

	Executive 20 June 2012	Agenda Item No. 4
Title	Final Accounts 2011/12	
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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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		
	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 23 February 2011: Budget 2011/12 and Council Tax – Revenue and Capital Housing Rents 13 July 2011: Financial Strategy and Budget Prospects; 12 October 2011: Fees and Charges 2012/13 11 January 2012: Approval of General Fund Base Estimates 2011/12 Revised and 2012/13 Estimates Approval of Housing Revenue Account Estimates 2011/12 Revised and 2012/13 Base Estimates	

	22 February 2012: Budget 2012/13 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 379
Equality & Sustainability Impact Assessment Undertaken	N/A

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	28 May 2012	Andrew Jones
Head of Service	28 May 2012	Mike Snow
CMT	28 May 2012	
Section 151 Officer	28 May 2012	Mike Snow
Monitoring Officer	N/A	
Finance	N/A	Finance Report
Portfolio Holder(s)	29 May 2012	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 2012. The highlights from the accounts are:

- The Capital Programme was underspent by £1.94m, of which £1.67m is due to slippage to 2012/13.
- The General Fund revenue account shows a surplus of £328,000 over the Latest Estimates after allowing for a further £0.47m of planned expenditure to be carried forward to 2012/13.
- The Housing Revenue Account shows a surplus of £4.6m over the Latest Estimates mainly due to reduced capital programme funding required (-£4m).
- The Council Tax collection rate was 98.9% and 98.5% for Business Rates, both of which are excellent.

2. RECOMMENDATION

2.1 It is recommended that:

- (a) Note the outturn positions summarised below:
- The Capital Programme was underspent by £1.94m, of which £1.67m is due to slippage to 2012/13;
 - The General Fund revenue account shows a surplus of £328,000 over the Latest Estimates after allowing for a further £0.47m of planned expenditure to be carried forward to 2012/13;
 - The Housing Revenue Account shows a surplus of £4.6m over the Latest Estimates mainly due to reduced capital programme funding required (-£4m);
 - The Council Tax collection rate was 98.9% and 98.5% for Business Rates, both of which are excellent;
- (b) The 2012/13 Capital Programme be increased by £1,636,100 comprising the following elements:
- +£1,434,800 for Housing Investment Programme slippage;
 - +£231,200 for Other Services Capital Programme slippage;
 - - £29,900 in respect of resources brought forward from the Other Services Capital Programme for 2012/13 to cover expenditure on Agile Working, Jubilee House Phase 1 and the Chase Meadow Community Centre;
- (c) The £98,900 budget for the Agile Working project in the 2012/13 Other Services Capital Programme be deleted with £30,000 being vired to a new project to update the Council's Virtual Desktop Interface (VDI) infrastructure so that the number of Home and Mobile Workers can be expanded with the resultant £68,900 saving being returned to the Council's unallocated capital resources;
- (d) That £15,000 be transferred from the General Fund to the Capital Investment Reserve in order to provide the finance for the Council's contribution to the RIBA D capital expenditure to be incurred on Jubilee

- House Phase 2 in 2012/13;
- (e) The requests to carry £472,200 earmarked balances forward in respect of revenue slippage to 2012/13 be approved;
- (f) That £50,000 be transferred to the Car Parks Repair and Maintenance Reserve for future works at Covent Garden Multi-storey Car Park;
- (g) The resulting surplus of the above decisions, amounting to £333,000 be appropriated:
- £140,000 to the General Fund Early Retirement Reserve;
 - £110,000 to the Equipment renewal Reserve;
 - £83,000 to the Services Transformation Reserve;
- (h) The Executive approve the schedule of Budget Amendments for the year 2012/13 presented at Appendix 'L', totalling a £267,300 increase to the General Fund and a reduction of £7,200 to the Housing Revenue Account.
- (i) The Executive note the estimated deficit of £160,000 for 2012/13, with the planned savings giving an annual surplus of £244,000 by 2016/17.

3. REASONS FOR THE RECOMMENDATIONS

- 3.1 The recommendations above will allow the accounts for the financial year 2011/12 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 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 £1,434,800 in respect of Housing Investment Programme schemes not completed in 2011/12 and £231,200 for Other Services Capital schemes. Slippage of these budgets to 2012/13 is being requested together with the bringing forward of £29,900 from the 2012/13 Other Services Capital Programme in respect of the re-phasing of Jubilee House capital expenditure. The 2012/13 Programmes need to be varied accordingly to accommodate these changes together with the associated financing.
- 3.3 The 2012/13 Other Services Capital Programme contains £98,900 in respect of the Agile Working project which following an Agile Working Board meeting in March is to be discontinued and is unlikely to be resurrected in its current form. However, £30,000 of this budget is still required in order to update the Council's VDI infrastructure so that the number of Home and Mobile Workers can be expanded and it is therefore recommended that £30,000 is vired from the Agile Working project budget to this new project with the resultant £68,900 saving being returned to the Council's unallocated capital resources.
- 3.4 The Council's £15,000 contribution towards the RIBA D aspect of the Jubilee House project was originally to be funded from the Contingency budget but due to slippage on this scheme the £15,000 has been transferred to the General Fund and it is therefore recommended that a similar amount is transferred from the General Fund to the Capital Investment Reserve in order to provide the necessary funding in 2012/13 when the expenditure is expected to be incurred.

- 3.5 Requests comprising items of slippage earmarked for 2012/13 totalling £467,100 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. Appendix 'F' lists the items in more detail.
- 3.6 The Car Parks repairs and maintenance budget was underspent by £50,000. Transferring this to the Car Parks Repair and Maintenance Reserve will preserve this funding to allow it to be drawn down at a future date when required.
- 3.7 The surplus for the year needs to be appropriated in order to balance the accounts.
- 3.8 As outlined in the April Executive Fit for the Future Report, the Council has refined the process for managing and monitoring its budgets, and their impact on future years from April 2012. These original budgets were approved in December of last year and some proposed changes have already been identified which mean these are no longer up to date and accurately reflect the latest financial position. The Executive is requested to approve these changes.
- 3.9 The changes proposed to the 2012/13 budget, and the financial projections, will present a deficit of £160,000 for 2012/13, with there being a projected surplus of £244,000 by 2016/17, based on the savings identified to be pursued as part of the April 2012 Fit For the Future report. The main change is to remove the procurement savings target; whilst this target may be removed, the Council will still be endeavouring to follow best practice in terms of procurement activity, and savings should still accrue.

4. POLICY FRAMEWORK

- 4.1 **Policy Framework** – The Final Accounts for 2011/12 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 2011/12 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 2011/12 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 2011/12. This is the second 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 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.
- 7.3 The draft (unaudited) Statement of Accounts is currently being prepared. This is due to be considered by Finance and Audit Scrutiny Committee on 10th July 2012.
- 7.4 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.
- 7.5 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.
- 7.6 This is a complex report that brings together details of all of the Council's income and expenditure in 2011/12. 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 - 2012/13 Budgets
 - Section 16 - Conclusion
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- 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 - Budget Changes 2012/13
 - Appendix M - Glossary of Terms

8. CAPITAL EXPENDITURE

- 8.1 The Council's plans for capital expenditure in 2011/12 totalled £13.4m as set out below. The capital programme has been financed in accordance with that approved in the 2011/12 Treasury Management Strategy Document. The overall position is summarised below and in Appendix A:

TABLE A: Capital Expenditure Summary 2011/12

	Latest 2011/12 £'000	Actual 2011/12 £'000	Variation 2011/12 £'000
Housing Investment Programme	10,782	9,149	(1,633)
Other Services	2,625	2,317	(308)
TOTAL	13,407	11,466	(1,941)

- 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:

- IT projects (-£27,000). The PC's & Printers replacement programme is ongoing into 2012/13 and additional electronic storage will be required in 2012/13 to complete the 2011/12 Server Upgrade;
- Conservation Action Programme (-£53,000) where grants have been allocated but will not be paid until 2012/13;
- Warwick Court House Improvements (-£60,000). The improvements are now taking place in 2012/13 therefore it is necessary to slip this Council's contribution to 2012/13;
- The Rural/Urban Initiatives Grants budget (-£61,000). Not allocated to schemes due to a lack of demand;
- Abbey Fields Leisure Centre Refurbishment (-£20,000) – scheme completed under budget;
- Jubilee House Phase 1 (+£29,000). It was necessary to bring forward resources from the 2012/13 budget for Jubilee House in order to accommodate a re-phasing of expenditure.

The most significant variations in the Housing Investment Programme occurred on Improvement/Renewal works where, due to either a backlog, high volume of works required or procurement issues, slippage of £1,067,700 to 2012/13 has been requested. £322,100 slippage has also been requested in relation to projects, including Solar Panels, where schemes have already been agreed but were not able to be completed in 2011/12. In addition, savings of £190,000 were also made in the same areas in relation to general provisions and contingencies no longer being required. However, overspends of £239,400 were incurred on Central Heating replacements and Thermal Improvements due to additional work being required, partly caused by changes in safety regulations, not accommodated for within the budgets, and additional capitalization of works from revenue, which had not been highlighted during

monitoring. Underspends of £259,200 were made on Disabled Facilities Grants, Home Repairs Assistance and Decent Homes Grants.

8.4 Variations in Sources of Capital Funding

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

8.5 Within the Housing Investment Programme, underspends in the Environmental Improvements Programme has resulted in increased capital receipts and capital grants being carried forward to 2012/13.

8.6 In addition, slippage in the Improvements/Renewal works, Solar Panel and Asbestos Survey programmes together with underspends due to general provisions being no longer required have resulted in an increased Housing Repairs Account balance. Under the Self Financing regime, the Housing Repairs Account has been closed and its balance of £1.7m transferred to the new Housing Capital Investment Reserve. This new reserve has also had resources transferred to it from the Housing Revenue Account resulting in a balance of £8.508m being carried forward to 2012/13.

8.7 The financing of the 2011/12 Revised Estimate Other Services Capital Programme envisaged the use of capital receipts emanating from the sale of 21 Church Street Warwick. However, this property was not sold during 2011/12 and therefore the financing shortfall has been picked up by the Capital Investment Reserve on a temporary basis, the capital receipt, when received, being available to finance future capital expenditure in lieu of the Capital Investment Reserve. The amount of financing coming from the Capital Investment Reserve has increased over the revised as it has had to temporarily finance expenditure on projects that are largely financed from external contributions namely a) the element of the Pump Rooms Linden Arches refurbishment that is to be financed by a contribution (£60,000) from the Friends of the Pump Room Gardens. That contribution has now been received in 2012/13 and will be utilised in lieu of the Capital Investment Reserve on general Other Services Capital Programme schemes and b) £22,000 in respect of The Dell Refurbishment pending receipt of Big Lottery Grant. This is due to be received in the early part of 2012/13 and like the Friends of the Pump Rooms contribution will be available to finance general Other Services capital expenditure.

8.8 Appendix 'B' also shows the Capital funding balances held by the Council as at 31st March 2012 totalling £21.810m. Once financing of capital slippage (see 8.4 above) has been allowed for, there is £20.144m available to finance the future Capital Programme, which is £5.831m more than the latest estimates. Much of this is already committed towards future Capital Programmes. The table below illustrates the decrease in General Fund Capital Resources between the latest estimates and actual:

Table 'B': General Fund Capital Programme Resources

	Latest £000	Actual £000
Capital Resources 1 April 2011	6,555	6,555
Additions in the year	4,480	4,125
Funding of Capital Programme	(2,625)	(2,317)
Capital Resources 31 March 2012	8,410	8,363

The £8.363m in Table B above does not include the external contributions referred to in paragraph 8.7 above nor does it include the expected capital receipts for 21 Church Street Warwick (£421,000) or The Old Art Gallery (£200,000) both of which should be received in 2012/13 but does include £0.531m in external contributions received in 2011/12 re the Chase Meadow Community Centre project which were not anticipated when the 2011/12 revised financing was prepared. Once these funds are received, the Council will be in a slightly improved position with regard to Capital Resources than allowed for in the Revised Estimates. The overall Capital funding, including the possible requirement to borrow, will be further reviewed during the year and reported to members.

8.9 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 2011/12 indicators are included within Appendix 'D', along with relevant explanations.

8.10 2012/13 Capital Programme

The 2012/13 Other Services Capital Programme contains £98,900 in respect of the Agile Working project which following an Agile Working Board meeting in March is to be discontinued and is unlikely to be resurrected in its current form. However, £30,000 of this budget is still required in order to update the Council's VDI infrastructure so that the number of Home and Mobile Workers can be expanded and it is therefore recommended that £30,000 is vired from the Agile Working project budget to this new project with the resultant £68,900 saving being returned to the Council's unallocated capital resources.

9. GENERAL FUND REVENUE ACCOUNT

9.1 The Council's budget plans were formulated during the period July 2010 to February 2011 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 23rd February 2011 when the Council approved total estimated net expenditure of £15,851,300 and set a band D council tax for District purposes of £146.86. Additional general grants of £380,200 increased resources available and net expenditure to £16,231,500.

- 9.3 The revenue accounts relating to 2011/12 have now been finalised.
- 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 January 2012 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 2011/12 is as follows:

TABLE 'C': General Fund 2011/12

	See Para.	Latest Estimate £'000	Actual £'000	Variance £'000
Net Cost of General Fund Services	9.6	22,229	18,328	(3,901)
Add: Earmarked Reserves		-	467	467
Adjusted Cost of General Fund Services		22,229	18,795	(3,434)
Financing Adjustments				
Replacement of Notional with Actual Cost of Capital				
- Less Capital Charges in Service Estimates	9.9	(5,592)	(2,742)	2,850
- Add Loan Repayments, Revenue Contributions and Interest Paid		31	31	-
Net External Investment Interest Received	9.11	(356)	(376)	(20)
Revenue Contributions to Capital	9.12	923	762	(161)
Contributions to / (from) Reserves	9.13	(807)	(399)	408
IAS 19 Pensions Adjustment	9.14	(102)	(82)	20
Transfer to Accumulated Absences Reserve	9.16	-	9	9
Contribution to / (from) General Fund		(100)	(100)	-
Total Financing Adjustments		(6,003)	(2,897)	3,106
Net Expenditure for District Purposes		16,226	15,898	(328)
Less Financing from Council Tax, RSG and NNDR		(15,658)	(15,658)	-
General Grants		(573)	(573)	-
Deficit / (Surplus) for Year	9.19	(5)	(333)	(328)

- 9.6 The first row of Table C, above, shows that the net cost of providing the General Fund Services was £18.3m against a budget of £22.2m, a variance of £3.9m. 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 2011/12

	£'000	£'000
General Fund Services' Variations (paragraph 9.5)		(3,901)
Less: Financing Adjustments included in above figure		
- Capital Financing Charges	2,850	
- Revenue Contributions to Capital	(161)	
- Revenue Expenditure financed from Reserves - net change	409	
- IAS 19 Pension Adjustments	20	
- Transfer to Accumulated Absences Reserve	9	3,127
		(774)
Items of Slippage: Earmarked Reserve Requests		467
Adjusted General Fund Services' Variations		(307)

This shows that there was actually a net variance of £307,000 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 net of subsidy (+£155,000);
- Procurement savings target not achieved in the year (+£128,000);
- Change in Insurance Provision requirements (+£46,000);

Favourable:

- Housing Benefits Bad Debt Provision (-£140,000);
- Fees and Charges income:
 - Various services (-£59,000);
 - Development Control (-£43,000);
 - Car Parking (-£41,000);
- Prior year earmarked reserves not utilised (-£76,000);
- Printing and Stationery costs (-£71,000);
- Gas usage (-£44,000);
- Office Accommodation Other Hired and Contracted Services (-£33,000);
- Legal Fees Shared Service (-£32,000).

- 9.8 Maintenance of car parks was underspent by £50,000. It is recommended that this be added to the Car Park Repair and Maintenance Reserve to be drawn down when required.

9.9 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 £2.5m 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. Added to this, there have been net impairments and revaluation gains to the value of £0.4m

in respect of the Council's General Fund Fixed Assets resulting in a net overall decrease of £2.9m within the service accounts. These variations are "reversed out", and do not add or reduce the net underspend of the Council.

9.10 Financing Adjustments

The largest component of the Financing Adjustments is income shown in respect of Capital Charges (£2.742m actual). This income reflects the Capital Financing Charges made to services as discussed in paragraph 9.9 being reversed out so that they do not impact on the Council Tax.

9.11 Investment interest receipts for 2011/12 were £20,500 above estimate. The gross interest was £556,200 which is £37,800 more than the revised estimate of £518,400. The interest due to the HRA was £180,100 which is £17,400 more than the revised estimate of £162,700.

9.12 The revenue financing of the Capital Programme (Revenue Contributions to Capital) includes Government Grants financing expenditure to be accounted for as REFCUS (see paragraph 9.9 above) within the Service Accounts. These grants relate to Private Sector Housing and include Disabled Facilities and Decent Homes Grants. The outturn is less by £161,100 reflecting the underspend on the capital programme.

9.13 An increase in contributions to Reserves of £0.41m reflects the actual financing requirements of the Council.

9.14 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 net amount of new unused contributions less past contributions being used in the current year is £241,600 and will form part of future budget reports (see Appendix 'G' for the overall balance).

9.15 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.

9.16 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 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 (£9,200) is the change between the reversal of the accrual carried forward from 2010/11 (£273,800) and the new accrual brought forward from 2012/13 (£264,600).

9.17 Most of the variances in the financing adjustments shown in paragraphs 9.9 - 9.16 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 9.11) where the income received was above the figure included within the estimates.

9.18 General Fund Balance

The Revised Estimates identified a surplus of £5,100 which would be dealt with at final accounts.

9.19 Taking all of the above items into account there is a net surplus for the year of £333,000.

10. TREATMENT OF GENERAL FUND SURPLUS

10.1 At revised estimates time it was anticipated that there would be a surplus of £5,100 on the General Fund. The actual position is a surplus of £333,000 as referred to in paragraph 9.19.

(j) It is recommended that the surplus be appropriated:

- £140,000 to the General Fund Early Retirement Reserve. Following the May Executive meeting, the uncommitted balance on this reserve is £19,000. With further changes likely in the future as part of Fit For the Future, it is recommended that the balance on this reserve is increased.
- £110,000 to the Equipment renewal Reserve. This reserve has some substantial demands upon it scheduled in future years; current projections the demands upon this reserve exceed the uncommitted balance. Accordingly, it is recommended that the balance on this reserve is increased.
- £83,000 to the Services Transformation Reserve. This reserve is funding many of the changes needed under Fit for the Future. Whilst there have been many approvals from this reserve recently, many more are expected in the two years. It is therefore recommended that additional funds are added to this reserve.

11. RESERVES AND PROVISIONS

11.1 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 2012 can be found in Appendix 'G'. These balances include the above appropriations.

12. HOUSING REVENUE ACCOUNT

12.1 Housing Revenue Account Estimates for 2011/12 were approved by Council on 23rd February 2011 when rents were increased by an average of £5.28 per week.

12.2 The H.R.A. for 2011/12 has now been finalised and is summarised in Appendix 'H'. This initially showed a balance on the H.R.A. at 31st March 2012 of

£8,058,272 which was £4,576,634 more than the latest estimate. This balance has now been reduced to the minimum working balance of £1,250,000, as previously agreed, ready for the implementation of the Housing Self financing regime from 1st April, 2012 and which is further discussed below. The initial increase in balances was mainly due to a reduction of £4,001,800 in contributions to the Repairs Fund for capital purposes. £3,380,000 of this was the result of the agreed reduction to the Solar Panel Installation Programme and the remaining £621,800 the result of other revisions to the capital programme. Reduced costs being recharged to Supervision and Management amounted to £627,700. This relates to changes in respect of Support Services and Housing Client / Contractor allocations and includes £171,100 additional income as part of the ROK settlement. An additional £57,000 was paid to the insurance reserves. Information on the major variances between latest estimates and actual performance can be seen in Appendix 'H'.

- 12.3 The new Self Financing regime for the Housing Revenue Account was implemented on 1st April, 2012. The 'settlement' payment of £136,157,000, to enable the change to take place, was transacted on the 28th March, 2012. The loans necessary to make the payment have been taken out for a period of up to fifty years. To accommodate this, a new fifty year Business Model for the Housing Revenue Account has been developed to show how the HRA balance will be used in future years to enable a smooth programme of works and to maintain the Decent Homes Standard.
- 12.4 A major factor in the decision to take loans for fifty years, rather than the thirty years originally envisaged, was the perceived opportunity this would provide to facilitate the building of around 1,400 new homes during this period. To help ensure sufficient funds will be made available for this new venture, a new HRA Capital Investment Reserve has been established. The old Housing Repairs Account has been discontinued, with the balance of £1,699,961 being transferred to the new reserve. In line with the decision to maintain a minimum working balance of £1,250,000, plus inflation in future years, on the HRA, the balance has been reduced to this level, with the difference of £6,808,272 also being transferred to the new account. This makes the current balance on the new HRA Capital Investment Reserve, £8,508,233. However, it should be noted that if the requested 'slippage' of £1,434,800 on the capital programme is agreed, this balance will have reduced to £7,073,433, to fund this.

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 have been maintained which, together, provided a separate record of the Council's repair and maintenance programmes.
- 13.2 The Major Repairs Allowance was received as part of the Housing Subsidy regime and was intended to be approximately equivalent to the annual depreciation of the Council's dwelling stock. Under the new Housing Self Financing regime, a separate Major Repairs Account is to be maintained by the authority. It will be funded directly from the HRA with an amount at least equal to the calculated depreciation for the year, or more, if the capital expenditure within the Housing Business Plan requires it.

- 13.3 The Housing Repairs Account was 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. Under the new regime, the holding of this account is to be discontinued. Revenue expenditure on repairs and maintenance to the stock will be funded directly from the HRA in future. The balance on this account at the end of 2011/12 was £1,699,961, which has been transferred to the newly established HRA Capital Investment Reserve.
- 13.4 These accounts are summarised in Appendix 'I', which shows a reduction of just £8,800 on the balance of the MRA Account compared to latest estimates. The increased balance of £876,600 on the Housing Repairs Account was mainly due to reduced expenditure on those capital projects which attract Revenue funding. This leaves a balance of £1,010,400 on the MRA Reserve, at 31st March, 2012.

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 2012, the deficit on the Collection Fund was £321,150, a movement of £338,866 from the opening surplus of £17,716. 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 £79.7m.
- 14.3 Following the statutory mid-January review of the Collection Fund it was estimated that there would be a deficit of £249,800 as at 31st March 2012. The recovery of this deficit was built into the 2012/13 Council Tax bills, of which £28,000 equated to the Council's share. Following a review of the outstanding Council Tax arrears it was considered prudent to increase the Bad Debts provision by £100,000. As the actual deficit is £321,150, there will be a debit balance of £71,350 towards the 2012/13 Collection Fund which will be assessed later in the year as part of the Budget Setting process. The Council's share of this deficit amounts to £8,002.
- 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 2011/12 will be £60,465,170. The amount that the Council receives by way of its share from the Pool is £5.986m.
- 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 gross arrears, has decreased from 0.92% to 0.86%. The Council Tax collection rate for 2011/12 was 98.9% (2010/11 98.6%) and 98.5% (2010/11 98.8%) for Business Rates, both of which are excellent.

15. 2012/13 Revenue Budget Amendments

- 15.1 As outlined in the April Executive Fit for the Future Report, the Council has refined the process for managing and monitoring its budgets, and their impact on future years from April 2012. As Members will be aware, these original budgets were approved in December of last year and changes are being identified which mean these are no longer up to date and accurately reflect the latest financial position.
- 15.2 As changes are identified they will be presented to the Executive with recommended changes immediately, rather than waiting until December when the following year's budget is set.
- 15.3 Appendix 'L', details the proposed changes which have been identified from on-going 2012/13 Budget Review to date and Members are asked to approve these which total £267,300 of which £229,600 are recurrent (General Fund) and a reduction of £7,200 for the Housing Revenue Account. Whilst this represents an increase to the Council's Net Expenditure Budget, Members are reminded that in part this will be offset by the increase of £108,000 to the Fit for the Future Savings Budgets which have now been incorporated into Service Area Budgets as recommended in April of this year, resulting in a forecast £160,000 deficit for 2012/13. The Fit For the Future report in April showed that, on the basis of all the savings proposed, the financial projections show a surplus of £474,000 by 2016/17. The changes proposed here would reduce that projection to £244,000.
- 15.4 The most significant recurrent increase is in respect of removing the Procurement Savings Target Budget of £244,400. In May, SMT considered the procurement work plan for 2012/13 and potential budget savings arising. Savings achieved from past exercises have already been removed from budgets. Since the Council has had a Procurement Savings Target Budget, there have been significant problems in identifying which savings should be ascribed to procurement, or whether the savings are due to other initiatives being carried out by Service Areas. Whilst the work in seeking to identify procurement savings has resulted in confrontation and waste, savings have still been achieved across the Council, even if not specifically ascribed to procurement. In light of this, it is recommended that it is prudent to remove this budget. Under the Budget Review process, managers should be pro-actively reporting savings throughout the year, without having to determine whether they specifically relate to procurement. Many saving identified to date can be seen within Appendix 'L', and with careful monitoring of budgets and contracts, further adjustments to budgets will be reported as and when further savings accrue.
- 15.5 Members are asked to approve a reduction in Recycling Income of some £62,500. The prices of recycling materials have fallen and were starting to do so in the last months of 2011/12. Although the tonnages of materials collected have increased, this is insufficient to off-set the price reduction. Members are asked to approve this reduced income on a non-recurrent basis, as the tenders for 2013/14 onwards are still being evaluated and at this point in time it is not possible to assess the impact on the longer term.
- 15.6 Section 9.7 summarises the 2011/12 main variations, arising from the closure of the accounts. These are now being scrutinised in far more depth, alongside smaller favourable variances which have contributed to the £328,000 surplus.

Savings on budget lines which are recurrent will be brought to future Executive Meetings for approval and at this point it is anticipated these will go some way to offset the forecasted shortfall in 15.3.

16. CONCLUSION

- 16.1 Whilst the Council can carry forward its capital underspend of £1.941m, this represents 15% of the latest Housing Investment Programme and 12% of the latest Other Services Capital Programme for 2011/12. 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 £333,000 which is a change to the surplus of £5,100 forecast in February 2012. 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 net of subsidy (+£155,000);
- Procurement savings not individually identified (+£128,000);
- Change in Insurance Provision requirements (+£46,000);

Favourable:

- Housing Benefits Bad Debt Provision (-£140,000);
- Fees and Charges income:
 - Various services (-£59,000);
 - Development Control (-£43,000);
 - Car Parking (-£41,000);
- Prior year earmarked reserves not utilised (-£76,000);
- Printing and Stationery costs (-£71,000);
- Gas usage (-£44,000);
- Office Accommodation Other Hired and Contracted Services (-£33,000);
- Legal Fees Shared Service (-£32,000).

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

- 16.2 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.
- 16.3 The Housing Revenue Account increased its balance by £4.6m compared to Latest Estimates mainly through reduced contributions to finance capital expenditure.
- 16.4 The Collection Fund surplus balance of £17,716 was reduced by a deficit in the year of £338,866 to leave a closing deficit balance of £321,150 of which £36,002 is due from this Council. Of this amount £28,000 has already been built into the 2012/13 estimates and council tax bills.