increase in costs can be disproportionately high as these are the highest cost service users. This is illustrated by the stark reality that 5 cases alone coming through transition from Children's Services accounted for the full £400k growth built into the Adults budget in 2010/11

to cope with increased demand. This is notable for example in respect of autism which often requires complex support.

- 3.21 However, it is the increasing number of older service users that has placed the most significant extra financial costs on the authority. For example, expenditure being incurred on over 85's in the current financial year is projected at over £20m. This is the beginning of a trend that shows this age category doubling over the next 15 years within the Borough. The latest projection in terms of Older People's service users is a year on year increase in costs in 2010/11 of £1.5m.
- 3.22 External factors outside the control of the department are also adding to the financial pressures. The current tough economic climate means people generally have less money. Personal capital and savings, which would previously have funded individual contributions to care costs, are being eroded. Even after rigorous financial assessment procedures and support to secure all the benefits available, many individuals are able to contribute less to the cost of their care, meaning greater costs to the Council.
- 3.23 In addition, returning self funders have significantly increased, previously from averaging about 6 per care period (80 per annum) to over 140 per annum. Restrictions on other funding sources and changes in national benefits legislation also increase the local financial burden. This is illustrated by changes to the Independent Living Fund (ILF) where no new awards are being made. It is estimated this has resulted in a reduction of income to clients within the Borough who previously would have been eligible to some £1.2m in the current financial year. This is income from central government which would have reduced our net costs of care.
- 3.24 As the financial pressures begin to affect providers there are increasing examples of them being unable to deliver services for the prices that Councils are prepared to pay, particularly for residential care for older people. At a national level Southern Cross has caught the headlines but there are local examples too of the difficulties faced by providers in this sector. Both providers and citizens are showing an increased tendency to resort to the law to challenge the level of funding provided by Council and this too is adding to our cost pressures locally.
- 3.25 In the face of all these pressures it is a remarkable fact that the actual cost of the service has been reduced by the comprehensive programme of redesign. The impact is significant. The total cost of the Adults Service for 2009/10 was £78.5m whereas the projected position being reported for 2010/11 shows costs reducing to £78.1m. Maintaining the cost to this level, given the growth pressures being experienced, demonstrates the effectiveness of the Social Care Redesign (SCR) Transformation Programme. However, the budget available to the Adults Service has reduced faster than the reduction in costs. A large part of this reduction

has been the very limited amount of growth factored into the budget calculations (£400k p.a.). The Adults part of the budget has been reduced by 10% over 2009/10 and 2010/11 from a starting point of over £77m to the current position of £70m.

- 3.26 The financial pressure within the Adults Service has been fully acknowledged by the Council as part of the budget setting process for 2011/12. Growth totalling £8.0m covering both the 2009/10 and 2010/11 financial years has been built into the base budget. In addition, further growth of £3.8m for 2011/12 has been allocated to Adults. This final amount of money is being held separately at Director pending allocation once the actual growth in 2011/12 being experienced can be fully evidenced. Budgets continue to be realigned within the directorate to fully reflect the ongoing impact of transformation / personalisation undertaken to date. Primarily this involves moving budget from strategically commissioned services (such as internal provision) to individually commissioned services (mainly direct payments).
- 3.27 Further action continues to be pursued in 2011/12 in a number of areas such as targeted reviews of care packages. These reviews will ensure that the Council delivers its statutory duty to meet assessed care need but does so in the most cost effective manner. It is important to fully recognise the time required to deliver this action given the statutory duty of care that the Council holds and the number and complexity of individual cases involved.
- 3.28 In broad terms Adult Services have been able to meet its challenging financial savings in the last two financial years but has not yet been able to alleviate the growth caused by the demographics of the borough and other pressures like returning self funders. These are of course national issues that prompted the Dilnot report that proposes a way of funding social care for the future. Meanwhile, as one pressure is alleviated another potential further pressure emerges. Major improvements in both financial and performance information and importantly closer realignment between the two, will assist the service to better manage and alleviate these pressures going forward. This greater level of information / understanding will aid budget management and financial planning in future and will assist in the delivery of a further round of radical transformation that will embed the key themes of prevention, personalisation, local delivery and integration with key partners aimed at sharing and reducing costs while meeting statutory duties. This further round of transformation is in part reliant on timely decisions being made to enable changes to be made, any decisions that are put on hold will add more financial pressure.
- 3.29 In Health & Wellbeing the overspend primarily result from two sources. Firstly, whilst the majority of staffing reductions required across 2009/10 and 2010/11 of £1.1m have been delivered there remains a shortfall of £373k. Secondly, reductions in services assumed in the budget setting

process for 2010/11 (such as the Theatre, Civic Halls) have, as reported previously, not happened in practice which adds £370k to the overspend position. Finally, individual pressures across a number of areas including staffing in Libraries and utility costs across the service broadly add a further £200k. The final outturn mirrors that reported at TQR.

- 3.30 However, the bottom line masks a number of compensating variances within the service since TQR. The planned remedial action in certain service areas (Health Improvement, Arts and Museums, Play and Green Spaces) has brought costs downwards. Unfortunately this action has been offset by a worsening of the position in a couple of areas. The projected position in Leisure facilities as a result of a number of adverse variances across the full range of subjective headings and Libraries (in respect of Shared Services, covering both expenditure and income).
- 3.31 Work is currently underway to understand the full year implications in 2011/12 of these final positions and to improve procedures around costs traditionally recharged towards the end of the financial year. This includes central billing for utility costs and recharges in respect of repairs and maintenance. In both cases improvements to systems should result in improved cost control and better financial forecasting.

#### Conclusion

- 3.32 The investment made in the directorate for 2011/12 which recognises the extent of the budget deficiency in prior years, added to the developments already in hand (roll out of ABC budget control within Individual Commissioning, the Corporate Benefits Realisation work, Balance Sheet approach to risk factors and growth pressures etc) all combine to give a realistic chance of a balanced outturn in the new financial year.
- 3.33 The First Quarter Review for 2011/12 will provide a first in depth analysis of all of the factors including the current year growth, any inherent problems carried forward from 2010/11 and any new emerging pressures. It will therefore tie together the ongoing Benefits Realisation work with all other financial issues.

#### Places - £0.2m overspend

- 3.34 The Places net budget for 2010-11 was £51.7m. The final outturn variance from budget was £241k. At TQR the projected variance from budget totalled £264k, which reflected various cost pressures but also incorporated estimated pay cost savings, planned remedial actions on control of non-pay spending and some use of earmarked reserves.
- 3.35 In overall terms the final outturn is in line with estimates made at TQR but there have been some movements within the Services in relation to:

- Highways Operations: following the period of severe weather the service incurred increased expenditure on both core winter salting and gritting plus additional remedial works expenditure on repairs, offset in part by application of new Winter Impact Grant funding; overall net impact £260k. In year pay pressures and lower recharges to capital also contributed £295k to the outturn position.
- Waste & Recycling expenditure on transport, waste minimisation and recycling contract costs was more favourable than original anticipated by £390k, plus capitalisation of Joint Waste Team salaries improved the position further by £85k.
- Planning fees: income levels were lower than anticipated by £286k, due to several major applications not being submitted as expected at TQR; this was partially offset by further non pay remedial actions of £76k;
- Strategic Highways income/ recharges to capital improved by £160k and other savings were identified across Regeneration in the order of £160k
- Safer and Stronger: The Car Parking adverse income variance of £570k was due to economic recessionary pressures and the implementation of the increased rate of VAT paid over to HMRCE. This was offset by favourable pay variances mainly due to vacancy management within the service.

3.36 Looking ahead to 2011/12, in addition to new budget savings required, continuing pressures from 2010/11 include:

- Environmental Services - pay costs and cross-cutting savings targets
- Safer & Stronger Communities - car parking income levels
- Planning & Housing – planning income levels
- Regeneration – realisation of transportation savings

### **Performance & Capacity - £1.5m underspend**

3.37 The outturn position for Performance and Capacity has improved by approximately £1.2m since TQR. This includes a £200k SRE request from earmarked transitional funds for ICT to offset historical photocopier lease costs agreed by the former authorities as well as a carry forward request of £160k for Democratic Services.

3.38 BT&HOA – improvement of £0.6m since TQR due to building maintenance revenue budget not being transferred to fund future capital works following agreement to use the capital reserve to fund capital works in 2011/12.

3.39 The building maintenance underspend has offset significant pressures from ICT Shared services. The final consolidated position for ICT is an overspend of just over £1.1m (after use of remaining transitional funding above).

3.40 HR&OD - an £87,000 improvement since TQR is primarily due to increased first aid training income and OHU shared services final outturn being favourable to TQR by £24,000. Final ICT recharges, specific to HR

& OD, being lower than anticipated at TQR and a contribution from the SureStart budget towards staffing costs in HR Delivery further improved the outturn.

- 3.41 Borough Solicitor – £180,000 adverse variance from TQR due to extension of agency contracts in Legal services to the end of the financial year as well as inclusion of carry forward request of £160,000 for elections expenditure in 2011/12.
- 3.42 Policy & Performance - improvement of £0.6m from TQR, primarily due to prudential borrowing costs associated with capital expenditure being met centrally and a continued reduction in staffing levels and non staffing expenditure across all services. In addition, actual recharges from ICT, that were specific to Policy and Performance, were much lower than forecast.
- 3.43 Corporate Improvement - £41,000 improvement since TQR through restructuring and re-focussing Corporate Improvement as a stand alone service.

#### **4.0 APPROPRIATIONS FROM EARMARKED RESERVES**

- 4.1 In arriving at the revenue outturn positions contained in this report it should be noted that the following net appropriations from (to) earmarked reserves have been taken into account

	£000
Children & Families	(430)
Health & Wellbeing	59
Environmental Services	48
Safer & Stronger Communities	39
Policy & Planning	359
Regeneration	53
Treasurer & Head of Assets	225
HR&OD	142
Insurance	(1,322)
Invest to Save	907
Voluntary Redundancy	<u>3,936</u>
Total	<u>4,016</u>

#### **5.0 CENTRALLY HELD ITEMS**

##### Capital Financing

- 5.1 Interest rates remained at their record low during 2010-11 as a result of the fragile state of the economy. Despite budgeting for a small increase

in rates during 2010-11 investment income still managed to exceed the target with average interest rates received on investments of 1.14%.

- 5.2 The capital financing budget overall has underspent by £2.6m. The underspend largely arises on the net interest budget. £0.6m saving in interest payable resulted following the rescheduling of the Council's external debt. No new borrowing was taken out during 2010-11 due to slippage in the capital programme and higher than anticipated cash balances. This enabled the Council to internally borrow to fund the capital programme and reduce external interest costs by £1.5m less than the original estimate.
- 5.3 Investment income received in 2010-11 was £1.157m which slightly exceeded the original budget of £1.12m. This was made up as follows:

<b>Source of Interest</b>	<b>£m</b>
In House Managed Investments	0.957
Fund Manager - Interest	0.108
Fund Manager - Capital Loss	-0.024
Heritable Bank in Administration	0.109
Other	0.007
<b>Total</b>	<b>1.157</b>

- The average lend position (the 'cash balance') including fund manager for 2010-11 was £93.7m.
- The rate of interest to be earned on the Council's cash balances was budgeted to be 1.25%.
- The average interest rate received on in-house investments was 1.15%
- The average interest rate received on the externally managed Investec fund was 1.05%

- 5.4 The Council's total average interest rate in 2010-11 was 1.14%. This is favourable when compared to the London Inter-bank Bid Rate for 7 days at 0.43%. The base rate remained at 0.50% for the final quarter.

<b>Comparator</b>	<b>Average Rate 2010-11</b>
Cheshire East	1.14%
LIBID 7 Day Rate	0.43%
LIBID 3 Month Rate	0.67%
Base Rate	0.50%

- 5.5 A full update on the Treasury Management position for 2010-11 is contained elsewhere on the agenda as part of the Treasury Management Annual Report.

#### Unallocated Central Contingencies

##### Inflation

- 5.6 The 2010-11 budget contained a central inflation contingency provision of £1.6m to cover in-year increases in pay costs, pension contributions and prices during the year. During the year, only £0.2m was allocated to Places for exceptional inflation on fuel costs, and therefore, £1.4m has been returned to general balances.

##### Phasing Provision

- 5.7 The budget contained a provision of £0.2m to reflect the anticipated phasing of planned efficiency savings in 2010-11. As reported above, this is required to meet costs in Performance and Capacity.

##### Transitional costs

- 5.8 The budget contained a provision of £6.6m to meet actuarial costs relating to voluntary redundancy, and relocation costs arising from LGR, in 2010-11. A total of £5.0m has been met in respect of actuarial costs in 2010-11. Relocation costs of £0.5m have been incurred in 2010-11, which will be met from the contingency. In total the call on this contingency is therefore £5.5m, leaving a balance of £1.1m to be returned to balances.

##### Surplus Reserves / Provisions

- 5.9 At TQR, £1.3m was identified as being surplus to requirements from earmarked reserves, and other balance sheet provisions. Following further in year review of these balances, it was possible to return a further £1m to general balances.
- 5.10 The total impact of these central items is £7.2m, bringing the service outturn overspend down from £9.7m to £2.5m.

##### Other Impacts on General Balances

- 5.11 In addition to the service outturn items described above, other items have impacted on balances.
- 5.12 The Council has again benefited in 2010-11 from unbudgeted income of £1.8m derived from "Fleming case" VAT claims, and £0.4m was received from repayments under the Business Financing scheme.

- 5.13 At the end of 2009-10 Cabinet approved the appropriation of a further £1.5m from balances to the earmarked reserve to meet Voluntary Redundancy costs.
- 5.14 A supplementary revenue estimate of £0.1m to be met from balances has been approved in year to meet Planning costs.
- 5.15 Other corporate items result in a net reduction in balances of £0.3m. These mainly comprised £0.8m for VR costs over and above those met from the balance on the earmarked reserve, partly offset by an underspend of £0.3m on other corporate budgets and a net £0.2m of miscellaneous income.

#### Planned Repayment to General Reserves

- 5.16 In accordance with the policy of replenishing general reserves which had been needed to meet LGR transitional costs, it was planned to repay £4.3m to reserves in 2010-11. The impact of all the above outturn items has been to reduce balances by £2.0m, which has meant that the net surplus which can be returned to balances is £2.3m.

### **6.0 REVENUE BUDGET - CONCLUSION**

- 6.1 Services have faced significant challenges in containing costs within agreed budgets. The aim of the Council continues to be to manage its resources within budget, and during the year Senior Managers were committed to seeking remedial measures, and undertaking detailed reviews of service and corporate budgets, with a view to improving the projected outturn position.
- 6.2 At TQR services had identified significant remedial actions of £10.5m, and a further reduction in overspend of £3.8m arose in the final quarter. A further £7.3m has been identified from underspendings against centrally held budgets, surplus earmarked reserves, and other central provisions. These measures collectively reduced underlying budget pressures by around £22m, resulting in a net overspend of £2.3m. After taking into account other corporate items, and planned contributions to reserves it has been possible to make a contribution of £2.3m to general reserves.
- 6.3 The resultant level of general reserves of £12.5m (5% of budget) is significantly lower than was originally assumed when setting the 2010-11 budget, although it is broadly in line with the level assumed after the 2009-10 outturn and the opening disaggregation of balances to the Council are taken into account. It is also £5.8m more than was assumed when setting the 2011-12 budget. This projected level of reserves will be a major consideration in the formulation of the Reserves Strategy for 2012-13 onwards.

## 7.0 COLLECTION RATES

7.1 The Council Tax collection rate for 2010-11 was 97.3%, which shows a slight decrease on last year's figure of 97.9%. The National Non-Domestic Rates collection rate at the end of November is 97.8%, which again is a slight decrease on last year's figure of 98.2%. Collection rates have been affected by the economic climate, and also by the Revenues system conversion during the year which temporarily reduced capacity for debt recovery and impacted on collection rates generally.

## 8.0 DEBT MANAGEMENT

8.1 Total overdue invoiced debt at the end of March 2011 was £5.0m, which is £0.8m lower than at TQR. The total amount of service debt outstanding over 6 months old is £1.6m, which is £0.7m lower than the underlying level of older debt reported at TQR. Services currently have debt provisions to broadly cover this debt in the event that it needs to be written off.

8.2 An analysis of the invoiced debt provision by directorate is provided in Table 4 below.

**Table 4 - Invoiced Debt**

Directorate/Service	Total Outstanding Debt as at 31 <sup>st</sup> March £000	Total Debt Over 6 months old £000	Bad Debt Provision £000
Children & Families	268	243	268
Schools & Catering	49	18	14
<b>Total Children &amp; Families</b>	<b>317</b>	<b>261</b>	<b>282</b>
Care	890	672	672
Non Care	1,561	96	96
<b>Total Adults, Health &amp; Wellbeing</b>	<b>2,451</b>	<b>768</b>	<b>768</b>
<b>Total Places</b>	<b>978</b>	<b>387</b>	<b>209</b>
Treasurer & Head of Assets	1,295	224	198
Other	2	0	0
<b>Total P&amp;C</b>	<b>1,297</b>	<b>224</b>	<b>198</b>
<b>Total Debt &amp; Provisions</b>	<b>5,043</b>	<b>1,640</b>	<b>1,457</b>

## 9.0 CAPITAL PROGRAMME

9.1 At Final Outturn for 2010-11 Cheshire East had achieved expenditure of £72.643m compared to an in year budget of £103.32m. A fundamental

review of the capital programme was undertaken during 2010-11 to ensure that only schemes which fulfil the Council's priorities for service delivery are included in the programme. Table 5 provides a summary by service. Scheme by scheme details are contained in Appendix 3.

**Table 5 – Capital Final Outturn**

Department	Total Approved Budget	Prior Year Spend	In year Budget 2010/11	Actual Spend 2010/11	Forecast Spend 2011/12
	£000	£000	£000	£000	£000
<b>Adults, Community and H&amp;W</b>					
New Starts	1,721	0	725	979	1,017
Committed schemes	19,085	7,865	8,215	4,558	5,642
	20,806	7,865	8,940	5,537	6,659
<b>Children &amp; Families</b>					
New Starts	21,056	0	6,257	2,287	12,427
Committed schemes	83,082	56,934	22,987	17,664	4,871
	104,134	56,934	29,245	19,951	17,298
<b>Places</b>					
New Starts	20,356	0	14,028	12,776	8,985
Committed schemes	118,330	81,306	27,676	19,655	8,446
	138,685	81,306	41,708	32,431	17,431
<b>Performance &amp; Capacity</b>					
New Starts	15,436	0	11,815	8,784	2,873
Committed schemes	25,222	8,830	11,627	5,940	9,557
	40,658	8,830	23,442	14,725	12,430
<b>Total New Starts</b>	58,569	0	32,826	24,826	25,302
<b>Total Committed schemes</b>	245,718	154,937	70,506	47,817	28,516
<b>Total Capital Expenditure</b>	<b>304,287</b>	<b>154,937</b>	<b>103,332</b>	<b>72,643</b>	<b>53,818</b>

- 9.2 The Total Approved budget and the in year budget shows the revised position after approval. The 2010-11 programme consisted of on-going schemes of £47.819m and new starts of £24.826m.
- 9.3 The programme is funded from both direct income (grants, external contributions, linked capital receipts), and indirect income (borrowing approvals, revenue contributions, capital reserve, non-applied receipts). A funding summary is given below in Table 6

**Table 6 – Funding Sources**

Funding Source	Actual Spend 2010-11 £000	Forecast Spend 2011-12 £000
Grants	34,222	19,630
External Contributions	3,389	2,427
Linked/Earmarked Capital Receipts	0	3,082
Supported Borrowing	11,088	7,991
Non-supported Borrowing	7,471	6,600
Revenue Contributions	105	1,333
Capital Reserve	16,368	12,755
<b>Total</b>	<b>72,643</b>	<b>53,818</b>

- 9.4 Outturn spend in 2010-11 at £72.643m was lower than the in year budget of £103.32m by £30.679m. This relates to planned spend that is no longer taking place or will be re-profiled to 2011-12 and later years.
- 9.5 Appendix 3a and 3b list proposals for Supplementary Capital Estimates (SCEs) and Virements up to and including £500,000 that Cabinet is requested to note.
- 9.6 Appendix 3b also lists proposals for SCEs and virements up to and including £1m that Cabinet is requested to approve, and for over £1m that Cabinet is asked to recommend to full Council for approval.
- 9.8 Appendix 3c lists proposed budget reductions which require Cabinet approval. Note that Appendix 1 already reflects the effect of the proposed reductions in forecast expenditure. With respect to the Children's and Families budget reductions these mainly relate to budget virements that have taken place during 2010-11 but have not previously been reported.

**Key Issues and Variances**

- 9.9 Details of major variances (over £250,000) between the in year budget and final outturn for 2010-11 along with any issues for Departments are shown in Appendix 2.