

REPORT TO CABINET

REPORT OF: Resources and Assets Portfolio Holder

REPORT NO: CHFCS91

DATE: 8 March 2010

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|---|--|----------------------------------|
| TITLE: | Financial reports for 2009/10 – Monitoring Information and forecast Outturn | |
| KEY DECISION OR POLICY FRAMEWORK PROPOSAL: | N/A | |
| PORTFOLIO HOLDER: NAME AND DESIGNATION: | Councillor Mike Taylor Resources and Assets Portfolio Holder | |
| CONTACT OFFICER: | Richard Wyles – Corporate Head of Finance and Customer Services 01476 406210 Email: r.wyles@southkesteven.gov.uk | |
| 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 Local Democracy link on the Council’s website: www.southkesteven.gov.uk | |
| BACKGROUND PAPERS | CHFCS49, CHFCS61, CHFCS74 | |

1. RECOMMENDATION

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

2. PURPOSE OF THE REPORT

In order to ensure good 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 position of the anticipated outturn position against original budget covering the following areas:

- General Fund Revenue Budget
- Housing Revenue Account Revenue Budget
- Capital Programme
 - General Fund
 - HRA

Members are very aware of the financial difficulties the Council will be facing in the medium term. The anticipated forecast position will enable options to be considered in respect of the spending proposals for the remainder of the year or alternatively it can replenish the revenue reserve.

3. DETAILS OF REPORT

General Fund Revenue Budgets

The forecast for the year end as at 31 December 2009 projects a variance of £405k which is summarised in the table below

| Corporate Area | Budget | Spend To Date | Forecast | Variance |
|-----------------------------|---------------|--------------------------|-----------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Finance & Customer Services | 2,418 | 2,390 | 2,416 | (2) |
| Healthy Environment | 5,302 | 3,490 | 5,107 | (195) |
| Partnership & Improvement | 3,551 | 2,323 | 3,026 | (525) |
| Resources & Org Development | 2,643 | 2,514 | 3,103 | 460 |
| Special Expenses Area | 643 | 394 | 631 | (11) |
| Sustainable Communities | 3,543 | 2,551 | 3,411 | (132) |
| Total | 18,100 | 13,662 | 17,695 | (405) |

A summary of the key issues in respect of the forecast position in respect of the General Fund is provided below:

Healthy Environment

- A small number of the Building Control staff are temporarily undertaking work within Environmental Protection service to cover vacancies and this initiative is utilising in-house skills and resources.
- Waste Management is forecasting an underspend on salary and transport related costs following a service review and the introduction of alternative ways of working.

Partnerships and Organisational Improvement

- There is currently a forecast underspend in respect of budgets on the 'Invest to save budget' and Community Fund budget.
- Salary related underspend in the Business Transformation service is anticipated following a deferral of staffing recruitment.
- The Communications Service is forecasting an underspend on salaries and a saving in respect of consultancy costs as SKToday is now being prepared in house. This saving will contribute towards the Council's efficiency target.

Resources and Organisational Development

- A full year impact of business rates and leisure management fee costs have been factored into the forecast outturn as the anticipated savings on leisure services are not going to be achieved. Council has approved an in-year supplementary estimate to the budget framework (report CHFCS.61) in order to meet these unanticipated costs. The financing decisions in respect of the outturn position will be taken as part of the closure of the accounts.

Sustainable Communities

- Both the Building control and Development control services are forecasting a shortfall on income of £60k and £85k respectively. A service review has recently been undertaken in the Building Control service in order to reduce costs. These proposals, once fully implemented, should assist the service in reaching a surplus position in 2010/11. In respect of Development control there are a number of major planning applications anticipated which should improve the position during the final quarter.
- There is an anticipated underspend in the economic development service due, in part, to the vacant Economic Development officer post and additional funding received in respect of Economic Development initiatives.

- Delays with the commencement of the Choice Based Lettings initiative due to on-going discussions with other partners. This is expected to result in an underspend within the Housing Solutions Service. It is anticipated that this will be used in the next financial year to contribute to any one-off set costs.

Housing Revenue Account Budgets

The budgeted deficit on the HRA for 2009/10 was £1.823m and the current forecast outturn position is a reduction of £0.364m in the deficit to £1.422m.

| HRA | Budget | Actual To Date | Forecast | Variance |
|--------------------------|---------------|---------------------------|-----------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Income | (20,519) | (15,298) | (20,052) | 467 |
| Expenditure | 22,341 | 15,260 | 21,510 | (831) |
| (Surplus)/Deficit | 1,823 | (38) | 1,422 | (364) |

A summary of the key issues on the HRA is provided below:

- As part of the resident involvement work a reduction is anticipated on the Tenant Compact contribution.
- There is a decrease in the forecast rental income after applying the impact of the rent reduction, however this is being partly offset due the void rate currently being lower than budgeted for.
- Following the rent reduction there is a decrease in the negative housing subsidy payment required which is mainly off set by the reduction in rental income due as highlighted above
- There are forecast underspends on Grounds maintenance and employee related costs within Tenancy and Neighbourhood Services.
- Within the improvements service there is a underspend within specified works.
- There is currently a scheme manager vacancy within the Sheltered Housing team.

Capital Budgets

A revised capital programme for 2009/10 was approved by Council in June 2009 and the current outturn position against budget is:

| | Budget | Projected Outturn | Variance |
|---------------------|----------------|------------------------------|------------------|
| General Fund | £4.625m | £2.325m | (£2.300m) |
| HRA | £4.631m | £4.280m | (£0.352m) |

General Fund

The following variances should be noted for the general fund:

- Land assimilation options are being considered in respect of the Bourne core area development with key strategic sites being identified. However it is not anticipated that all of the provision will be spent in 2009/10
- A 'better homes' grant underspend is predicted due to delays with survey work that is required in order to allocate grants.
- Slippage on 'warm front top up' grants due to reduction in demand.
- There is an ongoing review of the area office upgrade requirements and this project will continue into the next financial year.
- The energy efficiency initiatives (boiler replacement) project in respect of the Grantham Council offices is expected to continue in 2010/11 (£250k) and a specification that ensures the most energy efficient solution is being prepared.
- A document image processing system for the Revenues service is being procured although an element of the implementation will occur in 2010/11.

HRA

The following variances should be noted for the HRA:

- There has been a delay in the service introduction of Choice based letting the capital related expenditure is therefore going to slip into the 2010/11 financial year.
- An overspend on Passenger lifts has been identified as there are additional costs required to complete this scheme. There are Health and Safety requirements concerning this programme which mean it needs to be completed within 2009/10 (£43k).
- There is a potential overspend on heating and ventilation as part of the communal boiler replacement programme.

- A underspend is now predicted on the Kitchen and Bathroom programme (£231k). There was an original spending plan of £408k for the remaining programme within 2009/10 but part of this budget allocation (£177k) has been diverted to resolving health and safety issues that have arisen.

The forecast outturn of the 2009/10 capital programme has been reviewed and its findings have been taken into consideration when formulating the capital programme for 2010/11. Schemes and projects that are showing either slippage or delays have been incorporated into the new programme where necessary. The proposed capital programme will be presented to Council on 1 March 2010.

4. OTHER OPTIONS CONSIDERED

None applicable

5. RESOURCE IMPLICATIONS

None applicable

6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)

None applicable

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

None applicable

8. CRIME AND DISORDER IMPLICATIONS

None applicable

9. COMMENTS OF SECTION 151 OFFICER

My comments are included in the report.

10. COMMENTS OF MONITORING OFFICER

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. APPENDIX:

None