



AGENDA ITEM: 10

SUMMARY

Report for:	Housing and Community Overview and Scrutiny Committee
Date of meeting:	31 October 2012
PART:	1
If Part II, reason:	

Title of report:	Quarter 2 Outturn Report 2012/13
Contact:	<p>Clr Nicholas Tiley, Portfolio Holder Finance & Resources Sally Marshall, Corporate Director (Finance & Governance) Author: James Deane, Group Manager (Financial Services)</p>
Purpose of report:	To provide details of the forecast outturn position for the Housing & Community OSC as at the end of Quarter 2, 2012/13.
Recommendation:	That Committee note the forecast outturn position
Consultees:	Budget managers
Glossary of acronyms and any other abbreviations used in this report:	<p>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</p>

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 September 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) (see 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:

	Controllable Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Housing & Communities			
Employees	3,078	3,157	79
Premises	437	394	(43)
Transport	57	50	(7)
Supplies & Services	2,329	2,341	11
Third Parties	24	25	1
Transfer Payments	5	5	0
Income	(3,920)	(4,006)	(86)
	2,010	1,965	(45)

- 2.6 The forecast outturn position for H&C is £45k (2.2%) under budget.
- 2.7 Material variances within each category of expenditure are explained below.

Employees - £79k over budget (2.5%)

- £110k overspend within Resident Services caused by increased overtime costs for the Jubilee in Community Cohesion (£19k), a new Manager and additional payments being made to standby CCTV operators within CCTV and Town Centre Management (£25k).

Other contributors include the unbudgeted costs of a Family Intervention Project Officer in Anti-social Behaviour and Neighbourhood Action (£42k), and the costs of Adventure Playgrounds staff to run youth clubs in the evening (£10k). Both of these pressures are offset by grant income that was successfully secured in year.

Supplies & Services - £11k over budget (0.5%)

- £10k overspend in Community Cohesion relating to Olympics and Diamond Jubilee.

Income - £86k over achievement (2.19%)

- £44k underachievement on Licensing related income caused by a delayed increase in the fees and charges approved in the 2012/13 budget.
- £60k surplus within Residents Services caused by unbudgeted grant income for the provision of a Family Intervention Project Officer in Anti-social Behaviour and Neighbourhood Action, and the costs of Adventure Playgrounds staff to run evening youth clubs (£50k and £10k respectively). This funding offsets part of the pressure described within the Employees section, above.
- £43k surplus within the Strategic Housing Service. This relates to the return of a grant initially issued by Housing Solutions to the Dacorum First Credit Union for a social loan initiative. The scheme has now ceased and the unused grant has been returned.

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 £9.619m, which is £7.246m higher than the anticipated closing balance when the budget was set by Council in February 2012.
- 3.3 £816k of the £7.246m favourable variance results from a higher opening balance for 2012/13 than had been forecast at the time the budget was set. This resulted from a higher than anticipated underspend within 2011/12.

3.4 Significant variances contributing to the remaining £6.430m variance are:

Dwelling Rents - £250k (0.5%) overachievement

- This reflects a reduction in the income lost through carrying voids. Improvements in the voids management process have hastened the turnaround time and reduced lost income.

Other Repairs/Income - £140k (7%) under budget

- £110k relates to reduced payment to Mitie in 2012/13 for their site based overheads. This has arisen due to an overpayment made within 2011/12.

Supervision & Management (General Expenses) - £212k (3.7%) under budget

- £140k net underspend on employee costs. This reflects £160k underspend on permanent staff salaries linked to vacancies created to implement the HRA Procurement project, but to which no appointments have yet been made. This is partially offset by a pressure of £30k arising from consultancy costs on the Procurement project.
- £45k underspend on consultancy within Landlord Service Development. This is a responsive budget set to enable the service to respond to changes in housing legislation that may occur throughout the year.
- £20k saving on bank charges following a successful project to encourage payments to be made by direct debit rather than by cash.

Supervision & Management (Special Expenses) - £293k (9.3%) under budget

- £90k saving relating to 'Decants for Major Works'. This budget relates to the cost of decanting tenants to other accommodation whilst major works are completed on their property. Expenditure has been reduced due to more efficient use of void properties.
- £40k underspend relating to 'Housing Cleaning Service'. £10k on Supplies and Services, and around £25k on salaries (against a budget of £466k) and £7k on overtime.
- £32k underspend relating to 'Community Alarm System'. Based on trend analysis for 2011/12 and the current year-to-date position the forecast outturn is estimated at £80k, below the budget of £112k.
- £25k underspend relating to the Chilterns Hostel. Small underspend on salaries of £5k. High occupancy rates have resulted in very low expenditure against the Council Tax and NNDR void properties.
- £80k underspend relating to 'Supporting People'. This comprises an underspend of £30k against various Supplies and Services budgets, and £43k against laundry. Both of these categories will come under particularly close scrutiny when setting the 2013/14 budgets.

Revenue Contribution to Capital - £1.196m (30.3%) under budget

- 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.

The remaining variance is due to minor changes to the HRA investment plans which reduced the in-year costs and meant that lower revenue 'top up' was required.

Interest Payable - £4.317m (27%) under budget

- 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 variances against the 2012/13 revised budget approved by Cabinet in June 2012.

- 4.2 Some improvements have been made to the presentation of the capital programme in order to enable more effective scrutiny for both Members and officers. Rather than include the full programme, which tends not to show any change in future years' budgets, the new format focuses on the delivery of live projects, thereby drawing attention to areas where slippage is likely to occur. The full, 5-year capital programme will continue to be monitored, with proposed changes to future years' budgets reported to Members as they arise.

- 4.3 Changes to the format of the capital programme include:

- Capital projects now split by OSC to provide Members with clearer information;
- Year-to-date expenditure is included as a guide to how robust the forecast outturn position might be;
- Potential slippage is distinguished from potential underspend on each project to identify the accuracy of the initial project costing, and the potential saving arising.

General Fund

- 4.4 As at 30 September 2012, the forecast capital outturn for the H&C element of the GF capital programme is £3.376m against a budget of £5.649m. This equates to a variance of £2.272m (40%), which includes both slippage and underspends. Key contributors to the variance are as follows:

Affordable Housing Development Fund (line 127) £1.6m slippage

This fund was made available to the Strategic Housing service to enable it to provide grants to Housing Association partners on application. It is unlikely that it will be used within 2012/13 due to a shortage of suitable projects

Hemel Gym refurbishment (line 128) £600k slippage

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

CCTV System Upgrade (line 134) £12k forecast overspend

Costs have been revised up in response to receipt of further information. This represents a 2.4% increase.

Old Town Hall Refurbishment (line 135) £50k slippage

Slippage due to further investigation of planning restrictions that emerged following initial works to sink a disabled access lift into the basement.

External Electrical Supply to Town Centre (line 136) £33k underspend

Project delivered below original budget.

HRA

- 4.5 The HRA is currently forecasting to underspend against its major works capital programme by £316k (2%).