

	Executive 8 June 2011	Agenda Item No.
Title	Final Accounts 2010/11	
For further information about this report please contact	Marcus Miskinis Tel 01926 456804 Marcus.miskinis@warwickdc.gov.uk	
Wards of the District directly affected	None	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number		
Background Papers	15 July 2009: Financial Projections and Budget Prospects 21 October 2009: Fees and Charges 2010/11 2 December 2009: Approval of General Fund Base Estimates 2009/10 Revised and 2010/11 Estimates Approval of Housing Revenue Account Estimates 2009/10 Revised and 2010/11 Base Estimates 3 February 2010: Budget 2010/11 and Council Tax – Revenue and Capital Housing Rents 25 August 2010: Financial Strategy and Budget Prospects; 27 October 2010: Fees and Charges 2011/12 6 January 2011: Approval of General Fund Base Estimates 2010/11 Revised and 2011/12 Estimates Approval of Housing Revenue Account Estimates 2010/11 Revised and 2011/12 Base Estimates	

	9 February 2011: Budget 2011/12 and Council Tax – Revenue and Capital Housing Rents

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes Ref 312
Equality & Sustainability Impact Assessment Undertaken	N/A

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	25 May 2011	
Head of Service	24 May 2011	Mike Snow
CMT	25 May 2011	
Section 151 Officer	24 May 2011	Mike Snow
Monitoring Officer	N/A	
Finance	N/A	Finance Report
Portfolio Holder(s)	24 May 2011	Councillor Mobbs
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. SUMMARY

1.1 The report provides details of the Council's final account position for the year ended 31st March 2011. The highlights from the accounts are:

- The Capital Programme was underspent by £3.1m, of which £2.2m is due to slippage.
- The General Fund revenue account shows a surplus of £43,900 over the Latest Estimates after allowing for a further £0.95m of planned expenditure to be carried forward to 2011/12.
- The Housing Revenue Account shows a surplus of £418,500 over the Latest Estimates.
- The Council Tax collection rate was 98.6% and 98.8% for Business Rates, both of which are excellent.

2. RECOMMENDATION

2.1 It is recommended that:

- (a) Note the outturn positions summarised in Section 1 above;
- (b) The Capital Programme 2011/12 be increased by £2,229,878 comprising the following elements:
 - +£1,015,700 for Housing Investment Programme slippage;
 - +£1,214,178 for Other Services Capital Programme slippage;(see paragraph 8.4).
- (c) The Head of Finance and the Finance Portfolio Holder to review and recommend actions to improve the adverse variations with regard to Housing and Council Tax Benefits, Royal Spa Centre and Revenues Court Costs (paragraph 9.7)
- (d) The requests to carry £948,100 earmarked balances forward in respect of revenue slippage to 2011/12 be approved (paragraph 9.8 and Appendix 'F');
- (e) Progress on Earmarked Reserve expenditure be monitored during 2011/12 and be included within the Budget Monitoring reports to the Executive;
- (f) That £25,000 be transferred to the Car Parks Repair and Maintenance Reserve for future works at Covent Garden Multi-storey Car Park (paragraph 9.10);
- (g) That new reserves entitled "Grants and Contributions Received In Advance" and "Public Open Spaces Planning Gain Contributions" as described in paragraphs 9.16 and 11.1 respectively be created and that in respect of the latter reserve authority to spend from it be delegated to the Head of Culture in agreement with the Head of Finance;
- (h) The resulting surplus of the above decisions, amounting to £43,926 be appropriated to the General Fund Balance for further consideration as

part of the 2012/13 budget setting (paragraph 10.2);

- (i) That the Head of Finance, in conjunction with the Finance Portfolio Holder, identify within the 2011/12 and on-going budgets the favourable income and expenditure variations in 2010/11 which are recurring. Potential on-going savings will then be explored with Service Area Managers and the relevant Portfolio Holder. The Executive note that work on this has commenced. Progress will be included in the July Executive Financial Projections report. Proposed reductions will be presented to the Executive for approval paragraph 15.2);

3. REASONS FOR THE RECOMMENDATION

- 3.1 The above recommendations will allow the accounts for the financial year 2010/11 to be closed on time and have been used as the basis for drafting the Statement of Accounts. The resultant decisions will be fed into the Financial Strategy.

4. POLICY FRAMEWORK

- 4.1 **Policy Framework** – The Final Accounts for 2010/11 represent a historic account of the financial performance for that year and, therefore, identifies how well, or otherwise, the Budget and Policy frameworks have been complied with.
- 4.2 **Fit for the Future** – Any variations impacting on Fit For the Future projects will be incorporated into those projects. This report is looking into the previous year, only savings already achieved will be included in these figures.

5. BUDGETARY FRAMEWORK

- 5.1 The Final Accounts for 2010/11 represent a historic account of the financial performance for that year and, therefore, identifies how well, or otherwise, the Budget and Policy frameworks have been complied with.

6. ALTERNATIVE OPTION(S) CONSIDERED

- 6.1 The report is a statement of fact. However, how the outcomes might be treated can be dealt with in a variety of ways, mainly the alternatives are not to allow any, or only some of the earmarked reserve requests and to allow the General Fund balance to vary from the £1.5m level, along with how the 2010/11 surplus is allocated.

7. BACKGROUND

- 7.1 The accounts have been compiled so as to comply with the appropriate accounting standards and the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. This is the first year that the accounts have to be produced under the requirements of the International Financial Reporting Standards (IFRS).

- 7.2 The Accounts and Audit Regulations 2003 required the Statement of Accounts be approved by the Council by the end of June following the yearend and the audited accounts be published by the end of September. These Regulations have now been updated and replaced by the Accounts and Audit Regulations 2011.
- 7.3 The new Regulations require that the responsible financial officer must, no later than 30th June immediately following the end of a year, sign and date the statement of accounts.
- 7.4 The draft (unaudited) Statement of Accounts is currently being prepared. This is due to be considered by Finance and Audit Scrutiny Committee on 12th July 2011.
- 7.5 An advertisement will be placed in local newspapers in June informing electors of their rights to inspect the accounts during July and August and to question the auditor about those accounts up to the conclusion of the Audit.
- 7.6 The new Regulations now require that members should approve the audited accounts by no later than 30th September - a change from the old Regulations that required members to approve the unaudited accounts by the end of June. Consequently, a new meeting has been set up in September for both the Finance and Audit Scrutiny Committee and the Council to meet the procedural change. (Other Regulations prohibit authority for the approval of the Statement of Accounts being delegated to the Executive or an Overview and Scrutiny Committee.)
- 7.7 This is a complex report that brings together details of all of the Council's income and expenditure in 2010/11. The Report is structured in the following format:

Section 8 - Capital Expenditure
Section 9 - General Fund Revenue Expenditure
Section 10 - Treatment of General Fund Surplus
Section 11 - Reserves and Provisions
Section 12 - Housing Revenue Account
Section 13 - Housing Repairs and Major Repairs Allowance
Section 14 - Collection Fund
Section 15 - Conclusion

Appendix A - Capital Expenditure
Appendix B - Capital Funding
Appendix C - Capital Expenditure Reasons for Major Variations
Appendix D - Prudential Indicators
Appendix E - General Fund Expenditure
Appendix F - Earmarked Reserves Requests
Appendix G - Reserves and Provisions
Appendix H - Housing Revenue Account
Appendix I - Housing Repairs and Major Repairs Allowance
Appendix J - Collection Fund Income and Expenditure Account
Appendix K - Collection Fund Statistics
Appendix L - Glossary of Terms

8. CAPITAL EXPENDITURE

8.1 The Council's plans for capital expenditure in 2010/11 totalled £11.1m as set out below. The capital programme has been financed in accordance with that approved in the 2010/11 Treasury Management Strategy Document. The overall position is summarised below and in Appendix A:

TABLE A: Capital Expenditure Summary 2010/11

	Revised 2010/11 £'000	Actual 2010/11 £'000	Variation 2010/11 £'000
Housing Investment Programme	8,164	6,470	(1,694)
Other Services	2,900	1,532	(1,368)
TOTAL	11,064	8,002	(3,062)

8.2 Appendices 'A', 'B' and 'C' compare actual capital expenditure for the year with revised budgets, sources of capital financing and details variances.

8.3 Variations of individual Capital Schemes

Appendix 'C' details the explanations for the variance in expenditure from the revised Capital Budget. In terms of expenditure, the most significant variations in the General Fund Capital Programme were in respect of:

- Various Cultural projects (-£304,000) suffered delays which will result in completion during 2011/12;
- Progress on the Riverside House One Stop Shop (-£296,000) was delayed pending the considerations on the future of Riverside House;
- Conservation Action Programme (-£157,000) where grants have been allocated but will not be paid until 2011/12
- The Rural Initiatives Grants budget (-£136,000). Of this £22,000 is allocated but not yet paid and the remaining £114,000 was not allocated to schemes due to a lack of demand;
- Agile Working (-£102,000). Slippage to 2011/12 to pay principally for refurbishment of that part of Riverside House that is available for commercial letting.

The most significant variations in the Housing Investment Programme occurred on Improvement/Renewal works where, due in the main to poor weather conditions, slippage of £512,000 to 2011/12 has been requested. In addition, savings of £641,000 were also made in the same area due to general provisions and contingencies no longer being required. Slippage of £322,000 has also been requested for Asbestos Survey works due to the high volume of work required.

8.4 Appendix 'C' identifies £1,015,700 in respect Housing Investment Programme schemes not completed in 2010/11 and £1,214,178 for Other Capital schemes. Slippage of these budgets to 2011/12 is being requested. The 2011/12 Programmes need to be varied accordingly to accommodate these areas of work, with slippage of the expenditure on the relevant schemes and associated financing.

8.5 Variations in Sources of Capital Funding

There have been significant variations between the revised estimate and the actual in the various resources utilised to finance the capital programmes as shown in Appendix 'B'.

8.6 Within the Housing Investment Programme, slippage in the Environmental Health Improvements Programme has resulted in increased capital receipts and capital grants being carried forward to 2011/12.

8.7 In addition, slippage in the Improvements/Renewal works and Asbestos Survey programmes, in the case of the Improvements/Renewals mainly due to poor weather conditions, has resulted in increased Major Repairs Allowance and Housing Repairs Account balances being carried forward to 2011/12. Within the same programme, there have also been underspends due to general provisions being no longer required which have added to the Major Repairs Allowance and Housing Repairs Account balances being carried forward.

8.8 The financing of the revised General Fund capital programme envisaged the use of Prudential Borrowing to finance the purchase of 18B Southbank Road. In the event, it was not necessary to borrow in 2010/11 as financing could be met from the Capital Investment Reserve.

8.9 Due to slippage within the General Fund Capital Programme, mainly concerning play equipment schemes, the Kenilworth Public Service Centre project and schemes funded by Housing & Planning Delivery Grant the amount of funding required from external contributions has decreased by £0.340m. Other items of slippage which were to have been funded from the Council's reserves include the Agile Working project and the Leamington One Stop Shop.

8.10 Appendix 'B' also shows the Capital funding balances held by the Council as at 31st March 2011 totalling £15.373m. Once financing of capital slippage (see 8.4 above) has been allowed for, there is £13.140m available to finance the future Capital Programme, which is £1.106m more than the revised estimates. Much of this is already committed towards future Capital Programmes. The table below illustrates the increase in General Fund Capital Resources between the revised and actual:

Table 'B': General Fund Capital Programme Resources

	Revised £000	Actual £000
Capital Resources 1 April 2010	5,061	5,061
Additions in the year	3,974	3,026
Funding of Capital Programme	(2,900)	(1,532)
Capital Resources 31 March 2011	6,135	6,555

The £6.555m in Table B above does not include £0.750m Prudential Borrowing which was not required in 2010/11 and which is available if required in 2011/12 or £0.050m external contributions which were expected to be received in 2010/11 re the Leamington One Stop Shop but which are now expected to be received in 2011/12. The overall Capital funding, including the possible requirement to borrow, will be further reviewed during the year and reported to members.

8.11 The Prudential Indicators

The Prudential Capital Finance system came into force on 1st April 2004. Local Authorities are required to produce and report on a set of Prudential Indicators. The 2010/11 indicators are included within Appendix 'D', along with relevant explanations.

9. GENERAL FUND REVENUE ACCOUNT

9.1 The Council's budget plans were formulated during the period July 2009 to February 2010 when the executive considered reports on:

- (a) budget prospects;
- (b) service plans;
- (c) proposed levels of fees and charges;
- (d) capital programme;
- (e) detailed revenue estimates; and
- (f) identification of savings proposals for services.

9.2 Plans were finalised on 24th February 2010 when the Council approved total estimated net expenditure of £18,214,214 and set a band D council tax for District purposes of £146.86. Additional Area Based Grant of £14,153 increased resources available and net expenditure to £18,228,367.

9.3 The revenue accounts relating to 2010/11 have now been completed.

9.4 Details of actual net expenditure for General Fund services are summarised in Appendix 'E', together with comparisons against the Council's latest estimates for the year and explanations of the major variations. The latest estimates are the revised estimates approved in December 2011 amended for any subsequent Executive decisions and the small virements permitted under the Financial Code of Practice.

9.5 A summary of the General Fund performance for 2010/11 is as follows:

TABLE 'C': General Fund 2010/11

	See Para.	Latest Estimate £'000	Actual £'000	Variance £'000
Net Cost of General Fund Services	9.6	23,889	16,244	(7,645)
Add: Earmarked Reserves	9.8	-	948	948
Adjusted Cost of General Fund Services		23,889	17,192	(6,697)
Financing Adjustments				
Replacement of Notional with Actual Cost of Capital				
- Less Capital Charges in Service Estimates	9.11	(5,410)	(6,572)	(1,162)
- Add Loan Repayments, Revenue Contributions and Interest Paid		(43)	(44)	(1)
Net External Investment Interest Received	9.13	(353)	(363)	(10)
Revenue Contributions to Capital	9.14	31	471	440
Contributions to / (from) Reserves	9.15	3,085	4,012	927
FRS 17 Pensions Adjustment	9.17	(624)	5,882	6,506
Transfer to Accumulated Absences Reserve	9.18	-	(47)	(47)
Contribution to / (from) General Fund		(2,346)	(2,346)	-
Total Financing Adjustments		(5,660)	993	6,653
Net Expenditure for District Purposes		18,229	18,185	(44)
Less Financing from Council Tax, RSG and NNDR		(18,192)	(18,192)	-
Area Based Grant		(37)	(37)	-
Deficit / (Surplus) for Year	9.21	-	(44)	(44)

9.6 The first row of Table C, above, shows that the net cost of providing the General Fund Services was £16.3m against a budget of £23.9m, an underspending of £7.6m. The expenditure is broken down over Services within Appendix 'E'. A summary of the variations is shown below and explained in later paragraphs:

TABLE 'D': General Fund Service Variations 2010/11

	£'000	£'000
General Fund Services' Variations (paragraph 9.6)		(7,645)
Less: Financing Adjustments included in above figure		
- Capital Financing Charges	(1,162)	
- Revenue Contributions to Capital	440	
- Revenue Expenditure financed from Reserves - net change	977	
- FRS 17 Pension Adjustments	6,506	
- Transfer to Accumulated Absences Reserve	(47)	6,714
		(931)
Items of Slippage: Earmarked Reserve Requests (paragraph 9.8)		948
Adjusted General Fund Services' Variations		17

This shows that there was actually a net overspending of £17,000 in the service expenditure.

9.7 Other Items

Other items include a large variety of under- and overspendings. These are detailed against individual services in Appendix 'E'. Some of the notable variations are:

Adverse:

- Housing and council tax benefits (+£464,000) – this variance is currently being investigated and will be subject to a future report to members;
- Royal Spa Centre (+£79,000);
- Revenues court costs income (+£77,000);

Favourable:

- Fees and Charges income:
 - Development Control (-£106,000);
 - Leisure Centres (-£96,000);
 - Cemeteries and Crematorium (-£68,000);
- Salaries and Human Resources contingency (-£81,000);
- Car Parks Repairs and Maintenance (-£75,000);
- Corporate Repairs and Maintenance programme (-£54,000).

9.8 Earmarked Reserves

It will be seen that £948,100 comprises items of slippage earmarked for 2011/12. These requests relate to revenue expenditure that has been unavoidably delayed, and for which finance is still required. By adopting this approach of carrying forward slippage, the Council avoids the typical public sector end of year spending spree which often does not result in good value for money. Appendix 'F' lists the items in more detail.

9.9 The Contingency Budget had an unallocated balance of £86,800 left in it at the year end. It is proposed that this sum be added to the 2011/12 Contingency Budget which will bring the budget up to £306,800 for the year. This sum is included in the Earmarked Reserve requests referred to in paragraph 9.8.

9.10 Maintenance of car parks was intentionally kept to a basic minimum during the year with the result that it was underspent by £65,000 plus there was a further procurement saving of £10,000. A programme of essential multi-storey car park maintenance has identified a potential future requirement for £25,000. It is recommended that this be added to the Car Park Repair and Maintenance Reserve to be drawn down when required.

9.11 Capital Financing Charges

The Capital Financing Charges in respect of depreciation and Intangible Assets /REFCUS (Revenue Expenditure Financed from Capital Under Statute – previously known as Deferred Charges) charged to the service accounts has decreased by £1.8m which reflects the Capital Programme being underspent as identified in Section 8. As the capital spend has reduced, so have the charges that need to be made to services in respect of this expenditure. This has been offset by impairments to the value of £3.0m in respect of the Council's General Fund Fixed Assets arising from the continuing economic downturn which have been charged to the relevant service accounts resulting in a net overall increase of £1.2m within the service accounts. These variations are "reversed out", and do not add or reduce the net underspend of the Council.

9.12 Financing Adjustments

The largest component of the Financing Adjustments is income shown in respect of Capital Charges (£6.572m actual). This income reflects the Capital

Financing Charges made to services as discussed in paragraph 9.11 being reversed out so that they do not impact on the Council Tax.

- 9.13 Investment interest receipts for 2010/11 were £10,500 above estimate. The gross interest was £519,900 which is £13,200 more than the revised estimate of £506,700. The interest due to the HRA was £156,400 which is £2,700 more than the revised estimate of £153,700.
- 9.14 The revenue financing of the Capital Programme (Revenue Contributions to Capital) is greater due to the need, under IFRS Accounting Principles, to include Government Grants financing expenditure to be accounted for as REFCUS (see paragraph 9.11 above) within the Service Accounts. These grants relate to Private Sector Housing and include Disabled Facilities and Decent Homes Grants.
- 9.15 An increase in contributions to Reserves of £0.927m reflects the actual financing requirements of the Council.
- 9.16 Under International Financial Reporting Standards (IFRS) specific grants and contributions that have been received but are unused at the yearend need to be transferred to an earmarked balance for future financing decisions. Previously, they would have been treated as "income in advance" and removed from the service accounts for the year under review and, effectively, slipped to the new financial year. The amount required to be earmarked for future General Fund use is £863,100 and will form part of future budget reports (see Appendix 'G'). A new reserve entitled "Revenue Grants/Contributions In Advance" has also been created and contributions from this reserve will be credited to the Income and Expenditure Account as required to match expenditure within the Service Accounts as incurred and it is recommended that authority to spend these items be delegated to the Head of Culture in agreement with the Head of Finance. The amount required to be earmarked for future use is £27,800.
- 9.17 IFRS requires an authority to recognise the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out 'below the line'. Current service costs are based on the actuarial assumptions which apply at the start of the accounting year. In his budget statement on 22 June 2010, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. The actuaries have allowed for this change, by assuming that over the long term CPI will be less than RPI by 0.5% p.a. The effect is to reduce the calculated value of an employer's liabilities for accounting purposes, normally by about 5% – 8%. They have shown this as a negative "past service cost" in the accounting figures. The result of this is a gain in the 2010/11 accounts of £6,066,000.
- 9.18 IFRS also requires an authority to accrue for the cost of any time owing to officers (e.g. untaken leave, balance of flexi-time hours, time off in lieu, etc.), that is carried forward to the new financial year, since they relate to entitlements earned during the old financial year, rather than when the absences are eventually taken. However, the costs we are required to make against council tax is based on the cash payable in the year, so the real cost of absence accruals is reversed out 'below the line'. The amount included in the

accounts (£47,400) is the change between the reversal of the accrual carried forward from 2009/10 (£226,400) and the new accrual brought forward from 2011/12 (£273,800).

9.19 Most of the variances in the financing adjustments shown in paragraphs 9.11 - 9.18 have no impact upon the overall finances of the Council. In many cases they reflect items which need to be charged to the costs of services (so as to ensure that services show the full cost of their provision for comparability) being reversed out so as to have no overall impact upon the Council's resources. This notably includes Capital Charges and the pension adjustments. The one variance which does directly impact upon the Council's overall net spend is investment interest (paragraph 9.13) where the income received was above the figure included within the estimates.

9.20 General Fund Balance

As part of the Budget setting process it was agreed that the General Fund balance should be reduced from its opening balance of £3.9m to its core level of £1.5m, plus £0.1m to be used for the 2011/12 Contingency budget. The Revised Estimates identified savings of £1.5m. Accordingly, the resultant £3.8m was allocated to various reserves.

9.21 Taking all of the above items into account leaves a net surplus for the year of £43,926.

10. TREATMENT OF GENERAL FUND SURPLUS

10.1 At revised estimates time it was anticipated that there would be a surplus of £1.5m on the General Fund which has been transferred to various reserves along with the difference of the opening General Fund balance less its core level and £100,000 for the 2011/12 Contingency budget. The actual position is a surplus of £43,900 as referred to in paragraph 9.21.

10.2 It is recommended that the surplus of £43,900 be allocated to the General Fund Balance for further consideration as part of the 2011/12 budget setting.

11. RESERVES AND PROVISIONS

11.1 The position of the Council's Reserves and Provisions has been reviewed and it is recommended that two new reserves be created. The first is the Grants and Contributions Received In Advance Reserve referred to in paragraph 9.16 above and the second is a reserve in respect of Public Open Space Planning Gain Contributions. This latter reserve relates to S106 contributions gained as a result of planning permissions wherein there is a requirement to make a contribution towards improving Open Space and Play Area provision within the District. The Council is still formulating its plans with regard to the spend resulting from these contributions so it is recommended that this reserve be set up to hold these contributions until required to finance expenditure. It is also recommended that authority to spend from this reserve be delegated to the Head of Culture in agreement with the Head of Finance. There are no other changes to the Council's reserves or provisions.

11.2 A full list of the Council's Reserves and Provisions and their balances at 31st March 2011 can be found in Appendix 'G'.

12. HOUSING REVENUE ACCOUNT

- 12.1 Housing Revenue Account Estimates for 2010/11 were approved by Council on 24th February 2010 when rents were increased by an average of £1.35 per week.
- 12.2 The H.R.A. for 2010/11 has now been finalised and is summarised in Appendix 'H'. This shows a balance on the H.R.A. at 31st March 2011 of £9,387,538 which is £418,500 more than the latest estimate. This was due mainly to reduced costs being recharged to General Services Supervision and Management of £194,900 (which is net of support service impairment charges of £328,600 which have been reversed out in the capital charges adjustments) and relates to changes in respect of Support Services and Housing Client / Contractor allocations. Information on the major variances between latest estimates and actual performance can be seen in Appendix 'H'.
- 12.3 The Council's housing stock is valued on an Existing Use – Social Housing (EUV-SH) basis which is defined as the value that a property, if sold, would sell for assuming that it continued to be used for social housing purposes. It is derived from the open market value discounted down by a regional adjustment factor, defined by DCLG, which for the West Midlands up to 2009/10 was 49% i.e. the EUV-SH value is 49% of the open market value. The adjustment factor reflects the fact that sitting tenants enjoy rents lower than open market rents and tenants' rights including Right to Buy. For 2010/11 the adjustment factor has been reduced from 49% to 34% and this has led to the value of the housing stock dropping by £105m, £95m of which is chargeable to the HRA as revaluation losses. However, such revaluation losses are not to impact on the "bottom line" of the HRA and are therefore reversed out again and debited to the Capital Adjustments Account.
- 12.4 A thirty year model is maintained for the Housing Revenue Account. This model shows how the HRA balance is required in future years to enable a smooth programme of works so as to maintain the Decent Homes Standard. It is also a vital tool in making the move towards the self financing regime being introduced in April 2012 and the subsequent viability of the HRA.

13. HOUSING REPAIRS ACCOUNT AND MAJOR REPAIRS ALLOWANCE

- 13.1 In addition to the Housing Revenue Account a Major Repairs Allowance (MRA) Account and a Housing Repairs Account are maintained which, together, provide a separate record of the Council's repair and maintenance programmes.
- 13.2 The Major Repairs Allowance is received as part of the Housing Subsidy regime and is approximately equivalent to the annual depreciation of the Council's dwelling stock. The Housing Repairs Account is a record of both capital and revenue expenditure on the repair and maintenance of the Council's dwelling stock, financed by contributions from the Housing Revenue Account.
- 13.3 These accounts are summarised in Appendix 'I', which shows a reduction of £804,500 in the balance of the MRA Account and £225,100 in the balance of the Housing Repairs Account compared to Latest Estimates. The reduced balance on the MRA Account is due to increased expenditure on those capital projects that attract MRA funding whilst the reduced balance on the Housing Repairs Account is mainly due to an overspend on the routine works. This

leaves balances at 31st March 2011 of £2,413,200 on the MRA Reserve and £1,734,000 on the Housing Repairs Account.

14. COLLECTION FUND

- 14.1 The Collection Fund Income and Expenditure Account is set out in Appendix 'J'. This is the statutory account that contains the transactions with respect to the collection and distribution of council tax and national non-domestic rates (NNDR).
- 14.2 As at 31st March 2011, the surplus on the Council Tax is now £17,716, a movement of £85,674 from the opening surplus of £103,390. The deficit for the year arises from where the Council Tax due is less than originally anticipated, mainly due to the estimation of new developments being completed within the year when calculating the Tax Base, the amount of write-offs and change in the level of the Bad Debts Provision. This deficit arose on Council Tax income of £78.9m.
- 14.3 Following the statutory mid-January review of the Collection Fund it was estimated to be in balance as at 31st March 2011. As there is now a surplus, there will be a credit balance of £17,716 towards the 2011/12 Collection Fund which will be assessed later in the year as part of the Budget Setting process. The Council's share of this surplus amounts to £1,986.
- 14.4 In respect of Non-Domestic Rates, after deducting the Cost of Collection Allowance, and allowances for amounts that will be non-collectable, the Council's contribution to the Non-Domestic Pool for 2010/11 will be £58,962,300. The amount that the Council receives by way of its share from the Pool is £9.136m.
- 14.5 Figures relating to collectable amounts, arrears and bad debts provision are set out in Appendix 'K'. The bad debts provision, as a proportion of the amount collectable plus net arrears, has increased from 0.91% to 0.92%. The Council Tax collection rate for 2010/11 was 98.6% (2009/10 98.6%) and 98.8% (2009/10 98.5%) for Business Rates, both of which are excellent.

15. CONCLUSION

- 15.1 Whilst the Council can carry forward its capital underspend of £3.062m, this represents 21% of the revised Housing Investment Programme and 47% of the revised Other Services Capital Programme for 2010/11. In reviewing and planning future programmes officers need to consider how they can achieve planned levels of expenditure more closely.

The general fund surplus for the year was £1,572,600 which is a change to the surplus of £1,528,700 forecast in February 2011. After stripping out the capital financing changes, which have no net effect, the main reasons for this surplus are:

Adverse:

- Housing and council tax benefits (+£464,000);
- Royal Spa Centre (+£79,000);
- Revenues court costs income (+£77,000);

Favourable:

- Fees and Charges income:
 - Development Control (-£106,000);
 - Leisure Centres (-£96,000);
 - Cemeteries and Crematorium (-£68,000);
- Salaries and Human Resources contingency (-£81,000);
- Car Parks Repairs and Maintenance (-£75,000);
- Corporate Repairs and Maintenance programme (-£54,000).

There are also a number of other revenue variances as set out in Appendix 'E'. The underspend of £43,900 is largely comprised of one-off savings, and it is therefore not possible to assume that this level of savings will be able to be secured in future budgets. The £43,900, by being allocated to the General Fund Balance, may be able to assist the Council with setting its budget for the future. However, it needs to be noted that this is only one-off money, and so does not contribute towards the £3.4m savings required to be found by 2014/15 and future years.

15.2 The Senior Management Team received a report in March 2011, which forecast that there would likely be a £225,000 underspend, the actual £43,900 is less than that forecast by £181,100. Members will be aware that last year, a review of the Budget Monitoring process was undertaken and changes introduced to improve the accuracy of the forecasts. Whilst there is some improvement, it is still concerning that many of the variances were not identified much earlier. In view of this, the following actions are planned to tighten up on the budget monitoring:

- The revised budget monitoring process will continue to be evaluated as part of the Financial Management Intervention. Officers will continue to explore how further improvements can be made and look into the key areas of variation.
- Progress on schemes and projects slipped to 2011/12 as Earmarked Reserve requests will continue to be included within the Budget Monitoring reports to the Executive and Senior Management Team.
- The accountants are again undertaking a review of the underspends within 2010/11 to identify where current and future years' budgets will also be excessive. Progress on this review will be reported in the reports to the July Executive (Budget Projections) and in August (Budget Monitoring), with budgets to be reduced accordingly (Recommendation (i)).
- Members will be aware of the £2.9 million forecast deficit by 2015/16. The 2010/11 final position shows that there are still some budgets within these projections which are overprovided for. The prior year underspend analysis will now be undertaken routinely at the end of every financial year to redress this.

15.3 The Council has a robust set of reserves and provisions as shown in Appendix 'G'. Further consideration will need to be given to the reserves and provisions when considering the development of future years' budgets.

15.4 The Housing Revenue Account increased its balance by £418,500 compared to Latest Estimates mainly through reduced Management costs.

15.5 The Collection Fund surplus balance of £103,390 was reduced by a deficit in the year of £85,674 to leave a closing surplus balance of £17,716 of which £1,986 is due to this Council.