

CABINET

21 May 2013

Title: Revenue and Capital Provisional Outturn 2012/13	
Report of the Cabinet Member for Finance and Education	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Steve Pearson, Group Accountant, Corporate Finance	Contact Details: Tel: 020 8227 5215 E-mail: steve.pearson@lbbd.gov.uk
Accountable Divisional Director: Jonathan Bunt, Divisional Director of Finance	
Accountable Director: Graham Farrant, Chief Executive	
Summary	
<p>The Council's revenue outturn (subject to final accounting entries) is a net spend below budget of £3.1m against a net revenue budget of £177.4m (1.7%). The final position is provisional pending the full closure of the Council's accounts, as the Statement of Accounts is to be drafted and then subject to external audit.</p>	
<p>The 2012/13 net spend below budget of £3.1m has resulted in the GF balance increasing from £14.3m to £17.4m.</p>	
<p>This provides an improvement in the Council's financial position beyond the £15m General Fund balance target identified in the report to Assembly in February 2013 on the Budget for 2013/14 by the Divisional Director of Finance</p>	
<p>The revenue outturn figures have been calculated after taking into account roll forward requests contained in Appendix D of the report.</p>	
<p>The Housing Revenue Account (HRA) generated a surplus of £0.2m which has been transferred to HRA balances (which are ring-fenced). The surplus increases the reserves position from £8.3m to £8.5m at 31 March 2013.</p>	
<p>Capital spend of £84.3m was incurred in 2012/13 against the revised capital budget of £110.9m. Underspends on capital projects are requested to be rolled forward and are included in Appendix E of the report. An update and request for approval of further funding is also provided for the Lawns and Wood Lane elderly persons' bungalows.</p>	

Recommendation(s)

The Cabinet is recommended to:

- (i) Note the provisional outturn position for 2012/13 of the Council's revenue budget as detailed in paragraphs 2.3 to 2.9 of this report and in Appendix A;
- (ii) Note the provisional outturn against the 2012/13 savings targets in paragraph 2.10 of this report and in Appendix B;
- (iii) Note the provisional outturn position for the HRA as detailed in paragraph 2.6 of the report and in Appendix C;
- (iv) Approve the requests to roll forward revenue budgets into 2013/14 and the resulting budget amendments contained in appendix D of the report;
- (v) Note the provisional outturn position for 2012/13 of the Council's capital budget as detailed in paragraph 2.11 of the report and Appendices E and F;
- (vi) Approve the requests to roll forward slippage in capital projects to 2013/14 as contained in Appendix E;
- (vii) Approve an increase in the overall budget for the provision of elderly persons' bungalows on Council-owned sites at The Lawns and former Wood Lane Sports Centre from £5.5m to £8.793m to fund the additional costs referred to in paragraph 2.11, the increase to be funded by additional HRA funding; and
- (viii) Approve the 2013/14 budget adjustments detailed in paragraph 2.12 of the report.

Reason(s)

As a matter of good financial practice, the Cabinet should be informed of the final outturn and performance of the Council's Revenue and Capital resources. Knowledge of the variances from planned budgets will assist members in making sound future decisions.

1 Introduction and Background

- 1.1 This report provides a summary of the Council's General Fund and Housing Revenue Account (HRA) revenue and capital provisional outturn positions for 2012/13. Good financial management has meant that the General Fund balance has increased by £3.1m to £17.4m. This position includes the achievement of £18.5m of in-year savings targets that represented a significant challenge for the Council.
- 1.2 For comparison with 2011/12, the Final Outturn report to Cabinet on 26 June 2012 reported that, as at 31 March 2012, General Fund balances stood at £14.3m. This was an increase of £3.5m on the position at 31 March 2011.
- 1.3 It is important that the Council monitors its revenue and capital budgets regularly to ensure good financial management. This involves monitoring the Council's financial results on a monthly basis through briefings to the Cabinet Member for Finance and monthly monitoring reports to Cabinet. This ensures Members are regularly

updated on the Council's overall financial position and enables the Cabinet to make sound financial and operational decisions.

1.4 The last Budget Monitoring Report for 2012/13 was presented to Cabinet on 19 March 2013 covering the period April 2012 to January 2013. It projected a contribution to the General Fund balance of £2.7m resulting in a projected final balance of £17.0m as at 31 March 2013.

1.5 This report is based upon the core information contained in the Oracle general ledger system supplemented by examination of budgets between the budget holders and the relevant Finance teams. In addition, there is an extensive capital monitoring process to ensure capital outcomes are met. The position in this report may be subject to change as the Council finalises the entries required to produce the statutory Statement of Accounts, and that Statement will be subject to review by external audit over the summer.

2 Overall Outturn Position

2.1 The Directorate revenue outturn is a net spend below budget of £3.1m at the end of the financial year 2012/13. This has resulted in the Council's General Fund (GF) balance increasing beyond the target of £15.0m. The Chief Finance Officer has a responsibility under statute to ensure that the Council maintains appropriate balances.

2.2 In the report to Assembly regarding the setting of the 2013/14 annual budget and Council Tax, the Chief Finance Officer, after consideration of the factors outlined in the CIPFA guidance on Local Authority Reserves and Balances 2003, set a target GF reserves level of £15.0m. The General Fund balance at 31 March 2012 was £14.3m and the current balance for the end of the financial year is £17.4m.

The outturn position for 2012/13 across the Council for the General Fund is shown in the table below.

Council Summary	Net Budget £'000	Provisional Outturn 2012/13 £'000	Over/(under) Budget £'000
<u>Directorate Expenditure</u>			
Adult and Community Services	63,981	63,973	(8)
Children's Services	69,961	69,974	13
Housing and Environment	24,146	24,110	(36)
Finance and Resources	20,140	19,944	(196)
Chief Executive	784	350	(434)
Central Expenses	(1,633)	(4,082)	(2,449)
Total Service Expenditure	177,379	174,269	(3,110)

The GF outturn is shown by Service in Appendix A, and after taking into account roll forwards requested in Appendix D of the report.

The Council's Total Service Expenditure (Net Budget) is unchanged since Month 10. There have been changes between Services primarily due to capital charges adjustments. These changes do not impact on the Services' controllable budgets.

At the 31 March 2013, the HRA had a net spend below budget of £0.2m resulting in an increased HRA reserve of £8.5m.

	Balance 1 April 2012	Balance 31 March 2013	Target Balance 31 March 2013
	£'000	£'000	£'000
General Fund	14,346	17,456	15,000
Housing Revenue Account (including Rent Reserve)	8,269	8,461	8,269

The HRA outturn is shown by statutory categories in Appendix C.

2.3 Directorate Performance Summaries

The Directorates' outturn performances are outlined in the paragraphs below.

2.4 Adult and Community Services

	Outturn 2011/12	Budget 2012/13	Outturn 2012/13	Variance	
	£'000	£'000	£'000	£'000	%
Net expenditure	64,366	63,981	63,973	(8)	(0.1)

The Adult and Community Services directorate has forecasted throughout the year to break-even and has come in slightly under budget at this year-end outturn position.

This has been achieved through robust financial monitoring and successful management of a number of key challenges during the financial year. This includes delivering a challenging savings target of £3,392k (alongside a further £370k of Senior Manager & Policy Team savings) built into the 2012/13 budget. The directorate successfully secured social care grant funding, re-ablement and winter pressures funding following protracted negotiations with the outgoing PCT. Culture and Sport had a busy and challenging year, delivering a range of Olympic events and activities as well as maintaining business as usual. The service also successfully levered in £2.235m of external funding in 2012-13.

2.5 Children's Services

	Outturn 2011/12	Budget 2012/13	Outturn 2012/13	Variance	
	£'000	£'000	£'000	£'000	%
Net expenditure	69,729	69,961	69,974	13	0.1

The Children's Service has delivered a broadly balanced budget for 2012/13. However it is important to note that this balanced position is masking increasing pressure within the Complex Needs and Social Care divisions. This division has overspent by £13k, an increase of £13k on last year.

Service activity is being tracked monthly and is a clear indicator of increased demand and risk. Referral activity has increased consistently since the end of 2012 and shows no signs of reducing, which suggests more of a trend rather than a one-off spike in demand. There were 1,144 core assessments completed in 2012/13 which was over twice as many as 2011/12. Section 47 child protection investigations increased by 37 %, from 514 in 2011/12 to 706 in 2012/13.

There was some encouraging news however. At the end of 2012/13 the number of children in care was 421 compared to 427 in March 2012. There are a number of factors that have contributed to the fall, but in particular the 'edge of care' initiatives the Service has developed through their Access to Resources team.

Dedicated School Grant (DSG)

The DSG is a ring fenced grant to support the education of school aged pupils within the borough. The grant is allocated between the Schools and Centrally Retained budget in agreement with the Schools Forum. In 2012/13 DSG of £196.1m was received with £20.4m being retained centrally. Final closure of the schools accounts is underway and the figure shown in Appendix A for transfer to the DSG reserve is likely to change. However, there will be no effect on the overall figure for Children's Services and the Council's overall net spend.

2.6 Housing and Environment

	Outturn 2011/12	Budget 2012/13	Outturn 2012/13	Variance	
	£'000	£'000	£'000	£'000	%
General Fund - net expenditure	23,579	24,146	24,110	(36)	(0.1)
Housing Revenue Account (HRA) net expenditure	(2,351)	0	(192)	(192)	n/a

Housing and Environment General Fund

The Housing and Environment General Fund budget final outturn is an overall net spend below budget of £36k. There was net spend over budget of £250k in the Housing General Fund (GF) which was more than offset by a net spend under budget of £286k within Environmental Services. This is a positive movement of £186k compared to the forecast position as at period 10. However, there still remain significant long term pressures within the Directorate's budget which need to be managed.

In Housing GF the main pressure is in relation to the high numbers of homeless placements in temporary accommodation, specifically within Bed and Breakfast. These placements are a significant cost to the Council, mainly due to the Housing Benefit cap on this type of accommodation. Other factors outside the Service's control have aggravated this position. Examples of these factors are a higher than anticipated increase in demand for homeless placements, and the market conditions prevailing within the private sector rented market.

This pressure has been mitigated in-year by greater use of HRA temporarily void (decant) properties and by taking steps to make the Council more competitive in the private sector market. Due to the nature of the risk, the position continues to be monitored closely to ensure the level of risk is understood and mitigated going forward.

In Environmental Services a pressure of £2m in year has been managed through a combination of many factors: a freeze on non-urgent spend such as road repairs, keeping posts vacant, the strong performance of the street trading account, one-off income generated through facilitating TFL work in Renwick Road, and successfully achieving more grants towards parks events. The Service has also developed action plans to mitigate some pressures permanently and is making progress in implementing them.

The position includes a proposed transfer to earmarked reserves of £70k for the purpose of using DEFRA funding received in year for the preparation of a Flood Risk Strategy.

The Directorate delivered £1,981k of its 2012/13 saving target of £2,331k. This is mainly due to significant pressures facing the Housing GF as mentioned above, which in turn affects the deliverability of the £350k saving for CUS/SAV/10 (see below). Housing has sometimes struggled to compete with neighbouring Councils to secure PSL (private sector lease) accommodation as those authorities had the strategic advantage of being able to offer higher financial incentives. The Service sought to address this during the year and so will be looking to gain back some of the advantage going forward. The £250k adverse variance across all Housing GF services includes this £350k pressure on homelessness.

Housing Revenue Account (HRA)

2012/13 has been a transitional year for the Housing Revenue Account, being the first with the new self-financing regime. A lot of preparatory work has been done towards the implementation of the capital investment programme as well as bringing in-house the repairs function. It has also implanted the localities structure which has allowed more streamlined budgeting.

The HRA has maintained a strong cash balance which it has partly built up by re-using decanted void properties to ease temporary accommodation pressures within the General Fund. Overall the HRA has increased its balances by £192k.

The HRA final outturn is a surplus of £192k in 2012/13, compared to a forecasted £200k surplus as reported in Period 10. There are some areas where budget pressures are being mitigated by additional income generated, or maximising interest income.

Income

There was a favourable net rental surplus of £750k, mainly arising from the short term renting of decanted properties for temporary accommodation. In addition, there was income from higher than anticipated water charges of around £200k, additional Leasehold income of £150k due to higher collection rates by Elevate. There was also £64k primarily from additional right to buy income.

The HRA also benefitted from an estimated additional £548k of interest on cash balances. This unanticipated income has helped to offset a £130k pressure due to delays in implementation of the Garage strategy, and pressure of £350k in respect of service charges not charged to decant properties.

Adding all items together, the net favourable variance in the income budgets was £1.232m.

Expenditure

There was a net pressure of £538k in relation to additional work required to implement the new Repairs & Maintenance (R&M) service contract. This will become an in-house operation and will lead to annualised savings in future greater than any implementation costs. These costs are currently being managed within the overall R&M budget within the HRA.

Other pressures were:

- a one- off charge from the Housing Strategy team for the additional work involved in the implementation of the new HRA Business Plan and asset management strategy of £200k;
- staffing spend above budget of £294k; and
- Increased transport costs of £170k.

Items off-setting these pressures were:

- complementary to the interest earned on improved cash flow due to the extended capital programme, interest of £391k on predicted borrowing in 2012/13 of £8.5m for the Decent Homes capital programme did not need to be paid.
- a reduced estimate for in-year debt write offs by £361k and council tax voids by £410k, reduced the total pressure on HRA expenditure.

A payment was also made to the General Fund of £1m for the transfer of The Lawns and Wood Lane land. Adding all these items together, the net unfavourable variance in the spend budgets was £1.040m.

HRA Balance

When put together with the favourable variance from the income budgets, the overall impact is that the net spend is a surplus of £0.2m. The HRA maintains revenue reserves balance of £8.3m. Currently it is anticipated that this £0.2m surplus would be used to increase the balance to £8.5m.

The budgeted contribution to capital resources of £36.7m has been made without variation.

The detailed HRA is provided in Appendix C.

2.7 Finance and Resources

	Outturn 2011/12	Budget 2012/13	Provisional Outturn	Variance	
	£'000	£'000	£'000	£'000	%
Net expenditure	24,510	20,140	19,944	(196)	(1)

The Finance & Resources Directorate outturn for 2012/13 is currently showing a £196k net spend below budget.

Various net spends below budget across the different services have mainly been achieved by maintaining vacant posts (partly due to premature delivery of 2013/14 savings) and tight control over non-essential expenditure. These controls enabled the Directorate to deal with pressures which arose due to the under-recovery of court cost income in Revenues & Benefits of £648k, as reported in Period 10.

2.8 Chief Executive

	Outturn 2011/12	Budget 2012/13	Provisional Outturn	Variance	
	£'000	£'000	£'000	£'000	%
Net expenditure	(216)	784	350	(434)	(55.4)

The Chief Executive Directorate had a net spend below budget of £434k. This was mainly due to services making transitional arrangements to deliver agreed 2013/14 savings e.g. keeping posts vacant which are due to be deleted and over achievement of income targets.

For 2012/13 the Directorate had a total savings target of £2,300k (see appendix B). A shortfall in delivery of £136k occurred in respect of the HR targets but this was managed this year by reductions in other expenditure.

2.9 Central Expenses

	Outturn 2011/12	Budget 2012/13	Provisional Outturn	Variance	
	£'000	£'000	£'000	£'000	%
Net expenditure	(1,941)	(1,633)	(4,082)	(2,449)	(130.0)

Significant savings were achieved against the budget for interest payments, a refund of previously paid VAT and the centrally held contingency. The outturn position includes budgeted contributions to reserves of £3.0m, including £2m to fund projects that will give future revenue savings. In addition there is £3m contributed towards capital financing.

2.10 2012/13 In-Year Savings Targets

The delivery of the 2012/13 budget was dependent on meeting a savings target of £19.0m. Directorate outturns are summarised in the table below.

Directorate Summary of Savings Targets	Target £'000	Outturn £'000	Shortfall £'000
Adult and Community Services	3,392	3,392	-
Children's Services	3,410	3,410	-
Housing and Environment	2,331	1,981	350
Finance & Resources	2,591	2,591	-
Chief Executive	2,300	2,164	136
Central Expenses	5,000	5,000	-
Total	19,024	18,538	486

The reason for any savings shortfalls have been included in the Directorate outturns set out in sections 2.4 to 2.9 above. A detailed breakdown of savings is provided in Appendix B.

2.11 Capital Programme

The Capital Programme had a £26.6m net spend below budget due largely to slippage on various schemes. The table below shows the summary position:

Directorate Summary of Capital Expenditure	Original Budget £'000	Revised Budget £'000	Outturn 2012/13 £'000	Variance £'000
Adult & Community Services	4,472	6,205	4,163	(2,042)
Children's Services	47,212	37,507	31,779	(5,728)
Housing & Environment	64,931	51,486	38,941	(12,545)
Finance & Resources	25,223	15,739	9,435	(6,304)
Capitalisation directive	3,000	-	-	-
Total	144,838	110,937	84,318	(26,619)

A detailed capital outturn by scheme together with roll forward requests is included in Appendix E. Variances by area are summarised below:

Adult & Community Services

- Community Services, Heritage & Libraries - (£276k) underspend
- Leisure & Olympics - (£1,766k) underspend

Children's Services

- Schools - (£1,891k) underspend
- Other schemes - (£3,837k) underspend

Housing & Environment

- Housing Revenue Account - (£12,426k) underspend
- Housing General Fund - £16k overspend
- Environment & Enforcement - £68k overspend
- Parks and Open Spaces - (£202k) underspend

Finance & Resources

- Asset Strategy - £462k overspend
- ICT - (£4,420k) underspend
- Regeneration - (£2,346k) underspend

Explanations of project variances over £100k are provided in Appendix F.

Lawns and Wood Lane Bungalows

The forecast cost of providing elderly persons' bungalows on Council-owned sites (Lawns & Wood Lane) originally submitted and approved by Cabinet on 26 June 2012 has increased from £5.5m to £8.793m. The increase is to be funded by additional HRA funding.

This increase is due to several reasons. There is £1m in respect of the land value for the Wood Lane development site. In addition, there is the substitution of one 3bed for a 2bed unit, an increase in the number of 2 beds, and a decrease in the number of 1 beds (now 1 x 3bedroom, 22 x 2bedroom & 16 x 1bedroom). The overall impact is a substantial increase in the floorspace of the buildings, although there is one less unit in total. There has also been a number of abnormalities including: site contamination, japanese knotweed, demolition and additional infrastructure to meet the planning requirements.

2.12 2013/14 Budget Amendments

Whilst this report is essentially to advise Members of the outturns for the 2012/13 revenue and capital budgets, this section is a request to Cabinet to approve some relatively minor amendments to the revenue budget for 2013/14.

When the 2013/14 budget was set, £1m was included in Central Expenses to provide for an increase in pension contributions. An agreement with the Council's actuary has now been reached and Cabinet is asked to approve the following allocation and transfer:

Service	£'000
Adult and Community Services	263
Children's Services	284
Housing and Environment	208
Chief Executive	245
TOTAL	1,000

In March 2013 the Department for Education announced the allocations for the Education Services Grant. The allocation was £221k higher than the £4,700k budget and Cabinet are asked to approve an increase of £221k in the Children's Services budget to reflect this increased funding.

2.13 Financial Control

At the end of 2012/13 all key reconciliations have been prepared and reviewed. There were no major reconciling items unexplained.

3 Options Appraisal

- 3.1 The report provides a summary of the financial position at the relevant year end and as such no other option is applicable for appraisal or review.

4 Consultation

- 4.1 The report has been circulated to appropriate Corporate Directors for review and comment on the elements relating to their Directorates. Individual Directorate elements will be subject to scrutiny and discussion at their respective Directorate Management Team meetings. This will occur between production of this report and the Cabinet meeting.

5 Financial Implications

- 5.1 This report details the financial position of the Council.

6 Legal Issues

- 6.1 There are no legal implications.

Background Papers Used in the Preparation of the Report

- Budget Framework 2013/14; Assembly 25 February 2013.
- Provision of Elderly Persons' Bungalows on Council Owned Sites, Cabinet 26 June 2012

List of Appendices

- **Appendix A** – General Fund Outturn
- **Appendix B** – Savings Targets Outturn
- **Appendix C** – Housing Revenue Account Outturn
- **Appendix D** – Revenue Roll Forward Requests
- **Appendix E** – Capital Outturn
- **Appendix F** – Explanations for Variances on Capital Projects