

DATE	TITLE	Wards
26 th July, 2011	HIGH LEVEL REVENUE AND CAPITAL BUDGET MONITORING REPORT 2010-11 QUARTER FOUR	

SYNOPSIS

The report sets out the outturn position for 2010-11 revenue and capital budgets as at Quarter 4 and explains significant variances.

The capital forecast details progress regarding the debt reduction programme and the funding of the capital programme.

CONTRIBUTORS

All Departments

RECOMMENDATION(S):

To note the outturn position for the 2010-11 revenue and capital budgets.

CONTACT

Jane West
Director of Finance &
Corporate Services,
Hammersmith Town
Hall.
Tel: 020 8753 1900

1. EXECUTIVE SUMMARY

REVENUE

- 1.1 Details of the revenue outturn position for 2010/11 is presented in this report.
- 1.2 The General Fund Revenue Account has underspent by £1.072m, after transfer to specific reserves.
- 1.3 The Housing Revenue Account was in deficit of £0.148m for 2010/11. Following an additional transfer from earmarked reserves of £0.025m the Housing Revenue Account balance will only reduce by £0.123m from £3.241m to £3.118m.

CAPITAL

- 1.4 The movement in the General Fund Debt (Capital Financing Requirement) has reduced from £132.7m to £121.8m at the end of 2010/11 financial year.
- 1.5 The decent neighbourhoods pot is in surplus by £3.7m after the temporary use £5m for debt reduction.
- 1.6 The General Fund capital programme is in surplus by £3.2m, this will contribute towards the debt reduction programme.
- 1.7 The HRA capital programme is within budget.

2. INTRODUCTION

- 2.1 The report sets out the outturn position for the 2010/11 revenue and capital budgets.

3. REVENUE OUTTURN – GENERAL FUND

- 3.1 The revenue outturn for 2010/11 is summarised in Table 1, which shows an underspend on net operating expenditure of £3.313m, including proposed transfers to earmarked reserves of £2.601m and a contribution of £1.072m to the General Fund reserve.

Table 1: 2010/11 General Fund Outturn – Departmental Analysis

Department	Original Budget £000	Revised Budget £000	Actual £000	Over/ Under Spend £000
Children's Services	60,373	62,515	62,322	(193)
Unaccompanied Asylum Seeking Children	1,063	1,062	1,109	47
Community Services	77,579	76,127	76,120	(7)
Regeneration And Housing Options	7,690	6,273	6,104	(169)
Environment Services	14,845	20,582	20,434	(148)
Finance and Corporate Services	11,730	13,328	13,020	(308)
Residents Services	37,195	39,050	39,050	0

Centrally Managed Budgets	13,221	524	482	(42)
Controlled Parking Account	(14,373)	(14,157)	(16,650)	(2,493)
Net Operating Expenditure	209,323	205,304	201,991	(3,313)
Net Contribution To Earmarked Reserves	(2,340)	360	2,601	2,241
Net Contribution To General Reserves	0	0	1,072	1,072
Total Net Expenditure	206,983	205,664	205,664	0
Funded by:				
Formula Grant	120,922	120,922	120,922	0
Council Tax	64,173	64,173	64,173	0
Area Based Grant*	22,638	21,319	21,219	0
Prior Year Collection Fund Deficit	(750)	(750)	(750)	0
Total Funding	206,983	205,664	205,664	0
Use of General Balances	0	0	0	0

- 3.2 The underspend on net operating expenditure of £3.313m is mainly accounted for by a better than expected recovery of income on the Controlled Parking Account (£2.493m). It should be noted the favourable position within the Controlled Parking Account is primarily due to additional one –off income received as a result of recovery of old parking debt. This will not be recurrent. Detailed explanations of significant variances have been provided by the respective Service Directors and are shown in **Appendix 1**.

4 RESERVES

- 4.1 The favourable revenue outturn has allowed the Council to make transfers to its general and earmarked reserves providing some additional security against the significant financial challenges that lie ahead.
- 4.2 The movement for the year in the General Fund balance is shown in Table 2 below. An amount of £1.072m has been added to General Fund balances in closing the 2010/11 accounts to bring balances up to a level £16.072m, which reflects an assessment of the financial risks faced by the Council that are not covered by earmarked reserves.

Table 2: The General Fund Balance as at 31 March 2011

	£m
Balance as at 31 March 2010 (as per 2009/10 final accounts)	(15.00)
Net contribution to General Fund Reserve at outturn	(1.07)
General Fund Balances as at 31 March 2011	(16.07)

The Director of Finance and Corporate Services, in consultation with the Leader, has delegated authority to make transfers to and from reserves and other budgetary transfers to expedite the preparation of the 2010 -11 accounts. The outturn reflects the additions to and use of reserves, and other adjustments, in Quarter 4 as set out in **Appendix 3** and summarised in Table 3 below.

Table 3: Summary Of Movements in Reserves and Other Budgetary Adjustments in Quarter 4

	Net Movement In Reserves £000's (additions)/withdrawals
Corporate	(2,898)
Total	(2,898)
Departments:	
Environment Services Department	(249)
Residents Services Department	1,894
Community Services Department	(3,035)
Regeneration & Housing Options	44
Finance And Corporate Services	(52)
Total	(1,398)
Grand Total	(4,296)

**Table 3 Continuation:
Summary Of Movements in Reserves and Other Budgetary Adjustments
in Quarter 4**

	Other Transfers – Budgetary Adjustments £000
Transfers From Centrally Managed Budget To Departments	3,493
Transfers Between Departments	336
Total	3,829

5 2010/11 – HOUSING REVENUE ACCOUNT OUTTURN

- 5.1 Table 4 shows the final outturn for the Housing Revenue Account, a variance against budget of (£1.068m). Within this, the budgeted withdrawal from balances was (£1.216m); therefore the final outturn has returned a deficit for the year of £148k. A detailed explanation of the movement between quarters 3 and 4 is provided in **Appendix 2**.

Table 4: Housing Revenue Account Outturn 2010/11

Housing Revenue Account	Full Year Budget £'000	Net Expenditure for the Year £'000	Variance for the Year at Quarter 4 £'000	Variance for the Year at Quarter 3 £'000
Gross Expenditure	85,488	86,107	619	344
Gross Income	(84,272)	(85,959)	(1,687)	(324)
Contribution from Reserves	(1,216)	148	(1,068)	20

- 5.2 The year end deficit is funded from the Housing Revenue Account balance, bringing the balance to a total of £3.118m at the year end, as shown in Table 5.

Table 5: The Housing Revenue Account Balance as at 31 March 2011

	£m
Balance as at 31 March 2010 (as per 2009/10 final accounts)	(3.241)
Less: Budgeted Use of Balances	1.216
Add: underspend at Year end	<u>(1.068)</u>
	0.148
Add: One-off transfer from other earmarked balances	<u>(0.025)</u>

6. CAPITAL

- 6.1 This is the provisional outturn report (subject to audit) for the 2010/11 Capital Programme. This report focuses on the progress made regarding the Council's general fund (Capital Financing Requirement –CFR) debt reduction programme.
- 6.2 It also reports on the main strands of the capital programme – the Decent neighbourhoods programme, General Fund and the Housing Capital programme.

7. Debt Reduction.

- 7.1 As at quarter 3 outstanding general fund (Capital Financing Requirement) debt was forecast to reduce from the current £132.7m to £124.8m by the year end, a reduction of £7.9m.
- 7.2 As set out in Table 6 below, overall General Fund debt has reduced by £47m, from £168m in 2006/07 to £122m in 2010/11.

Table 6 – General Fund Debt (Capital Financing Requirement) movement since 2006/07

	2006/07	2007/08	2008/09	2009/10	2010/11
	£'m	£'m	£'m	£'m	£'m
Closing Balance as at 31st March	168	149	137	133	122

- 7.3 Table 7 presents the outturn position at year end, subject to audit. The outturn position indicates a reduction of £10.9m (from £132.7m to £121.8m) in the Capital Financing Requirement compared to £7.9m that was reported in the third quarter. This is a further net reduction of £3.0m. The additional debt reduction of £3.0m is explained in the table below:

Table 7 – Movement in the Capital Financing Requirement (CFR)

	Reported at Qtr 3	Movement	Outturn at Qtr 4
	£'m	£'m	£'m
Opening Capital Financing Requirement	132.7	0	132.7
Revenue Repayment of Debt	-3.7	0	-3.7
New Mainstream Borrowing	1.0	0	1.0

Use of Regeneration Pot surplus in 2010/11 for Debt Reduction. (to be repaid in future years)	0.0	-5.0	-5.0
Borrowing For Schools Investment	0.2	-0.2	0.0
Annual (Surplus)/Deficit in the Capital Programme (Table 9)	-5.4	2.2	-3.2
Closing CFR	124.8	-3.0	121.8
Net Movement from the opening 2010/11 CFR	-7.9	-3.0	-10.9

8 Decent Neighbourhoods Programme

- 8.1 A key Council objective is the regeneration of housing estates and creation of sustainable communities. Certain housing capital receipts have been earmarked for this purpose and a number of initiatives are now in progress whilst others are under consideration. Details of the expenditure and resource outturn are provided in **Appendix 4** and are summarised in Table 8.
- 8.2 The provisional closing position regarding the decent neighbourhoods pot is set out in Appendix 4. There is a cash surplus of £8.7m as at the year end. Such cash could be left to just earn investment income which is currently around 1%. Alternatively, as has been done in recent years, it could be borrowed from the decent neighbourhoods pot to redeem debt. This would be on the understanding that the decent neighbourhoods pot be reimbursed from general fund resources in future years. This action would deliver much greater revenue saving as it would reduce the amount the council has to set aside for future debt repayment. In effect such temporary use of the decent neighbourhood pot brings forward debt redemption savings from later years. It is therefore proposed that a further £5m be borrowed for debt redemption in 2010/11 for planned repayment in later years.

Table 8 – Summary of the Decent Neighbourhoods Programme

	Reported at Qtr 3	Outturn at Qtr 4
	£'000s	£'000s
Expenditure on Regeneration Schemes	9,960	7,946
Resource Transfer to Decent Homes	6,075	6,075
Resource Transfer to General Fund	4,910	4,649
Others	215	87
Temporary use of decent neighbourhoods receipts for debt	2,516	0

reduction.		
Total Expenditure	23,676	18,757
Resources		
Resource B/Fwd from previous years	(3,500)	(3,500)
Capital Receipts	(19,639)	(22,459)
Section 106	(1,000)	(1,000)
DCSF Grant	(465)	(451)
Total Resources	(24,604)	(27,411)
In Year (Surplus) –based on approved schemes	(928)	(8,654)
Temporary use for debt reduction		5,000
In year surplus		(3,654)

9. General Fund Programme

- 9.1 The 2010/11 General Fund Capital Programme was fully funded with no recourse to unsupported prudential borrowing. The overall position is summarised in Table 9 with details provided in **Appendix 5 and 6**.

Table 9 – General Fund Capital Programme.

	Reported at Qtr 3	Outturn at Qtr 4
Expenditure:	£'000s	£'000s
- Mainstream	8,096	6,276
- Specific	25,007	20,031
ALL EXPENDITURE (Appendix 5)	33,103	26,307
Resources		
Mainstream:		
- General Fund Receipts (Appendix 6)	7,321	4,538
- RTB and 25% of decent neighbourhood receipts	5,160	5,107
- Reimbursement of HRA and Decent Neighbourhood receipts	0	(140)
Total Mainstream	12,481	9,505
Borrowing	1,014	0

Scheme Specific Funding	25,007	20,031
ALL RESOURCES	38,502	29,536
Annual deficit/(surplus)	(5,399)	(3,229)

- 9.2 The table above shows a year end surplus of £3.2m, a net reduction of £2.2m from the last reported surplus of £5.4m. The reduction in surplus is due mainly to slippages and a re-alignment of budget allocations on scheme specific schemes. This surplus will contribute towards the debt redemption programme.
- 9.3 All slippage in expenditure and resources will be taken account of within the first monitoring report for 2011/12. There are no reported under/overspends so the net impact of such slippage is neutral.

10 Housing Capital Programme

- 10.1 The year end position for the HRA capital programme is summarised in Table 10 and detailed in **Appendix 7** The HRA programme was fully funded in 2010/11.

Table 10– Summary of the 2010/11 Housing Capital Programme

	Last Reported	Movement	Outturn
	£'000	£'000	£'000
Expenditure:			
H&F Homes Managed	64,079	(7,361)	56,718
LBHF Managed	1,314	(247)	1,067
Re-phasing of programme	(3,707)	3,707	0
Total Expenditure	61,686	(3,901)	57,785
Resources:			
- Mainstream:			
Leaseholder Contributions	(4,495)	129	(4,366)
Other *	(50,161)	2,389	(47,772)
- Specific	(7,030)	1,383	(5,647)
Total Resources	(61,686)	3,901	(57,785)

* This includes Major Repairs Allowance, Supported Capital Expenditure (SCE), and Capital Receipts

- 10.2. The 2010/11 original budget of £91.9m included overprogramming of £13.5m. By Quarter 3 the anticipated resource level had been revised down to £61.7 primarily as a result of the re-profiling of leaseholder income. From the outset, the programme was approved on the understanding that expenditure would be managed down to resource level by year-end and this has been achieved. All

year-specific resources have been used and £3.9m funding has been carried forward to 2011/12.

10.3 It should be noted that supported borrowing approvals from both CLG's national decent homes programme and those allocated by the London Regional Housing Board ended in 2010/11. Options will be explored for the funding of the future programme once the implications of the Government's reformed housing finance system are known.

10.4.A number of contracts let under the decent homes partnering framework remain on site but generally the work outstanding is not critical to meeting the decent homes standard. As at the end of March 2011, 98.7% of the borough's social rented stock was classified as decent. Of the 163 homes classified as non-decent, 51 are in ongoing contracts and expected to be completed by the end of June 2011. The remaining homes are situated in two tower blocks where various investment options are being considered.

11. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE SERVICES

Revenue

11.1 The revenue outturn for 2010/11 shows a favourable variance of £1.072m increasing the General Fund balance as noted.

11.2 Whilst the HRA year end deficit of £0.148m will decrease its working balance the position is more favourable than expected.

Capital

General Fund

11.3 The outturn report shows that the General Fund Capital Programme was fully funded from within previously identified resources. A surplus of in resources of £3.2m has been realised on the General Fund Capital programme and it is proposed that this be used as a contribution towards the debt reduction programme

Decent Neighbourhood.

11.4 The provisional closing position for the decent neighbourhoods pot indicates a cash surplus of £8.7m, rather than leaving this cash to earn investment income, which currently stands at 1%, it is proposed that £5m of this cash be temporarily used to reduce the general fund debt as this will deliver much greater revenue savings.

Housing Revenue Account

11.5 The outturn for the Housing Capital Programme shows that all expenditure was fully funded. It should also be noted that this is the final year of the decent homes programme.

12 COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)

12.1 None

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Revenue Monitoring Documents	James Arthur Ext 2562	Hammersmith Town Hall; Room 5 – Ground Floor
2.	Capital Monitoring Documents	Isaac Egberedu Ext 2503	Hammersmith Town Hall; Room 5 – Ground Floor