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DATE: 28 June 2011

RENEWAL AND RECREATION POLICY DEVELOPMENT AND SCRUTINY COMMITTEE

Meeting to be held on Tuesday 5 July 2011

7i PROVISIONAL OUTTURN 2010/11 (Pages 3 - 14)

The Chairman to agree that the above report which was not included in the published agenda be considered as a matter of urgency in view of the need to comply with statutory duties for financial reporting.

Copies of the documents referred to below can be obtained from
www.bromley.gov.uk/meetings

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Report No.
RR11/053

London Borough of Bromley

PART 1 - PUBLIC

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Decision Maker: Renewal & Recreation Portfolio Holder

For Pre-decision scrutiny by the Renewal & Recreation PDS Committee on 5 July 2011

Date: 5 July 2011

Decision Type: Non-Urgent Executive Non-Key

Title: PROVISIONAL OUTTURN 2010/11

Contact Officer: Claire Martin, Head of Finance
Tel: 020 8313 4286 E-mail: claire.martin@bromley.gov.uk

Chief Officer: Marc Hume, Director of Renewal and Recreation

Ward: Boroughwide

1. Reason for report

This report provides the Portfolio Holder with the provisional final outturn position for 2010/11.

2. **RECOMMENDATION(S)**

2.1 The Portfolio Holder is requested to endorse the 2010/11 provisional outturn position for the Renewal & Recreation Portfolio.

Corporate Policy

1. Policy Status: Existing policy. Sound financial management
 2. BBB Priority: Excellent Council.
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Financial

1. Cost of proposal: N/A
 2. Ongoing costs: Recurring cost.
 3. Budget head/performance centre: All Renewal and Recreation Portfolio Budgets
 4. Total current budget for this head: £16.5m
 5. Source of funding: Existing revenue budgets
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Staff

1. Number of staff (current and additional): 362
 2. If from existing staff resources, number of staff hours: N/A
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Legal

1. Legal Requirement: Statutory requirement. The statutory duties relating to financial reporting are covered within the Local Government Act 1972; the Local Government Finance Act 1998; the Accounts and Audit Regulations 1996; the Local Government Act 2000 and the Local Government Act 2002
 2. Call-in: Call-in is applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The services covered in this report affect all Council Taxpayers, Business Ratepayers, those who owe general income to the Council, all staff, Members and Pensioners.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.
2. Summary of Ward Councillors comments:

3. COMMENTARY

- 3.1 The 2010/11 provisional outturn for the Renewal and Recreation Portfolio is an overspend of £2,471k. This includes variations for capital charges and inter-committee recharges of £2,607k, leaving a variance of Cr £136k against the controllable budget of £11,006k representing a 1.24% variation. This compares with a projected Cr £172k variation previously reported to the April meeting of the PDS committee. The detailed variations are shown in Appendix 1.
- 3.2 Costs attributable to individual services have been classified as “controllable” and “non-controllable” in Appendix 1. Budget holders have full responsibility for those budgets classified as “controllable” as any variations relate to those factors over which the budget holder has, in general, direct control. “Non-controllable” budgets are those which are managed outside of individual budget holder’s service and, as such, cannot be directly influenced by the budget holder in the shorter term. These include, for example, building maintenance costs and property rents which are managed by the Property Division but are allocated within individual departmental/portfolio budgets to reflect the full cost of the service. As such, any variations arising are shown as “non-controllable” within services but “controllable” within the Resources Portfolio. Other examples include cross departmental recharges and capital financing costs. This approach, which is reflected in financial monitoring reports to budget holders, should ensure clearer accountability by identifying variations within the service that controls financial performance. Members should specifically refer to the “controllable” budget variations relating to portfolios in considering financial performance. These variations will include the costs related to the recession.

4. POLICY IMPLICATIONS

- 4.1 The Resources Portfolio Plan for 2009/10 includes the aim of effective monitoring and control of expenditure within budget and includes the target that each service department will spend within its own budget.
- 4.2 Bromley’s Best Value Performance Plan “Making a Difference” refers to the Council’s intention to remain amongst the lowest Council Tax levels in outer London and the importance of greater focus on priorities.
- 4.3 The four year financial forecast report highlights the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2010/11 to minimise the risk of compounding financial pressures in future years.
- 4.4 Chief Officers and Departmental Heads of Finance are continuing to place emphasis on the need for strict compliance with the Council’s budgetary control and monitoring arrangements.

5. FINANCIAL IMPLICATIONS

5.1 The table below summarises the financial position for the controllable budget of the Renewal and Recreation Portfolio: -

SUMMARY OF VARIATION	£'000
Shortfall of building control income	177
Savings from management action within building control	(198)
Shortfall of planning income	245
Savings from management action within planning	(241)
Legal costs relating to lost appeals	81
Underspend within Portfolio Holder Initiative Fund	(53)
Underspend relating to Local Development Framework	(100)
Other variations	(47)
	<u>(136)</u>

Non-Applicable Sections:	Legal, Personnel
Background Documents: (Access via Contact Officer)	2010/11 budget monitoring files within ES finance section

Renewal and Recreation Budget Monitoring Summary

2009/10 Actuals £'000	Division Service Areas	2010/11 Original Budget £'000	2010/11 Latest Approved £'000	2010/11 Outturn £'000	Variation £'000	Notes	Variation Last Reported £'000
-270	Adult Education Centres Adult Education Centres	(336)	(286)	(291)	(5)	1	(3)
-270		(336)	(286)	(291)	(5)		(3)
-6	Planning Building Control	(167)	(121)	(142)	(21)	2	(87)
-286	Land Charges	(299)	(238)	(238)	0	3	0
1,866	Planning	1,225	1,123	1,208	85	4	60
542	Renewal	1,240	1,586	1,401	(185)	5	(172)
2,116		1,999	2,350	2,229	(121)		(199)
3,383	Recreation Culture	3,586	3,286	3,308	22	6	30
5,764	Libraries and Museums	5,278	5,280	5,251	(29)	7	0
205	Town Centre Management & Business Support	183	376	373	(3)	8	0
9,352		9,047	8,942	8,932	(10)		30
11,198	TOTAL CONTROLLABLE	10,710	11,006	10,870	(136)		(172)
3,065	TOTAL NON CONTROLLABLE	2,536	2,456	5,407	2,951	9	(7)
3,131	TOTAL EXCLUDED RECHARGES	3,034	3,057	2,713	(344)	9	0
17,394	PORTFOLIO TOTAL	16,280	16,519	18,990	2,471		(179)

Reconciliation of latest approved budget £'000

Original budget 2010/11 16,280

Review of management overheads (198)

Drawdown of contingency for building control 48

Drawdown of contingency for land charges 64

Adjustment for single status 65

Transfer of Communications post from corporate 37

Repairs & maintenance - inflation & savings adjustment (31)

Climate Change grant 22

Carry forward of Housing & Planning Delivery Grant 127

Carry forward of funds relating to the Employment (PIE) pro 50

Carry forward of one-off funding for events taking place in J 50

Economic Assessment Duty 40

Multi Function Device (MFD's) savings adjustments (47)

AAP legal challenge 60

Works to the Pavilion (48)

Latest Approved Budget for 2010/11 16,519

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Renewal & Recreation - Variations – 31 March 2011**1. Adult Education College Cr £5k**

There is an underspend of £37k against employee related budgets, mainly due to vacancies totalling £30k, £5k on training and £2k on staff advertising.

Other running expenses are showing an overall underspend of £7k made up of several small variations across several codes.

There are shortfalls of income totalling £39k. (Tuition fees £32k and £7k for refreshments and other sales).

CARRY FORWARD REQUEST

- A. This relates to the grant from the Skills Funding Agency that runs on an academic year and therefore both the funding and expenditure will run until July 2011. Request to carry forward Dr £286k and Cr £286k.

2. Building Control Cr £21k

A report was submitted to the Executive to drawdown £138k from the central contingency following changes to legislation, this has subsequently been reduced to £48k as the surplus provision (detailed below) is being used to meet the effect of the legislation changes instead.

A shortfall of income of £176k due to the current recession, is being offset by savings of £198k from management action to reduce costs, including holding 4.73fte vacant.

Part of the provision set aside for the costs of the dangerous structures relating to the plane crash site are no longer required as the insurance company has now settled the revised invoice. The balance of £74k has been written back to the building control code.

£75k surplus as shown below has been carried forward to 2011/12 in an earmarked reserve to be used to offset future building regulation charges in accordance with the formal guidance from CIPFA.

Description	Latest Approved Budget £	Actual Chargeable Costs £	Non- Chargeable Costs £	Total Spend £	Variation to Budget £
Employees & running costs	1,087,220	677,575	211,677	889,252	(197,968)
Contribution to reserve	0	75,095	0	75,095	75,095
Building Control Income	(1,208,400)	(1,028,548)	(3,313)	(1,031,861)	176,539
Other Contributions	0	0	(74,296)	(74,296)	(74,296)
Total Controllable	(121,180)	(275,878)	134,068	(141,810)	(20,630)
FRS 17 adjustments	0	63,113	21,038	84,151	84,151
Excluded recharges	172,220	212,765	(44,069)	168,696	(3,524)
Total non-controllable	172,220	275,878	(23,031)	252,847	80,627
Total Net Expenditure	51,040	0	111,037	111,037	59,997

3. Land Charges Dr £0k

An income deficit of £81k has arisen because the Government withdrew the statutory fee for personal searches in August 2010. This has been partly offset by a reduction in expenditure for staffing and running expenses as the number of personal searches reduced dramatically after this date (Cr £17k). This overspend has been funded by drawing down part of a contingency which was set aside for the likely event of the withdrawal of this statutory fee which currently has a balance of £162k.

4. Planning Dr £85k

Income from planning was £245k below budget and £121k below the actual received for 2009/10. This was an improvement on the previously projected shortfall of £265k.

Income from major applications totalled £236k, £157k less than the £393k received for 2009/10. Income generated from non-major applications totalled £681k, an increase of £36k compared to the £645k received the previous financial year.

Management action taken includes holding 3.08 fte posts vacant and reducing spend on running expenses totalling Cr £241k.

Legal costs relating to planning appeals that have been lost total £110k for 2010/11. This has been partly reduced by £29k from a surplus sundry creditor provision relating to 2009/10 appeal costs that have been reduced following successful negotiations to reduce costs by officers. The resulting overspend totals £81k and this will not be met by a drawdown of an equivalent sum from the central contingency balance of £90k as it can be contained within the overall budget of R & R.

Summary of Planning variations	Variation £'000
Effect of holding 3.04 FTE's vacant within Planning	(142)
Underspend within transport, supplies & services resulting from management action within Planning	(99)
Shortfall of income from planning fees	245
Balance of legal costs relating to lost appeals	81
Total variation	85

5. Renewal Cr £185k

Within the planning renewal section, there is an underspend within supplies and services of £32k due to management action taken to reduce costs to help offset the shortfall of income from planning applications.

CARRY FORWARD REQUESTS

- B. There is an underspend of £53k within the Portfolio Holder Initiative fund, for which a carry forward request will be submitted to the Executive. It is intended to spend this amount on Town Centre events during 2011/12 the details of which were agreed by both the Portfolio Holder and the PDS Committee in February.
- C. There is also an underspend of £100k for Local Development Framework expenditure for which a carry forward request will be submitted to the Executive to enable the consultation and evidence preparation to be undertaken during 2011/12 and 2012/13 within the deadline submitted by the Government in December 2010.

The LDF Advisory Panel 17th January 2011 agreed a revised indicative programme for the continuing preparation of the Core Strategy. This reflects the LDF timescale included in the Annual Monitoring Report submitted to Government in December 2010.

This timescale shows the first and second rounds of public consultation taking place in 2011/12 and the final round in 2012/13. In addition the preparation of the evidence base continues throughout the process, the preparation of the Infrastructure Delivery Plan to show how the Core Strategy will be implemented and other elements of the LDF will develop from the emerging Core Strategy, in particular any Site Allocations DPD, design and development control documents.

However, there are several areas of work which require funding to enable a robust Core Strategy and LDF to be prepared during the revised timescales that will mean the expenditure will not now take place until 2011/12.

6. Culture Dr £22k

There is an overspend of £22k on the grant payment to Bromley Mytime. This is as a result of the RPIX applied to the grant being higher than the amount added in to the LBB budget as part of the estimate process.

There is also an overspend of £8k on the Churchill Theatre Management Fee due to actual inflation being higher than the budgeted inflation.

This cost is partly offset by additional income from schools visiting the BEECH centre (£6k) and other minor variations totalling £2k.

7. Libraries Cr £29k

The net total outturn for this area is a £29k underspend compared to a nil variance previously reported. This is mainly due to extra rebates being received for business rates (£30k) during March.

Staffing - There is a net overspend of £64k for staffing made up of Dr £90k on officers pay mainly due to the staff turnover not being fully met, partly offset by underspends on Saturday and casual staff as well as training expenses Cr £26k.

Premises - Rate rebates for business rates have been received totalling £171k. This is offset by an overspend on the cleaning contract of Dr £15k resulting in a net variance of Cr £156k for premises costs.

Other running expenses – The book fund was frozen to offset the shortfall of income and an underspend of £99k has been achieved. This was partly offset by an overspend of £69k which relates to the payment of backdated (previously disputed) invoices relating to an internet provider. Other minor underspends of £8k were made up of minor variations in other budgets giving a net underspend of £22k for running expenses.

Due to the economic climate there are shortfalls of income of £85k mainly from hire charges for DVDs/CDs of £35k, photocopying charges £13k, contributions from other local authorities £25k and other income streams £12k.

8. Town Centre Management & Business Support Cr £3k

An underspend on staffing of £9k due to vacancies during part of the year is partly reduced by additional expenditure incurred for equipment £6k.

9. Non-controllable variations Dr £2,607k

A breakdown of the Dr £2,607k variation in non-controllable budgets is shown in the table below: -

Non-controllable Variations	£'000	£'000
Non-controllable budgets		
FRS17 adjustments	1,147	
Landlord repairs and maintenance	(270)	
Insurance	2	
Capital Charges	2,079	
Property Rental Income	<u>(7)</u>	2,951
Excluded Recharges		
Support Service recharges	(206)	
Admin Buildings	(105)	
Computer charges	(58)	
Other net recharges	<u>25</u>	(344)
		<u><u>2,607</u></u>

Explanations for these variations are: -

FRS17 adjustments Dr £1,147k

An actuarially assessed adjustment to the employer's pension fund contribution is required to be made under FRS17. This is to reflect the Current Service Cost (the cost of the extra accrual of benefit for active members net of employee contributions, based on assumptions at the start of the year) in our accounts rather than the actual employer contributions. This has resulted in an overall variation of Dr £1,147k for this portfolio.

Variation in repairs and maintenance Cr £270k

For operational reasons and client unit requirements a number of repair and maintenance projects that were scheduled for completion by 31 March 2011 will not be complete until sometime later in 2011. A carry forward request has been made for £748k to continue funding on-going works in the new financial year.

The Property and Finance Sub-Committee in December 2001 agreed for a carry forward to be made at the end of each financial year of revenue underspends on landlord building maintenance on the basis that the Chief Property Officer will continue to seek to contain total expenditure within approved annual budgets.

Insurances Dr £2k

Insurance recharges are partly based on actual premiums paid in the year and partly on the actual claim payments made. While the premium-based element is known in advance and does not produce significant variations, the claims-based element can vary significantly between years. This has resulted in an overall variation of Dr £2k for this portfolio.

Variation in capital charges, etc Dr £2,079k.

Various entries relating to capital expenditure and fixed assets are required to be charged to service revenue accounts, although it is important to note that these are all reversed out and are therefore cost-neutral.

These comprise:

- Depreciation – variations in the charge for the depreciation of fixed assets arise from revaluations carried out during the year. This has resulted in an overall variation of Dr £74k for this portfolio.
- Revenue expenditure funded by capital under statute - capital expenditure on assets over which the Council has no direct control or which does not add value to the Council's fixed asset base is shown as a charge to revenue services. Variations mainly arise due to re-phasing of expenditure between years or as the result of new

APPENDIX 1

expenditure / grant funding. This has resulted in an overall variation of Dr £1,074k for this portfolio.

- Fixed asset impairment – all of the Council's fixed assets are re-valued by the Property Division at least every 5 years and an impairment charge is made to revenue services in respect of downward revaluations. These revaluations are completed towards the end of the financial year and no budgetary provision is made for them. Impairment losses totalling Dr £931k have been charged to this portfolio.

Variation in rental income Cr £7k:

For information here, the variations relate to a small surplus within property rental income budgets across the division. Property department are accountable for these variations.

Excluded recharges Cr £344k

Variations in cross-departmental recharges are offset by corresponding variations within other portfolio budgets and have no impact on the overall position.

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