AGENDA ITEM: 7

SUMMARY

Report for:	**Housing & Communities Overview and Scrutiny Committee**
Date of meeting:	**20 June 2012**
PART:	1
If Part II, reason:	

Title of report:	**PROVISIONAL REVENUE OUTTURN 2011/12**
Contact:	Cllr Nicholas Tiley, Portfolio Holder Finance & Resources Sally Marshall, Corporate Director (Finance & Governance) Author: James Deane, Group Manager (Financial Services)
Purpose of report:	To provide details of the provisional outturn position for the Housing & Communities Overview and Scrutiny Committee
Recommendation:	That Committee note the provisional outturn position.
Consultees:	Budget managers
Glossary of acronyms and any other abbreviations used in this report:	OSC – Overview and Scrutiny Committee H&C – Housing & Communities GF – General Fund HRA – Housing Revenue Account

1. Introduction

1.1 The purpose of this report is to update the Housing & Communities (H&C) Overview and Scrutiny Committee (OSC) on the 2011/12 provisional outturn position for its allocation of the following budgets:

- General Fund
- Housing Revenue Account (HRA)

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), see Section 4.

2.2 To provide Committee with some council-wide context, a summary of the GF provisional outturn position, including a breakdown of how net expenditure has been financed by government grants, reserves, and income from taxpayers, is shown in Appendix A.

2.3 The analysis in this report is based on the variance between outturn and the revised budget, which was reported to Members in February 2012 as part of the 2012/13 budget report. The original budget is included in Appendix A for information.

Controllable and non-controllable variances

2.4 The majority of the Council's income and expenditure relates directly to the Council's three Scrutiny Committee areas. In Appendix A this is shown as General Fund Service Expenditure, with a total favourable variance of £4.121m.

2.5 In order to help understand the causes of this variance, Appendix A separates expenditure into controllable and non-controllable categories (see columns A and B respectively). This helps to focus scrutiny on those areas where Officers are able to influence the outturn position, i.e. the controllable. The H&C contribution to the overall GF controllable variance is £54k, which is covered in greater detail in Section 3, below.

2.6 The non-controllable variance of £3.104m shown in Column B is primarily the result of accounting adjustments which will not affect the Council Tax-payer, and are beyond the influence of Officers. The H&C contribution to the non-controllable variance is £143k, of which £130k is attributable to year-end pension fund adjustments.

3. General Fund controllable variances

3.1 The table below shows the provisional outturn position for the General Fund (GF) element of the H&C OSC by type of expenditure/income:

	Revised Budget £'000	Provisional Outturn £'000	Variance £'000
Housing & Communities OSC			
Employees	2,684	2,674	(10)
Premises	1,749	1,748	(1)
Transport	80	67	(13)
Supplies & Services	677	641	(36)
Supplies & Services (Contributions to Provisions)	0	(7)	(7)
Transfer Payments	4	2	(2)
Support Services	1,196	1,201	5
Capital Charges	1,143	1,143	0
Income	(3,724)	(3,714)	10
	3,809	**3,755**	**(54)**

3.2 The net provisional outturn position for H&C is £54k (1.4%) under budget. This £54k underspend represents around 5% of the Council's total controllable underspend of £1.017m (see Column A in Appendix A), which is well below the 18% H&C allocation of the Council's total revised budget.

3.3 The variances reflect numerous minor variances across the Scrutiny area, none of which are noteworthy in amount.

4. Housing Revenue Account (HRA)

4.1 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 provisional outturn position for the HRA is shown at Appendix B.

4.2 Following the revised budget-setting exercise, the HRA balance at the end of 2011/12 was forecast to be £3.198m. However, the provisional outturn position shows an in-year underspend of £754k, which, when factored into the forecast balance, results in a closing balance of £3.952m.

4.3 Significant variances contributing to the variance of £754k are:

Income £300k over-recovery (0.5%)

- £80k under-recovery of net rental income, representing a 0.17% variance from revised budget.

- £177k over-recovery of non-dwelling rents. Income was conservatively estimated at the time of setting the revised budget, and the outturn position is closer to the original budget.

- £157k over-recovery of lease-holder charges. Income was conservatively estimated at the time of setting the revised budget, and the outturn position is closer to the original budget.

- £42k over-recovery on Other Items of Income. Primarily, this reflects improved collection rates on water charges.

Housing Repairs – £134k underspend (1.6%)

- £107k overspend on Void Repairs. There has been a new approach to the management of void repairs in 2011/12 in which transferring tenants were asked to ensure the completion of more work themselves. This resulted in a significant (£340k) underspend against the original budget of £1m, despite being slightly over the revised budget.

- £270k underspend on Other Repairs/Income reflecting a more proactive approach to billing tenants for rechargeable works, together with a slight reduction in the amount of works being carried out.

Supervision & Management – £239k underspend (2.9%)

- The primary contributors to this variance are a reduced management recharge from the GF, of around £100k, due to lower than budgeted GF support costs, combined with an underspend on utilities relating to Elderly Persons Dwellings.

Provision for Bad Debts – £78k overspend (39.2%)

- The bad debt provision is calculated using a formula approved by the Audit Commission. The in-year increase reflects an increase in the level of outstanding debts (arrears having increased from £1.35m to £1.5m).

Interest Payable – £51k underspend (16.9%)

- The revised budget of £300k was based on the set-up fees for the Self-Financing loan and three days' interest based on an assumed interest rate of 4.5%. The actual average interest rate achieved was 3.2%, which represented a £40k reduction in interest payable.

Interest and Investment Income – £85k over-recovery (85%)

- The revised budget saw an overly-conservative reduction on the original budget from £140k to £100k. In reality, improved investment performance saw a £45k improvement against the original budget.