

BABERGH DISTRICT COUNCIL

From: Corporate Manager – Financial Services	Report Number: M63
To: Strategy Committee	Date of meeting: 9 August 2012

FINANCIAL OUTTURN FOR 2011/12

1. Purpose of Report

- 1.1 To provide an overview of the likely financial outturn for 2011/12 compared to the approved budget.
- 1.2 To seek Member approval to a proposed additional transfer of £200k to earmarked reserves and a number of revenue/capital budget carry forwards.
- 1.3 To note the overall 2011/12 outturn position as follows (after the above):
 - General Fund: a net variance of £51k resulting in a General Fund Working Balance of £1.3m, which is in line with expectations
 - Housing Revenue Account: a net favourable variance of £69k
 - Capital Programme: £5.7m. See further details in the report.

2. Recommendations

- 2.1 That the Committee notes the likely financial outturn for 2011/12 and approves the proposed additional transfer of £200k to the Integration and Transformation Earmarked Reserve.
- 2.2 That the Committee also approves the revenue budget and capital carry forwards as set out in sections 8.8, 8.9, 8.17 and 8.18 of the report.
- 2.3 That the Joint Housing Board considers how the HRA surplus, along with additional capital receipts arising from the Government's re-invigoration of the Right to Buy arrangements and other HRA financial 'headroom', should be used for additional capital investment and to achieve other priority outcomes.

The Committee is able to resolve these matters.

3. Financial Implications

- 3.1 The General Fund revenue budget outturn, after allowing for the total Budget carry forwards and the proposed additional transfer to earmarked reserves, will result in there being approximately the same level of general reserves (working balance) of £1.3m as forecast in the 2012/13 Budget. This is slightly above the current minimum level of £1.2m, which is subject to ongoing review of risks and future cost pressures.

- 3.2 The favourable HRA revenue budget outturn of £69k, again after allowing for budget carry forward requests (including Direct Revenue Financing of capital programme) will leave the council with nearly £1.2m in available HRA reserves. This is slightly more than the agreed minimum level of £1m, meaning there is £170k available for additional HRA spending.
- 3.3 The Joint Housing Board should consider how this, combined with additional capital receipts arising from the Government's re-invigoration of the Right to Buy arrangements and other HRA financial 'headroom' under the Government's new self-financing regime, should be used for additional capital investment or other priority outcomes.
- 3.4 There was significant capital investment of £5.7m in 2011/12, although nearly £1.1m of the General Fund capital programme and almost £0.5m of the HRA capital programme will now be spent in 2012/13.

4. Risk Management

- 4.1 This report is most closely linked with the Council's Corporate/ Significant Business Risk Nos.2 and 6 – Efficiencies and Savings and Performance and Cost Management.
- 4.2 There are no key risks as a result of this report as it is backward looking. However, it will be important to ensure that the 2011/12 outturn is used to inform current and future Budgets going forward. Specifically, we need to ensure that any ongoing net savings are properly captured and reflected in relation to future savings targets. The SFP Task Group will deal with this.

5. Consultations

- 5.1 No external consultations required.

6. Equality Analysis

- 6.1 None for this report as it is a factual explanation of what the Council spent compared to Budget.

7. Shared Service / Partnership Implications

- 7.1 The financial outturn for 2011/12 reflects the cost sharing agreement on integration, which has been entirely on a 50/50 basis for last year. The approach for 2012/13 is being considered further.
- 7.2 The proposed addition to earmarked reserves will ensure there is sufficient funding for the integration and transformation programme. Mid Suffolk has set aside a similar amount.

8. Key Information

General Fund Revenue Budget

- 8.1 The planned savings and additional income for the year of £1.6m, including ongoing staff savings from the collective agreement and other savings were fully achieved. In addition, further savings were achieved on integration as a result of creating the Senior Management Team (in line with the business case and Budget).

- 8.2 The financial outturn for the year, after allowing for Budget carry forwards and a proposed additional transfer to earmarked reserves of £200k, is more or less in line with the original 2011/12 Budget.
- 8.3 A high level summary of the main variations and overall position is provided below:

Area	£000
Management and service delivery	
Lower salaries and other operational expenditure including corporate management (net of additional integration costs for which provision has been made in 2011/12)	-230
Additional costs and lower income on some services (net of savings, particularly on waste and recycling)	+81
Net position	-149
Additional transfer to earmarked reserves - integration and transformation	+200
Additional transfer from general reserves	+51

- 8.4 The net position is helpful and, subject to further examination, suggests that there may be some recurring/ongoing savings that would be helpful for the current and future Budget position. The small net overall impact on general reserves is not of concern as reserves were slightly higher at the beginning of the year than previously anticipated.
- 8.5 The position on costs and savings on integration in 2011/12 is summarised below:
- Integration costs were in line with the latest business case approved by both councils in October 2011, but the original budget for the year was based on the previous business case, which did not fully reflect staff redundancy costs
 - In addition, a financial provision has been made in the 2011/12 that accounts for redundancies that arose early in 2012/13 as part of putting in place the integrated staffing structure.
- 8.6 Costs and savings compared to the business case are being reported to and monitored by the Joint Member Integration Board and the Joint Scrutiny Committee. Looking ahead, the business case forecasts annual savings as a result of integration of at least £1.3m in 2012/13, rising to £2m by 2015/16, excluding further savings from transformation.
- 8.7 Further explanations on some of the key expenditure and income variations reflected in the table in section 8.3 are provided below:
- Additional salary and operational savings have arisen as a result of rigorous vacancy management and a focus on cost reduction
 - There were savings on the waste service of £187k including a non-recurring one off contract reduction of £96k.
 - Additional income of £75k arose from new customers subscribing to the green waste service.

- There was lower building control income of £97k as a result of the continuing economic downturn and a reduction in income of £24k from the community alarm (Babergh Response) service, which is under review
- As Members were already aware, there was also less income from long term parking charges than anticipated when the Budget was set.

8.8 In terms of General Fund budget carry forwards, these total £291k but only those over £20k require Strategy Committee approval and these are listed below:

Service/area	Amount £000	Reasons
Specialist legal expenses	104	To deal with potential future cases (£84k of which is in an earmarked reserve, which will be retained until required)
Public information and community engagement	41	Largely relating to the development of strategic priorities
Corporate Training	21	To support the integration, transformation and change agenda

General Fund capital programme

8.9 The position on the General Fund capital programme is summarised below:

Expenditure Area	Outturn	Revised Budget	Variance	Budget Carry Forward
	£000	£000	£000	£000
ICT / Information Management	98	215	-117	106
Contract & Asset Management	1,413	2,227	-814	789
Community Development	210	337	-127	127
Private Sector Housing	518	552	-34	29
Natural & Built Environment	25	76	-51	9
Capitalised Redundancies	401	750	-349	0
ICT Integration Costs	5	12	-7	7
TOTAL PROGRAMME	2,670	4,169	-1,499	1,067

8.10 Further details on the main variances in each area are shown below:

- ICT/Information Management - the carry forward will be required to progress the integration and transformation programme.
- Contract & Asset Management:
 - Hadleigh Community Facilities - £525k less spent due to the timing of undertaking the scheme
 - Green Waste Vehicle – this was ordered in the final quarter of 2011/12 but will not be delivered until the new financial year when the balance of the budget of £107k will be spent.

- A number of variations on other areas of asset management totalling £182k, including: Kingfisher Leisure Centre planned maintenance and enhancements (50k); Car Parks (54k); Corporate Buildings planned maintenance (£38k); Hadleigh Pool Major Repairs (25k); Carbon Reduction projects (13k).
- (c) Community Development:
- Community grants - £127k less paid out than the budget of £337k due to delays in the planning permission stage for applicants. Also some grant recipients have experienced difficulties in raising the necessary match funding but all the allocated funding will be spent during 2012/13 and allocations for this year's funding are underway.
- (d) Private Sector Housing:
- A payment of £30k to a housing association towards the cost of an affordable housing project in Thorpe Morieux will be made in 2012/13. The units were completed in early 2012/13.
- (e) Natural & Built Environment - Sudbury Town Centre Redevelopment - £43k not spent as it has not been possible to purchase the additional land needed for the scheme to progress. The scheme was funded by the Haven Gateway Partnership.
- (f) Capitalised redundancies relate to the pension costs for Babergh and Mid Suffolk staff integration (£750k granted to each council by the Government, which was a worst-case scenario).

General Fund Reserves

8.11 The position on general reserves, based on the overall financial outturn, is a working balance of just over £1.6m at the end of the financial year. However, after carry forwards are taken into account, the available General Fund working balance is only around £150k higher than the minimum agreed level of £1.2m, in line with Budget forecasts.

8.12 There are also earmarked reserves as at the 31 March 2012 totalling £1.65m. The main ones are listed below:

Earmarked Reserve	£000
Babergh/Mid Suffolk Integration	736
Legal Costs	150
Government Grants (for current expenditure)	411
New Homes Bonus	346

Housing (HRA) Budget and capital programme

- 8.13 The original revenue budget set for the HRA for 2011/12 reflected a deficit of £228k although Members approved a revised budget for the HRA as part of the Initial HRA (self-financing) Business Plan, which indicated a higher potential deficit of £324k.
- 8.14 Actual expenditure and income for the year was £608k less than the revised budget but most of this related to delays on financing capital projects. After allowing, therefore, for capital carry forwards of £468k and also revenue budget carry forwards of £71k for expenditure that will now be incurred in 2012/13, the net favourable variance is only £69k.
- 8.15 There were a number of variations compared to the revised budget, including higher rent and other income (£121k) due to a lower number of vacant properties requiring major repairs, reduced staffing and management costs, (around £120k) and reduced energy costs (£26k).
- 8.16 Although £71k more had to be spent on responsive repairs, this was more than offset by savings on tenancy changes and planned maintenance costs. Capital and other related charges were also higher than the revised budget.
- 8.17 Revenue Budget carry forwards include £32k related to repairs and insurance costs to be spent in 2012/13. There are no items over £20k that require Member approval.
- 8.18 Capital expenditure against budget is summarised below and carry forwards of £468k are requested to be carried forward to be spent in 2012/13:

Expenditure Area	Revised Budget	Outturn	Variance	Carry Forward
	£000	£000	£000	£000
Heating	1,042	1,027	-15	15
Kitchens & Bathrooms	651	486	-165	165
Roofing	52	28	-24	24
Disabled Adaptations	484	373	-111	111
Doors & Windows	340	308	-32	32
Other Capital Works	461	455	-6	13
Total Capital Works	3,030	2,677	-353	360
Major refurbishments	161	112	-49	49
Structural Works	19	12	-7	7
ICT Projects	49	10	-39	35
Other Programmes	219	179	-40	17
Total Improvements	448	313	-135	108
Total Programme	3,478	2,990	-488	468

- 8.19 Further details on the main budget variations are provided below:

- Kitchens and Bathrooms – the underspend arose due to the award of a major contract being delayed. Also, staff resources were focused on delivering the two main capital schemes at Kingfisher and Hadleigh Community Facilities

- Disabled Adaptations - expenditure was less than budget as the number of referrals from occupational therapists fell for the first time in many years resulting in an underspend
- Doors and Windows – a small underspend arose as unit costs were slightly less than anticipated. All the properties planned for replacement in the year were completed. The budget carry forward is required to support the overall programme in future years
- Major refurbishments – at Member request, the refurbishment of 4 Lewis Lane (estimated cost £55k) was delayed pending further discussions with Planners
- ICT projects – the underspend of £39k was due to all available staff resources being focused on the Stock Condition Survey for the HRA Business Plan.

8.20 Based on the overall financial outturn, the HRA working balance stands at £1.7m at the end of the financial year. After the revenue and capital carry forwards are taken into account though, the available HRA working balance is £170k higher than the previously minimum agreed level of £1m - although the initial HRA Business Plan suggested this could possibly be reduced to £0.5m.

8.21 The overall position will be reconsidered as part of this year's planned review of the Business Plan.

9. Appendices

Title	Location
None	N/A

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