

REPORT TO RESOURCES PDG

REPORT OF: HEAD OF FINANCE

REPORT NO: HOF204

DATE: 2 AUGUST 2012

TITLE:	Financial report for 2012/13 – Monitoring Information and summary of outturn 2011/12	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	N/A	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor Mike Taylor Well Run Council Portfolio Holder	
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INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
Equality and Diversity	N/A	
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	HOF 200	

1. RECOMMENDATION

1.1 Members are asked to note the comments and figures contained in this report.

2. PURPOSE OF THE REPORT

2.1 In order to ensure effective budget management it is important that the members are updated with budget monitoring information. This serves the purpose of ensuring members are kept informed of actual spend compared to budget and the forecast outturn position. The report provides a summary of the year to date (YTD) position against original budget and the forecast position of the outturn and covers the following areas:

- General Fund Revenue Budget
- Housing Revenue Account Revenue Budget

- Capital Programme
 - General Fund
 - HRA

2.2 Forecast outturn work is undertaken during the course of the year by the service areas in order to anticipate the outturn position. This process enables options to be considered in respect of the spending proposals for the remainder of the year or alternatively it is used to identify emerging financial issues that can be then investigated and mitigating actions put in place. This is the first report for the current financial year and includes activity for the first quarter (April-June). The report also provides summary information of the outturn for the financial year 2011/12.

3. DETAILS OF REPORT

General Fund Revenue Budgets

3.1 The original net cost of service budget for 2012/13 was set at £16.108m. The financial position as at 30th June 2012, shows a forecast under spend of £154k which is summarised in the table below:

General Fund Revenue Summary

Corporate Area	Annual Budget £'000	YTD Budget £'000	Net Spend to Date £'000	Forecast Outturn £'000	Forecast Variance £'000
Community Assets	2,987	315	354	3,072	85
Corporate	804	385	328	716	(88)
Development & Growth	2,187	250	256	2,112	(75)
Environmental Services	5,645	1,007	548	5,502	(143)
Finance	1,794	1,549	5,432	1,730	(64)
Housing & Neighbourhoods	606	239	210	589	(17)
Legal & Democratic	1,078	235	236	1,113	35
People, Projects & Performance	290	307	288	291	1
Property Development	123	172	140	236	113
Special Expense Areas	594	45	24	593	(1)

Net General Fund Charge	16,108	4,504	7,672	15,954	(154)
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Key Forecast Variances by Corporate Area

3.2 **Community Assets**

- Expenditure relating to public events celebrating the Olympic torch relay in the District will be financed by year end set asides utilising the priority reserve. This is forecast to be in the region of £85k.
- A water filtration unit is required at Stamford Leisure Centre and is anticipated to cost £8k.
- Market Rights in respect of the Grantham Market has been re-negotiated for the next 3 years which is resulting in an annual saving of £5k.
- Ticket sales at the Guildhall Arts Centre are forecast to be £3k greater than the budgeted level.

3.3 **Corporate**

- Operational and Strategic increase is forecast Management budget headings are forecasting to achieve a salary saving due to the shared service arrangement in place with a neighbouring authority for a senior post and other vacancies within the service area.

3.4 **Development & Growth**

- Development Management and Land Charges budget headings are both experiencing a higher level of income for the first quarter of the financial year than anticipated. This is forecast to continue for the remainder of the year resulting in additional forecast income of £83k.

3.5 **Environmental Services**

- The CCTV service is currently exploring a range of options to reduce the operational costs of the service (without reducing the level of the service quality). The service will seek to implement these cost reductions in the current financial year in order to meet its reduced operational budgets.
- The implementation of charging for the green waste service has been particularly successful with customers willing to pay the annual charge of £25 (for the first bin collection) in order to continue to receive the service. The 2012/13 income budget was set at a prudent level and based on experiences elsewhere in the country. The budget was set at a take up level of 50% and the current level is 85%. This has led to a forecast of additional £243k of income than budgeted for. In order to continue to offer the customers a quality waste service, an element of the income will be used to enhance the street cleansing service in the district (£35k).
- Recycling Credits have reduced by 7.2% for the first quarter of the financial year compared to budgeted levels. This is due to tonnages being down by 4.7% compared to the budgeted level and LCC increasing their contamination rate by 2.5%. The financial impact of this is anticipated to be approx £46k.
- An additional income stream has been identified for street cleaning in Stamford, generating approx £28k for the financial year.
- Waste and Recycling is forecasting a salary related under spend of £24k for a vacant Waste and Recycling Officer post.

3.6 Property Development

- Building Control income is down compared to budget for the first quarter of the financial year. The forecast income reflects this downward trend, resulting in a forecast income reduction of £89k.
- An increase in electricity tariffs is resulting in a forecast of an additional £28k of expenditure.

3.7 The workforce efficiency target of £353k for the General Fund is forecast to be achieved by the end of the financial year.

Housing Revenue Account Budgets

3.8 The financial position as at 30th June 2012, shows a small forecast under spend of £3k which is summarised in the table below:

Area	Annual Budget £'000	YTD Budget £'000	Net Spend To Date £'000	Forecast Outturn £'000	Forecast Variance £'000
Housing Management	2,722	438	423	2,730	8
Supported Housing	365	193	169	354	(11)
Repairs & Maintenance	7,490	1,879	1,889	7,490	0
Dwelling Rents	(22,780)	(5,759)	(5,772)	(22,780)	0
Rents & Payments	298	64	67	298	0
Other Income	(361)	(93)	(99)	(361)	0
Other Expenditure	5,313	0	0	5,313	0
(Surplus)/ Deficit	(6,953)	(3,278)	(3,323)	(6,956)	(3)

3.9 Key Forecast Variances

- The workforce efficiency target of £106k is forecast to be achieved by the end of the financial year.
- A forecast under spend of £3k is due to vacancies within the area.

3.10 Capital Budgets

The capital programmes include a number of significant capital projects for 2012/13. The current financial position is outlined in the table below;

Programme	Annual Budget £'000	Total Spend to Date £'000	Forecast Outturn £'000	Forecast Variance £'000
General Fund	6,477	1,326	5,936	(541)
HRA	4,731	1,595	4,591	(140)

3.11 General Fund Key Variances

- Business Innovation Centre/ Station Approach – These schemes are now likely to occur in 2013/14 and are forecasting an under spend of £800k. All design, planning & groundwork costs will be funded by Grantham Growth and Lincolnshire County Council.
- Shop Front Scheme – Applications have been received which total £50k and a further £40k is anticipated. The forecast outturn for this scheme has therefore been reduced by £40k in line with demand.
- Street Scene Vehicle Procurement – A replacement freighter is required (£150k) due to a vehicle being damaged and written off during a serious accident in June 2012. This is critical to deliver the service without interruption. A new vehicle will be purchased in year (£30k) to enhance the street cleansing service in the district. This will be financed by the additional green waste income received following the introduction of the new scheme.
- Bourne Community Access Point – This project is forecasting an over spend which will be partly financed by set-asides created from 2011/12 under spends.

3.12 HRA Key Variances

- Refurbishment Works (Rectory Close, Barrowby) – Initial tender prices are less than anticipated so forecast outturn has been reduced by £100k accordingly.
- Property Refurbishments – An over spend of £52k is forecast on this scheme due to the refurbishment of 2 large historic voids being refurbished in 2012/13.
- Helpline software system upgrade – Following the transfer of the call centre operation of the service, the budget is no longer required generating a saving of £82k.

3.13 Headcount and Budgets

The position as at 30th June 2012 shows that against an original FTE budget of 626.1 the actual FTE (including agency and wages staff) is 601.7 which equates to a variance of (24.4) FTE.

3.14 Collection Performance

	YTD Target £'000	YTD Actual £'000	YTD Target %	YTD Actual %
Council Tax	17,781	17,884	29.8	29.9
NDR	13,488	13,174	33.5	33.2
Rents	5,145	5,436	23.3	24.6

3.15 Summary of Outturn 2011/12

General Fund (Revenue) Variance Analysis (Appendix A)

The corporate service headings' showing budget and outturn is shown below:

Table 1

Service Area	2011/12 Original Base	2011/12 Adjusted	2011/12 Outturn	2011/12 Variance (adjusted)
	£'000	£'000	£'000	£'000
1 Assets	3,171	3,308	1,691	(1,617)
2 Corporate	1,619	1,493	830	(663)
3 Development and Growth	2,179	2,252	2,231	(21)
4 Environmental Services	5,684	5,640	5,578	(62)
5 Finance	1,364	1,422	993	(429)
6 Housing and Neighbourhoods	992	943	1,184	241
7 HR and Customer Services	0	(19)	87	106
8 Legal and Democratic	1,375	1,345	1,185	(160)
9 Special Expense Areas	566	566	663	97
10 Net Total	16,950	16,950	14,442	(2,508)
11 Removal of non accounting adjustments*			1,253	
12 General Fund Total	16,950	16,950	15,695	(1,255)
13 Set aside sums 2011/12**			197	
14 Removal of provisions (Invest to Save Reserve)			500	
15 Revenue contribution to Capital Expenditure			283	
16 Restated General Fund Total	16,950	16,950	16,675	(275)

3.16 Assets

There is a variance of £185K in respect of Bourne Leisure Centre and £111K in respect of Deepings Leisure Centre. These variances are due to a change in

accounting treatment for the holding of the asset. This has resulted in a reduction of the depreciation charge.

A change in accounting practice has resulted in a number of the car parking assets being re-valued downwards this has resulted in a lower depreciation charge. Car parking income in respect of Grantham is £16K less than budget but Stamford car parks have shown an increase and have exceeded budgeted levels by £94K.

There have been savings of £101K in respect of the grounds maintenance contract, the service has successfully renegotiated terms with the incumbent contractor as part of the Councils efficiency and service review programme. Income received in respect of Grantham markets was £19K less than budgeted following a reduction in the number of regular traders although it is anticipated the number of regular traders will improve following the successful street scene improvement works in and around the Market Place. The trading performance of Stamford Market has remained strong during the financial year.

A revaluation of the Grantham Meres Leisure Centre has been undertaken by the District Valuer as part of the annual re-valuation of the Council assets. This has the effect of lowering the annual depreciation capital charge and therefore a variance when compared with budgeted costs

3.17 **Corporate (includes corporate costs, strategic and operational management costs)**

There are two specific provisions within this corporate heading that have not been required during the financial year namely: invest to save and set-aside for the any national pay award settlement.

Invest to Save - £500K, as stated in section 3 above this was incorporated into the 2011/12 budget framework in order to fund any initiatives that required up front resourcing based on a business case of demonstrating payback on the outlay over a defined period of time. Whilst initiatives of this nature have been funded during 2011/12, it has been possible to fund them from in-year savings rather than utilise the provision. These include the purchasing and installation of solar PV energy panels at a number of key Council assets and the installation of software in waste freight vehicles which will lead to the review of rounds to maximise efficiencies. As part of the closedown of the accounts, a specific invest-to-save reserve will be created.

Pay provision - £100K, this provision was put in place pending the national settlement with respect to public sector pay award settlement for 2011/12. The national settlement agreed a pay freeze for the year and therefore the provision will be transferred to the revenue reserve in order for it to be used to support the funding of priority projects.

3.18 **Development and Growth**

The Development Management service has undertaken a review of its staffing arrangements and introduced a new method of delivering the service to the customer. In addition to this, the service has undertaken a programme of back scanning its information to enable it to be electronically available for staff when dealing with cases and to improve the responsiveness to customer enquires. This additional work has resulted in planned costs which have been met from overall savings within the Head of Service area.

There has been an underspend in respect of Local Strategic Partnerships cost centre following the streamlining of the of the LSP during 2011/12. There has also been an underspend in respect of the Local Development Framework programme as a result of the Inspector delaying the start of the examination process until Autumn 2012. The LDF is funded by Housing Planning Delivery Grant monies which will be utilised in 2012/13.

The Building Control trading account has experienced some trading difficulties and a combined trading deficit of £34k for the financial year which will need to be recovered during 2012/13 in order to maintain the required breakeven position over a 3year rolling period.

3.19 **Environmental services**

Overall this service area has no material variances which require an explanation other than an increase in depreciation charges due to the purchase of 2 street sweepers and on-street hot pavement washer in the year.

3.20 **Finance**

The most significant variance is caused by the requirement to make adjustments in relation to the future pension liabilities of staff in order to align with IAS (international accounting standards) 19. Following the publication of the Lincolnshire Actuaries report in May 2012, there has been a number of adjustments required to reflect the assumptions stated in the report. These adjustments determine the Authority's pension obligations in respect of its employees (both current and former).

3.21 **Housing and Neighbourhoods**

The variance in respect of homelessness includes £68K of grant received that will be rolled forward into 2012/13 to be utilised on specific projects.

Private sector housing – there has been a number of expenditure charges made to the service in accordance with accounting requirements (revenue expenditure funded from capital under statute – REFCUS). These include disabled facilities (£496K), empty homes grant (£75K), and better homes grant (£217K). The cost centre has also been credited with grant income of £336K in respect of grants received in-year. In general terms, these are all accounting

adjustments that are necessary in order to comply with accounting standards but do not have a detrimental impact on the service.

3.22 People, Projects and Performance (formerly HR and Customer Service)

During the course of the year a new cost centre, Reputation and Communications, has been established and the budget has been moved from the Communications cost centre. There is a salary related underspend in Customer Services as a result of the internal temporary service manager arrangement.

3.23 Legal and Democratic

There have been a number of small variances within the Democratic Representation cost centre including underspends in respect of printing and postage costs.

3.24 Special Expense Areas (SEAs)

Grantham SEA – there has been an overall overspend for the SEA due to the works undertaken in respect of improvements to the drainage of Grantham Cemetery. The cost of these works will be met from the Grantham SEA over the medium term.

3.25 HOUSING REVENUE ACCOUNT – Variance analysis Appendix B

The housing revenue account (HRA) is a 'ringfenced' account and relates to the Council's Landlord functions. Revenue raised by rents and service charges must be sufficient to match expenditure.

The HRA outturn position shows a net operating deficit of £2.042M for the financial year. However, included within the operating expenditure is non-enhancing capital expenditure (shown at line 15) which has been financed from the major repairs allowance (shown at line 33). After applying the allowance, a surplus of £1.284M has been added to the working balance.

Overall there are a number of issues that have contributed to this outturn position.

3.26 Dwelling rents and other income– the performance for the collection of rents has improved during the financial year (98.02%) and the remaining rents due will continue to be recovered during 2012/13. The bad debt provision has been credited to reflect the position.

3.27 Repairs and maintenance – this budget covers expenditure on a range of work areas including insulation, painting, digital upgrades, water testing and gas servicing. The overall underspend of £350k reflects a number of schemes that have been delivered below budget as a result of savings achieved - these are insulation (£148K due to external grant being awarded), painting (£42K), gas servicing (£11K) and chimney sweeping (£15K). The disabled adaptations cost

centre underspent by £218K due to a delay with commencing the procurement framework with the contractor. This caused delay in undertaking the works, however time efficiencies are now being gained with the use of the framework along with the employment of a designated officer within the improvements team. It is anticipated all current referrals, together with the backlog, will be cleared within 6 months. To give this some context since April 2012 40 instructions have been issued to the contractor and £106,000 of the budget has been allocated. There have been overspends in respect of specified works of £88K and materials of £35K. These are due to an increase in the number of type of repairs required to the housing stock during the year. An analysis of these overspends is underway to determine corrective actions to mitigate a re-occurrence of the situation.

3.28 **Supervision and management** – compared with a combined budget of £4.706M the outturn is £4.113M which gives an overall variance of £593K. £280K relates to employee related expenditure savings – a review of the vacant posts has been completed with 4 of the posts being removed from the establishment. Grounds maintenance achieved an overall saving of £60K following re-negotiation of the current contract. A budget allocation of £50K was not required for the introduction of choice based lettings scheme.

3.29 **Depreciation and Impairments** – the criteria used by the District Valuer for the valuation of social housing stock has decreased from 50% to 34% which has resulted in a reduced depreciation charge when compared with original budgets. This is due to the valuation change being introduced after the original budgets had been agreed.

3.30 **CAPITAL EXPENDITURE (Appendix C)**

During 2011/12 the Council's total capital investment was £11.337M. A summary of the expenditure is set out below and is compared to the original estimated and revised base programme.

Table 2

	Corporate Area	2011/12 Original Base £k	2011/12 Outturn £k	2011/12 Variance £k
1	Good for Business	2,150	153	(1,997)
2	Quality Living	1,762	1,585	(177)
3	Customer First	150	20	(130)
4	Quality Organisation	520	837	317
5	General Fund Sub Total	4,582	2,595	(1,987)
6	Housing Revenue Account	6,755	4,709	(2,046)
7	Total Capital Programme	11,337	7,304	(4,033)

- 3.31 **Capital General Fund** - The revised capital general programme for 2011/12 was agreed by Council at its meeting on 3rd March 2011 and included a number of capital projects that were continued in the following financial year. The outturn position of £2.595M represents a variance of £1.987M compared with the original base. The major variances compared to the programme are in respect of:

Variance Analysis – General Fund

- 3.32 **Bourne Core Area** – during the course of the year significant progress has been made to enable the delivery of the Bourne core area project. Work started during the latter part of 2011/12 and the retail and residential development will be delivered during 2012/13. Funding has been allocated across these financial years to enable the project to progress as planned. Significant capital receipts are expected from the scheme in the future, market conditions will affect timing of the crystallisation of the receipts.
- 3.33 **Grantham growth** continues to be a priority for the Council and funding has been set aside for delivery of key components of the project, specifically these include Station approach and public realm. Servicing land at Station Approach by private treaty has not been successful and this has resulted in the commencement of compulsory purchase orders. These schemes will therefore continue to receive funding over the period of the medium term financial plan and the underspend in 2011/12 will contribute to the funding proposals.
- 3.34 **Housing improvement Grants** – there are a number of specific schemes within this category that are utilised in accordance to customer demand and

compliance with criteria. The underspends for the current year will be carried forward to use to finance future expenditure within these headings.

- 3.35 **Customer First** - There is an ongoing review of the area office upgrade requirements which complements and supports the Council's customer access strategy. The most significant element of this is the Bourne Customer Access scheme; work is progressing on the conversion of part of the Corn Exchange building which will see the development of a Customer Access Point incorporating access to district, library and town council services. The majority of the expenditure will be incurred during 2012/13 with a target opening of spring 2013. Budget not used during 2011/12 will be made available during 2012 to fund the remainder of the works.
- 3.36 **Quality organisation** – there a number of projects under this heading which have been delivered in accordance with the asset management plan. Specifically these include the introduction of BMS (business management systems) at the leisure centres, the refurbishment of the roof and clock tower at the Guildhall Grantham, ICT infrastructure improvements and the acquisition of replacement pool vehicles.
- 3.37 **Housing Revenue Account Capital Programme** – the capital programme for 2011/12 was set at 6.755M. A forecast position was undertaken in January 2012 downwards to £5.410M (and presented in the 2012/13 budget estimates to Council in March 2012). This was in order to deliver a more economical way of working and improving value for money, particularly relating to re-roofing and associated external works. The outturn for 2011/12 is £4.709M. This represents a variance of £0.701M compared with the forecast position and a variance of £2.046M compared to original budget.

3.38 **Variance Analysis HRA**

Heating and ventilation – 570 boilers were renewed during 2011/12. There was an overspend of £114K due to the number of condemned boilers in addition to the planned maintenance and improvement programme. A further £1.4M has been allocated to this programme for 2012/13.

Property refurbishments – in total 47 properties were refurbished which resulted in an overspend of £200K due to additional properties requiring refurbishment that originally envisaged. These were properties that became void during the year and required significant upgrades to meet decent homes standards.

Re-roofing – an underspend of £526K due to the re-profiling of the programme based on geographical areas which will ensure value for money is obtained by the contracts. Comparisons of pricing between roofs completed under both the current and the previous contracts have shown a 23.17% saving due to economies gained in labour, travelling, supervision, scaffolding and procurement.

Re-wiring – an underspend of £279K due to a reduction in the number of properties requiring re-wiring during 2011/12 due to the implementation of a pre

inspection testing programme which identified the wiring is in better condition than the visual inspection indicated.

Kitchen and Bathroom Refurbishments – 146 kitchens and 124 bathrooms were upgraded in 2011/12. There was an underspend of £365K due, to difficulties in accessing properties to undertake the works and following the refusal of tenants not wanting the disruption of having works carried out.

Communal door replacement programme – an underspend of £56K due to delays in the commencement of the works. It is anticipated the works will be undertaken during 2012/13 once consultation with leaseholders has been completed.

Disabled adaptations – an underspend of £88K due to the small number of major adaptation schemes being referred to the Authority by occupational health.

Chimney works – an underspend of £145K due to re-profiling of the programme based on geographical areas which will ensure value for money is obtained by the contracts. This work is being procured as part of the roofing contract (referred to in paragraph 6.4.4 rather than as a separate contract to prevent return visits.

Wall finishes – an underspend of £190K due to re-profiling of the programme based on geographical areas which will ensure value for money is obtained by the contracts. These works will be undertaken during 2012/13. As with the chimney works this work is being procured as part of the roofing contract to avoid return visits.

Essential works – During the year £129k was incurred on the installation of condensate pipes and sound insulation works carried out at Clare Close Stamford. There was an underspend of £166k due to the flat roof programme of £99,500 being included in the roofing contract (see section 6.4.3). The additional £66,500 was not spent as this was originally intended for the refurbishment of Swedish timber properties. Following survey of these properties further works are needed and additional funding will be sought for the works to be carried out in 2013/14.

Contingency allocation of £150K was not required during the course of the financial year. This amount will be credited to the HRA reserve and used to fund future projects.

Refurbishment of bin stores – an underspend of £67K of which £40K will be spent in 2012/13 due to delays in the commencement of the programme.

DDA compliance works – this programme of works will continue in 2012/13 and £200K has been allocated to support this work.

4. OTHER OPTIONS CONSIDERED

4.1 None applicable

5. RESOURCE IMPLICATIONS

5.1 None applicable

6. RISK AND MITIGATION

6.1 None applicable

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

7.1 None applicable

8. CRIME AND DISORDER IMPLICATIONS

8.1 None applicable

9. COMMENTS OF FINANCIAL SERVICES

9.1 Financial considerations are included in the report.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

10.1 As part of good governance it is important members are kept updated in respect of the financial position of the Council expenditure during the course of the year.

11. COMMENTS OF OTHER RELEVANT SERVICES

11.1 None applicable

12. APPENDICES

12.1 Outturn 2011/12 A, B & C