



## AGENDA ITEM: 9

### SUMMARY

<b>Report for:</b>	<b>Housing and Community Overview and Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>12 September 2012</b>
<b>PART:</b>	1
If Part II, reason:	

<b>Title of report:</b>	<b>Quarter 1 Outturn Report 2012/13</b>
<b>Contact:</b>	Cllr Nicholas Tiley, Portfolio Holder Finance & Resources Sally Marshall, Corporate Director (Finance & Governance) Author: James Deane, Group Manager (Financial Services)
<b>Purpose of report:</b>	To provide details of the forecast outturn position for the Housing and Community Overview and Scrutiny Committee as at the end of Quarter 1, 2012/13.
<b>Recommendation:</b>	That Committee note the forecast outturn position
<b>Consultees:</b>	Budget managers
<b>Glossary of acronyms and any other abbreviations used in this report:</b>	DCLG – Department of Communities and Local Government GF – General Fund H&C – Housing & Community HRA – Housing Revenue Account OSC – Overview and Scrutiny Committee PWLB – Public Works Loan Board

## 1. Introduction

1.1 The purpose of this report is to update the Housing & Community (H&C) Overview and Scrutiny Committee (OSC) on its forecast outturn for 2012/13, as at 30 June 2012. The report covers the following budgets:

- General Fund
- Housing Revenue Account (HRA)
- Capital Programme

1.2 Revenue analysis within this report is based on the variance between forecast outturn and the budget approved by Full Council in February 2012. Capital analysis is based on variance between forecast outturn and the revised capital budget approved by Cabinet in June 2012.

## 2. General Fund Revenue Account

2.1 The General Fund (GF) revenue account records the income and expenditure associated with all Council functions except management of the Council's own housing stock, which is accounted for within the Housing Revenue Account (HRA) (Section 3).

2.2 To provide Committee with some council-wide context, a summary of the GF forecast outturn position, analysed by OSC, is shown in Appendix A.

2.3 Appendix A separates expenditure into controllable and non-controllable categories in order to focus scrutiny on those areas where Officers are able to influence the outturn position, i.e. the controllable.

2.4 The majority of non-controllable costs result from year-end accounting adjustments, e.g. depreciation charges, which are required to show the true value of resources used to provide the Council's services, but which do not result in a cash charge to taxpayers. As these costs will not be known until year-end, the forecast outturn for all areas is shown as on budget.

2.5 The table below shows the forecast outturn position for the controllable element of the H&C GF budget, by type of expenditure/income:

	<b>Controllable Budget £'000</b>	<b>Forecast Outturn £'000</b>	<b>Forecast Variance £'000</b>
<b>Housing &amp; Communities</b>			
Employees	3,122	3,136	14
Premises	356	358	2
Transport	57	61	4
Supplies & Services	2,404	2,427	23
Third Parties	24	24	0
Transfer Payments	5	6	1
Income	(3,980)	(4,031)	(51)
	<b>1,988</b>	<b>1,981</b>	<b>(7)</b>

- 2.6 The forecast outturn position for H&C is £7k (0.35%) under budget.
- 2.7 Material variances within each category of expenditure are explained below.

**Supplies & Services - £23k over budget (1%)**

- £22k overspend in Community Cohesion relating to Olympics and Diamond Jubilee celebrations.

**Income**

- £50k over achievement within Anti-social Behaviour and Neighbourhood Action team due to additional grant funding secured, including £30k from Hertfordshire County Council and £10k from Herts. Constabulary towards a Community Safety Coordinator role.

**3. Housing Revenue Account (HRA)**

- 3.1 The HRA is a ringfenced account relating to the Council's Landlord functions, which falls within the H&C Scrutiny area. A guiding principle of the HRA is that revenue raised from rents and service charges must be sufficient to fund expenditure incurred. The forecast outturn position for the HRA is shown at Appendix B.
- 3.2 The HRA balance at the end of 2012/13 is forecast to be £8.732m, which is £6.359m higher than the anticipated closing balance when the budget was set by Council in February 2012.
- 3.3 £816k of the £6.359m favourable variance results from a higher opening balance at the start of 2012/13 than had been forecast at the time the budget was set. This resulted from a net underspend within the HRA in 2011/12.
- 3.4 Significant variances contributing to the remaining £5.543m variance are:

**Revenue Contribution to Capital - £1.196m (30.3%) underspend**

- The Revenue Contribution to Capital reflects that element of revenue surplus which is required to 'top up' capital funds so that investment plans are adequately financed.

Around £1m of this variance arises because the actual 2012/13 opening balance on the Major Repairs Reserve (which is the first source of capital financing) was £1m higher than anticipated at the time the budget was set. This means that £1m less 'top up' is required from revenue surpluses.

**Interest Payable - £4.317m (27%) underspend**

- This relates to the interest payable on the loan of £354m taken to finance the payment to Department for Communities and Local Government (DCLG) for the transition to Self Financing. The interest rates of the loans taken from the Public Works Loan Board (PWLB) could not be finalised until 26 March 2012, after the budget had been set. Therefore, for budgeting purposes a prudent view of the likely rates was taken, and the budget was set to reflect an assumed flat rate of 4.5%.

On the date the loans were booked, the Council was able to secure an average interest rate of 3.3%. The difference between the forecast rate and the actual rate resulted in a saving on the interest payable of £4.317m for 2012/13.

- 3.5 The £4.317m underspend arising from the lower interest rates was reported to Cabinet at its meeting of 27 March 2012, as soon as the rates were finalised by PWLB. Cabinet resolved to review the performance of the business plan throughout 2012/13 before considering how best to invest this additional capacity. A report will follow later in the current financial year.

#### **4. Capital Expenditure**

- 4.1 The capital programme, in Appendix C, shows the revised capital budget approved by Cabinet in June 2012.

- 4.2 As at 30 June 2012, the forecast outturn for all projects within the H&C remit remains on budget, with the exception of the following project:

##### **Hemel Gym refurbishment – line 74 on Appendix C**

Around £600k on this project is now expected to slip into 2013/14 due to delays in the procurement process.