

## BABERGH DISTRICT COUNCIL

<b>To: Strategy Committee</b>	<b>Report Number: N33</b>
<b>From: Head of Corporate Resources</b>	<b>Date of meeting: 11 July 2013</b>

### 2012/13 FINANCIAL OUTTURN

#### 1. Purpose of Report

1.1 This report summarises the 2012/13 outturn position as follows:

- General Fund: a net favourable variance of £16k (after slippage)
- Housing Revenue Account: a favourable variance of £1,188k, which can be transferred to the Housing Strategic Priorities Reserve
- Capital Programme: a net favourable variance of £6k (after slippage).

1.2 The General Fund outturn is slightly better than the overall forecast position reported to Overview and Scrutiny Committee on 19 March 2013 although some of the detailed variations were not anticipated. Further details are provided in the report.

1.3 The unaudited Statement of Accounts was approved for publication by the Corporate Manager – Financial Services before the end of June 2013, as required. The audited Statement of Accounts and external auditors report will be presented to the Audit Committee in September 2013.

#### 2. Recommendations

2.1 The Strategy Committee is recommended to:

- a) Approve the 2012/13 financial outturn as set out in this report
- b) Approve the overall reserve transfers summarised in Appendix A
- c) Approve the General Fund slippage requests as set out in paragraph 8.9
- d) Approve the Capital Programme slippage requests as set out in paragraph 8.18

The above recommendations can be approved by the Committee.

#### 3. Financial Implications

3.1 Detailed in the report.

#### 4. Risk Management

4.1 This report is most closely linked with the Council's Corporate / Significant Business Risk No. **B6**. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Forecast savings and efficiencies are not delivered	Low	Significant	Monitoring by Finance Teams and Officers, although moving forward the Operational Delivery Teams create some uncertainties
Economic conditions and other external factors	Low/Medium	Marginal	There is a strong focus on monitoring key income and expenditure streams but economic conditions continue to affect some services
Capital Programme Delivery not on target	Medium	Marginal/Significant	Regular monitoring through Capital Asset Strategy Officer Group and with other key officers

## 5. Consultations

5.1 With Corporate / Budget managers.

## 6. Equality Analysis

6.1 An Equality Analysis has not been completed because there is no action to be taken on service delivery as a result of this report.

## 7. Shared Service / Partnership Implications

7.1 Both authorities continue to work closely together with particular attention given to sharing integration costs and savings between the two Councils to ensure an accurate financial outturn for 2012/13.

## 8. Key Information

### General Fund

8.1 The overall General Fund outturn position is a net favourable variance of £16k. This is the £263k variance shown in the table below on net revenue expenditure, less budget slippage requests of £247k - see section 8.9 of the report. See further details in the table below.

<b>Service Area</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Adverse / (Favourable)</b>
	£'000	£'000	£'000
Corporate Organisation	1,450	1,194	(256)
Corporate Resources	2,517	2,906	389
Communities	1,499	1,388	(111)
Housing	354	322	(32)
Economy	1,694	1,623	(71)
Environment	3,611	3,298	(313)
<b>Net expenditure on services</b>	<b>11,125</b>	<b>10,731</b>	<b>(394)</b>
New Homes Bonus Received	(629)	(579)	50
Capital charges and Investment Income	(1,168)	(1,117)	51
Transfers to E/M reserves	749	913	164
Transfers from E/M reserves	(594)	(728)	(134)
<b>Net Revenue Expenditure</b>	<b>9,483</b>	<b>9,220</b>	<b>(263)</b>
Use of General Reserves	(454)	(191)	263
<b>Total budget requirement</b>	<b>9,029</b>	<b>9,029</b>	<b>0</b>
<b>Financed by:</b>			
Council Tax	(4,830)	(4,830)	0
RSG and other grants	(4,205)	(4,205)	0
Collection fund	6	6	0
<b>Total financing</b>	<b>(9,029)</b>	<b>(9,029)</b>	<b>0</b>

- 8.2 Budgetary control during 2012/13 has been led by the Finance Teams with regular input from officers. During the last quarter of the year, there were a number of changes particularly in the following service areas; revenues and benefits, the joint waste contract and capital financing charges which are explained in more detail below.
- 8.3 Additional resources of £75k were approved by Strategy Committee during 2012/13 for the planning recovery programme (managed within Economy) and this has been added to the original budget. This is being funded from general reserves.
- 8.4 The table below shows the main items that comprise the net favourable revenue expenditure variance of £263k. A number of the variances that have occurred since the third quarter report to Overview and Scrutiny Committee could not have been anticipated. However, others could and should have been. To some extent this is a reflection of the transitional nature of the integration work with Mid Suffolk and will continue into 2013/14, as the final tier of the structure is put into place and new budget monitoring arrangements established. As part of this work, the 2012/13 variances will be further examined to see if they are recurring savings that can contribute to meeting the financial challenge of the Council over the next three years.

<b>General Fund Budget Area</b>	<b>Variance Adverse / (Favourable) £000</b>
<b>Previously Reported to Overview and Scrutiny Committee</b>	
Staffing savings	(218)
Joint Waste Contract	(177)
Other staff-related overhead savings	(170)
Debt repayment - Minimum Revenue Provision	(42)
Planning Recovery programme	(37)
Waste Gate Fees net of Recycling Credits	(32)
Kingfisher Leisure Centre & Hadleigh Pool	(30)
Members allowances	(26)
Trade & Green Waste net additional income	(19)
Benefits, Council Tax and NNDR*	275
Building Control Income	176
Car Parks	29
Insurance Premiums	22
Babergh Response	19
External Audit Fees	18
Land Charges	11
	(201)
<b>Not previously reported</b>	
Publicity and Communications	(49)
Planning Application income	(48)
Local Plan	(20)
Corporate Consultation	(20)
Belle Vue House	(19)
Contaminated Land	(15)
Other items below £10k (Net)	65
Green Initiatives Fund	25
Crime and Disorder Partnership	19
	(62)
<b>Total Favourable Variance (before budget carry forwards)</b>	<b>(263)</b>

\* Significant change compared to Q3 report to Overview & Scrutiny Committee - see section 8.6

- 8.5 As can be seen from the above table, there are a number of areas where the final variances are against the same budgets that were explained in the report to Overview and Scrutiny (Stewardship) Committee on 19 March 2013 (Paper M176). The reasons for the variances are the same and are not repeated again here, unless the amounts involved or reasons for the variances have changed significantly.

8.6 The main variances shown in the table are explained in more detail below:

- Staffing and related integration savings - Budgets have been monitored closely throughout the year by the Finance Teams. A sum of £550k was included in the budget for savings on staff and other costs in 2012/13. Babergh has exceeded this by £218k as a result of higher vacancy management and other staffing budget savings than anticipated. In addition, £170k has been saved on other staff-related costs including training, Information Technology (ICT), recruitment and maintenance of the headquarters.
- Waste contract - The majority of the £177k favourable variance on the Joint Waste Contract can be attributed to a one off refund received relating to the joint depot and a prior year adjustment for expected costs which were no longer required.
- Revenues and Benefits - An adverse variance of £275k has occurred as a result of a one off bad debt provision and prior year adjustment of £245k that has been made for recovery of benefit overpayments this year to allow for potential non-recovery. The Shared Revenues Partnership (SRP) continues to operate well within its budget and has delivered savings for the three partner councils.
- Following a successful recruitment process towards the end of the year £38k of the £75k approved by Strategy Committee has been spent on staffing costs on the planning recovery programme. This work will continue into 2013/14 and the £37k saving carried forward.
- Building control and planning income - Net adverse variance of £128k with a significant shortfall on building control income due to lower activity than anticipated, but offset by an increase in income for planning applications of £48k compared to the budget.

8.7 A number of smaller variances have arisen and brief details are provided below:

- The net cost of gate fees for recyclable waste, after the receipt of recycling credits, reduced by £32k due to additional tonnage being collected
- The expenditure profile within the local plan budget of costs relating to the core strategy examination has been uncertain, and has resulted in an under spend this year of £20k (to be carried forward)
- The corporate consultation budget was not required this year, saving £20k
- At Belle Vue House £19k of additional income has been generated by renting out extra rooms
- There were no requirements for external consultants relating to contaminated land during the year resulting in an under spend of £15k (some to be carried forward)

- An adverse variance of £19k on the Crime and Disorder Partnership (CSP) has arisen because the funding specifically for Babergh's CSP has been combined with the Western Community Safety Partnership (WCSP). This was not anticipated when preparing the budget

8.8 It should be noted that during 2012/13, transitional costs (providing for redundancies and other one-off costs e.g. recruitment) associated with integration amounted to £252k. This was less than the business case and budget. Of this sum, £22k was funded from the remainder of the RIEP contribution towards integration, £57k was recharged to the HRA and the balance of £173k was funded from the integration reserve. When the budgets were set for 2012/13, it was estimated that £460k would be required from the integration reserve. Some costs will, however, arise in 2013/14 as a result of completion of the ODT's and the reserve can also be used for transformation costs.

8.9 The outturn position assumes a number of revenue slippage requests totalling £247k will be approved.

<b>Slippage Request</b>	<b>(£'000)</b>
Transformation and OD programme/consultation work	34
Headquarters – repair and maintenance contracts	19
Increased management fees at Hadleigh Pool and Kingfisher Leisure Centre	30
Development Control - relating to large scale applications	43
Planning recovery programme	37
Local Plan core strategy examination costs	20
Contaminated Land Inspections	10
Other slippage requests (below £10k)	54
<b>Total</b>	<b>247</b>

8.10 A statement showing the transfers to and from reserves is included at Appendix A. This includes the creation of a Green Initiatives Fund of £25k for small scale projects (Mid Suffolk creating an identical fund) and £150k for the successful outcome of the MMI claim. A provision has been made for the potential levy payable on the winding up of MMI, although a further sum of £44k could be payable depending on the claims run off outcome.

### **Housing Revenue Account (HRA)**

8.11 The original budget set for the HRA for 2012/13 showed a surplus of £154k. The final figure was a surplus of £1,188k, after transferring money for capital projects that are being carried forward into 2013/14 into an earmarked reserve.

8.12 This was the first year of the self-financing reforms so there was bound to be uncertainty around costs and income under the new system. The outturn compared to budget is shown in the table below.

	<b>Budget</b>	<b>Actual</b>	<b>Variance Adverse / (Favourable)</b>
	£'000	£'000	£'000
<b>Income</b>	(15,052)	(15,164)	(112)
<b>Expenditure</b>			
Repairs and Maintenance	2,266	2,145	(121)
Housing Management	3,568	3,266	(302)
Housing Subsidy Payable to the Government	0	(28)	(28)
Debt Repayment & External Interest Charges	3,658	3,406	(252)
Other Capital Charges - depreciation etc	5,406	4,556	(850)
<b>Net Surplus on Services</b>	<b>(154)</b>	<b>(1,819)</b>	<b>(1,665)</b>
Transfers to/from reserves:			
Capital Slippage Reserve	0	631	631
Working Balance	(154)	0	(154)
<b>Surplus - transferred to Strategic Priorities Reserve</b>	<b>0</b>	<b>1,188</b>	<b>1,188</b>
<b>Working Balance</b>			
Balance as at 1 April 2012	(1,099)	(1,614)	(515)
Deficit /(Surplus) for the year	(154)	0	154
Balance as at 31 March 2013	<b>(1,253)</b>	<b>(1,614)</b>	<b>(361)</b>

8.13 The main variances are explained below:

- A higher level of income has been achieved than was anticipated of £112k. This is mainly due to increased rent from council houses of £33k and shops of £39k, additional interest of £13k, licence fee income of £8k and other income of £19k
- Overall expenditure on running expenses was £451k less than the budget, mainly due to: -
  - (i) Lower repairs and maintenance costs of £121k - primarily due to lower pre-painting and external painting costs of £180k and other repair maintenance costs being £94k lower than the budget. These savings are partly offset by unavoidable tenants repair requests of £153k, largely due to the bad weather. The reduced painting costs result from the work done through the capital programme installing pvcU windows, doors and fascias

- (ii) Management and administration savings of £302k - mainly relate to lower staffing and related costs (partly as a result of integration).
- (iii) Housing subsidy of £28k - a prior year receipt was received from the Government which had not been budgeted for.

- Debt repayment and external interest costs were lower than expected by £252k as these had been estimated before the Housing Reform settlement was known
- Other capital charges (including depreciation and revenue contributions towards capital projects) were £850k less than the budget overall mainly due to the basis changing for assessing depreciation and capital funding. However, £631k of this needs transferring to a capital reserve in relation to the slippage in the capital programme (i.e. this needs to be carried forward to 2013/14).

8.14 The remaining surplus of £1,188k has been transferred to the Strategic Priorities Reserve to help meet future spending priorities.

8.15 As a result of the above, the HRA Working Balance as at 31 March 2013 remains at £1,614k. This is above the minimum recommended level of £1million. The working balance will be used in future years to support the self-financing business plan - some of the excess balance could also be transferred to the Strategic Priorities Reserve. This will be looked at as part of the annual review of the HRA business plan.

### **Capital Programme**

8.16 The outturn for the capital programme shows a net favourable variance of £6k (after slippage requests) as summarised in the table below. The third quarter report to Overview and Scrutiny Committee in March 2013 included explanations of the main variances predicted for the year against the original budget. Since then, Members have approved a revised budget, which includes these variances and as they relate to the same projects, no further explanations have been included in this report.

	<b>General Fund</b>	<b>HRA</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revised Capital Programme	3,836	5,117	8,953
Actual expenditure	3,060	4,486	7,546
Slippage requests (see 8.18 below)	770	631	1,401
Total actual expenditure and slippage	3,830	5,117	8,947
<b>Net capital programme adverse/(favourable) variances</b>	<b>(6)</b>	<b>0</b>	<b>(6)</b>



- 8.17 Details of the variances on individual schemes/projects is provided in Appendix B.
- 8.18 The following items are schemes, for which Officers request Members to approve slippage into the 2013/14 capital programme, together with the requisite capital resources (borrowing for the General Fund) totalling £1,401k. Spending has already been committed and earmarked for £635k for General Fund and £603k for Housing.

<b>Capital Schemes</b>	<b>Slippage Requests (£'000)</b>	<b>Commitments (£'000)</b>
<u>General Fund</u>		
ICT Integration and Transformation Costs	63	0
Land Terrier – digitisation of data	16	0
Other ICT projects	18	0
Planned maintenance at Kingfisher Leisure Centre/ Hadleigh Pool and play equipment	120	120
Asset Management (corporate buildings/car parks)	30	30
Community Grants	61	0
Carbon Reduction schemes	14	7
Discretionary Housing Grants	(40)	0
Affordable housing schemes	113	103
Property purchase	280	280
Refuse Vehicles	95	95
<b>Total General Fund</b>	<b>770</b>	<b>635</b>
<u>HRA</u>		
Replacement windows, doors, kitchens and bathrooms	109	109
Central Heating	180	180
Dampness	18	18
Rewiring	15	0
Garage forecourts	5	5
Improvement of sheltered units	217	217
Removal of asbestos	20	20
Environmental Works	28	28
Contingent major repairs	26	26
Horticulture and play equipment	13	0
<b>Total Housing</b>	<b>631</b>	<b>603</b>
<b>Total Slippage</b>	<b>1,401</b>	<b>1,238</b>

- 8.19 The allocation of discretionary housing grants are subject to the level of requests received from applicants and the spending profile for the 2012/13 budget allowed for some to be completed in 2013/14. As a result of changes in the way these are processed, a number of applications have been completed earlier than expected.

## 9. Appendices

Title	Location
<b>APPENDIX A</b> - Earmarked Reserves	Attached
<b>APPENDIX B</b> – Capital outturn 2012/13	Attached

## 10. Background Documents

- 10.1 Overview and Scrutiny (Stewardship) Committee, 13 March 2013 report – (Paper M176).

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**Earmarked Reserves**

<b>Transfers to / from Earmarked Reserves</b>				
	<b>Balance at 31 March 2012</b>	<b>Transfers out during 2012/3</b>	<b>Transfers in during 2012/13</b>	<b>Balance at 31 March 2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>General Fund:</b>				
Babergh/Mid Suffolk Integration	(736)	173	-	(563)
MMI Claim Recovery Fund & Legal Costs	(150)	-	-	(150)
Government Grants & External Contributions	(411)	142	(134)	(403)
New Homes Bonus	(346)	134	(579)	(791)
Welfare Benefits Reform	(10)	-	(100)	(110)
Recycling Consortium (BDC Share)	(279)	279	(55)	(55)
Elections Fund	-	-	(20)	(20)
Green Initiatives	-	-	(25)	(25)
<b>Total General Fund</b>	<b>(1,932)</b>	<b>728</b>	<b>(913)</b>	<b>(2,117)</b>
<b>HRA:</b>				
Strategic Priorities	-	-	(1,188)	(1,188)
Capital Slippage	-	-	(631)	(631)
<b>Total HRA</b>	<b>-</b>	<b>-</b>	<b>(1,819)</b>	<b>(1,819)</b>
<b>Total</b>	<b>(1,932)</b>	<b>728</b>	<b>(2,732)</b>	<b>(3,936)</b>

Currently the unaudited Statement of Accounts signed by the S151 officer (Corporate Manager – Financial Services) shows funding for the general fund slippage to be met from general reserves. It is intended to set aside an earmarked reserve for this purpose and this will then be shown in the final audited Statement of Accounts.

**CAPITAL OUTTURN 2012/13**

<b>Housing Capital Expenditure 2012/13</b>	<b>Revised Budget</b>	<b>Actual Outturn</b>	<b>Slippage</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Planned Maintenance Programmes</b>				
Rewiring	131	116	15	0
Roofing	590	641		51
Doors and Windows	429	355	74	0
Central Heating	1,185	1,006	180	1
Kitchens/bathrooms	1,010	974	35	(1)
Garages, Forecourts & Stores	107	97	5	(5)
Fences/Gates/Walls	70	100		30
Roads & Paths	31	22		(9)
Common Areas	2	2		0
Disabled Adaptations	415	287		(128)
Environmental Works	95	32	27	(36)
Dampness and Condensation	32	14	18	0
Contingent Major Repairs	26	0	26	0
<b>Other Programmes</b>				
Conversions/Adaptations	24	48		24
Sheltered Units - General Imps.	418	185	217	(16)
Smoke Alarms (Babergh Standard)	28	32		4
Insulation Improvements (Babergh Standard)	9	48		39
Major Refurbishments	203	228		25
Parking areas/Estate imp./Estate maintenance	30	33		3
Structural Works	28	41		13
Sewage Treatment Works	1	0		(1)
Unadopted Drains & Sewers	9	14		5
Water Mains	7	4		(3)
Software/ICT Projects/Surveys	35	39		4
Asbestos	23	2	21	0
Horticulture & Play Equipment	84	71	13	0
Property Acquisition	95	95		0
<b>Total Housing</b>	<b>5,117</b>	<b>4,486</b>	<b>631</b>	<b>0</b>

APPENDIX B contd

<b>General Fund Capital Expenditure 2012/13</b>	<b>Revised Budget</b>	<b>Actual Outturn</b>	<b>Slippage</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Private Sector Housing</b>				
Grants for Affordable Housing	210	97	113	0
Mandatory & Discretionary Grants	355	382	(40)	(13)
<b>Waste and Environmental Services</b>				
Replacement Refuse Freighters	210	114	96	0
Air Quality Management	10	6	0	(4)
<b>Cultural &amp; Community Services &amp; Economy</b>				0
Car Parks - Planned Maintenance	134	116	18	0
Kingfisher & Hadleigh Pool Repairs & Maintenance	2,012	1,919	116	23
Play Equipment	25	22	3	0
Community Development Grants	177	99	57	(21)
East LSP Payments	9	5	4	0
Pin Mill Miscellaneous Works	9	9	0	0
Property Acquisitions	280	25	280	25
<b>Contracts and Property</b>				
Asset Mangement (buildings)	114	99	12	(3)
Carbon Reduction	63	48	14	(1)
<b>Corporate Services</b>				
Web Site Enhancements & ICT Infrastructure	87	67	15	(5)
System/Applications enhancements	83	20	63	0
IBS Essential Application Enhancements	3	2	0	(1)
Disaster Recovery Plan	14	8	0	(6)
Information Strategy Outcomes	25	22	3	0
Land Terrier	16	0	16	0
<b>Other</b>				
<b>Total General Fund</b>	<b>3,836</b>	<b>3,060</b>	<b>770</b>	<b>(6)</b>
<b>Total for Capital Programme</b>	<b>8,953</b>	<b>7,546</b>	<b>1,401</b>	<b>(6)</b>