
BUDGET OUTTURN REPORT 2012/13

To: **Cabinet – 1 August 2013**

Main Portfolio Area: **Finance**

By: **Financial Services Manager**

Classification: **Unrestricted**

Ward: **All Wards**

Summary: To inform Cabinet of the outturn position against the General Fund and Housing Revenue Account budgets and against the 2012/13 Capital Programme.

For Information

1.0 Introduction and Background

1.1 In January 2012 Council agreed the General Fund, Housing Revenue Account and Capital budgets for 2012/13. The purpose of this report is to advise on the outturn position against these budgets. Members should note that the figures within this report are subject to audit and are therefore draft at this stage.

2.0 General Fund

2.1 The Local Government Finance Report announced a cut in funding of 7.4% for Thanet District Council for 2013/14, followed by a further 16.6% for 2014/15. A conscious decision was therefore taken by management to try to deliver maximum savings in 2012/13 to help ease some of the budget pressures moving forward, thus helping to ensure that the Council's balances and reserves are sufficient to meet the needs of the Council over the medium term. Strict controls were continued with regard to recruitment. Managers were not allowed to recruit immediately as a post became vacant but instead took the opportunity to review the needs of the service, with ultimately all decisions with regard to whether a vacancy should be filled being taken by the Senior Management Team (SMT). Managers were also challenged to make efficiency savings wherever possible and reduce discretionary spend. SMT also took a decision to increase the under-spend further by taking a critical approach to agreeing carry forward requests by Managers, turning down £165k worth of requests.

2.2 Budget monitoring to Cabinet in year reflected a balanced budget position after setting aside savings in Operational Services within the Waste Reserve to cover one-off costs associated with restructuring the waste service and to contribute towards the revenue costs associated with the new waste scheme; and also setting aside vacancy savings to contribute towards the new pay and reward scheme.

2.3 As a result of the measures taken as highlighted in paragraph 2.1 above, a General Fund under-spend of £1.331m has been achieved in 2012/13 which includes the savings in respect of waste and vacancies. The following table shows the make up of this under-spend:

Service	Outturn £'000s	Reason for Variance
East Kent Shared Services	(129)	Additional savings generated as a result of the shared service arrangement
Chief Executive & S151	6	Miscellaneous minor overspends
Operational Services	(421)	Monies set aside to support future service enhancements in relation to waste and recycling, generated as a result of additional income from KCC for tipping away (£109k); additional income and reduced costs in relation to the council's properties (£207k); vacant post savings (£105k) which will contribute towards the overall pay and reward project.
Community Services	(283)	Increased planning income associated with major applications and reduced planning related costs (£123k); savings on Community Development, mainly attributable to events and contributions to voluntary organisations (£158k); vacant post savings (£114k); minor underspends (£27k); offset in part by reduced building control income (£139k).
Corporate Services & Transformation	(504)	Increased summonses income (£141k); increased licensing income (£43k); underspend on staff training (£52k); reduced printing and mail related costs (£112k); reduced corporate communication costs (£35k); reduced costs associated with Environmental Health and Community Safety (£30k); a number of minor underspends across the directorate (£91k).
Total	(1,331)	

- 2.4 A sum of £433k of New Homes Bonus funding was carried forward from 2011/12. The Council received an additional £1.044m of New Homes Bonus funding in 2012/13. A sum of £185k was drawn down to cover events and floral grants as agreed as part of the 2012/13 budget report and a further £9k was used to support the Dalby Square project as approved by Cabinet on 26 July 2012. The Transeuropa report to Council in July agreed a draw down of £502k from the New Homes Bonus to balance the Transeuropa debt position. The receipt of the New Homes Bonus and the movements on this reserve in year (net £348k) have not been reflected within the above outturn position as it had been assumed as part of the budget setting and budget monitoring process that any unallocated balance of the New Homes Bonus funding would be carried forward in the reserve at year end.
- 2.5 Within the 2011/12 Statement of Accounts a provision was set up for repayment of funds associated with Selective Licensing, however, during the course of 2012/13 the case was determined in the Council's favour and consequently the monies held in the provision in the sum of £432k were transferred from the provision to the

earmarked Housing Intervention Reserve to fund future housing intervention initiatives. This has also not been reflected in the above outturn position.

- 2.6 Total net underspend when including the above items is £2.1m. This agrees to the outturn position as shown in the draft Statement of Accounts which will be presented to Governance and Audit for approval on 25 September 2013.
- 2.7 The under-spend of £2.1m has enabled a number of movements to and from earmarked reserves to be proposed as per the table overleaf.

	Revenue
	Appropriations
	£000's
Insurance Risk Management	35
Capital Projects	385
Local Development Framework	(11)
General Fund Repairs	41
Slippage Fund – General Fund	(432)
- Harbour	5
Slippage Fund – HRA	59
Information Technology	101
Environmental Action Plan	(17)
Housing and Planning Delivery Grant	(46)
Cremator & Cemeteries Works	(34)
Decriminalisation	144
Priority Improvement	(344)
Customer Services	497
Unringfenced Grant	(296)
Waste Reserve	314
Council Election	32
Homelessness	53
Renewal Reserve	4
Performance Reward Grant	(50)
Maritime Reserve	20
VAT Reserve	19
East Kent Services	462
New Homes Bonus	348
Housing Intervention	432
Pay and Reward	380
	<hr/>
	2,101

- 2.8 The above table also reflects the draw downs from earmarked reserves agreed by Council in July to cover the Transeuropa debt position.
- 2.9 The General Fund balance has been maintained at £2.177m, which is at the level recommended by the S151 Officer of 12% of the net revenue budget requirement as highlighted as part of the Budget Report approved by Council in January 2012.

3.0 Housing Revenue Account

3.1 The Housing Revenue Account (HRA) generated a surplus of £535k in 2012/13. The main reasons for the variance are:

- Reduction in day to day repairs expenditure (£156k)
- Increase in repair contract payments £128k
- Reduction in painting and contract decorating works (£94k)
- Downward revaluation in non-housing assets £200k
- Reduction in pension costs (£122k)
- Slippage in the Margate Housing Intervention programme (£28k)
- Reduction in Insurance premiums (£25k)
- Reduction in external audit fees (£25k)
- Reduction in Member recharges (£36k)
- Reduction in bad debt contribution (£46k)
- Changes in HRA depreciation accounting (£185k)
- Increase in rental/hire income (£25k)
- Miscellaneous under-spends (£121k)

3.2 The accumulated HRA balance at 31 March 2012 is £10.245m. The balance provides flexibility for the delivery of the Housing Business Plan which has recently been reviewed.

3.3 In accordance with statutory requirements, the Council has to make a depreciation charge within the HRA to reflect the use of the HRA assets over their useful lives. Within the old Housing Subsidy System the Council received a Major Repairs Allowance which was considered to be an appropriate measure of depreciation for the HRA assets. Now that the Housing Subsidy System has come to an end there is no longer an actual Major Repairs Allowance paid to the Council, however, for the next five years the Council is allowed to continue to use the Major Repairs Allowance figure, as detailed in the HRA self-financing settlement, as a proxy for depreciation. As part of the final accounts an actual depreciation charge has been calculated on the HRA assets. The difference of £1.17m between the actual charge and the Major Repairs Allowance settlement figure has been transferred to the Major Repairs Reserve in accordance with accounting guidance and will be used to support the maintenance and capital works to the existing housing stock.

4.0 The Capital Programme

4.1 Capital expenditure includes spend on the acquisition of a fixed asset with a value of £10k or greater which is expected to be in use for more than one year. It also covers grants that are provided for the enhancement of buildings to increase the extent to which they can be used by a disabled or elderly person. Capital expenditure can be met from loans, capital receipts, capital grants or revenue contributions.

4.2 As a result of the complex and large scale nature of capital projects, until the project is worked up and quotes obtained, the original budgets have to be based on estimations that often need revising as the project advances. This in turn leads to re-phasing of the Capital Programme, in order to keep the overall costs within the agreed bottom line.

4.3 The Capital Programme, agreed at Council for 2012/13, totalled £8.045m, to be funded from £2.809m of external grants and contributions, £2.259m of capital receipts and unallocated reserves and £2.977m of prudential borrowing. Also the balance of

projects agreed in previous years budgets that were still on going were rolled forward until project completion.

- 4.4 During the course of the year, through budget monitoring reports, Cabinet and Council have been advised of the progress of the programme and any slippage that had been reported by Budget Managers. As Capital projects are usually large scale projects, they tend to span over a number of years. A summary of the General Fund expenditure is tabled overleaf.

	B/Fwd from 2011/12 £'000	Original Budget 2012/13 £'000	Revised Budget 2012/13 £'000	Actual Spend 2012/13 £'000
Business Services	106	98	111	24
Community Services	4,904	4,623	10,109	2,950
Operational Services	3,361	3,249	5,205	4,318
Capitalised Salaries		75	75	
	8,371	8,045	15,500	7,292
<i>Funded by:</i>				
Capital Grants and Contributions	6,813	2,809	3,496	5,029
Capital Receipts and Unallocated Reserves	1,558	2,259	9,027	1,365
Revenue contributions				
Prudential borrowing		2,977	2,977	898
	8,371	8,045	15,500	7,292

4.5 **Business Services**

The capital schemes in this area relate to the upgrading of council systems, through implementation of new software or through the way information is stored by the Council. Slippage in this area was largely due the development of Thanet's I.T Strategy.

Community Services

Included within this service area are two of the Council's main capital schemes, the renovation of Dreamland and the Disabled Facilities Grants scheme.

The budget for Disabled Facilities Grants was revised during the year as central government increased the amount of grant allocated to the scheme. The majority of the budget for Dreamland has been carried forward to 2013/14 whilst the Council continue with vesting of the site.

Spend on other capital schemes within this area also included the Skatepark project, Dalby Square THI and the redevelopment of Newington Centre buy out of leases.

Commercial Services

The main capital schemes within this area are the Margate Coast Protection works which are wholly externally funded and the works to Crematorium and replacement of Cremators, both of which were completed during 2012/13.

In addition to these projects the service area incurred expenditure on a range of other key capital projects such as solar panels to Cecil Street offices, works at Ramsgate Harbour, public convenience works and the purchase of waste vehicles.

- 4.6 The 2012/13 programme was based on capital receipts of £1.675m, however at year end the amounts actually achieved for the sale of General Fund assets was £478k. This reduction was due a number of large scale assets either being removed or requiring officers to undertake further work prior to disposal following on from the asset disposal consultation process.
- 4.7 Whilst during this financial year we have been able to contain expenditure without the need to borrow due to some slippage in the capital programme, it does mean that if the delays in the sale of the assets are not recovered in this financial year, it will require the authority to review the capital programme and either scale back the programme or increase the forecast levels of prudential borrowing.
- 4.8 The HRA capital programme is summarised below with a detailed breakdown reported in **Annex 2**. The programme has been set to maintain the authority's council housing at decent homes plus.

	Original Budget 2012/13 £'000	Revised Budget 2012/13 £'000	Actual 2012/13 £'000
Total HRA Capital Programme Expenditure	2,740	5,044	2,171
<i>HRA Capital Resources Used:</i>			
HRA Major Repairs Reserve	2,140	1,845	1,373
HRA Revenue Contributions/Reserves	600	3,199	472
Capital Grant	0	0	326
Total Resources	2,740	5,044	2,171

- 4.9 An underspend occurred against the Kitchen and Bathroom programme of £180k due to a delay in contracts being signed and quality issues. This was reported to Members in the March Cabinet report. The other major underspend was in relation to the purchase of HRA properties for the Margate Intervention and Ramsgate empty property schemes. Delays were encountered in the procurement of contract works for the programmes, but both programmes are now under way and expected to continue to spend during 2013/14.
- 4.10 Additional Section 106 monies were vired into the HRA programme from the General Fund at year end as these were used to fund acquisitions at the Newington Centre which fall to the HRA rather than the General Fund.

5.0 Options

5.1 Cabinet Members note the outturn against the General Fund and HRA budgets and the Capital Programme for 2012/13 and approve the movements to reserves as outlined in paragraphs 2.7 and 3.3 of this report.

5.2 Cabinet Members note the outturn against the General Fund and HRA budgets and the Capital Programme outturn for 2012/13 and don't approve the movements to reserves as outlined in paragraphs 2.7 and 3.3 of this report.

6.0 Corporate Implications

6.1 Financial and VAT

6.1.2 The financial implications have been reflected within the body of the report.

6.2 Legal

6.2.1 Section 151 of the 1972 Local Government Act requires a suitably qualified named officer to keep control of the Council's finances. For this Council, it is the Chief Executive (S151 Officer), Sue McGonigal, and this report is helping to carry out that function.

6.3 Corporate

6.3.1 Corporate priorities can only be delivered with robust finances and this report gives Members the opportunity to review the Council's current position.

6.4 Equity and Equalities

6.4.1 There are no equity or equalities issues arising from this report.

7.0 Recommendation(s)

7.1 That Cabinet note the General Fund, HRA and capital outturn position for 2012/13.

7.2 That Cabinet approve the proposed movements to earmarked reserves as outlined in paragraphs 2.7 and 3.3 of the report.

Future Meeting if applicable:	Date:
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Contact Officer:	Nicola Walker – Finance Manager (HRA, Capital & external funding) Matthew Sanham – Finance Manager (Budgets and Closedown)
Reporting to:	Sarah Martin – Financial Services Manager (Deputy S151 Officer)

Annex List

<i>Annex 1</i>	<i>Earmarked Reserves</i>
<i>Annex 2</i>	<i>HRA Capital Programme 2012-13</i>

Background Papers

Title	Details of where to access copy
2012/13 Budget and Medium Term Financial Plan.	<i>Full Council Agenda 19th January 2012</i>

Corporate Consultation Undertaken

Finance	<i>Sarah Martin – Financial Services Manger</i>
Legal	