

Report for Information

Report to Mousehold Heath Conservators
21 June 2013

Item

Report of Chief Finance Officer

7

Subject Provisional Outturn 2012/13

Purpose

To advise the Conservators with a provisional revenue and capital outturn position for the Mousehold Heath Conservators budget 2012/13s.

Recommendations

That the Conservators:

- (1) note the provisional revenue and capital outturn positions; and,
- (2) determine whether to take up the option to phase the one-off pension costs.

Financial Consequences

This report states the provisional outturn position for Mousehold Heath Conservators, and the financial consequences are analysed within the body of the report.

Strategic Objective/Service Priorities

The report helps to achieve the council's corporate objective to achieve strong financial management and stability, together with the service plan priority to improve Budget Preparation, Balancing and Monitoring to provide members (and officers) with relevant accurate and timely financial information to assist them in formulating policy and allocating resources, and to enable the council's Chief Finance Officer to exercise the additional statutory responsibilities contained in the Local Government Act 2003, i.e. to advise on the robustness of estimates and adequacy of reserves, and to monitor performance against budget.

Contact Officers

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Background Documents

None

Report

- (1) The Conservators have requested that budget reports be brought to their meetings on a regular basis. Budget monitoring has been undertaken at the end of each month, and reported to Conservators quarterly.

Revenue

- (2) Appendix A details the provisional revenue outturn for Household Heath as at the end of 2012/13, and comparison of the provisional outturn against the annual budget. The previously reported (January) forecast figures are also provided for information. Where appropriate, explanations for variances are given in paragraph 3 below.
- (3) The letters preceding the explanation below cross reference with the corresponding letter in the comments column of Appendix A.
 - (i) Entries shown for FRS17/IAS19 adjustments, Depreciation, and Impairment are technical adjustments required to comply with International Financial Reporting Standards but which do not impact on the council tax (precept) requirement. As such, they are omitted from the calculation of the Conservators' balances.
 - (ii) The salary provisional outturn (excepting FRS17/IAS19 as above) is an overspend of £4.5k, in line with the forecast. This is due to unexpectedly high pension contribution costs due to a member of staff having opted to join the scheme, which was not anticipated in the budget.
 - (iii) The provisional outturn for the various works budgets is an overspend of £14.9k, showing an improvement from the previous forecast of £22.8k owing in part to:
 - financing work to the Mottram memorial from capital
 - works carried out by the council to complete the commissioning of the Fountain Ground changing rooms, charged to the capital budget (officers aim to recover these from the contractor)
 - some works highlighted in the work programme have been carried out and charged to the 2012-13 budget.
 - (iv) The actual (credit) expenditure represents the carry-forward of the balance from the 2011/12 account of the cumulative underspend against the Conservators' precept and budget.
 - (v) Support service costs and other recharges (including for the wardens' occupation of Heathgate) shows a provisional outturn of a £9.7k overspend, against the previously reported expectation that recharges would match budgets which did not properly provide for Heathgate costs.
 - (vi) The provisional outturn for grounds maintenance is an overspend of £28k. This is covered in detail in paragraphs 7-13 below.

- (4) Overall the budget report shows an overspend of £2,963 against budget, which includes the planned use of £14.6k of balances. However, in the calculation of the Conservator's balances the adjustments referred to in notes A and D above need to be applied.

Balances

- (5) The impact of the precept and forecast 2012/13 budget monitoring position (adjusted to neutralise the impact of accounting adjustments) on the Mousehold Heath balances are as follows:

Item	2012/13 £
Provisional outturn as report	182,355
Less b/fwd balances (note D)	(40,085)
= Net Spend 2012/13	222,440
Less: Depreciation & Impairment (note A)	571
Less: FRS17/IAS19 (note A)	19,357
= Net Revenue 2012/13	242,368
Less: Precept 2012/13	(181,095)
= Surplus/Deficit 2012/13	61,273
Less balance b/f from 2011/12	(40,085)
Balance c/f to 2013/14	21,188

- (6) This table shows that the deficit incurred in 2012/13 of £61k exceeds the balance brought forward of £40k, leaving a deficit balance to be carried forward of £21k.

Options

- (7) As referenced by note X, the revenue outturn for grounds maintenance shows an overspend of £28k.
- (8) This £28k represents the cost of meeting the pension liabilities of the previous contractor, whose going into administration crystallised the liability guaranteed by the council at the time of TUPE transfer of the staff to CityCare.
- (9) This pensions liability has existed, in varying amounts, since the original TUPE transfer. In normal circumstances, the liability would have been covered by the contractor through income earned from contract sums. The administration of the contractor means that this liability has to be settled immediately, rather than over future years.
- (10) The total pensions liability has been allocated pro rata to contract sums across the council, with Mousehold's share of about 1.5% giving rise to the £28k charge. The council has based this allocation on the rationale that the contract sums included the former contractor's assumptions for funding the deficit over time, and that the

contract sums at the time of procurement represented the best value obtainable and leveraged the economies of scale obtainable from a council-wide contract.

- (11) The council is mindful of the impact of the one-off charge on various budgets, including the Conservators, and is therefore offering to mitigate the impact by allowing the pension deficit cost to be spread over a 10-year period, so that the impact on balances is more comparable to the previously prevailing position.
- (12) For the Conservators' balances, the effect of taking up the offer would be to replace the one-off charge of £28,077 with ten annual charges of £2,808. This would result in a small credit balance being rolled forward into 2013/14, and permit Conservators to consider the impact on their precept over a period of years, rather than being in a position of having to address a material deficit immediately.
- (13) Should Conservators wish to take up this offer, the revenue balances position would be amended from that shown in paragraph 5 to:

Item	2012/13 £
Provisional outturn as report	182,355
Less: One-off pensions deficit cost (note X)	28,077
Less b/fwd balances (note D)	(40,085)
= Net Spend 2012/13	194,363
Less: Depreciation & Impairment (note A)	571
Less: FRS17/IAS19 (note A)	19,357
= Net Revenue 2012/13	214,291
Less: Precept 2012/13	(181,095)
= Surplus/Deficit 2012/13	33,196
Less: Balance b/f from 2011/12	(40,085)
Less: Pension cost spread over 10 years	2,808
Balance c/f to 2013/14	(4,081)

Capital

- (14) The position on capital is as follows:

Rangers House receipt	- £182,000
Changing Rooms spend 2011/12	£47,318
Changing Rooms spend 2012/13	£9,789
Mottram Memorial spend 2012/13	£6,126
Balance of receipts	- £118,767

Summary

- (15) The Conservators' financial position is less favourable than previously, owing in part to a revenue overspend in 2012/13 and in part to the impact of the pensions liability.
- (16) Conservators are therefore recommended to note this position, and to consider taking up the option to spread the pensions liability cost over time.
- (17) These issues will need to be taken into account in considering the conservators' precept for financial years 2014/15 and beyond. In the meantime, the low level (if the offer is taken up) or deficit level (if the offer is not taken up) of reserves will require officers and Conservators to maintain a tight grasp on expenditure during 2013/14.

Budget Monitoring Report

Year: 2012/13

Period 13 (EOY 2013)

421020 Household Heath Conservators		Neighbourhood Services					
Approved Budget	Current Budget	Budget To Date	Actual To Date	Variance To Date	Forecast Outturn	Forecast Variance	Note
EXPENDITURE							
Employees							
61,943	61,943	61,943	59,579	-2,364	59,795	-2,148	
3,438	3,438	3,438	7,617	4,179	7,625	4,187	
1,990	1,990	1,990	4,759	2,769	4,783	2,793	
0	0	0	-19,357	-19,357	0	0	A
374	374	374	386	12	374	0	
67,745	67,745	67,745	52,984	-14,761	72,577	4,832	B
Premises							
4,523	4,523	4,523	139	-4,384	167	-4,356	C
0	0	0	8,892	8,892	0	0	C
0	0	0	-8,892	-8,892	0	0	C
0	0	0	456	456	0	0	C
14,000	14,000	14,000	9,069	-4,931	14,000	0	C
0	0	0	16,363	16,363	19,570	19,570	C
2,000	2,000	2,000	0	-2,000	0	-2,000	C
72,054	72,054	72,054	100,131	28,077	67,000	-5,054	X
0	0	0	7,818	7,818	7,332	7,332	C
4,497	4,497	4,497	6,117	1,620	6,725	2,228	C
598	598	598	445	-153	213	-385	
750	750	750	49	-701	27	-723	
750	750	750	0	-750	0	-750	
6,850	6,850	6,850	5,758	-1,092	5,182	-1,668	
0	0	0	17	17	0	0	
0	0	0	174	174	0	0	
106,022	106,022	106,022	146,536	40,514	120,216	14,194	
Transport							
300	300	300	0	-300	0	-300	
960	960	960	1,176	216	1,091	131	
1,260	1,260	1,260	1,176	-84	1,091	-169	
Supplies & Services							
450	450	450	371	-79	366	-84	
450	450	450	462	12	365	-85	
290	290	290	0	-290	0	-290	
190	190	190	158	-32	189	-1	
300	300	300	169	-131	203	-97	
100	100	100	0	-100	0	-100	
190	190	190	133	-57	126	-64	
0	0	0	1,154	1,154	0	0	
960	960	960	999	39	1,101	141	
2,930	2,930	2,930	3,446	516	2,350	-580	
Capital Charges							
637	3,250	3,250	2,616	-634	3,250	0	A
0	0	0	-3,187	-3,187	0	0	A
637	3,250	3,250	-571	-3,821	3,250	0	
178,594	181,207	181,207	203,571	22,364	199,484	18,277	
INCOME							
Receipts							
0	0	0	-2,500	-2,500	-2,500	-2,500	
-13,000	-13,000	-13,000	-14,200	-1,200	-17,040	-4,040	
-1,800	-1,800	-1,800	-1,800	0	-2,160	-360	
-14,639	-14,639	-14,639	-40,085	-25,446	0	-25,446	D
-29,439	-29,439	-29,439	-58,585	-29,146	-21,700	-32,346	
-29,439	-29,439	-29,439	-58,585	-29,146	-21,700	-32,346	
INDIRECT							
Recharge Expenditure							
3,130	3,184	3,184	3,563	379	3,184	0	E
7,980	4,283	4,283	8,686	4,403	4,283	0	E
210	0	0	0	0	0	0	E
4,600	4,567	4,567	3,572	-995	4,567	0	E
3,034	3,034	3,034	1,657	-1,377	3,034	0	E
5,020	5,474	5,474	6,671	1,197	5,474	0	E
6,140	5,569	5,569	4,783	-786	5,569	0	E
1,730	1,513	1,513	1,456	-57	1,513	0	E
0	0	0	6,981	6,981	0	0	
31,844	27,624	27,624	37,369	9,745	27,624	0	
31,844	27,624	27,624	37,369	9,745	27,624	0	
180,999	179,392	179,392	182,355	2,963	205,408	-14,069	