

Item No. 12	Classification: Open	Date: 20 July 2010
To	Cabinet	
Report title	Revenue Outturn – 2009/10	
Ward(s) or groups affected	All	
Cabinet Member:	Councillor Richard Livingstone, Finance and Resources	

FOREWORD - COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR FINANCE & RESOURCES

1. This report sets out the Council's financial position for 2009/10 at the end of that financial year for the general fund, the housing revenue account and the use of reserves and balances. In summary, this sets out that:
 - There was a favourable variance of £3.2 million on the general fund against the budget for the year. This surplus will be appropriated to the modernisation reserve.
 - The council achieved 98.8% of its target for savings and efficiencies on the general fund.
 - The collection fund had an outturn surplus of £0.957 million, against the estimated surplus of £1.652 million used at the time of setting the council's 2010/11 budget and council tax.
 - The use of a net £6.2 million from earmarked reserves during the year.
 - The housing revenue account had an adverse variance of £4.052 million, in part due to the impact of the Lakanal and Sumner fires and re-housing associated with major regeneration schemes.

2. In presenting this report, I am recommending that Cabinet, after due consideration, notes this report.

RECOMMENDATIONS

3. That the Cabinet notes:
 - the general fund outturn for 2009/10 and the net contribution to reserves;
 - that the favourable variance on the general fund will be taken to the modernisation reserve;
 - the housing revenue account's (HRA) outturn for 2009/10 and movement on reserves;
 - achievements of budgeted targets for the year for savings; and
 - the collection fund's year-end surplus balance.

BACKGROUND INFORMATION

4. The purpose of this report is to note the Council's financial position for the general fund, the HRA and planned use of reserves and balances for 2009/10. It also reports on specific performance in meeting targets for budget savings and the outturn position on the collection fund. Any key variations against budget are explained.

KEY ISSUES FOR CONSIDERATION

General fund overall position

5. In February 2009, Council Assembly set a net budget for the year 2009/10 of £315.2m. Table 1 below provides an outturn position of net expenditure against budget as at the end of March 2010.

Table 1: General fund outturn position for 2009/10 at year end

Service	Budget £'000	Outturn £'000	Variance £'000	%
Children's services – core	115,796	117,526	1,730	1.5%
Children's services – schools budget	2,257	2,169	(88)	(3.9%)
Health and community services	100,326	100,607	281	0.3%
Environment and housing	79,442	79,431	(11)	(0.0%)
Regeneration and neighbourhoods	23,912	23,905	(7)	(0.0%)
Major projects	10,215	10,208	(7)	(0.1%)
Deputy chief executive	47,318	47,481	163	0.3%
Communities, law and governance	12,832	12,573	(259)	(2.0%)
Finance and resources	37,529	37,611	82	0.2%
Strategic and corporate	(78,172)	(83,360)	(5,188)	(6.6%)
Total for services	351,455	348,151	(3,304)	(0.9%)
Net appropriation from reserves for schools	(4,132)	(4,044)	88	2.1%
Net appropriation from reserves for other services	(6,153)	(6,153)	0	0.0%
General Fund Total	341,170	337,954	(3,216)	(0.9%)
Area based grant	(26,018)	(26,018)	0	0.0%
Total	315,152	311,936	(3,216)	(1.0%)

6. For services, on a total net budget of approximately £351m there was a favourable variance of £3.3m. This represents a variation of (0.9%).

7. The outturn incorporates a net appropriation from reserves of £10.2m (£4.0m schools and £6.2m general fund). Further detail on reserves is shown below in paragraphs 38 to 42.
8. As part of the setting of the 2009/10 general fund budget, the Council committed to a programme of savings and efficiencies in excess of £19m. Again, the outturn position reflects the delivery of these targets. There was a shortfall of £0.22m in achievement of the target, representing only 1.2 % of the total savings target.

Key general fund variances

Children's services

Core / Non schools budget

9. As previously reported, the most significant areas showing an adverse variance on core budget are set out below:
 - £1.10m on pupil access including home to school transport;
 - £3.00m on children looked after placements and assessment and safeguarding staffing.
10. This ongoing budget pressure in children's services social care has been recognised in 2010/11 through an investment of £2.50m resources agreed at Executive. Further, work is in progress to address these budget pressures in future years, such as reviewing the transport policy, exploring opportunities within the transport contract re-tender (September 2011) and a robust review of the procurement of children looked after placements.
11. At the same time, rigorous management action had been taken across the rest of children's services to identify opportunities for delaying or curtailing activities and recruitment in order to minimise the overall projected adverse variance for the department as a whole.

Schools budget

12. The dedicated schools grant (DSG) is a ring-fenced grant to support school formula funding and specific pupil related expenditure. In 2009/10, the overall outturn position was £0.09m favourable variance. In previous years, there have been significant favourable variances on DSG of £0.7m in 2008/09 and £0.40m in 2007/08. However, in 2009/10 there were increased budget pressures due to an increase in the costs of maternity payments made directly to schools and recoupment costs for pupils with special educational needs educated in other local authority schools.
13. Schools balances (net revenue) have reduced by £3m.

Health and community services

14. Health and community services have a variance of £0.28m for 2009/10 on a gross budget of £146m. This is an improvement of £0.27m on the position forecast and reported to the then executive at quarter 3.
15. An extensive programme of efficiency savings undertaken by management meant that the department was largely able to mitigate budget pressures.
16. The main budget pressures in 2009/10 relate to a small increase in the numbers of learning disabilities and physical disabilities clients and reflects the high cost of caring for people with disabilities and fewer people than anticipated leaving services through the eligibility process.

Environment and housing

17. Departmental budget pressures during the year centred around the continued costs of the leisure and culture units exceeding budgeted levels, income run rate being below budgeted levels, additional winter maintenance costs due to severe weather and residual costs of units proposed for closure or reorganisation to meet savings targets.
18. Following agreement reached over central funding for increased project management costs, compensation payments to Fusion as a result of service closures and one off costs incurred for reorganisation, the abnormal expenditure was significantly reduced. On the plus side there was a one off favourable variance within the waste management contract of some £500k. This coupled with prompt management action undertaken during the year to curtail all non essential expenditure resulted in coming in on budget

Regeneration and neighbourhoods

19. During the year variances were projected in the planning and transport division, development management and building control units due to reduced income as a result of the general sluggish property sector. Variances were also projected in housing strategy and options division due to agency cover for out of hours working and increased legal costs. However, management action and favourable variances in other areas has resulted in coming in on budget.

Deputy chief executive

20. The deputy chief executive's department is reporting an adverse variance of £0.16m, majority of which relates to the communications service. Communications do not have budgets for campaigns, as all expenditure should be recharged to the departments requesting campaigns to be run. In 2009/10 there were three corporate campaigns which could not be recharged to departments: Value for money (£0.05m), reputation tracker (£0.04m) and corporate publications (£0.07m). The costs of these campaigns had to be borne by communications. A recharging strategy has been put in place to

ensure that the expected cost of all events are established and agreed in advance.

Communities, law and governance (CLG)

21. The outturn position for CLG is an overall favourable variance of £0.26m. The reorganisations of legal support services and community engagement have been well managed, however there was a £0.26m pressure in community engagement due to the service absorbing the one-off restructuring costs. This negative variance is offset by positive variances in democratic, scrutiny and legal services.

Finance & resources

22. There is a net adverse variance of £0.08m for the department as a whole. Detailed explanations are given in Appendix A.

Strategic and corporate budgets

23. There is a favourable variance of £5.2m within strategic and corporate budgets. These budgets incorporate a number of technical accounting budgets in addition to corporate resources required to be held centrally
24. The variance includes £1.0m due to the clawback of salary budgets following the pay award announcement and £1.7m through higher returns on investments than were originally anticipated in a climate of economic downturn and instability within the financial sector.
25. The remainder is as a result of a number of 'windfall' elements including one off increases in external receipts (e.g. rental income) and reduced bonus payments on corporate contracts.

Housing revenue account (HRA)

26. Headline position shows £4.05m variance against budget at year-end, which falls within the parameters forecast throughout the year.
27. It has been a particularly difficult year financially, with significant spending pressure on managing and maintaining the stock and in meeting the council's landlord obligations.
28. This has been exacerbated by exceptional items, such as the Lakanal and Sumner fires and major regeneration schemes involving large-scale re-housing activity.
29. This has had a disproportionate effect on the budget outturn this year, with the underlying position being a net surplus with the exclusion of these exceptional items. The deficit has been charged against reserves.

Table 2: HRA outturn position for 2009/10

	Full Year Budget	Full Year Forecast	Over + / Under (-)
	£'000	£'000	£'000
Housing Revenue Account	0	4,052	4,052
Appropriation to / (from) HRA reserves	0	(4,052)	(4,052)
Total	0	0	0

Savings and efficiencies - 2009/10 budget - Quarter 4

30. For the general fund and HRA combined, the council targeted savings and efficiencies of more than £29m in 2009/10. These savings are monitored closely throughout the year as their delivery is important to the achievement of the council's business plan and to support the delivery of critical services to residents and businesses. A summary of the current position is shown in table 3 below

**Table 3: Savings
Quarter 4**

	Agreed by Council	Planned savings delivered	Substituted savings	Total savings	Variance
	£'000	£'000	£'000	£'000	£'000
Children's Services	(4,086)	(3,863)	0	(3,863)	223
Health and Community Services	(4,211)	(3,611)	(600)	(4,211)	0
Environment and Housing Regeneration and Neighbourhoods	(1,204)	(1,204)	0	(1,204)	0
Major Projects	(178)	(178)	0	(178)	0
Finance and Resources	(1,460)	(1,460)	0	(1,460)	0
Deputy Chief Executive	(2,285)	(1,994)	(291)	(2,285)	0
Communities, Law and Governance	(788)	(788)	0	(788)	0
Corporate	(4,111)	(4,111)	0	(4,111)	0
Total General Fund	(19,353)	(18,239)	(891)	(19,130)	223
HRA	(9,674)	(8,604)	0	(8,604)	1,070
Total Savings 2009/10	(29,027)	(26,843)	(891)	(27,734)	1,293

Savings

31. Children's services have delivered £3.86m of savings during 2009/10. However, Baby 'P' and the subsequent Laming review have placed severe pressure on budgets in the children looked after (CLA) service which mean that £0.22m of the previous agreed savings were not able to be achieved in 2009/10. Work is underway in the current financial year to address these financial pressures through a robust review of the procurement of children looked after placements.
32. In health and community services, the £0.6m of homecare savings from retendering block contracts were not achieved in 2009/10. Legal technicalities highlighted by the corporate legal team have led to unforeseen delays in the retendering exercise. Interim extensions have been put in place which will achieve some savings, but the main exercise now will not be concluded until 2010.
33. Alternative savings were sought within the department which mitigated the impact of this.
34. In the Deputy Chief Executive's department, there were two variances which led to the underachievement of £0.29m. These were:
 - Contract efficiency savings of £0.18m were not achieved due to the termination of the Liberata contract from April 2011. Savings in future years will also not be achieved.
 - Efficiency savings related to service improvement associated with housing benefit overpayments were originally set at £0.150m. However, the levels of overpayments recovered have not increased as much as anticipated during the year, and as such the saving achieved was £0.04m.

However to offset these adverse variances, substitute savings have been found within revenues and benefits.

35. In the HRA, there were several significant variances which led to the underachievement of £1.07m. These were:
 - Savings on legal fees; where the target of £0.1m was not met due to demand-led activity running above budget target, and this has meant the anticipated reduction in volumes has not materialised.
 - Savings resulting from recruitment drag; with an agreed target of £1.15m have a shortfall of £0.61m due to the need for additional capacity and expertise within estate property management to support key operational functions, e.g. major works, repairs and Lakanal.
 - Savings on service charges; where the agreed target of £1.71m were not fully realised due to a reduction in right to buy sales and leaseholder buybacks arising from regeneration programmes. This resulted in an underachievement of £0.19m.

- Savings on commercial rents; agreed savings of £500k have not been achieved due to weaker market conditions. The result was an underachievement of £0.16m.

Collection fund

36. As a billing authority, the Council is required to maintain a collection fund account, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and demonstrate the way in which these have been distributed to preceptors and the general fund. The Council must take into account the estimated surplus or deficit on the collection fund balance when setting its council tax for the following year.
37. In January 2010, the Council estimated the collection fund surplus balance to be £1.65m as at 31 March 2010; however, the outturn surplus balance is £0.96m. This is a reduction of £0.69m from the estimated surplus. This was largely due to increased discounts applied to council tax during the period January to March 2010, which was not expected at the time of the estimate in January. This variance will be taken into account when the projected outturn position for 2010/11 is calculated and used for setting the 2011/12 council tax.

Reserves

38. The council retains a level of earmarked reserves and these are reported each year within the annual statement of accounts. These reserves are maintained to finance calls for expenditure for items that are difficult to predict and that are not included in revenue budgets or within the capital programme. They relate especially to invest to save opportunities that form part of the modernisation agenda and expected to deliver future ongoing revenue savings. They are also held for investment in regeneration and development where spend may be subject to unpredictable market and other influences.
39. Part of the modernisation agenda has seen organisational restructuring and this has resulted in reserves being released this year to meet one off redundancy costs.
40. The net movement on reserves also reflects a significant release of reserve for technical accounting reasons relating to the rental charge for Tooley Street for the first five years. This effectively allows the council to reflect the average rent charge over this period taking into account the rent free period.
41. Overall the net appropriation from reserves excluding movements on schools balances was £6.15m and the allocations to revenue budgets is reflected in Table 1 and were subject to existing approval arrangements.
42. The favourable variance on general fund will also be appropriated to the modernisation reserve to support this ongoing agenda.

Table 4: Summary of reserve movements as at outturn

	Opening balance	Net change in reserves	Release of reserve for capital	Forecast closing balance
Reserve	£'000	£'000	£'000	£'000
General fund earmarked	(67,530)	6,153		(61,377)
DSG reserve	(4,082)	(339)	411	(4,010)
Schools Balances	(14,087)	3,973		(10,114)
HRA earmarked	(18,176)	4,052		(14,124)
Total	(103,875)	13,839	411	(89,625)

Community impact statement

43. This report monitors expenditure on council services, compared to the planned budget agreed in February 2009. Although this outturn report has been judged to have no or a very small impact on local people and communities, the expenditure it is reporting was designed to have an impact on local people and communities, which will have been considered at the time the services and programmes were agreed. It is important that resources are efficiently and effectively utilised to support the Council's policies and objectives.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
2009/10 Revenue monitoring / Outturn	160 Tooley Street	Vernon Smith 0207 525 57355

Cabinet member	Cabinet Member for Finance and Resources
Lead officer	Duncan Whitfield - Finance director
Report author	Cathy Doran, Head of budgets, monitoring and programming

Version	Final	
Dated	09 July 2010	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	No	No
Finance Director	Yes	Yes
Date final report sent to constitutional team		09 July 2010

Detailed explanation of key outturn variances

Service and Division	Explanation
Children's services	
<p>Summary</p> <p>Budget £ 115,796k Forecast £ 117,526k Variance £ 1,730k</p>	
<p>5-11 Services</p> <p>Budget £ 10,954k Outturn £ 12,044k Variance £ 1,090k</p>	<p>This projected adverse variance relates to continuing increased costs on the council's home to schools contract for the transport of pupils with SEN. The number of pupils transported is up by 22 to 408 but more significantly, there has been an increase in the number of rounds from 93 last year to 115 this year (additional 22 rounds). In advance of the retendering of the contract for the provision of this service from August 2011, consultancy support was sought from KPMG to identify options for achieving shorter term savings within the existing contractual arrangements. As a result, a number of immediate measures to reduce costs were introduced from September. These include the use of the corporate taxi contract (rather than the home to school contract) to transport pupils who do not need to be escorted and to negotiate a lower contract specification with regard to the age of vehicles and the provision of named drivers. A review of the transport policy is in progress.</p>

Detailed explanation of key outturn variances

<p>Other Children’s services budgets Budget £ 51,226k Outturn £ 49,676k Variance (£ 1,550k)</p>	<p>In order to contain the projected variance on home to school transport, strong management action has been taken to reduce costs across all other non-frontline education budgets. It has been possible to identify increased savings in the 0-5 service and from implementation of the new structure for integrated youth support. Further reductions in expenditure are being achieved through reduced use of agency cover and through the review of recruitment plans across the service. Strict expenditure controls were put in place and specific grants were utilised to support eligible core funded activities.</p>
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Detailed explanation of key outturn variances

<p>Specialist Children’s Services Budget £ 49,043k Outturn £ 52,023k Variance £ 2,980k</p>	<p>There were significant increases in high cost looked after children placements as well as cost pressures for assessment, safeguarding and family support (ASFS) services and packages for children with disabilities. All in the context of a £150k fall in the budget.</p> <p>Higher than anticipated funding from the Unaccompanied Asylum Seeking Children (UASC) grants eased cost pressures in 2008-09 but falls in UASC numbers and grant rule changes have significantly altered the position. The spend in children looked after placements was £1,570k higher than previous years, bringing the total spend to £11,670k in 2009/10. ASFS spend rises were fuelled by higher cost special guardianship orders (SGO) side-by-side with increases in the case numbers. Children with disabilities and special health needs spending increased with new placements, higher care package costs and increased number of “No recourse to public funds” cases.</p> <p>Management’s main effort, offsetting spending pressures, was limited by the specialist support and needs of cases, much of the gain was from administering and managing the support to cases e.g. efficiently combining funding streams and staff cost savings.</p>
<p>Commissioning Budget £ 4,573k Outturn £ 3,783k Variance (£ 790k)</p>	<p>Lower than budgeted spend on the residential contract, added to grants not fully spent, contributed to the significant spend under budget despite the significant (15%) variance on staffing.</p> <p>The residential homes contract alone brought in a favourable variance of £280k while the various grant cost centres – AIDS support grant, parenting and carers - had spends well short of incomes. There were also spends below budget in a many of the non-staffing areas, hence the favourable position for this business unit.</p>

Detailed explanation of key outturn variances

Health and Community Services	
<p>Summary</p> <p>Budget £ 100,326k Forecast £ 100,607k Variance £ 281k</p>	<p>Health and Community services have a variance of £281k for 2009/10 on a gross budget of £146m. This is an improvement of £271k on the position forecast and reported to the then executive at quarter 3.</p> <p>An extensive programme of efficiency savings undertaken by management meant that the department was largely able to mitigate budget pressures.</p> <p>The main budget pressure in 2009/10 relates to a small increase in the numbers of learning disabilities and physical disabilities clients and reflects the high cost of caring for people with disabilities and fewer people than anticipated leaving services through the eligibility process.</p>
<p>Learning disabilities</p> <p>Budget £ 23,520k Forecast £ 24,781k Variance £ 1,261k</p>	<p>There are continuing pressures in residential care placement costs due to a small number of new high cost clients. The adverse variance was predicted at an early stage and compensating efficiencies and savings identified in other budget areas which largely offset the adverse variance.</p>

Detailed explanation of key outturn variances

Environment and Housing	
<p>Summary</p> <p>Budget £79,442k Forecast £79,431k Variance (£ 11k)</p>	
<p>Public realm</p> <p>Budget £15,562k Forecast £15,992k Variance £ 430k</p>	<p>The £95k variance in the parks business unit was due to a shortfall in income within cemeteries. As a result of a zero based budgeting exercise carried out to explore opportunities for reducing costs and increasing income, the previously reported pressure has decreased. There were also budget pressures in South Dock Marina due to a decrease in expected income of about £41k.</p> <p>The underachievement of parking income of £220k can be attributed to the economic downturn and better compliance but £106k was specifically due to severe weather conditions preventing issuance of PCNs.</p> <p>The public realm asset management Unit returned a variance of £221k due to the additional costs incurred for winter maintenance as a result of severe weather conditions. The additional spend on gritting alone amounted to £161k.</p> <p>There was a favourable of £116k in the public realm projects as a result of one off additional funding secured from TfL.</p>
<p>Community safety</p> <p>Budget £16,677k Forecast £16,591k Variance (£ 86k)</p>	<p>Previously anticipated pressure due to initial delays in implementing the revised structures within the division was turned around to a favourable variance of £86k as a result of introducing recruitment freeze and moratorium on new spend for rest of the year.</p>

Detailed explanation of key outturn variances

<p>Housing general fund</p> <p>Budget £ 355k Forecast £ 303k Variance (£ 52k)</p>	<p>The favourable variance of £52k was mainly as a result of reduced expenditure incurred during the year for stair-lift maintenance.</p>
<p>Business overheads</p> <p>Budget £ 205k Forecast £ 2k Variance (£ 203k)</p>	<p>One off savings of £203k were achieved by introducing a strict moratorium on all non essential expenditure and charging costs which were previously funded centrally, direct to the business units.</p>
<p>Waste management and transport</p> <p>Budget £29,408k Forecast £28,871k Variance (£ 537k)</p>	<p>The division achieved a one off favourable variance of £537k mainly due to reduction in waste tonnage and performance deductions on the unitary charge on Waste PFI contract.</p>

Detailed explanation of key outturn variances

<p>Culture, libraries, leisure and learning</p> <p>Budget £17,235k Forecast £17,672k Variance £ 437k</p>	<p>Libraries exceeded budget by £251k, of which £121k was due to fall off in income against budget. This was partly due to the downtime of the peoples' network. The rest of the pressure consisted of unexpected campaign costs (£36k) and costs relating to the temporary relocation of the local history library during the refurbishment of John Harvard Library.</p> <p>Leisure: A favourable variance of £74k was achieved by freezing vacant posts.</p> <p>Culture: Net adverse variance of £127k. Events spend exceeded budget by £40k due to increased security and health and safety requirements on larger events and change of venue for fireworks. Other budget pressures included £38k for unexpected campaigns costs, £10k incurred for residual closure costs of Livesey Museum, £17k for unexpected central ICT costs and £22k additional storage and archiving costs.</p> <p>Adult learning service: The variance of £81k is composed of unexpected campaign costs (£19k), and late correction of an invoice raised.</p> <p>Education library service: Variance of £52k. These are termination costs of the unit that were not funded from the reserves. The decision was made too late in the closing process to write off all early retirement costs in 2009/10.</p> <p>The division projected a higher pressure during the year but it was significantly reduced by introducing a strict moratorium on non essential expenditure and freezing of some of the vacant posts.</p>
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Detailed explanation of key outturn variances

Regeneration and Neighbourhoods	
<p>Summary Budget £23,912k Outturn £23,905k Variance £ (7k)</p>	
<p>Director and business support Budget £5,021k Outturn £4,765k Variance (£256k)</p>	<p>The underspend is due to various variances across the Director and Business Support areas. These include unfilled posts being kept vacant in 2009/10 pending implementation of the Strategy and Information restructure Other reasons include a reduction in office expenditure and payments on external commissioning costs against budgets to mitigate the overspends in other divisions within the department. The release of previous years' unused provisions back into revenue accounts and also higher income than budgeted for the recharged expenditure to HRA also contributed to the overall underspend.</p>
<p>Planning and transport Budget £2,474k Outturn £2,604k Variance £ 130k</p>	<p>The pressure on planning and transport is mainly due to the reduced income for Development management and building control units due to the general sluggish property sector. Also, the volatile cost of planning legal appeals which is usually funded from Council reserves were finally met within divisional and departmental budget resources.</p> <p>Building Control is required to cover the cost of the service from fees while not all of the services are chargeable. Efforts will be made to meet as far as possible the full cost of the service from fees and during 2010-11 work will be carried out on a marketing strategy for Building Control to:</p> <ul style="list-style-type: none"> • prioritise and promote activities that raise the most revenue • look at options to reduce involvement in non-statutory activities that are not fully self-funding • ensure that fee structures are set up to maximise revenue (wherever possible) <p>promote the services to the internal market with a view to taking 100% share of this market.</p>

Detailed explanation of key outturn variances

Economic development and strategic partnership Budget £5,255 Outturn £5,209 Variance (£46k)	Favourable variance is not specific to any particular area. It is the net effect of various variances across different units and cost elements.
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Detailed explanation of key outturn variances

<p>Housing strategy and options</p> <p>Budget £7,710k Outturn £7,878k Variance £ 168k</p>	<p>Pressure is mainly due to the costs of agency staff to cover in year sickness across services including out of hours working. Increased legal caseload is also a major contributing factor. The Housing Strategy & Options Division is currently carrying out a review of its structures and staffing, and its operational arrangements to reduce its reliance on agency staff. A robust monitoring regime is also in place to manage sickness absence.</p>
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Detailed explanation of key outturn variances

Finance and resources	
<p>Summary</p> <p>Budget £37,529k</p> <p>Outturn £37,611k</p> <p>Variance £ 82k</p>	
<p>Financial governance</p> <p>Budget £1,368k</p> <p>Outturn £1,475k</p> <p>Variance £ 105k</p>	<p>The variance of £105k is due to audit commission Fees £35k and recharges and training £70k.</p>
<p>Financial professional shared services</p> <p>Budget £2,578k</p> <p>Outturn £2,149k</p> <p>Variance (£ 429k)</p>	<p>The favourable variance of £429k is due to audit contracts £162k and staff vacancies £267k.</p>

Detailed explanation of key outturn variances

<p>Departmental finance</p> <p>Budget £3,674k Outturn £3,995k Variance £ 321k</p>	<p>The variance of £321k is due to the use of agency staffing.</p>
<p>Financial transactional shared services</p> <p>Budget £1,406k Outturn £1,304k Variance (£ 102k)</p>	<p>There is a favourable variance of £102k due to staffing vacancies.</p>
<p>Information services</p> <p>Budget £11,860k Outturn £12,048k Variance £ 188k</p>	<p>The variance of £188k is due to additional hardware and agency costs.</p>

Detailed explanation of key outturn variances

<p>Facilities management</p> <p>Budget £16,047k Outturn £16,106k Variance £ 59k</p>	<p>There is a £59k variance on agency staffing.</p>
<p>Management team and other</p> <p>Budget £ 597k Outturn £ 537 k Variance (£ 60k)</p>	

Detailed explanation of key outturn variances

HRA	
Summary	
Net Budget	£0
Forecast	£4,052k
Variance	£4,052k
Reserves funding year end	(£4,052k)
Variance after reserves	£0

Detailed explanation of key outturn variances

<p>HRA - Regeneration and neighbourhoods</p>	<p>Outturn variance +£143k</p> <ul style="list-style-type: none"> • The former divisions of community housing services and strategy and regeneration (S&R) have during 2009/10 been subsumed into a new division entitled housing strategy and options; but remain separate for monitoring purposes. • Housing regeneration initiatives within S&R has been leading on several new council initiatives/ priorities designed to deliver savings and generate more capital resources down the line. As a result costs are higher than budget despite vacancy savings accruing elsewhere across the department. This work is scheduled to continue for the foreseeable future, but will where possible, be contained within existing resources. • On the temporary accommodation side, the year end position is broadly on budget. Income collection performance stands at 96.8% against a management target of 95% and a budget target of 90%, which represents solid performance. Average void performance is above target (+ 7%), although this is distorted by the de-commissioning of properties during the hostel refurbishment programme. This is now complete and these properties will come back on stream during the first quarter of 2010/11. • Within the housing options service, the under occupation scheme has proven very successful to the extent that the number of moves has exceeded target leading to additional cost, which has been partly mitigated through government grant. The provisions of the scheme have been reviewed with a view to reducing costs, whilst increasing the number of moves. It is scheduled to be re-launched in July 2010.
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Detailed explanation of key outturn variances

<p>HRA - Strategic services</p>	<p>Outturn variance -£4.455m</p> <p><i>Debt charges and financing -£7.883m</i></p> <ul style="list-style-type: none"> • This activity comprises all central overheads and non-operational functions within the HRA, specifically housing subsidy, debt financing, CERA and central support charges and other shared service functions provided to the HRA. • Interest receivable on cash balances was £0.6m lower than budgeted as base rates have been at a historic low of 0.5% all year and balances brought forward (including the MRA Reserve) lower than expected due to the funding requirement for 2008/09 capital expenditure. This shortfall has been particularly acute in 2009/10, but has been addressed through the budget process for 2010/11. • The reduction in leaseholder major works billing referred to below is partially offset by a reduction in the contribution to the investment programme as this moves in proportion to the value of billing, currently £2.8m against a budget of £6.5m. This saving needs to be considered alongside the negative income variance reported by HOU below, giving rise to an adverse impact of £1.9m net. This has been reflected within the 2010/11 budget with both income and expenditure being revised downwards to better reflect anticipated activity over the medium term. • In addition, £3m has been released back into revenue in 2009/10 to mitigate the billing shortfall. This is in accordance with recommended accounting practice for major works income billed in previous years, but not recognised in the accounts until a future date to match against expenditure. The scale of this in 2009/10 will not recur in future years.
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Detailed explanation of key outturn variances

<p>HRA - Strategic services cont'd</p>	<p><i>Major project costs +£3.428m</i></p> <ul style="list-style-type: none"> • During 2009/10 there were a number of exceptional items falling to the HRA, of which re-housing on Heygate and early activity on Aylesbury was planned for, albeit actual costs exceeded initial forecasts. The residual costs of Heygate will continue to fall to the HRA until such time as the estate is demolished. With regards to the Aylesbury programme, this has major cost implications for the HRA over the medium-term, for which mainstream revenue funding is limited. This will be considered as part of budget setting for 2011/12. • In addition, the Lakanal and Sumner fires created an additional cost pressure for which no base budget existed. New and emerging commitments arising directly from the associated programme of safety works will impact in the current year and well beyond and require redistribution and re-profiling of resources to meet them. All landlord costs falling to the council after insured losses were and will continue to be met through a combination of HRA revenue, earmarked reserves and Housing Investment Programme resources.
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Detailed explanation of key outturn variances

<p>HRA - Environment and housing</p>	<p>Outturn variance +£6.198m</p> <p><i>Housing management +£1.945m</i></p> <p>This represents the largest controllable area of expenditure within the HRA, but also the area of greatest pressure to spend on the fabric of the stock. Management action has contributed to greater control of costs and volumes, but the outturn position has deteriorated against that reported previously and comprises:</p> <ul style="list-style-type: none"> • Employee costs +£1.1m. Arises within estate property management where there has been need for additional capacity and expertise to support key operational functions. To be addressed through changes in the organisational structure during 2010/11. • Consultant services +£0.8m. Provision of specialist external support to review and validate the stock condition survey and implementation of a dedicated fire risk assessment (FRA) management team. • Other R&M +£0.8m. Increased expenditure on dry-risers, lightning protection and the installation of fire signage. These works have been prioritised and condensed into a shorter timeframe than originally planned. • Compensation, legal and professional fees +£1m. Cost of legal services and disbursements incurred within Area Management continue in excess of budget despite management action to introduce more robust controls. • Heating contract -£0.7m. Actual savings generated through the new contract are greater than originally forecast. • Works contracts -£0.4m. Implementation of tighter expenditure controls and improved contract management have delivered savings against a number of works contracts during the year, i.e. door entry, estate lighting, etc.
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Detailed explanation of key outturn variances

<p>HRA – Environment and housing cont’d</p>	<p><i>Rent income/ collection</i></p> <ul style="list-style-type: none"> • Housing management income collection performance is 99.81% (100.13% adjusted for eoy timing) against a management target of 99.5% and a budget target of 100%. Notwithstanding the fact that the position is distorted by the effects of eoy timing which boosts collection by £1m (which will reverse in 2010/11), this still represents solid collection performance given current economic conditions. Debt write-off of £2m during the year has largely contributed to a reduction in arrears from £17.8m to £15.3m (HM only). • Overall, including all HRA temporary accommodation, collection performance is marginally lower at 99.46% (99.92% adjusted for eoy timing), with a further debt write-off of £0.5m contributing to a reduced arrears position of £16.3m (gross), resulting in a lower requirement for bad debt re-provision in year.
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Detailed explanation of key outturn variances

<p>HRA – Environment and housing cont’d</p>	<p><i>Home ownership +£4.287m</i></p> <ul style="list-style-type: none"> • Headline position is distorted by virtue of the reduction in capital works billing during the year; the underlying position is an under spend of £0.2m comprising employees, running costs and Leaseholder Fund. • Capital Service Charges – Net £4.4m has been billed against a full year budget of £10m. The extent of this year’s variance from budget occurs as programmed works assumed for budget planning purposes have been subject to alteration, postponement and cancellation. Notwithstanding the scale of the variation, it is substantially mitigated by a reduction in the level of revenue support to the Investment Programme of £3.7m, which is directly linked to the value of capital billing, thereby softening the effect on the revenue account (net £1.9m). In terms of income collection, £7.8m (including major works loans) has been collected against a target of £8m. It should be recognised that this represents solid performance (both capital and revenue) against very challenging targets given the current economic conditions. • Revenue service charges – Net £16.3m (including 2008/09 account actualisations) billed against a full year budget of £16.4m. Income collection performance shows £16.3m collected against a full year target of £15m. • Commercial property – Net £6.5m billed against a full year budget of £6.6m, and £6.3m collected. Income performance has held up reasonably well given the weaker market conditions, but expenditure on professional and legal fees has contributed to a shortfall against budget of £0.5m on this activity overall. • Tenant management organisations – management of the TMO portfolio has been fully integrated into HOU during 2009/10. Net outturn position shows £0.8m variance from budget, comprising shortfall against rent debit of £0.3m and £0.5m additional expenditure, including resolution of outstanding allowance claims.
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Detailed explanation of key outturn variances

<p>HRA – Environment and housing cont’d</p>	<p>Other HRA Services -£34k</p> <ul style="list-style-type: none"> This activity comprises the full range of services provided to the HRA managed by Environment & Housing (excluding Housing Management), such as grounds maintenance, estate cleaning, pest control, community safety, enforcement and ASB, CCTV, estate parking and energy management. Overall, costs were contained within budget across all activities with the exception of estate parking, which was over budget due to a one-off re-signing programme on estates.
<p>HRA reserves</p>	<p>Outturn variance +£4.052m</p> <ul style="list-style-type: none"> The ring-fenced nature of the HRA requires that deficits/ surpluses are carried forward between years, thereby giving rise to fluctuations in the level of reserves. The deficit for 2009/10 will be a first call on reserves. HRA reserves stand at £14.1m at 31.3.10, (down from £18.2m the previous year), of which £12.7m is either committed or held against specific financial risks. Given the size of Southwark’s HRA (c. £265m), this is not considered sustainable and represents an increasing risk moving forward, that will need to be considered as part of budget setting for 2011/12.

Detailed explanation of key outturn variances

<p>HRA carry forwards</p>	<p>Outturn variance +£2.166m</p> <ul style="list-style-type: none">• As part of budget setting for 2009/10, resources were earmarked from HRA reserves to fund specific projects and revenue cost pressures which were one-off or of a time limited nature, outside the mainstream base budget. This represents the expenditure incurred in year and contributes to the overall outturn position. In some cases these were programmed to span more than one financial year and where slippage has occurred, will be carried forward into 2010/11, whilst others such as the Tenant Fund and Leaseholder Fund are ring-fenced within the HRA and represent commitments moving forward.
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Outturn forecast reported to the executive as at quarter 3

Estimated projection of General Fund outturn position for 2009/10 as at quarter 3

General Fund	Full Year Budget £'000	Full Year Forecast £'000	Variance + / Under spend (-) £'000
Children's Services	99,348	101,096	1,748
Health and Community Services	100,823	101,375	552
Environment and Housing	75,678	76,112	434
Regeneration and Neighbourhoods	27,156	27,119	(37)
Major Projects	4,446	4,446	0
Deputy Chief Executive	47,225	47,249	24
Communities, Law & Governance	13,758	13,558	(200)
Financial Management and IS	35,210	35,210	0
Strategic and Corporate	(58,797)	(60,543)	(1,746)
Total General Fund before appropriations	344,847	345,622	775
Appropriations to/(from) reserves	(3,677)	(3,677)	0
General Fund Total	341,170	341,945	775
Area based grant	(26,018)	(26,018)	0
Net total	315,152	315,927	775
Schools Budget	1,115	658	(457)
Appropriation to/(from) DSG reserves	(1,115)	(658)	457
Total	315,152	315,927	775

Estimated projection of HRA outturn position for 2009/10 as at quarter 3

Housing revenue account	Full Year Budget £'000	Full Year Forecast £'000	Over + / Under (-) spend £'000
Housing revenue account	0	3,732	3,732
Appropriation to / (from) HRA reserves	0	(3,732)	(3,732)
Total	0	0	0