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<b>Report To:</b>	<b>Regeneration Committee</b>	<b>Date</b> 1 September 2011
<b>Report By:</b>	<b>Chief Financial Officer and Corporate Director Regeneration and Environment</b>	<b>Report No:</b> FIN/78/11/AP/MMcC
<b>Contact Officer:</b>	<b>Mary McCabe</b>	<b>Contact No:</b> 01475 712222
<b>Subject:</b>	<b>2011/12 Revenue Budget – Period 3 to 30 June 2011 Building Services Trading Account</b>	

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## **1.0 PURPOSE**

- 1.1 To advise Committee of the Building Services Trading Account 2010/11 Revenue Budget out-turn and the 2011/12 position at Period 3 to 30 June 2011.

## **2.0 SUMMARY**

- 2.1 In 2010/11 the Building Services Trading Account achieved cash surplus of £279,000, £26,000 above target. The statutory out-turn after taking account of capital charges and IAS19 pension costs was a surplus of £85,000 resulting in Building Services achieving their statutory target.
- 2.2 The Committee should note that over the statutory three year rolling period Building Services have returned a net surplus of £226,000
- 2.3 The Building Services cash target for 2011/12 is £239,000 and its statutory target is £97,000. The statutory target assumes IAS19 pension costs based on the last 3 years average, however, it should be noted that these were significantly higher in 2010/11. The current projection is a cash deficit of £36,000, instead of a budgeted surplus of £239,000. This is an overspend on budget of £275,000. Once statutory costs are accounted for the deficit is £178,000.

## **3.0 RECOMMENDATIONS**

- 3.1 The Committee notes the 2010/11 out-turn and the current position of the Building Services Trading Account for 2011/12 as at 30 June 2011.

Alan Puckrin  
Chief Financial Officer

Aubrey Fawcett  
Corporate Director  
Regeneration & Resources

#### **4.0 BACKGROUND**

- 4.1 The purpose of the report is to advise Committee of the current position of the 2011/12 budget as well as the 2010/11 out-turn.

#### **5.0 2010/11 – OUT-TURN**

- 5.1 In 2010/11 the Building Services Trading Account achieved a cash surplus of £279,000, £26,000 above its cash target. The statutory out-turn after taking into account capital charges and IAS19 pension costs was a £85,000 surplus, resulting in the Service achieving its statutory target over the 3 year rolling period.
- 5.2 There was a £6,000 increase in spend in 2010/11 from what had been projected at Committee in May 2011. This is mainly due to an increase of £20,000 in Supplies and Services as a result of an increase in subcontractors costs partly offset by a number of minor variances.

#### **6.0 2011/12 – CURRENT POSITION**

- 6.1 As can be seen from Appendix 1 a cash deficit of £36,000 instead of a budgeted surplus of £239,000 is projected. This is an overspend on budget of £275,000. The reason for this shortfall is due to the loss of the Riverclyde Homes Internal Refurbishment Framework Contract. The impact of the loss of this contract and the subsequent action required is subject to a separate report by the Head of Property Assets and Facilities Management within this agenda.
- 6.2 The current position includes £350,000 of income for work that the Service estimates could be secured, however, much of this work requires to be won in competition and is not certain.
- 6.3 The current position includes an estimate for subcontractors costs based on the loss of the River Clyde Homes contract and the current level of costs to 30 June 2011. This, however, could be more or less depending on the type of work Building Services carry out over the coming months.
- 6.4 The material variances included in the current projected overspend of £275,000 are detailed in Appendix 2.

#### **7.0 VIREMENTS**

- 7.1 There are no virement requests as at Period 3.

## 8.0 IMPLICATIONS

### 8.1 Financial

The current projected cash deficit out-turn is:-

2010/11	Service	Revised Budget 2011/12	Projected Out-turn 2011/12	Projected Over/(under) Spend
(279)	Building Services	(239)	36	275

### 8.2 Equalities

There are no equality issues arising from this report.

## 9.0 CONSULTATIONS

9.1 This report has been jointly prepared by the Chief Financial Officer and Corporate Director, Regeneration and Resources.

**BUILDING SERVICES TRADING ACCOUNT****REVENUE BUDGET MONITORING REPORT****PERIOD 3: 1st April 2011 - 30 June 2011**

2009/10 Actual £000	2010/11 Actual £000	Subjective Heading	Approved Budget 2011/12 £000	Revised Budget 2011/12 £000	Projected Out- turn 2011/12 £000	Projected Over/(Under) Spend £000
YR 1	YR 2		YR 3	YR 3		
1,438	1,357	EMPLOYEE COSTS	1,426	1,426	1,186	(240)
27	13	PROPERTY COSTS	54	54	39	(15)
1,502	1,533	SUPPLIES AND SERVICES	1,262	1,262	635	(627)
149	81	TRANSPORT AND PLANT	77	97	84	(13)
122	114	ADMINISTRATION COSTS	108	108	120	12
9	7	OTHER EXPENDITURE	35	35	11	(24)
(3,403)	(3,384)	INCOME	(3,221)	(3,221)	(2,039)	1,182
<b>(156)</b>	<b>(279)</b>	<b>BUILDING SERVICES NET EXPENDITURE - CASH TARGET</b>	<b>(259)</b>	<b>(239)</b>	<b>36</b>	<b>275</b>
46	131	CAPITAL CHARGES	130	130	130	0
(9)	63	FRS17 PENSION COSTS	12	12	12	0
<b>(119)</b>	<b>(85)</b>	<b>BUILDING SERVICES STATUTORY POSITION</b>	<b>(117)</b>	<b>(97)</b>	<b>178</b>	<b>275</b>

**BUILDING SERVICES TRADING ACCOUNT****REVENUE BUDGET MONITORING REPORT****MATERIAL VARIANCES****PERIOD 3: 1st April 2010 - 30 June 2011**

<u>Out Turn</u> <u>2009/10</u> <u>£000</u>	<u>Out Turn</u> <u>2010/11</u> <u>£000</u>	<u>Budget</u> <u>Heading</u>	<u>Budget</u> <u>2011/12</u> <u>£000</u>	<u>Proportion</u> <u>of Budget</u> <u>£000</u>	<u>Actual to</u> <u>30-Jun-11</u> <u>£000</u>	<u>Projection</u> <u>2011/12</u> <u>£000</u>	<u>(Under)/Over</u> <u>Budget</u> <u>£000</u>	<u>Percentage</u> <u>Variance</u> <u>%</u>
1,100	1,025	Wages	1,083	205	180	876	(207)	(19)
338	330	Salaries	343	66	79	310	(33)	(10)
391	426	Direct Purchases	411	103	31	241	(170)	(41)
0	1	Bulk Stock Purchases	12	3	0	1	(11)	(92)
1,089	1,084	Sub - Contractors	819	205	108	373	(446)	(54)
59	0	External Hires	18	5	0	7	(11)	(61)
8	7	Other Expenditure	35	8	0	10	(25)	(71)
(481)	(279)	Internal Recharges	(223)	(56)	0	(279)	(56)	25
(462)	(414)	Work Won in Tender	(438)	(109)	0	(453)	(15)	3
(1,606)	(1,858)	External Income/other income	(1,727)	(432)	0	(474)	1,253	(73)
<b>Total Material Variances</b>							<b>279</b>	