

Report To: Regeneration Committee **Date:** 8 March 2012

Report By: Chief Financial Officer and **Report No:** FIN/16/12/AP/MMCC
Corporate Director Regeneration
and Environment

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Subject: 2011/12 Revenue Budget – Period 9 to 31 December 2011
Building Services Trading Account

1.0 PURPOSE

- 1.1 To advise Committee of the 2011/12 Revenue Budget position of the Building Services Trading Account at Period 9 to 31 December 2011.

2.0 SUMMARY

- 2.1 The Building Services revised cash target for 2011/12 is an £89,000 surplus which results in a statutory out-turn of £53,000 deficit. 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 £62,000, instead of a budgeted surplus of £89,000. This is an overspend on budget of £151,000.
- 2.2 The Committee is aware that Building Services are undertaking a voluntary severance trawl to reduce the workforce to better reflect future workload. The costs incurred will be scored against the 2011/12 performance and will further significantly increase this year's deficit. Subject to final approval, packages have been accepted by 9 staff and the cost of these releases is detailed in Appendix 3 later in the agenda. The outcome of the Voluntary Severance trawl and definitive costs will be reported to the Policy and Resources Committee on 27 March 2012 by the Head of Organisational Development, Human Resources and Performance.
- 2.3 As previously advised Committee should note that Building Services have a requirement to break even against the Statutory Target on a rolling three year basis. On the basis of the figures included in this report the Building Services Unit will achieve an exact breakeven position. However, the impact of the workforce reduction highlighted above will mean that the Building Services Unit will not achieve its Statutory Target in 2011/12. This matter has been highlighted to the Council's External Auditors who are seeking assurances that the Council are taking appropriate steps to ensure an ongoing viable entity. On this basis, it is intended that a 3 year business plan be produced and presented to Members at a future Committee meeting.

3.0 RECOMMENDATIONS

- 3.1 The Committee notes the current position of the Building Services Trading Account for 2011/12 as at 31 December 2011.
- 3.2 The Committee notes that a 3 year business plan will be presented to a future meeting of this Committee.

Alan Puckrin
Chief Financial Officer

Aubrey Fawcett
Corporate Director
Regeneration & Environment

4.0 BACKGROUND

4.1 The purpose of this report is to advise Committee of the current position of the 2011/12 budget at Period 9 to 31 December 2011 and to highlight the main issues contributing to the projected overspend.

5.0 2011/12 – CURRENT POSITION

5.1 As can be seen from Appendix 1 there is a projected cash deficit of £62,000 against a budgeted surplus of £89,000. There has been no net movement in the projected surplus since the previous Committee, however, there have been movements within the overall budget. This is detailed in Appendix 2 and the main reasons explained below.

(a) Employee Costs

There is a projected £12,000 increase in employee costs mainly due to final payments being made to an employee retiring due to ill health and an increase in overtime due to call outs over the Christmas period and recent storms.

(b) Supplies and Services

There has been a reduction in projected spend of £14,000 within Supplies and Services mainly due to a projected decrease in Subcontractors costs of £24,000, offset by a reduction in income. The previous projection included a £10,000 underspend within Tools and Equipment, Re-investment of Surplus and Materials. This is now projected on line with budget due to the purchase of a graffiti removal machine, works carried out to the dust extraction system and a minor increase in material costs.

(c) Income

The current projection for overall income is in line with the previous projection, however, the income streams have changed as noted below:

- i. Work Won in Tender – The previous projection was £766,000 and the current projection is £709,000, a reduction in income of £57,000. The previous projection was based on estimated values of potential tendered type works identified as being suitable for the Building Services Unit to undertake. However, once the full scope of works was identified the actual cost of the projects was less than the estimated values. It should be noted that the projection includes works that have not yet started and the current projection could reduce further if these works are not progressed before the year end.
- ii. Central Repairs – The previous projection was £783,000 and the current projection is £887,000, an increase in income of £104,000. The service has gained additional income due to an increase in repairs following the recent storms.
- iii. Income from Other Services - The previous projection was £217,000 and the current projection is £186,000, a decrease in income of £31,000. This is based on the current level of work available, however, this could change before the year end.
- iv. External Income – The previous projection was £173,000 and the current projection is £156,000, a reduction in income of £17,000. This is due to less void work being available from River Clyde Homes and potential works envisaged from Care and Repair being slower than anticipated.

5.2 As previously advised the current position includes £168,000 of income for works in excess of £50,000 as approved by the CMT on the 6 October 2011.

5.3 The material variances included in the current projected overspend of £151,000 are detailed in Appendix 2.

5.4 Committee should note that Building Services have a requirement to break even against the Statutory Target on a rolling three year basis. On the basis of the figures included in this report the Building Services Unit will just achieve a breakeven position. However, the impact of the workforce reduction highlighted above will mean that the Building Services Unit will not achieve its Statutory Target in 2011/12.

6.0 VIREMENTS

6.1 There are no virement requests as at Period 9.

7.0 IMPLICATIONS

7.1 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	(89)	62	151

It should be noted that although the current projected overspend is £151,000, this overspend will increase due to the cost of the workforce reduction exercise. This will result in the Trading Account failing to achieve its Statutory Target in 2011/12. This matter has been highlighted to the Council's External Auditors who are seeking assurances that the Council are taking appropriate steps to ensure an ongoing viable entity. On this basis, it is intended that a 3 year business plan be produced and presented to Members at a future Committee meeting.

7.2 Equalities

There are no equality issues arising from this report.

8.0 CONSULTATIONS

8.1 This report has been jointly prepared by the Chief Financial Officer and Corporate Director Regeneration and Environment.

BUILDING SERVICES TRADING ACCOUNT
REVENUE BUDGET MONITORING REPORT
PERIOD 9: 1st April 2011 - 31st December 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	1,197	(229)
27	13	PROPERTY COSTS	54	54	36	(18)
1,502	1,533	SUPPLIES AND SERVICES	1,262	1,262	622	(640)
149	81	TRANSPORT AND PLANT	77	97	76	(21)
122	114	ADMINISTRATION COSTS	108	108	107	(1)
9	7	OTHER EXPENDITURE	35	35	11	(24)
(3,403)	(3,384)	INCOME	(3,221)	(3,071)	(1,987)	1,084
(156)	(279)	BUILDING SERVICES NET EXPENDITURE - CASH TARGET	(259)	(89)	62	151
46	131	CAPITAL CHARGES	130	130	130	0
(9)	63	IAS19 PENSION COSTS	12	12	12	0
(119)	(85)	BUILDING SERVICES STATUTORY POSITION	(117)	53	204	151

* The Revised Budget 2011/12 reflects an increase of £150,000 due to virement from the Safe, Sustainable, Communities Committee approved on 23 October 2011 and a £20,000 increase in Transport & Plant due to the realignment of these budgets carried out after the base budget was agreed.

BUILDING SERVICES TRADING ACCOUNT**REVENUE BUDGET MONITORING REPORT****MATERIAL VARIANCES****PERIOD 9: 1st April 2011 - 31st December 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>31-Dec-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	786	650	882	(201)	(19)
338	330	Salaries	343	250	232	315	(28)	(8)
391	426	Direct Purchases	411	308	175	260	(151)	(37)
0	1	Bulk Stock Purchases	12	9	0	1	(11)	(92)
1,089	1,084	Sub - Contractors	819	614	269	340	(479)	(58)
59	0	External Hires	11	10	0	0	(11)	(100)
8	7	Other Expenditure	35	26	0	11	(24)	(69)
(481)	(279)	Income from Other Services	(223)	(167)	(202)	(186)	37	(17)
(462)	(414)	Income Won in Tender	(438)	(328)	(354)	(709)	(271)	62
(802)	(758)	Income from Central Repairs	(783)	(587)	(850)	(887)	(104)	13
(1,606)	(1,858)	External Income	(1,577)	(1,183)	(129)	(156)	1,421	(90)
Total Material Variances							178	