

## Resources Scrutiny Panel – 20 July 2006

### Finance and Resources Portfolio (Estates) – Fourth Quarter 2005/06 Performance Monitoring and Financial Outturn

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#### Purpose of the Report

The Scrutiny Panel is asked to consider the information in this report as part of its role in holding the Finance and Resources Portfolio Holder to account.

This report forms part of the regular quarterly monitoring of Portfolio and Business Plan objectives that are presented to Scrutiny Panels.

#### Links to the Corporate Strategy

The Corporate Strategy places emphasis on strong performance management. This report forms part of the quarterly performance and monitoring processes, designed to check progress being made against agreed targets.

‘Working better’ to deliver services efficiently and effectively, setting targets and monitoring progress against those targets and to continue to demonstrate high standards in managing the taxpayers’ money.

#### Executive Summary

This report notes the position regarding commercial property arrears and voids as at 15 March 2006 and related information regarding void property.

The report also provides an opportunity for Members to scrutinise the 2005/06 outturn figures for the Estates Division that fall within the responsibilities of the Finance and Resources Portfolio Holder. Although by the time this report is considered the full Statement of Accounts for the City Council will have been formally approved, the Scrutiny Panel is particularly asked to consider whether

- there are any particular areas of over or under spending that it wishes to pursue or
- there are issues of value for money it wishes to raise

The external auditors to the Council (PricewaterhouseCoopers) will be reporting to Principal Scrutiny Committee in the autumn when they have completed their audit, but at this stage there are no issues outstanding.

A list of definitions is given in Appendix 3 of some of the terms that have been used in the financial tables in the Appendices to this report

#### Recommendation

That the Scrutiny Panel

- provides comments to Cabinet on the outturn figures appended to this report and
- identifies any issues that it particularly wishes to probe further

## Background Documents

Working papers in Estates Division

## Appendices

Appendix 1: Summary of Commercial Arrears and Void Properties

Appendix 2: Financial Outturn 2005/06

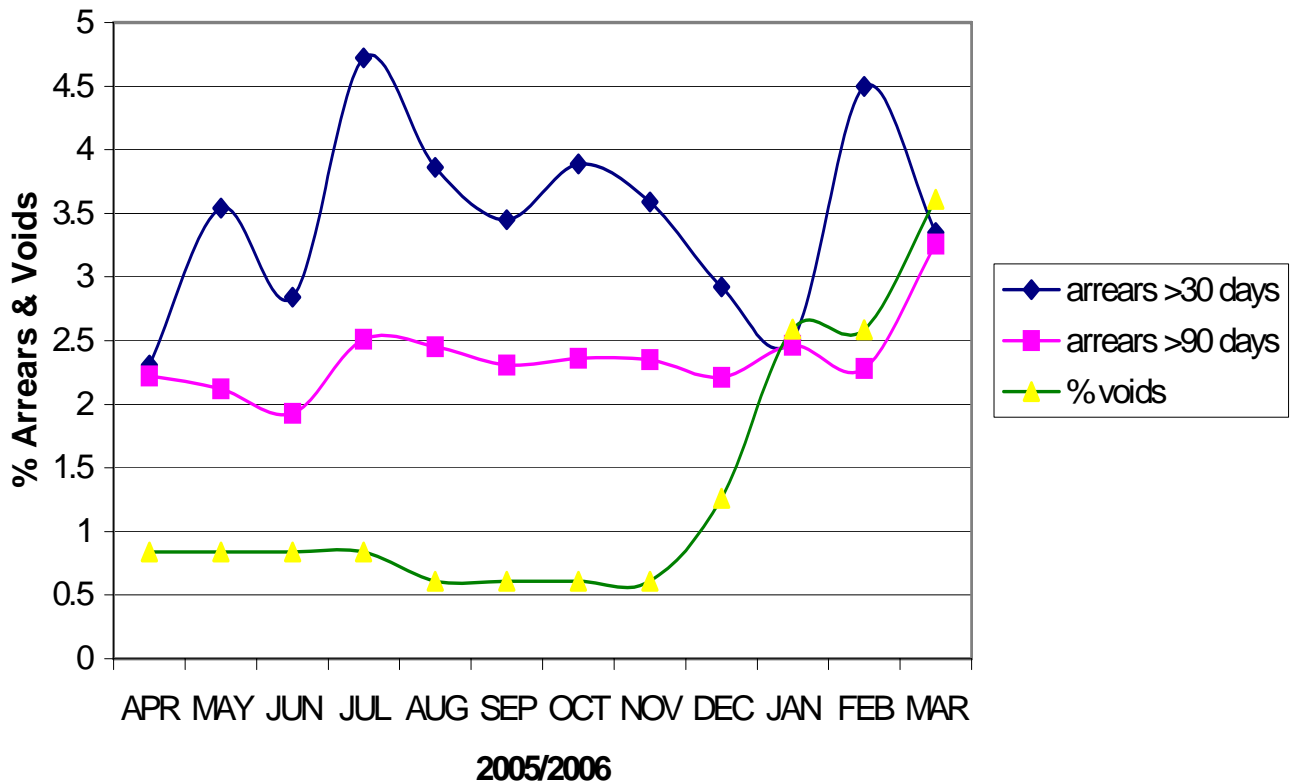
Appendix 3: List of financial terms and definitions

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**Report of Chief Estates Officer**1. Summary of Commercial Arrears

- 1.1. The commercial arrears and voids performance is detailed in the table and graph below. Although the arrears of more than 30 days and 90 days appears to have jumped significantly, this was due to one late payment of £27,500 which has proved to be a technical hiccup only, and has since been dealt with.

	<u>As at 15/03/06</u>	<u>As at 17/01/06</u>	<u>Target</u>
Arrears > 30 days	<b>£77,142</b>	£57,645	
% Arrears > 30 days	<b>3.35%</b>	2.51%	
6 Monthly moving Average 30+ days	<b>3.46%</b>	3.37%	3.5%
% Arrears > 90 days	<b>3.30%</b>	2.46%	
% Voids	<b>3.61%</b>	2.59%	<1%

**ARREARS & VOIDS AS A PERCENTAGE OF COLLECTABLE**

**2. Void Properties**

2.1 Void properties have increased. However, several properties have tenants arranged and leases are being prepared. The remaining properties are being marketed.

<b>Property</b>	<b>Property Type</b>	<b>Estimated Rental Value</b>	<b>Comments</b>
Durngate House	House/Office	£5,000	As previously advised, agreed in principle to let to The Trinity Centre who are seeking funds and planning approval.
Bank House, Bishops Waltham	Office	£9,000	Proposed tenant of ground floor nearing legal completion and anticipate occupation by end of the month. Proposed tenant for second floor withdrew, Agents recently advised that an accountant is interested – awaiting confirmation.
152 High Street, Winchester	Retail Shop	£30,500	Lease in process of being completed.
57 Romsey Road, Winchester	Residential	£7,500	Proposed tenancy with Stonham Housing Association still progressing.
West Hill Cemetery Lodge	Residential	£7,500	The University of Winchester changed their decision and are due to occupy and commence paying rent later this month.
14 St Clement St, Winchester	Office	£18,500	Tenant left November 2005 as end of Tenancy. However, paid rent up to February 21 as property not available to rent until dilapidations carried out. Marketing for new tenant already commenced.
22 Mitford Road, Alresford	Retail Shop	£5,000	Re-entry on 02/03/06. Property marketing being arranged.

Estates Division Financial Outturn 2005/06

1. Appendix 2 (pages 5 and 6) set out the financial outturn for the Estates Division which is showing an underspend of £509,061. Significant variances are explained as follows:

**Service Summary**

- a) General Fund Property shows a favourable variance of £487,049 of which £265,764 relates to additional income than was included in the budgets received from General Fund Property rents for the year. A further £130,000 relates to capital financing charges for Athelstan House not being required in the accounts following the property transferring from General Fund Property to Operational Property when it become used for City Council staff for office accommodation.

**Subjective Summary**

- a) Employees shows an underspend of £30,721 which relates to savings accrued during the year from vacant posts including that of the Estates Valuer and Property Maintenance and Repairs Assistant.
- b) Premises shows an underspend of £50,568 which relates to a reduction in the amount spent on repairs to General Fund Property during the year.
- c) Supplies and Services shows an overspend of £117,424 of which £78,000 relates to consultancy costs incurred during the year for work on the Silver Hill project which have been recovered from the developer and is shown under External Income.
- d) Capital Financing Costs shows an underspend of £124,550 which arises from the depreciation charge of £130,000 relating to Athelstan House not being made in the final accounts as budgeted for following the property transferring from General Fund Property to Operational Property after it was occupied for City Council staff for office accommodation.
- e) External Income shows a favourable variance of £413,405 of which £78,000 relates to income recovered from the developer for consultant's costs for work on the Silver Hill project. A further £265,764 relates to additional income than was included in the budgets from General Fund Property rents for the year and also includes back dated rent for properties where the rent has increased following a rent review. A further £70,000 relates to income received from the developer for the sale of a Right of Access as part of a development in West Meon.

<b>Service Summary</b>						
Description  (1)	<b>2005/06 Annual Budget</b>  £ <b>(2)</b>	April to March			Budget Officer	Explanation of main variances
		Working Budget  £ (3)	Actual Expenditure  £ (4)	Variance  £ (5)		
Estates Trading Account	<b>323,880</b>	336,690	307,592	(29,098)	Tony Langridge	Increased income from GF Property rents
Trading Account Recharged	<b>(323,880)</b>	(334,860)	(307,592)	27,268		
Net Cost / Credit	<b>0</b>	1,830	0	(1,830)		
General Fund Property	<b>(910,030)</b>	(361,550)	(848,599)	(487,049)	Tony Langridge	
Local Christmas Lights	<b>18,650</b>	35,760	15,642	(20,118)	Tony Langridge	
Facilities Management	<b>0</b>	0	0	0	Facilities Manager	
Accommodation	<b>310</b>	310	246	(64)	Facilities Manager	
Net Cost / Credit	<b>(891,070)</b>	(323,650)	(832,711)	(509,061)		

<b>Subjective Summary</b>					
Description	2005/06 Annual Budget	April to March			Explanation of main variances
		Working Budget	Actual Expenditure	Variance	
(1)	£ (2)	£ (3)	£ (4)	£ (5)	
Employees	<b>281,220</b>	295,170	264,449	(30,721)	Salary savings: Valuer and Property Maintenance Assistant
Premises	<b>735,940</b>	860,870	810,302	(50,568)	Reduction in the amount of property maintenance carried out during the year
Transport	<b>13,540</b>	15,730	15,127	(603)	
Supplies and Services	<b>91,480</b>	112,720	230,144	117,424	
Third Party Payments	<b>0</b>	0	3,870	3,870	
Management Overheads	<b>500,210</b>	628,910	587,283	(41,627)	
Capital Financing	<b>1,512,310</b>	1,870,840	1,746,290	(124,550)	Depreciation charge for Athelstan House
Total Expenditure	<b>3,134,700</b>	3,784,240	3,657,465	(126,775)	
External Income	<b>(2,192,710)</b>	(2,192,710)	(2,606,115)	(413,405)	Increase in income from GF Property rents
Recharges to Services	<b>(1,728,370)</b>	(1,812,320)	(1,716,162)	96,158	
Total Income	<b>(3,921,080)</b>	(4,005,030)	(4,322,277)	(317,247)	
Net Transfers to/(from) Reserves	<b>(104,690)</b>	(102,860)	(167,899)	(65,039)	
Net Cost / Credit	<b>(891,070)</b>	(323,650)	(832,711)	(509,061)	

### Financial Definitions

1. A glossary of financial terms is included on pages 9.5 to 9.8 of the Budget Book 2006/07, but some common expressions used in the financial tables of this report are shown below.
  - 1.1 Annual Budget – Budget approved by the Council in February 2005 as part of setting the Council Tax for 2005/06.
  - 1.2 Working Budget – Original budget revised to take account of changes that have happened during the year (virements and supplementary estimates).
  - 1.3 Variance – the difference between actual expenditure and income and the working budget, expressed in £s.
  - 1.4 Brackets () – around figures indicate credits. This covers variances where expenditure is less than expected or income is greater than expected.
  - 1.5 Service Summary – a list of the services delivered to the public.
  - 1.6 Subjective Summary – the type of expenditure incurred in delivering the services.
  - 1.7 FRS17 – an accounting adjustment added to reserves to reflect the theoretical deficit in this Council's share of the superannuation fund at year end.
  - 1.8 Capital Financing Charge – an annual charge for depreciation plus a capital charge, currently 3.5%, is made for fixed assets.
  - 1.9 Fees and Charges – income raised by charging users of services.
  - 1.10 Management Overheads – the charge made by administrative and professional departments for services. The basis of charge may vary but is related to the cost of the service.
  - 1.11 Virement – the transfer of budget from one budget heading to another. There is no overall increase in budget and no increased use of balances.