
Report To:	Environment and Regeneration Committee	Date 30 August 2012
Report By:	Chief Financial Officer and Corporate Director Environment, Regeneration and Resources	Report No: FIN/59/12/AP/MMc
Contact Officer:	Mary McCabe	Contact No: 01475 712222
Subject:	2012/13 Revenue Budget – Period 3 to 30 June 2012 Building Services Trading Account	

1.0 PURPOSE

- 1.1 To advise Committee of the Building Services Trading Account 2011/12 Revenue Budget out-turn and the 2012/13 position at Period 3 to 30 June 2012.

2.0 SUMMARY

- 2.1 In 2011/12 the Building Services Trading Account out-turn was a cash deficit of £313,000, £377,000 below the revised target of £64,000 surplus. The statutory out-turn after taking account of capital charges and IAS19 pension costs was a deficit of £437,000 resulting in Building Services not achieving their 3 year statutory target.
- 2.2 The period 9 projected out-turn was an overspend on budget of £150,000. The Committee was previously advised that Building Services were undertaking a voluntary severance trawl to reduce the workforce to better reflect future workload and that this would significantly increase the overspend. Redundancy and strain on the fund costs totalling £424,000 are included in the cash deficit of £313,000. The out-turn excluding these costs was a net reduction in costs of £197,000 from the projected at period 9. This is mainly due to an increase in income and is further explained in paragraphs 5.1 and 5.2.
- 2.3 The Committee should note that over the statutory three year rolling period Building Services have returned a net deficit of £230,000.
- 2.4 The Building Services cash target for 2012/13 is a £121,000 surplus which would result in a statutory surplus of £28,000. The statutory position assumes a reduction in IAS19 pension costs and capital charges due to reduced number of employees and vehicles. The current projection is a cash surplus of £93,000, against a budgeted surplus of £121,000. This is an overspend on budget of £28,000. Once statutory costs are accounted for a breakeven position is projected.
- 2.5 As previously advised Committee should note that the Building Services STO has 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 Trading Account, as in 2011/12, will not achieve its Statutory Target in 2012/13. A 3 year business plan is currently being produced and is due to be presented to this Committee meeting.

3.0 RECOMMENDATIONS

- 3.1 The Committee notes the 2011/12 out-turn and the current position of the Building Services Trading Account for 2012/13 as at 30 June 2012.

Aubrey Fawcett
Corporate Director
Environment, Regeneration &
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Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 The purpose of the report is to advise Committee of the current position of the 2012/13 budget as well as the 2011/12 out-turn.

5.0 2011/12 – OUT-TURN

The Building Services 2011/12 out-turn is:-

	Revised Budget 2011/12 £000	Out-turn 2011/12 £000	Variance to Budget £000	Movement since P9 Projection £000
Net Expenditure –Cash Target (excl Redundancy Costs)	(64)	(111)	(47)	(173)
Net Expenditure –Cash Target (incl. Redundancy Costs)	(64)	313	377	251
Capital Charges	130	106	(24)	(24)
IAS19 Pension Costs	12	18	6	6
Statutory Position	78	437	359	233

5.1 In 2011/12 the Building Services Trading Account revised cash target was a surplus of £64,000 and it was projected at period 9 Committee that there would be a £150,000 overspend. The Committee was previously advised that the projected overspend did not include costs incurred as a result of the voluntary service trawl which would significantly increase the overspend. The Building Services 2011/12 out-turn excluding redundancy costs was a cash surplus of £111,000, £47,000 above its cash target, and a net reduction in spend of £197,000 from what was previously reported at period 9, the reasons for which are explained in 5.2 below. After redundancy costs are included the out-turn is a cash deficit of £313,000. The statutory out-turn after taking into account capital charges, IAS19 pension costs and redundancy payments was a £437,000 deficit, resulting in the Building Services Trading Account not achieving its statutory target over the 3 year rolling period.

5.2 Excluding redundancy costs there was a £59,000 decrease in spend and a £138,000 increase in income from what was projected at Committee in March 2012. This was mainly due to there being more work available than anticipated, partly due to storm damage over the winter period and an increase in work carried out for other Services. There was also a decrease in materials and subcontractors costs of £33,000 due to the type of work being carried out being more labour intensive than had been anticipated at Period 9.

6.0 2012/13 – CURRENT POSITION

6.1 As can be seen from Appendix 1 there is a projected cash surplus of £93,000 against a budgeted surplus of £121,000, a projected overspend of £28,000. The variances are detailed in Appendix 2 and the main reasons explained below.

(a) Employee Costs

There is a projected £15,000 overspend on employee costs. This is due to an increase in costs of £25,000 resulting from 2 employees being retained from April to July 2012, off-set by a £10,000 reduction in costs mainly due to a reduction in overtime.

(b) Supplies and Services

There is a projected overspend on material costs of £18,000 offset by a projected underspend in subcontractors of £15,000 based on the previous years spend profile. However, this could vary depending on the type of work carried out in 2012/13 and the Committee will be updated in future periods.

(b) Income

The current projection is a decrease of £10,000 in PAT testing income due to new contract arrangements and in line with the previous years out-turn. The following should also be noted.

- I. Work won in Tender – The current projection is in line with budget, however, much of this work requires to be negotiated and is not certain. The Committee will be updated in future reports.
- II. Central Repairs – The current projection is in line with budget and the Service anticipates this target could be achieved; however, this will be dependant on suitable work being available throughout the year. Again the Committee will be updated in future reports.
- III. Income from Other Services – The current projection is in line with budget but it should be noted that this is dependent on the type of work that becomes available throughout the year.

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:-

2011/12	Service	Revised Budget 2012/13 £000	Projected Out-turn 2012/13 £000	Projected Over/(under) Spend £000
313	Building Services	(121)	(93)	28

As previously advised Committee should note that the Building Services STO has 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 Trading Account will not break even over the 3 year period. A 3 year business plan is currently being produced and is due to be presented to this Committee meeting.

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 Environment, Regeneration and Resources.

BUILDING SERVICES TRADING ACCOUNT**REVENUE BUDGET MONITORING REPORT****PERIOD 3: 1st April 2012 - 30th June 2012**

2010/11 Actual £000	2011/12 Actual £000	Subjective Heading	Approved Budget 2012/13 £000	Revised Budget 2012/13 £000	Projected Out- turn 2012/13 £000	Projected Over/(Under) Spend £000
YR 1	YR 2		YR 3	YR 3		
1,357	1,645	EMPLOYEE COSTS	834	834	849	15
13	23	PROPERTY COSTS	37	37	37	0
1,533	590	SUPPLIES AND SERVICES	444	444	447	3
81	73	TRANSPORT AND PLANT	58	58	58	0
114	104	ADMINISTRATION COSTS	107	107	107	0
7	3	OTHER EXPENDITURE	11	11	11	0
(3,384)	(2,125)	INCOME	(1,612)	(1,612)	(1,602)	10
(279)	313	BUILDING SERVICES NET EXPENDITURE - CASH TARGET	(121)	(121)	(93)	28
128	106	CAPITAL CHARGES	81	81	81	0
63	18	IAS19 PENSION COSTS	12	12	12	0
(88)	437	BUILDING SERVICES STATUTORY POSITION	(28)	(28)	0	28

BUILDING SERVICES TRADING ACCOUNT**REVENUE BUDGET MONITORING REPORT****MATERIAL VARIANCES****PERIOD 3: 1st April 2012 - 30th June 2012**

<u>Out Turn</u> <u>2010/11</u> <u>£000</u>	<u>Out Turn</u> <u>2011/12</u> <u>£000</u>	<u>Budget</u> <u>Heading</u>	<u>Budget</u> <u>2012/13</u> <u>£000</u>	<u>Proportion</u> <u>of Budget</u> <u>£000</u>	<u>Actual to</u> <u>30-Jun-12</u> <u>£000</u>	<u>Projection</u> <u>2012/13</u> <u>£000</u>	<u>(Under)/Over</u> <u>Budget</u> <u>£000</u>	<u>Percentage</u> <u>Variance</u> <u>%</u>
1,025	882	Wages	604	118	130	619	15	2
426	242	Direct Purchases	164	41	31	182	18	11
1,084	325	Sub - Contractors	260	65	64	245	(15)	(6)
(73)	(21)	Income - PAT Testing	(40)	(10)	0	(30)	10	0
Total Material Variances							28	