



OVERVIEW AND SCRUTINY BOARD

DATE	TITLE	Wards
7 December 2011	HIGH LEVEL REVENUE AND CAPITAL BUDGET MONITORING REPORT 2011-12 QUARTER TWO	ALL

SYNOPSIS

The report sets out the forecast outturn position for 2011-12 revenue and capital budgets as at Quarter 2 and explains significant variances.

CONTRIBUTORS

All Departments

RECOMMENDATION(S):

To note and comment on the projected outturn position.

CONTACT

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NEXT STEPS

High level revenue and capital budget monitoring is scheduled for ongoing monitoring by the Overview and Scrutiny Board in 2011-2012.

1. EXECUTIVE SUMMARY

- 1.1 This report gives details of the projected revenue and capital outturn position for 2011/12 as at the end of September 2011 (Quarter 2).
- 1.2 The General Fund Revenue Account is projected to underspend by £4.452m resulting in an increase in the General Fund balance to £20.52m (on the assumption the underspend is not applied elsewhere).
- 1.3 The Housing Revenue Account (HRA) is projected to overspend by £0.22m resulting in the HRA balance decreasing to £2.979m.

2. INTRODUCTION

- 2.1 The report provides an update on the revenue and capital financial position and highlights significant budget variances.

3. FORECAST REVENUE OUTTURN 2011/12 – GENERAL FUND

- 3.1 The projected revenue outturn for 2011/12 at the end of quarter 2 is an underspend of £4.452m, analysed by Department in Table 1. Figures in brackets denote underspends or income in excess of the Budget.

Table 1: 2011/12 General Fund Forecast Outturn – Departmental Analysis

Departmental Budgets	Revised Budget at Quarter 2 £000s	Forecast Year End Variance at Quarter 2 £000s	Forecast Year End Variance at Quarter 1 £000s
Children's Services	60,780	398	414
Unaccompanied Asylum Seeking Children	1,122	223	217
Community Services	78,854	(1,625)	(863)
Environment Services	19,602	206	144
Finance and Corporate Services	17,800	(315)	(250)
Residents Services	35,460	0	0
Housing & Regeneration	10,258	(518)	2
Centrally Managed Budgets	4,936	(515)	(268)
Controlled Parking Account	(16,524)	(2,306)	(2,152)
Net Operating Expenditure	212,288	(4,452)	(2,756)

- 3.2 If there is an underspend at the end of the financial year on General Fund services of £2.756m, then the impact on the Council's General Fund Balance will be as follows:

Table 2: The General Fund Balance as at 31 March 2012

	£m
Balance as at 31 March 2011(as per 2010/11 draft accounts)	(16.068)
Plus: Projected underspend	(4.452)
Projected Balances as at 31 March 2012	(20.520)

- 3.3 An explanation of the major budget variances for each department is set out in Appendix 1.

4. 2011/12 – HOUSING REVENUE ACCOUNT FORECAST OUTTURN

- 4.1 The Housing Revenue Account is forecast to overspend by £0.22 as at Quarter 2. An explanation of the major variances is provided in Appendix 2.
- 4.2 The projected overspend would result in the HRA balances reducing to £2.979m at the year end as shown in Table 3.

Table 3: The Housing Revenue Account Balance as at 31 March 2012

	£m
Balance as at 31 March 2011 (as per 2010/11 draft final accounts)	(3.107)
Plus: Budgeted contribution to Balances	(0.092)
Less: Projected overspend	(0.220)
Balance as at 31 March 2012	(2.979)

5. CAPITAL

General Fund Debt Reduction - Updated Forecast at Quarter 2

- 5.1 A key Council objective is to reduce capital debt. Closing 2006/07 general fund debt (Capital Financing Requirement – CFR) was £168m and has reduced to £121.8m by the end of 2010/11. As set out in Table 4 debt is now forecast to reduce to £113.1m at year end and to £55.1m by 2015/16.

Table 4 – Projected Movement in the Capital Financing Requirement (CFR)

	11/12	12/13	13/14	14/15	15/16
	£m	£m	£m	£m	£m
Opening Capital Financing Requirement	121.8	113.1	72.1	61.8	62.4
Revenue Repayment of Debt	(3.3)	(2.9)	(1.9)	(1.6)	(1.5)
Repayment of receipts used for temporary debt redemption	2.4	7.0	0.0	0.0	0.0
Borrowing For Schools Investment *	0.2	5.0	0.4	0.0	0.0
Annual (Surplus) in the Capital Programme	(8.0)	(50.1)	(8.8)	2	(5.8)
Closing CFR	113.1	72.1	61.8	62.4	55.1
<i>Net Movement from the opening 2011/12 CFR (£121.8 m)</i>	<i>(8.7)</i>	<i>(49.7)</i>	<i>(60.0)</i>	<i>(59.4)</i>	<i>(66.7)</i>
<i>Revenue Impact (9% of CFR – lagged by 1 year)</i>		<i>(0.8)</i>	<i>(4.5)</i>	<i>(5.4)</i>	<i>(5.3)</i>

* Borrowing for Schools Investment to be financed from the DSG Funding

Update on the General Fund Capital Programme

- 5.2 The updated Quarter 2 forecast is summarised in Table 5. Detailed resource and expenditure forecasts are set out in Appendix 3 and 4. A cumulative surplus in resources of £70.5m is now forecast to 2015/16.
- 5.3 The forecast cumulative surplus is £26.1m higher than reported at Quarter 1 (£44.4m). This is mainly due to the identification and inclusion of new assets for disposals and an increase valuations on assets previously identified for disposal.

Table 5 – 2011/12 General Fund Capital Programme

	2011/12	2012/13	2013/14	2014/15	2015/16
	£m	£m	£m	£m	£m
Expenditure:					
Mainstream	12.4	15.6	6.5	10.3	1.7
Specific	32.7	16.2	6.0	2.0	0.0
Capital expenditure budget	45.0	31.8	12.5	12.3	1.7
Resources:					
Mainstream					
General Fund Receipts	19.1	54.5	6.9	0.6	0.0
RTB and 25% of decent neighbourhood receipts	7.4	11.2	8.4	7.5	7.5
Reimbursement of HRA and Decent Neighbourhood receipts	(6.2)	0.0	0.0	0.0	0.0
Sub-total Mainstream Funding	20.4	65.7	15.3	8.1	7.5
Sub-total Scheme Specific Funding	32.7	16.2	6.0	2.0	0.0

	2011/12	2012/13	2013/14	2014/15	2015/16
	£m	£m	£m	£m	£m
Total (Mainstream + Specific)	53.1	81.9	21.2	10.1	7.5
Annual deficit/(surplus)	(8.0)	(50.1)	(8.8)	2.2	(5.8)
Cumulative deficit/(surplus)	(8.0)	(58.1)	(66.9)	(64.7)	(70.5)
<i>Cumulative deficit/(surplus) last reported</i>	<i>(8.0)</i>	<i>(50.8)</i>	<i>(59.3)</i>	<i>(61.1)</i>	<i>(62.3)</i>
<i>Cumulative deficit/(surplus) forecast at Budget Council</i>	<i>(14.4)</i>	<i>(37.8)</i>	<i>(43.7)</i>	<i>(45.5)</i>	<i>(46.7)</i>

Update on the Decent Neighbourhoods Capital Programme

- 5.4 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 forecasts are provided in Appendix 5 and summarised in Table 6.
- 5.5 The council has received £15m from Capital and Counties (CapCo) for signing an exclusivity agreement relating to the Earl's Court Regeneration site. £10m of this is refundable should a conditional land sale agreement (CLSA) not be possible, the remaining £5m being not refundable under any circumstances. The land covered by the regeneration area is owned partly by the Housing Revenue Account and partly by the General Fund. The percentage of the £5m attributable to the HRA land has been included in the decent neighbourhoods pot under schemes under consideration pending confirmation from our auditors regarding the accounting treatment.

Table 6 – Summary of the Decent Neighbourhoods Programme

Decent Neighbourhoods Summary	2011/12	2012/13	2013/14	2014/15	2015/16
	£m	£m	£m	£m	£m
Expenditure	7.282	13.409	1.825	0	0
Resources	(11.085)	(40.224)	(23.662)	(21.000)	(21.000)
In Year (Surplus) - based on approved schemes	(3.803)	(26.815)	(21.837)	(21.000)	(21.000)
Schemes under consideration	(0.410)	14.570	5.781	0.895	(5.114)
Revised In Year (Surplus)	(4.213)	(12.245)	(16.056)	(20.105)	(26.114)
Balance b/fwd	(3.654)	(7.867)	(20.112)	(36.168)	(56.273)
Current Cumulative forecast (Surplus)	(7.867)	(20.112)	(36.168)	(56.273)	(82.387)
Last Reported Cumulative (Surplus)	(9.251)	(27.276)	(43.123)	(64.123)	(85.478)
Budget Council	(2.813)	(26.015)	(48.178)	(69.178)	(90.178)

Update on The Housing Revenue Account (HRA) Programme Capital Programme

- 5.6 The updated HRA Capital Forecast is summarised in Table 7 and detailed in Appendix 6. This will be reviewed subject to the outcome of Government's announcement that a new system of council housing finance will be in place for next year.
- 5.7 Resource assumptions continue to be closely monitored particularly regarding leaseholder contributions and receipts. Expenditure will continue to be managed within the available resource envelope.

Table 7: Cumulative HRA Capital Programme 2011/12 to 2015/16

HRA Forecast	2011/12	2012/13	2013/14	2014/15	2015/16
	£m	£m	£m	£m	£m
Expenditure					
Proposed HRA Capital Programme	41.750	35.733	30.189	28.858	29.579
Total Expenditure	41.750	35.733	30.189	28.858	29.579
Resources					
Major Repairs Allowance	12.723	16.020	16.565	17.126	17.703
Supported Borrowing	0	0	0	0	0
Receipts c/f	2.390	0	0	0	0
Expensive Voids Contributions	14.867	0	0	0	0
Expensive Voids Contributions - proposed	0	8.820	3.781	0.895	0
Leasehold Contributions	6.380	5.790	5.443	3.537	2.500
Edward Woods receipts	0	5.103	0	0	0
Revenue Contributions	0	0	4.400	7.300	9.376
Other Specific Funding	5.390	0	0	0	0
Total Resources	41.750	35.733	30.189	28.858	29.579
(Surplus)/Deficit Now Forecast (excluding potential future revenue contribution)	0	0	0	0	0

6 Comments of the Director of Finance and Corporate Services

Revenue

- 6.1 The projected revenue position as at Quarter 2 shows a projected General fund underspend of £4.452m. This will be taken account of within the 2011/12 Medium Term Financial Strategy process.
- 6.2 The HRA has a projected overspend of £0.22m as at Quarter 2.

Capital

- 6.3 This report has provided an update on the debt reduction programme. The main forecast is that debt will reduce to £55.1m by 2015/16. This represents a forecast reduction of £112.9m from £168m in 2006/07.

- 6.4 The decent neighbourhood pot is forecast to be in surplus by £7.9m (including brought forward balance of £3.7m) in 2011/12. This surplus relies on the successful realisation of receipts from the disposal of expensive to repair street properties. The expected sales from this programme are valued at £22.5m plus other assets totalling £5.7m. To date £12.068m has been received in respect of 24 properties where sales have been completed. Please refer to table 6 above.
- 6.5 The Housing capital programme is forecast to be in balance at the year end. There is a risk that leaseholder contributions of £6.3m may not be achieved and this would have an impact on the financing of the capital programme. Given this risk, the Director of Finance and Corporate Services is liaising with the Director of Housing and Regeneration to regularly audit and monitor the level of leaseholders contributions and this will be reported upon through the regular monthly capital monitoring reports.
- 6.6 The position of the resources to support the HRA capital programme will have to be closely monitored and corrective actions taken early to ensure that the capital programme can be adequately funded. The future year position will also need to be addressed pending clarification on the future changes to the housing finance regime and progress regarding the sale of apartments at Edward Woods.

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	Gary Ironmonger Ext: 2109	Hammersmith Town Hall; Room 38 – Ground Floor
2.	Capital Revenue Monitoring Documents	Isaac Egberedu Ext: 2503 Jade Cheung Ext: 3374	Hammersmith Town Hall; Room 5 – Ground Floor