

 Executive 16 June 2015		Agenda Item No. 2
Title	Final Accounts 2014/15	
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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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	30 July 2014: Budget Review to 30 June 2014 1 October 2014: Fees and Charges 2015/16 5 November 2014: Budget Review to 30 September 2014 3 December 2014: General Fund Base Budgets latest 2014/15 and Original 2015/16 3 December 2014: Housing Revenue Account Base Budgets latest 2014/15 and Original 2015/16 11 February 2015: Budget 2015/16 And Council Tax – Revenue & Capital	
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 669	
Equality & Sustainability Impact Assessment Undertaken	N/A	

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	1 June 2015	Andrew Jones
Head of Service	29 May 2015	Mike Snow
CMT	1 June 2015	
Section 151 Officer	29 May 2015	Mike Snow
Monitoring Officer	N/A	
Finance	N/A	Finance Report
Portfolio Holder(s)	29 May 2015	Councillor Whiting
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 2015. The highlights from the accounts are:

- The Capital Programme was underspent by £5.31m, of which £5.00m is due to slippage to 2015/16.
- For the General Fund the final accounts show a surplus of £600,800 against the latest Budget after allowing for a further £407,300 of planned expenditure to be carried forward to 2015/16.
- In addition there is a further £422,000 in respect of Business Rates Retention which has been appropriated to the Business Rates Volatility Reserve as previously agreed by Council.
- The Housing Revenue Account (HRA) balance is as budgeted; a contribution of £4.9m has been made into the HRA Capital Investment Reserve, £0.4m less than the budgeted £5.3m.
- The Council Tax collection rate was 98.5% and 99.1% for Business Rates, both of which are excellent.

2. RECOMMENDATIONS

2.1 It is recommended that the Executive:

- (a) Note the outturn positions summarised below:
 - The Capital Programme was underspent by £5.31m, of which £5.00m is due to slippage to 2015/16;
 - The General Fund revenue account shows a surplus of £600,800 which is after allowing for a further £407,300 of planned expenditure to be carried forward to 2015/16;
 - The Housing Revenue Account balance is as budgeted; the HRA Capital Investment reserve available for major developments has increased by £3.8m to £21.6m, £4.0m more than projected;
 - The Council Tax collection rate was 98.5% and 99.1% for Business Rates.
- (b) Agree that future years Capital Programmes be amended by £4,997,700 comprising the following elements:
 - +£4,314,600 for Housing Investment Programme slippage;
 - +£683,100 for Other Services Capital Programme slippage;
 - -£57,100 in respect of resources brought forward from the Other Services Capital Programme from future years to 2014/15 to cover expenditure on Broadband UK and Recycling.
- (c) Agree that the Other Services Capital Programme budget for the Victoria Park Bowls Improvements be increased by £19,900 in respect of additional Health and Safety works, irrigation tank fencing and retention on the pavilion to be financed from the Capital Investment Reserve.
- (d) Agree that the £200,000 2014/15 New Homes Bonus originally earmarked for financing the Council's contribution towards the Warwick Fire Station Registered Provider scheme be appropriated to the Capital Investment Reserve.
- (e) Agree the requests to carry £407,300 earmarked balances forward in respect of General Fund revenue slippage to 2015/16, and increase 2015/16 HRA budgets by £180,400 in respect of planned HRA maintenance not completed in 2015/16, which will reduce the amount that can be contributed to the HRA Capital Investment reserve in 2015/16 by £180,400.
- (f) Agree that the resulting change of the above decisions, amounting to £600,800 be appropriated £200,000 to top up the 2015/16 Contingency Budget, £150,000 to reduce the 2015/16 Crematorium Fee Income Budget and £250,800 to the General Fund Balance at this point. The position will be reviewed as part of the Budget Review report due to be presented to the Executive in late July.

3. REASONS FOR THE RECOMMENDATIONS

- 3.1 The recommendations above will allow the accounts for the financial year 2014/15 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. The Accounts and Audit Regulations 2011 require that the Head of Finance, as the responsible financial officer must, no later than 30th June immediately following the end of a year, sign and date the Statement of Accounts.

- 3.2 Appendix 'C' identifies £4,314,600 in respect of Housing Investment Programme schemes not completed in 2014/15 and £683,100 for Other Services Capital schemes. Slippage of these budgets to 2015/16 is being requested together with the bringing forward of £57,400 from future years' Other Services Capital Programmes in respect of Broadband UK and Recycling. The relevant Capital Programmes need to be varied accordingly to accommodate these changes together with the associated financing.
- 3.3 Earlier in 2014/15, the Victoria Park Bowls project capital budget was reduced by £24,000 as a result of potential savings. However since that time it has become necessary to carry out additional Health and Safety works to the areas around the greens (£2,800) and also to provide fencing around the irrigation tank and pumping station (£11,300). The savings previously identified failed to take account of the need to pay retention monies on the Pavilion which have become due (£5,800). An additional £19,900 is therefore being requested in order to meet these costs.
- 3.4 As part of its 2014/15 Housing Investment Programme, the Council undertook to make a contribution of £200,000 to the Waterloo HA scheme for the ex-Warwick Fire Station. This contribution was to be financed by an allocation from the Council's 2014/15 New Homes Bonus. It became apparent that two S106 Affordable Housing Contributions (Woodwards and Kenilworth Road) must be utilised by the end of July 2015 or be repaid to the developers. In order to avoid the repayment it has been decided to fund the £200,000 from these s106 contributions instead of the New Homes Bonus. However, in order to preserve the funds available to support the Council's Registered Providers capital programme it is necessary to transfer the £200,000 New Homes Bonus to the Capital Investment Reserve thus making it available to fund future Registered Provider capital schemes in place of the S106 contributions used on Warwick Fire Station.
- 3.5 Requests comprising items of General Fund slippage earmarked for 2015/16 totalling £407,300 have been submitted. 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 seeks to avoid an end of year spending spree which often does not result in good value for money. Furthermore, without the associated funding these projects would not be achieved in 2015/16. Appendix 'F' lists the items in more detail. Expenditure against these Reserves will be closely monitored during 2015/16 with progress being reported to the Senior Management Team (monthly) and Executive (quarterly). In addition there is £180,400 of HRA revenue slippage requested, as detailed in section 13.
- 3.6 The surplus for the year needs to be appropriated in order to balance the accounts. Although £221,000 was allocated to the 2015/16 Contingency Budget £195,000 was subsequently used per decisions from the March 2015 Executive meeting, leaving only £26,000 for the remainder of the new year, of which a further £10,000 has already been allocated. The 2014/15 budgets allowed for a loss of income at the Crematorium whilst improvement works were carried out. These works have been delayed and, hence, the 2015/16 income budget will be overstated once the works commence. Transferring the

remaining balance of £250,800 to the General Fund Balance now and reviewing it in July will enable Members to consider this further alongside the latest Financial Projections.

4. POLICY FRAMEWORK

- 4.1 **Policy Framework** – The Final Accounts for 2014/15 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.
- 4.3 **Impact Assessments** - The Council's Final Account covers the community throughout the District. It is a statement of fact and officers will have considered any impact when amending their budgets.

5. BUDGETARY FRAMEWORK

- 5.1 The Final Accounts for 2014/15 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. RISKS

- 6.1 The main risk is that External Audit identifies significant errors in the accounts that require amendment.

7. ALTERNATIVE OPTION(S) CONSIDERED

- 7.1 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 2014/15 surplus is allocated.

8. BACKGROUND

- 8.1 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 2014/15.
- 8.2 The Accounts and Audit Regulations 2011 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.
- 8.3 The draft (unaudited) Statement of Accounts is currently being prepared to be audited by the Council's external auditors, Grant Thornton. The Statement is due to be considered by Finance and Audit Scrutiny Committee on 28th July 2015.

- 8.4 An advertisement will be placed in local newspapers on 19th 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.
- 8.5 The Regulations require that members should approve the audited accounts by no later than 30th September. Consequently, a meeting has been set up in September for both the Finance and Audit Scrutiny Committee and the Council to meet this requirement.
- 8.6 2013/14 saw the introduction of the Business Rate Retention Scheme. From 1 April 2013 Councils keep a proportion of the business rates revenue as well as a proportion of growth on the revenue that is generated in their area. It is intended to provide a direct link between business rates growth and the amount of money councils have to spend on local people and local services. Regulations control how the different elements of Business Rates need to be accounted for. These requirements are complex, especially with regard to the timing of receipts and the year in which these need to be reflected in the accounts.
- 8.7 This is a complex report that brings together details of all of the Council's income and expenditure in 2014/15. The Report is structured in the following format:

- Section 9 - Capital Expenditure
- Section 10 - General Fund Revenue Expenditure
- Section 11 - Treatment of General Fund Surplus
- Section 12 - Reserves and Provisions
- Section 13 - Housing Revenue Account
- Section 14 - Housing Capital Investment and Major Repairs Reserves
- Section 15 - Collection Fund
- Section 16 - 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 Reserves and Balances
- Appendix J - Collection Fund Income and Expenditure Account
- Appendix K - Collection Fund Statistics
- Appendix L - Glossary of Terms

9. CAPITAL EXPENDITURE

- 9.1 The Council's latest plans for capital expenditure in 2014/15 totalled £15.522m as set out below. The capital programme has been financed in accordance with the funding approved in the 2014/15 Treasury Management Strategy Document. The overall position is summarised below and in Appendix A:

TABLE A: Capital Expenditure Summary 2014/15

	Latest Budget 2014/15 £'000	Actual 2014/15 £'000	Variation 2014/15 £'000
Housing Investment Programme	12,584	8,059	(4,525)
Other Services	2,938	2,157	(781)
TOTAL	15,522	10,216	(5,306)

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

9.3 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:

- West Midlands Reserve & Cadet Force New Building (-£200,000). Scheme delayed due to third party involvement.
- Play Area Improvement Programme (-£168,300). This has been delayed due to the lack of staff resources.
- Cubbington Flood Alleviation Scheme (-£120,100). Scheme continuing into 2015/16 due to the need to install a concrete pipe and make further compensation payments.
- Recycling (+£57,300). It is necessary to bring forward resources from future years allocations for this project due to the need to provide additional bins etc. in 2014/15.

Overall Housing Landlord related Housing Investment Programme works are £204,100 underspent, after £4.3m of slippage related to specific projects. The only sizable variance is a saving of £111,700 due to fewer than projected void Kitchens and Bathrooms being capitalised.

The most significant items of slippage requested are:

- £2.87m: The redevelopment of Fetherston Court site (to construct Sayer Court) encountered significant delays prior to the start of the main works contract as the result of legal complications surrounding the rooftop agreement (relating to telecommunications equipment) that the council inherited when it purchased the Sun and Splendour public house. These delays have resulted in the site access date for the main works being pushed back to 2015/16.
- £890,200: accounting changes in the profiling of expenditure across years for the acquisition of housing in SW Warwick, no effect on overall cost.
- £287,300: Electrical upgrades to communal areas, smoke detectors, etc. delayed due to lack of staff resource during service redesign.

All slippage requested is detailed in Appendix C.

The HRA related Capital slippage into 2015/16 includes £59,500 funded from HRA revenue contributions, for Environmental Improvements and Lettings

Incentive Grants. Therefore this will reduce the budgeted 2015/16 contribution to the HRA Capital Investment Reserve by £59,500.

Within the 'general fund related' Housing Investment Programme there is an underspend of £181,500 on Private Sector Housing Grants, of which £153,700 needs to be slipped to 2015/16 for agreed Disabled Facilities Grants.

9.4 Variations in Sources of Capital Funding

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

9.5 Delay to the Fetherston Court redevelopment project and slippage in the South West Warwick Housing acquisitions has resulted in an increased Housing Capital Investment Reserve balance being carried forward to 2015/16.

9.6 Slippage in the Other Services Capital Programme has resulted in increased balances on the Capital Investment Reserve and other reserves, with these increases being required to fund capital schemes slipped to 2015/16.

9.7 Appendix 'B' also shows the Capital funding balances held by the Council as at 31st March 2015 totalling £37.428m. Once financing of capital slippage (see 9.3 above) has been allowed for, there is £32.310m available to finance the future Capital Programme, which is £0.204m more than the latest budgeted figure to be held as at 31 March 2015. Much of this is already committed towards future Capital Programmes. The table below illustrates the decrease in General Fund Capital Resources between the latest budget and actual:

Table 'B': General Fund Capital Programme Resources

	Latest Budget £000	Actual £000
Capital Resources 1 April 2014	8,233	8,277
Additions in the year	988	984
Funding of Capital Programme	(2,938)	(2,157)
Capital Resources 31 March 2015	6,283	7,104

The £7.104m in Table B above does not include the expected capital receipt for 10/14 Chapel Street (£400,000) and reflects the impact of the slippage in the 2014/15 Other Services Capital Programme. The overall Capital funding, including the possible requirement to borrow, will be further reviewed during the year and reported to members.

9.8 The Prudential Indicators

Under the Prudential Capital Finance system Local Authorities are required to produce and report on a set of Prudential Indicators. The 2014/15 indicators are included within Appendix 'D', along with relevant explanations.

10. GENERAL FUND REVENUE ACCOUNT

- 10.1 The Council's budget plans were formulated during the period July 2013 to February 2014 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 budgets; and
 - (f) identification of savings proposals for services.
- 10.2 Plans were finalised on 26th February 2014 when the Council approved total budgeted net expenditure of £16,043,744 and set a band D council tax for District purposes of £146.86.
- 10.3 The revenue accounts relating to 2014/15 have now been finalised.
- 10.4 Details of actual net expenditure for General Fund services are summarised in Appendix 'E', together with comparisons against the Council's latest budgets for the year and explanations of the major variations. The latest budgets are those approved in December 2014 amended for any subsequent Executive decisions and the virements permitted under the Code of Financial Practice. Due to the size of Appendix 'E' it has been broken down into two parts – Appendix 'E1' and Appendix 'E2'. Appendix 'E1' is the summarised version of Appendix 'E2'. Due to the size of Appendix 'E2' it will only be available to download from the Committee Papers and will not be printed otherwise.
- 10.5 A summary of the General Fund performance for 2014/15 is as follows:

TABLE 'C': General Fund 2014/15

	See Para.	Latest Budget £'000	Actual £'000	Variance £'000
Net Cost of General Fund Services	10.6	22,159	18,220	(3,939)
Add: Earmarked Reserves		-	407	407
Adjusted Cost of General Fund Services		22,159	18,627	(3,532)
Financing Adjustments				
Replacement of Notional with Actual Cost of Capital				
- Less Capital Charges in Service Estimates	10.9	(4,985)	(3,507)	1,478
- Add Loan Repayments, Revenue Contributions and Interest Paid	10.10	35	40	5
Net External Investment Interest Received	10.11	(234)	(261)	(27)
Revenue Contributions to Capital	10.12	331	1,525	1,194
Contributions to / (from) Reserves	10.13	1,364	2,126	762
IAS 19 Pensions Adjustment	10.15	(556)	(564)	(8)
Transfer to Accumulated Absences Reserve	10.16	-	(3)	(3)
Total Financing Adjustments		(4,045)	(644)	3,401
Net Expenditure for District Purposes		18,114	17,983	(131)
Less Financing from Council Tax, RSG and NNDR		(16,607)	(17,029)	(422)
General Grants		(1,396)	(1,413)	(17)
Prior year Collection Fund (Surplus) / Deficit		(142)	(142)	-
Deficit / (Surplus) for Year	10.19	(31)	(601)	(570)

- 10.6 The first row of Table C, above, shows that the net cost of providing the General Fund Services was £18.2m against a budget of £22.2m, a variance of £4.0m. 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 2014/15

	£'000	£'000
General Fund Services' Variations (paragraph 10.5)		(3,939)
Less: Financing Adjustments included in above figure		
- Capital Financing Charges	1,478	
- Revenue Contributions to Capital	1,194	
- Reserve funding, interest and grants	286	
- IAS 19 Pension Adjustments	(8)	
- Transfer to Accumulated Absences Reserve	(3)	2,947
		(992)
Items of Slippage: Earmarked Reserve Requests		407
Adjusted General Fund Services' Variations		(585)

This shows that there was actually a net variance of £585,000 in the service expenditure.

10.7 Other Items

Other items include a large variety of under- and overspendings. These are detailed against individual services in Appendix 'E2'. Some of the notable variations are:

Adverse:

- Increase in Housing Benefits Bad Debts Provision (+£95,000).

Favourable:

- Car Parking Fees and Charges income (-£237,200);
- Changes in Housing Benefit payments net of subsidy (-£222,100);
- Cemeteries and Crematorium income – delay in closure for improvement works(-£150,000);
- General contingency budgets (inflation and cleaning contract) not utilised (-£90,000).

10.8 Capital Financing Charges

The Capital Financing Charges in respect of depreciation and Intangible Assets /REFCUS (Revenue Expenditure Financed from Capital Under Statute) charged to the service accounts has decreased by £1.2m which reflects the Capital Programme being underspent as identified in Section 9. As the capital spend has reduced, so have the charges that need to be made to services in respect of this expenditure.

10.9 Financing Adjustments

The largest component of the Financing Adjustments is income shown in respect of Capital Charges (£3.804m actual). This income reflects the Capital

Financing Charges made to services as discussed in paragraph 10.8 being reversed out so that they do not impact on the Council Tax.

- 10.10 Borrowing costs including Minimum Revenue Provision has increased by £5,200 mainly due to the 2014/15 accrued interest on refunded overpayments of service charges (£4,800) and interest paid (£400) on a VAT assessment.
- 10.11 Gross investment interest receipts were £439,500 which is £38,700 more than the latest budget of £400,800. This is apportioned to the General Fund and HRA, giving the former an additional £27,000 above the budgeted £234, and the HRA £11,300 more than the latest budget of £167,000.
- 10.12 The revenue financing of the Capital Programme (Revenue Contributions to Capital) includes Government Grants financing expenditure to be accounted for as REFCUS (see paragraph 10.8 above) within the Service Accounts. These grants relate to Private Sector Housing Disabled Facilities Grants.
- 10.13 An increase in contributions to Reserves of £1,169,000 reflects the actual financing requirements of the Council. (This figure comprises the £407,000 Earmarked Reserves in row 2 of table C, and also the further £269,000 contributions to/from reserves shown.) This also reflects an additional £493,000 Retained Business Rates being allocated to the Business Rate Volatility Reserve.
- 10.14 Under International Financial Reporting Standards (IFRS) specific grants and contributions that have been received but are unused at the year end 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. £173,900 was released from this reserve to fund expenditure within service accounts and £179,900 was transferred to the reserve in respect of contributions towards future expenditure (see Appendix 'G' for the overall balance).
- 10.15 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.
- 10.16 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 required to be made 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 (£3,400) is the change between the reversal of the accrual carried forward from 2013/14 (£251,200) and the new accrual brought forward from 2015/16 (£254,600). This is shown as the Accumulated Absences Reserve in the table above.
- 10.17 Most of the variances in the financing adjustments shown in paragraphs 10.8 - 10.16 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 10.10) where the income received was above the figure included within the budgets.

10.18 General Fund Balance

The Council Tax Setting report in February 2015 identified a surplus of £221,000 for the year, which was subsequently allocated to the Contingency Budget 2015/16 and is reflected in the latest budget figures.

10.19 Taking all of the above items into account there is a net surplus for the year of £600,800.

11. TREATMENT OF GENERAL FUND SURPLUS

11.1 In February 2015 it was anticipated that there would be a surplus of £221,000 on the General Fund, which was subsequently appropriated to the 2015/16 Contingency Budget. The final position is a further surplus of £600,800 as referred to in paragraph 10.19.

11.2 It is recommended that of the surplus £200,000 be allocated to the Contingency Budget 2015/16, £150,000 be allocated to reduce the Crematorium income budgets in 2015/16 and the remaining balance of £250,800 be appropriated to General Fund Balance for where its use will be considered further as part of the July Executive Budget Review report.

11.3 In July it is intended to present a detailed update on the financial projections, including a fuller analysis of the impact of the Business Rates Retention scheme.

12. RESERVES AND PROVISIONS

12.1 There are no other changes to the Council's reserves or provisions. A full list of the Council's Reserves and Provisions and their balances at 31st March 2015 can be found in Appendix 'G'. These balances include the above appropriations.

13. HOUSING REVENUE ACCOUNT

13.1 Housing Revenue Account Budgets for 2014/15 were approved by Council on 26th February 2014 when rents were increased by an average of £3.15 per week.

13.2 The HRA for 2014/15 has now been finalised and is summarised in Appendix 'H'. This shows a balance on the HRA at 31st March 2015 of £1,353,400, as per the latest budget.

13.3 Within the HRA there are a number of variances, the most significant overspends being on the contract for Void Repairs £668,900(A) and Responsive Repairs £617,500(A). These budgets were reduced £353,100 to reflect the

savings that consultants projected from Open Book processes, however despite reported savings in unit costs the total cost of works has increased significantly. HHSRS (housing health and safety rating system) rules have increased void work necessary, especially garden works. Also as in 2013/14 capital and planned works have been carried out on this contract but not charged out to other budgets when paid. Measures are being taken to increase control of works, including reintroducing pre-inspections by WDC staff.

- 13.4 The most significant underspend is asbestos surveys and removals, £448,500(F), as only essential works have been carried out whilst contracts were being tendered.
- 13.5 More detailed information on the major variances between latest estimates and actual performance can be seen in Appendix 'H'.
- 13.6 In addition there are three areas where budgeted expenditure was committed to in 2014/15 but will not be incurred until 2015/16: £71,000 for Sheltered Scheme Fire Alarm system replacement & upgrade, £29,000 for Legionella testing following the development of a legionella management programme, £80,400 for planned electrical upgrades to proceed now the contract has been extended and the service redesign completed. These are all areas where not carrying out the required work would impact on health and safety. Therefore it is recommended that the 2015/16 HRA budget is increased by £180,400.
- 13.7 It should be noted that although the specific budgets for these items were not spent in 2014/15, overall the HRA overspent in 2014/15, primarily due to void & responsive repairs. This means that there is no overall underspend to 'slip' so funding these works will reduce the amount that can be contributed to the HRA Capital Investment reserve in 2015/16 by £180,400. The overall position will be monitored throughout the year. Should it become apparent that further funding is required to meet the works required, this will be reported to Executive with a recommendation for such works to be funded from HRA Reserves.

Overall there is a net adverse variance of £379,800 on HRA services, which has reduced the contribution to the HRA Capital Investment from the budgeted £5.32m to £4.94m.

- 13.8 The budgeted 2015/16 contribution to the HRA Capital Investment Reserve will be reduced by £239,500: £59,500 for Capital slippage funded from HRA revenue contributions as described in section 9, and £180,400 for Revenue maintenance as described in section 13.

14. HOUSING CAPITAL INVESTMENT AND MAJOR REPAIRS RESERVES

- 14.1 In addition to the HRA there are other reserves available to fund HRA related expenditure; these reserves are summarised in Appendix 'I'.
- 14.2 The Major Repairs Reserve (MRR) is a statutory account into which at least the annual depreciation of the HRA dwelling stock is transferred. This reserve is used to fund capital repairs and maintenance; it could also be used to repay debt. In this transitional period within the first 5 years of self-financing, the Major Repairs Allowance specified under the former Housing Subsidy system is used as a proxy to calculate amount to transfer.

- 14.3 After funding all relevant Capital expenditure the Major Repairs Reserve has increased from £0.764m to £2.599m.
- 14.4 The HRA Capital Investment Reserve was set up for the funding of major future developments, for example the redevelopment of Fetherston Court. The balance at 1st April 2014 was £17.731m. During 2014/15 £4.941m was contributed from the HRA and £1.113m was used to fund expenditure acquiring and constructing housing, giving £21.558m in the reserve at 31st March 2015.

15. COLLECTION FUND

- 15.1 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 business rates.
- 15.2 As at 31st March 2015, the surplus on the Council Tax Collection Fund was £500,900 a reduction of £693,100 from the opening surplus of £1,194,000. During 2014/15 £1,258,200 of the anticipated surplus on the Collection Fund was paid to the three main recipients of Council Tax. Excluding the above payments there was an operational surplus for the year of £565,100. This surplus for the year arises from where the Council Tax due is greater than originally anticipated. This large increase is primarily due to the change to the level of Council Tax Reduction claims (replacing council tax benefits), with the associated change in accounting. The cost of the new Council Tax Reduction scheme was less than had been allowed for when the tax base was set at the end of 2013. In addition, the net effect of the changes to council tax discounts and new properties have all contributed to the net surplus. This surplus arose on Council Tax income of £77.3m.
- 15.3 Following the statutory mid-January review of the Collection Fund it was estimated that it would be in balance at 31st March 2015. Following a review of the outstanding Council Tax arrears the Bad Debts provision has been left at £750,000. The surplus balance on the 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 £54,900.
- 15.4 2013/14 saw the introduction of a new Business Rate Retention Scheme. Under the former arrangements the Council acted as an agent of the Government whereby all net income collected was passed to the Government for them to distribute nationally.
- 15.5 Under the scheme initial estimates for the collectable income for the year are used. 50% is forwarded to the Government, 10% to the Warwickshire and Coventry Local Pool and 40% retained by Warwick District Council.
- 15.6 The Council's share is approximately £27.5m. This is clearly far in excess of the Government's assessment of the Council's requirements. Consequently, the Government then takes a further tariff payment (£22.5m) leaving the Council with £5m. Initial estimates suggested that income would still exceed the Government's assessment of the Council's requirements and a further Levy of £695,000 was calculated. The outturn for the year is less than originally forecast resulting in a deficit £9.4m on the Collection Fund against the £66m due. The levy due has been reduced by £578,600. This, with the balance due for Small Business Rate Relief Grant and reduced surplus has resulted in an

increase in the Business Rates credited to the General Fund for 2014/15 of £422,000. The deficit will be apportioned over the relevant bodies in 2015/16 and 2016/17.

- 15.7 The downturn in the amount of business rates retained reflects the large level of backdated appeals outstanding. Whilst many appeals have been processed by the Valuation Office Agency during the year, many new appeals were lodged towards the end of 2014/15. It is necessary for a prudent approach to be adopted in closing the accounts and reflecting the potential success of these appeals. As referred to in paragraph 11.3 more details on the business rates retention scheme will be included within the July Budget Review report.
- 15.8 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 gross arrears, has reduced from 1.03% to 0.85%. The Council Tax collection rate for 2014/15 was 98.5% (2013/14 98.5%) and 99.1% (2013/14 98.7%) for Business Rates, the latter being an improvement on the previous year.

16. CONCLUSION

- 16.1 Whilst the Council can carry forward its capital underspend of £5.3m, this underspend represents 36% of the latest Housing Investment Programme and 27% of the latest Other Services Capital Programme for 2014/15. In reviewing and planning future programmes officers need to consider how they can achieve planned levels of expenditure more closely.
- 16.2 The general fund showed a surplus of £600,800. After stripping out the capital financing changes, which have no net effect, the main reasons for this change are:

Adverse:

- Increase in Benefits Bad Debts Provision (+£95,000).

Favourable:

- Car Parking Fees and Charges income (-£237,200);
- Changes in Housing Benefit payments net of subsidy (-£222,100);
- Cemeteries and Crematorium income – delay in closure for improvement works(-£150,000);
- General contingency budgets (inflation and cleaning contract) not utilised (-£90,000).

There are also a number of other revenue variances as set out in Appendix 'E'.

- 16.3 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.
- 16.4 The Housing Revenue Account balance is as budgeted. The HRA Capital Investment Reserve balance is £4.03m more than projected due to the contribution from the HRA being £0.38m less than budgeted, £3.76m of works funded from the HRA-CIR being slipped into 2015/16, and £0.65m of project costs being met from alternative funding.

- 16.5 The Council Tax element of the Collection Fund opening surplus balance of £1,194,000 was increased by a surplus in the year of £565,100 less a redistribution of the estimated opening balance to leave a closing surplus balance of £500,900 of which £54,900 is due to this Council. The Business Rates element of the Collection Fund shows a deficit balance of £9.4m at the year end.
- 16.6 Overall, the Council is in a strong financial position, having accommodated expenditure within the agreed budget and been able to make contributions to reserves in excess of amounts originally budgeted for 2014/15. However, as with the rest of the public sector, the medium/long term outlook still requires the Council to make further financial savings. An updated position on this will be presented to the Executive later in the summer.