

## CABINET – 11 June 2009

### Report of the Deputy Chief Executive

#### ITEM 8            **REVENUE OUTTURN 2008/09 AND CARRY FORWARD OF BUDGET**

##### Purpose of the Report

This report is to inform Cabinet of the Revenue Outturn position of the General Fund and Housing Revenue Account (HRA) for 2008/09 compared with the Revised Budget and requests the carry forward of a budget.

##### Recommendation

It is recommended that:

The Revenue Outturn positions of the General Fund and Housing Revenue Account for 2008/09 be noted and the carry forward of a budget of £46.3k to 2009/10 in respect of legal costs regarding a High Court case be agreed.

##### Reason

To enable the information to be used when considering future budgets and the Financial Strategy and enable budgets to be carried forward to cover committed expenditure.

##### Policy Context

Financial resources are required to carry out all the aims and strategies of the Council.

##### Background - Outturn for General Fund and HRA

The General Fund Revenue Outturn for 2008/09, as summarised in Appendix I, shows Total Borough Expenditure of £19,759k being £1,444k (6.8%) lower than the amount included in the Revised Budget (approved by Council on 10 November 2008, minute 55B, adjusted for the Managed Savings Programme and write back of the impairment provision) . This was primarily due to three items, being:

- Controllable Service Expenditure - £609k (2.9%) lower than budget at £20,387k. The reasons for this are explained below under General Fund Directorate Outturn.

- Revenue Contribution to Capital ('RCCO') - £414k (33.9%) lower at £808k. This was due to lower expenditure on certain capital schemes in 2008/09, primarily being:
  - Maintenance of Buildings, £64k lower with this amount being expended as revenue rather than capital.
  - ICT Hardware, £75k lower as less hardware purchased.
  - Loughborough Eastern Gateway, £105k lower as expenditure has slipped to 2009/10.
  - Charnwood Grants, £113k lower as this amount of grant budget was slipped to 2009/10.
- Interest on Balances - £340k (27.2%) higher than budget at £1,592k due to a strong performance by the Council's fund managers, with the Council's performance being lower than budget but above the target rate set for treasury management performance. The Council's performance was impacted by the low interest rates in the last few months and the small number of institutions that could be used to invest with.

The Revised Budget assumed transfers from revenue reserves of £2,494k and the actual amount to be transferred is £1,050k, a difference of £1,444k, which is explained in section 3 below. Overall Revenue Reserves at the year end were £1,444k (32.6%) higher than forecast at £5,866k.

The Housing Revenue Account Outturn shows a deficit for the year of £262k compared with an anticipated deficit of £179k in the Revised Budget (approved by Council on 10 November 2008, minute 55B, as adjusted for the Managed Savings Programme). This is a difference of £83k which is 46.4% higher than budget but only 0.6% of gross expenditure. The resulting surplus on the HRA balance is £19k which equates to just over £3 per dwelling, which is substantially less than the Council's preferred level of £110 per dwelling. Further information on the HRA Outturn is shown below and also in Appendix 4.

The results of the General Fund and Housing Revenue Account are both provisional as the Statement of Accounts has to be produced and audited.

### Outturn Results – General Fund

#### I. Directorate Outturn

Appendix 2 shows the outturn results for the General Fund compared with the Revised Budget at Directorate level and based on controllable costs, ie before certain year end recharges and capital charges and Table I below explains the material underspends.

Table 1

<b>Directorate</b>	<b>Net Under/ (Over) Spend £'000</b>	<b>Revised Budget £'000</b>	<b>Variance: to Budget %</b>	<b>Reasons</b>
Deputy Chief Executive	185	3,796	4.9	Controllable costs are primarily under budget due to lower benefit payments, against budget, of £525k. This is offset by lower recovery, in Controllable Income, from central Government of £534k. The remaining differences are made up by a large number of relatively small variances, both positive and negative.
Partnership & Customer Services	49	1,624	3.0	Higher income through external grants was matched by higher expenditure to other bodies, although there was an underspend on internally funded grants of £30k.
Loughborough Regeneration	111	305	36.4	£100k of this relates to LABGI funded support for Regeneration in Towns & Villages, which is matched by a similar reduction in the transfer from the LABGI reserve. These funds will be available in 2009/10.
Leisure & Environment	217	7,433	2.9	This consists of a large number of relatively small differences throughout the service. Included in the figures are the income and expenditure for a Local Partnership Coordinator. This is fully funded from external sources and was not budgeted in 2008/09 due to uncertainties about income and expenditure levels. If excluded, the Income surplus would have been £56k rather than £255k and the Controllable costs underspent by £126k rather than a £53k overspend

Directorate	Net Under/ (Over) Spend £'000	Revised Budget £'000	Variance: to Budget %	Reasons
Housing & Health	173	1,586	10.9	Homelessness Prevention reduced costs by £38k with lower Bed & Breakfast costs of £57k offset by higher Housing Advisory charges of £21k. Its income was also up by £50k due to higher grant and rent income. Environmental Protection also reduced Controllable costs by £30k and Housing Strategy employment costs were £18k lower.

2. Capital Charges (see Appendix I)

The difference of £1,940k from the Revised Budget amount of £4,137k has primarily arisen due to a lower level of 'Revenue Expenditure Funded from Capital' (REFFC), previously known as Deferred Charges. This expenditure will not directly produce an asset for the Council, such as capital grants to other bodies, and reduces on a pound for pound basis for any amount not spent in a particular year, less external funding received. The main changes to the forecast REFFC arose due to the low level of take up of Housing Enabling Grants, £1.0m, the reduction in the New Homelessness Provision costs, £600k, and lower levels of Community Grants, £115k, and Private Sector Housing Grants, £104k. Some of these schemes and grants will be subject to expenditure in 2009/10.

3. Contributions from/to Reserves (see Appendix I)

The net transfer from Revenue Reserves for the year is £1,050k which is £1,444k better than the position projected in the Revised Budget.

The Reinvestment Reserve has been used in accordance with the Council's financial procedures to help achieve the Council's corporate aims through service improvements and £696k has been utilised in the year. These funds have been used to finance the Outsourcing Project £361k, the termination of the lease on the Automatic Public Convenience £104k, the in-house Environmental Services bid £83k, Grounds Maintenance reorganisation £48k, Assistant Chief Executive post £45k, CCTV costs £24k and four other areas amounting to a net £31k. With projects amounting to £89k included in the current 2009/10 budget the balance at the end of March 2010 will be £551k which is above the minimum target level of £500k.

A transfer of £688k has been made to the Working Balance leaving this at £3,346k at the end of March 2009, which is above the agreed minimum of £1m. The 2009/10 Original Budget assumes a transfer from this reserve of £1,272k which would leave a balance of £2,074k at the end of March 2010. In view of the current high level of uncertainty in the economy, this level of balance is regarded as prudent and it is not intended at present to make any transfers from the Working Balance to other reserves in 2009/10.

The LABGI reserve was £363k higher than predicted at the Revised Budget stage. This is mainly due to underspends on the Eastern Gateway (£105k), Regeneration in Towns and Villages (£100k), Regeneration Project Support (£70k), Town Centre Partnerships (£43k) and Reducing Crime Initiatives (£30K). These amounts will be carried forward and used for these projects in 2009/10.

Amounts from the Performance Reward Grant were used to fund the CPA Inspection (£65k), one-off administration costs for Concessionary Travel (£55K) and Older Persons Strategy in Housing (£12k). In total this was a net £45k higher than anticipated as it was assumed that some of these activities would extend into 2009/10.

The Capital Plan Reserve is utilised if there are insufficient capital receipts to fund the relevant schemes in the 2007/08 to 2009/10 Capital Plan. This is now the case and £408k was used in 2008/09 for previously approved schemes. The main schemes that utilised this funding were Queens Park Destination Play Area (£158k), Charnwood Community Grants (£137k), new Electronic and Data Back up Systems (£50K), Community Sports Facility Programme (£27K) and four smaller schemes.

#### 4. Loughborough Special Expenses (see Appendix 3)

The costs that make up the Loughborough Special Expenses were £22k, 2.2%, above the Revised Budget at £989k. The main overspends were in respect of Nanpantan Sports Ground (£16k) due to higher utility costs and expenditure on signage together with lower income from sports teams, Loughborough Cemetery (£15k) due to higher recharges from the Green Spaces service unit and Festive Decorations (£12k) due to higher erection/dismantling costs and recharges from Cultural Services. These were offset by a £20k underspend on Loughborough Parks due to lower expenditure on trees and plants, equipment, artwork and lower recharges. Any surplus/deficit on the Loughborough Special Expenses is carried forward and reflected in a future year's Loughborough Special Levy. The surplus/deficit is based on the Original rather than Revised Budget and this generates a saving of £4.3k for the year as the Original Budget was higher at £993k.

#### Outturn Results - Housing Revenue Account (see Appendix 4)

The Housing Revenue Account shows a deficit for the year of £262k compared with an anticipated deficit of £179k which comprised the £244k Revised Budget deficit less £66k of savings through the Managed Savings Programme. This leaves a surplus on the HRA balance of £19k which equates to £3.25 per dwelling, £106.75 less than the Council's preferred level of £110 per dwelling.

The saving of £213k on Supervision & Management was due to the Choice Based Lettings initiative starting later than expected with a saving of £43k, lower annual maintenance costs following the introduction of the new HMS system (£24k), Job Evaluation costs for past service being £15k below budget, plus the Contact Centre recharge being £62k less due to reduced usage and various smaller savings.

Depreciation charges were £140k higher but this is offset by an equal transfer from the Major Repairs Reserve (MRA). Dwelling rents were £127k below budget due to a higher level of void, ie unlet, properties than anticipated. The percentage of council dwelling properties that were void was 2.8% against a forecast of 2.0%. Due to the total value of rents being over £16m each year, even small differences in the voids percentage have a material effect on the HRA. Reducing voids levels is one of the primary aims of the Housing team and CNH Ltd in 2009/10.

The Government changed the treatment of losses incurred by Councils in respect of caps on rents in 2008/09 and the estimated cost of this to the Council is £50k. This will be allowed for in the 2009/10 subsidy and a reserve was included in the budget for this amount. However, subsequent guidance was received which discouraged this treatment and this is the reason for the £50k variance on the Housing Subsidy.

Arrears of rent at 31 March 2009 were £171k (23%) higher at £908k when compared with 31 March 2008. As a percentage of rents (net of rent rebates) this has increased from 9.9% at 31 March 2008 to 11.1% at 31 March 2009. Rent Arrears written off have increased from £31k in 2007/08 to £51k in 2008/09. Total rent loss from voids (empty properties - including garages, shops, hostels etc) has increased from £301k in 2007/08 to £540k in 2008/09. As a percentage of the net collectable rent this is an increase from 3.8% in 2007/08 to 6.5% in 2008/09.

Investment Income was below budget by £23k due to the lower level of HRA balances following the expenditure on the new HMS system.

#### Carry Forward of Budget

A request has been received to carry forward a budget of £46.3k in respect of anticipated High Court costs regarding a planning enforcement case. This case was originally expected to proceed in 2008/09 but a hearing date has now been set for early 2010. As the decision has been taken to proceed with this case it is imperative that sufficient budget exists to fund it. There is currently no budget allocation in 2009/10 for this case.

#### Financial Implications

No direct implications.

#### Risks

No direct risks.

Scrutiny Committee:	Performance Scrutiny Committee
Key Decision:	Yes
Background Papers:	Cabinet 6 November 2008 Working papers in Accountancy
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<b>GENERAL FUND OUTTURN 2008-09</b>			
	<b>Outturn</b>	<b>Revised</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Fund Service Expenditure	22,629	25,133	2,504
Less: Capital Charges	(2,197)	(4,137)	(1,940)
FRS 17 Pension Adjustment	(45)	0	45
<b>Net Service Expenditure</b>	<b>20,387</b>	<b>20,996</b>	<b>609</b>
Revenue Contributions to Capital	808	1,222	414
Item 8 Debit and Investment Gain	(77)	0	77
Interest Paid	233	237	4
Less: Interest on Balances	(1,592)	(1,252)	340
<b>Total Borough Expenditure</b>	<b>19,759</b>	<b>21,203</b>	<b>1,444</b>
Less Contribution (from) Reinvestment Reserve	(755)	(819)	(64)
Less Contribution (from) Capital Plan Reserve	(408)	(577)	(169)
Less Contribution (from)/ to Working Balance	688	(205)	(893)
Less Contribution (from) Performance Reward Grant Reserve	(132)	(87)	45
Less Contribution (from) LABGI	(443)	(806)	(363)
	<b>18,709</b>	<b>18,709</b>	<b>0</b>
Revenue Support Grant (RSG)	1,467	1,467	0
Redistributed NNDR	10,535	10,535	0
RSG - Concessionary Travel	354	354	0
Council Tax Receipts	5,156	5,156	0
Loughborough Special Levy	1,159	1,159	0
Collection Fund	38	38	0
<b>Precept Income</b>	<b>18,709</b>	<b>18,709</b>	<b>0</b>
<b>REVENUE BALANCES</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Working Balance</b>			
Balance at 1 April	2,658	2,658	0
Transfer from General Fund	688	(205)	893
<b>Balance at 31 March</b>	<b>3,346</b>	<b>2,453</b>	<b>893</b>
<b>Reinvestment Reserve</b>			
Balance at 1 April	1,335	1,335	0
Transfers to General Fund	(946)	(837)	(109)
Transfers from General fund	191	18	173
Transfers from LABGI	60	60	0
<b>Balance at 31 March</b>	<b>640</b>	<b>576</b>	<b>64</b>
<b>LABGI Reserve</b>			
Balance at 1 April	649	649	0
Receipts during year	999	999	0
Transferred to Reinvestment Reserve	(60)	(60)	0
Transferred to General Fund	(443)	(806)	363
<b>Balance at 31 March</b>	<b>1,145</b>	<b>782</b>	<b>363</b>
<b>Performance Reward Grant Reserve</b>			
Balance at 1 April	266	266	0
Transferred to General Fund	(132)	(87)	(45)
<b>Balance at 31 March</b>	<b>134</b>	<b>179</b>	<b>(45)</b>
<b>Capital Plan Reserve</b>			
Balance at 1 April	1,009	1,009	0
Transferred to General Fund	(408)	(577)	169
<b>Balance at 31 March</b>	<b>601</b>	<b>432</b>	<b>169</b>
<b>TOTAL BALANCES</b>	<b>5,866</b>	<b>4,422</b>	<b>1,444</b>

Charnwood Borough Council		2008/09		
General Fund Revenue for 2008/09				Variance
Controllable Costs Only			Current	Under/
Based on Revised Budget		Amount	Budget	(Over)
		£000's	£000's	£000's
<b>Deputy Chief Executive Directorate</b>				
	Employee Related Costs	4,266	4,302	37
	All Other Controllable Costs	28,711	29,311	600
	Controllable Income	(29,365)	(29,816)	(451)
		3,611	3,796	185
<b>Programmes &amp; Resources Directorate</b>				
	Employee Related Costs	1,260	1,269	9
	All Other Controllable Costs	1,213	1,207	(6)
	Controllable Income	(205)	(245)	(40)
		2,267	2,231	(37)
<b>Governance &amp; Procurement Directorate</b>				
	Employee Related Costs	1,383	1,424	41
	All Other Controllable Costs	1,690	1,672	(18)
	Controllable Income	(1,057)	(1,095)	(38)
		2,016	2,001	(15)
<b>Partnerships &amp; Customer Services Directorate</b>				
	Employee Related Costs	1,894	1,873	(22)
	All Other Controllable Costs	578	548	(30)
	Controllable Income	(898)	(797)	101
		1,575	1,624	49
<b>Development Directorate</b>				
	Employee Related Costs	2,079	2,075	(5)
	All Other Controllable Costs	1,980	2,076	95
	Controllable Income	(1,538)	(1,598)	(60)
		2,522	2,552	31
<b>Loughborough Regeneration Directorate</b>				
	Employee Related Costs	88	88	0
	All Other Controllable Costs	276	387	111
	Controllable Income	(170)	(170)	0
		194	305	111
<b>Leisure &amp; Environment Directorate</b>				
	Employee Related Costs	3,854	3,868	14
	All Other Controllable Costs	9,533	9,480	(53)
	Controllable Income	(6,169)	(5,914)	255
		7,217	7,433	217
<b>Housing &amp; Health Directorate</b>				
	Employee Related Costs	1,111	1,150	39
	All Other Controllable Costs	742	825	83
	Controllable Income	(441)	(389)	51
		1,413	1,586	173
<b>Grand Total</b>		20,814	21,528	714
<b>Summarised Totals</b>				
	Employee Related Costs	15,935	16,049	114
	All Other Controllable Costs	44,723	45,504	782
	Controllable Income	(39,843)	(40,025)	(182)
		20,814	21,528	714
<b>Note: Reconciliation to Appendix 1</b>				
	Grand Total as above	20,814	21,528	714
	Adjustment for Non-Controllable Recharges to HRA	(427)	(460)	(33)
	Budget changes since Revised	0	(72)	(72)
	Controllable Service Expenditure per Appendix 1	20,387	20,996	609

## LOUGHBOROUGH SPECIAL EXPENSES 2008/09

Appendix 3

Service	Actual			2008/09 Revised Budget	Variance
	Total	Capital Charges	Loughborough		
	£	£	£	£	£
November Fair	-1,281	0	-1,281	4,400	5,681
<u>Parks:</u>					
Loughborough	602,218	132,811	469,407	489,300	19,893
Gorse Covert and Booth Wood	11,348	0	11,348	12,500	1,152
<u>Sports Grounds:</u>					
Derby Road	73,473	10,058	63,414	58,900	-4,514
Lodge Farm	26,421	0	26,421	26,200	-221
Nanpantan	65,891	190	65,702	49,800	-15,902
Park Road	21,665	60	21,605	24,900	3,295
Shelthorpe Golf Course	45,911	-639	46,550	37,200	-9,350
Loughborough Cemetery	110,736	0	110,736	95,300	-15,436
Allotments - Loughborough	33,225	0	33,225	26,900	-6,325
Carillon Tower	29,929	18,355	11,574	13,000	1,426
Festive Decorations and Illuminations	94,601	21,665	72,936	61,200	-11,736
Town Centre Management	55,739	-1,408	57,147	66,800	9,653
	1,169,876	181,091	988,785	966,400	-22,385
Adjustments from Year 2006/2007	9,267	-130,025	139,292		
Budgeted Deficit 2007/08	106,000	0	106,000		
Projected Savings 2007/08	-79,279	0	-79,279		
AMENDED TOTAL	1,205,864	51,066	1,154,798		
Council Tax Base			Divided by 16,375.20		
Special Council Tax			<u>70.52</u>		

<b>CHARNWOOD BOROUGH COUNCIL OUTTURN REPORT 2008-09 HOUSING REVENUE ACCOUNT</b>	<b>2008/09 Revised Budget £000</b>	<b>2008/09 Outturn £000</b>	<b>Variance to Revised £000</b>
<b><u>EXPENDITURE</u></b>			
SUPERVISION AND MANAGEMENT			
Supervision and Management - General and Special	1,054	841	213
Charnwood Neighbourhood Housing Ltd Management Fee	9,315	9,315	0
	10,369	10,156	213
RENTS, RATES, TAXES & OTHER CHARGES	34	45	(11)
RENT REBATES OVERPAYMENTS WRITE OFFS	7	6	1
PROVISION FOR BAD OR DOUBTFUL DEBTS	106	96	10
DEPRECIATION	3,744	3,884	(140)
DEBT MANAGEMENT EXPENSES	6	7	(1)
<b><u>SUB-TOTAL EXPENDITURE</u></b>	<b>14,266</b>	<b>14,195</b>	<b>71</b>
<b><u>INCOME</u></b>			
GROSS RENTAL INCOME			
Rent of Dwellings	16,307	16,180	(127)
Rent of Income from Shops, Land and Garages	338	314	(24)
CHARGES FOR SERVICES AND FACILITIES			
Warden Service Charges	560	583	23
Central Heating and Communal Charges	195	183	(12)
Leasehold Flat and Shop Service Charges	99	84	(15)
Hostel Service Charges	84	78	(6)
Other Charges	16	14	(2)
HRA SUBSIDY			
HRA Subsidy - Current Year	(6,950)	(7,000)	(50)
Major Repairs Allowance	3,641	3,641	(0)
Housing Defects Act 1984 Repurchases	0	2	2
<b><u>SUB-TOTAL INCOME</u></b>	<b>14,290</b>	<b>14,079</b>	<b>(211)</b>
<b>NET COST OF SERVICES</b>	<b>(24)</b>	<b>115</b>	<b>(139)</b>
TRANSFER FROM GENERAL FUND			
Grounds Maintenance	(90)	(79)	(11)
AMORTISED PREMIUMS	484	484	(0)
HRA INVESTMENT INCOME/MORTGAGE INTEREST	(88)	(65)	(23)
<b>NET OPERATING EXPENDITURE/(INCOME)</b>	<b>282</b>	<b>455</b>	<b>(173)</b>
<b><u>APPROPRIATIONS</u></b>			
REVENUE CONTRIBUTIONS TO CAPITAL	0	37	(37)
FRS PENSION ADJUSTMENT	0	13	(13)
TRANSFER FROM MAJOR REPAIRS RESERVE	(103)	(243)	140
<b>APPROPRIATIONS TOTAL</b>	<b>(103)</b>	<b>(193)</b>	<b>90</b>
BALANCES AT BEGINNING OF YEAR	(281)	(281)	0
(SURPLUS )/DEFICIT FOR YEAR	179	262	(83)
BALANCES AT END OF YEAR	(102)	(19)	(83)

