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|  Executive 19 June 2013 | | Agenda Item No. 4 |
| Title | Final Accounts 2012/13 | |
| 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| Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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 | 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 8 April 2012: Fit For the Future Change Programme Update 8 August 2012: Budget Review to 30 June 2012 10 October 2012: Fees and Charges 2013/14 14 November 2012: Budget Monitoring to 30 September 2012 12 December 2012: General Fund Base Budgets latest | |

| | |
|--|---|
| | <p>2012/13 and Original 2013/14</p> <p>12 December 2012: Housing Revenue Account Base Budgets latest 2012/13 and Original 2013/14</p> <p>13 February 2013: Budget 2013-2014 And Council Tax – Revenue & Capital</p> |
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| | |
|--|-------------|
| 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 473 |
| Equality & Sustainability Impact Assessment Undertaken | N/A |
| | |

| Officer/Councillor Approval | | |
|--|-------------|------------------|
| Officer Approval | Date | Name |
| Chief Executive/Deputy Chief Executive | 28 May 2013 | Andrew Jones |
| Head of Service | 24 May 2013 | Mike Snow |
| CMT | 28 May 2013 | |
| Section 151 Officer | 24 May 2013 | Mike Snow |
| Monitoring Officer | N/A | |
| Finance | N/A | Finance Report |
| Portfolio Holder(s) | 23 May 2013 | 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 2013. The highlights from the accounts are:

- The Capital Programme was underspent by £1.96m, of which £1.67m is due to slippage to 2013/14.
- The General Fund revenue account showed a surplus of £520,000 when reviewing the budgets in February 2013. The final accounts show a small reduction in that surplus of £376 after allowing for a further £0.53m of planned expenditure to be carried forward to 2013/14.
- The Housing Revenue Account (HRA) balance is as budgeted; the HRA Capital Investment Reserve balance has increased by £4.4m, £0.7m more than the budgeted £3.7m.
- The Council Tax collection rate was 98.7% and 98.5% 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 £1.96m, of which £1.67m is due to slippage to 2013/14;
 - The General Fund revenue account shows a surplus of £519,600 which is £400 less than the surplus reported in February, this is after allowing for a further £0.53m of planned expenditure to be carried forward to 2013/14;
 - The Housing Revenue Account balance is as budgeted; the HRA Capital Investment reserve available for major developments has increased by £4.4m to £12.9m, £0.7m more than projected;
 - The Council Tax collection rate was 98.7% and 98.5% for Business Rates.
- (b) Agree that the 2013/14 Capital Programme be amended by £1,656,500 comprising the following elements:
- +£899,900 for Housing Investment Programme slippage;
 - +£765,500 for Other Services Capital Programme slippage;
 - -£8,900 in respect of resources brought forward from the Other Services Capital Programme for 2013/14 to 2012/13 to cover expenditure on Victoria Park Bowling Green & Ancillaries Improvements, HS2, Abbey Fields Car Park and Play Area Improvement Programme.
- (c) Agree the requests to carry £528,700 earmarked balances forward in respect of revenue slippage to 2013/14.
- (d) Agree that the resulting change of the above decisions, amounting to £376 be charged to the General Fund Balance.
- (e) Note the schedule of 2013/14 Budget Amendments made under

delegation as detailed in Appendix M and those within Appendix L (Already Approved) totalling a £250,000 reduction which will be returned to the General Fund.

- (f) Approve the creation of a new reserve entitled "The Rent Bond Scheme Reserve" with an initial balance of £22,100. Authority to spend from this reserve to be delegated to the Head of Housing and Property Services.
- (g) Note the overall position on the Contingency Budget for 2013/14, subject to agreement of recommendations within other reports to this Executive meeting.

3. REASONS FOR THE RECOMMENDATIONS

- 3.1 The recommendations above will allow the accounts for the financial year 2012/13 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 £899,900 in respect of Housing Investment Programme schemes not completed in 2012/13 and £765,500 for Other Services Capital schemes. Slippage of these budgets to 2013/14 is being requested together with the bringing forward of £8,900 from the 2013/14 Other Services Capital Programme in respect of the re-phasing of expenditure on the Victoria Park Bowling Green & Ancillaries Improvements, HS2, Abbey Fields Car Park and Play Area Improvement Programme projects. The 2013/14 Programmes need to be varied accordingly to accommodate these changes together with the associated financing.
- 3.3 Requests comprising items of slippage earmarked for 2013/14 totalling £528,700 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, these include £119,000 in respect of the Contingency Budget which will be increase the Contingency Budget available in 2013/14.
- 3.4 The small change in the surplus for the year needs to be charged to the General Fund Balance in order to balance the accounts.
- 3.5 Appendix L details amendments to budget that Members approved in April and May of this year. 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. In accordance with changes to the Code of Financial Practice approved in April as part of the on-going Budget Review process, some changes have been made to budgets. The Executive is requested to retrospectively note changes already amended under delegated powers. (Appendix M)
- 3.6 The changes to date to the 2013/14 budget, and the financial projections, will present a surplus of £250,000 for 2013/14. The main changes being the deferral of the Auto-Enrolment Pensions Scheme which will still impact on the

Council in the longer term, NNDR refunds at Oakley Wood Crematorium, the inclusion of Discretionary Rate Relief in the Business Rate Retention Scheme and the Restructure in ICT Services.

- 3.7 For a number of years a budget within General Fund Housing has existed in respect of the Rent Bond Scheme whose purpose is to assist households who are homeless, threatened with homelessness or in housing need by guaranteeing one month's rent to the landlord. The guarantee would be triggered in the event of damages or rent arrears coming to light once the tenancy has ended. Expenditure from this budget has been inconsistent through the years. This is, to all intents and purposes, a contingency budget. Consequently, it has been carried forward from year to year as an earmarked reserve. However, it would be more appropriate to create a specific reserve to be known as "The Rent Bond Scheme Reserve" with authority to spend being delegated to the Head of Housing and Property Services, the initial balance to be £22,100, this being the unspent balance on the budget as at 31 March 2013.
- 3.8 The Contingency Budget is used for one-off projects approved by the Executive which cannot be accommodated from other budgets and for emergencies under delegated authority. Appendix 'N' highlights the use of that budget for the year to date.

4. POLICY FRAMEWORK

- 4.1 **Policy Framework** – The Final Accounts for 2012/13 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 2012/13 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 2012/13 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 2012/13. This is the third 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 9th July 2013.
- 7.4 An advertisement will be placed in local newspapers on 21st 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 2012/13. 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 Capital Investment and Major Repairs Reserves
Section 14 - Collection Fund
Section 15 - 2013/14 Revenue Budget Amendments
Section 16 - The Contingency Budget
Section 17 - 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 - Already Approved Budget Changes 2013/14
Appendix M - Budget Changes 2013/14 for Executive Approval
Appendix N - Contingency Budget 2013/14
Appendix O - Glossary of Terms

8. CAPITAL EXPENDITURE

- 8.1 The Council's plans for capital expenditure in 2012/13 totalled £11.245m as set out below. The capital programme has been financed in accordance with that approved in the 2012/13 Treasury Management Strategy Document. The overall position is summarised below and in Appendix A:

TABLE A: Capital Expenditure Summary 2012/13

| | Latest Budget 2012/13 £'000 | Actual 2012/13 £'000 | Variation 2012/13 £'000 |
|------------------------------|--|-------------------------------------|--|
| Housing Investment Programme | 8,904 | 7,954 | (950) |
| Other Services | 2,341 | 1,329 | (1,012) |
| TOTAL | 11,245 | 9,283 | (1,962) |

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:

- Leamington Cemetery (-£166,000). Completion of the scheme has been delayed by poor weather necessitating slippage of £166,000 to 2013/14.
- The Rural/Urban Capital Improvement Scheme Grants budget (-£120,000). Schemes committed but which remain to be paid out in 2013/14 or later years total £90,000 and £30,000 remains for allocation to projects in future years. The figure of £120,000 is requested as slippage, above the slippage previously allowed for within the Capital Programme.
- Chase Meadow Community Centre (-£117,000). Completion of this project has been delayed due to poor weather requiring slippage of £117,000 to 2013/14.
- Jubilee House Phase 2 (-£104,000). Project still in feasibility stage therefore resources need to be slipped to future years.
- Crematorium Improvements (-£94,000). Project has been delayed due to ecological survey findings requiring slippage to 2013/14.
- Conservation Action Programme (-£73,000) where grants have been allocated but will not be paid until 2013/14.
- Purchase of Leek Wootton Woodland (-£50,000). Negotiations are continuing with Warwickshire Police requiring slippage to 2013/14.

Overall the Housing Landlord related Housing Investment Programme works are within budget, with a net £105,500 underspend of which £99,900 has been requested as slippage for Disabled Adaptations and Mobility Scooter Stores agreed but not completed in 2012/13. There are areas where expenditure was more than the previously reported budget; primarily due to identifying more kitchens and bathrooms needing replacement, replacing asbestos containing boilers that can no longer be economically maintained, and additional electrical works required. However these costs are offset by underspends on other areas where less work was required than previously forecast, notably asbestos removal and window and door replacements.

Also within the Housing Investment Programme there is an overall underspend of £44,000 on Private Sector Housing Grants, and the £800,000 budgeted for affordable housing provision contributions of Registered Providers has slipped to 2013/14 due to delays in schemes.

- 8.4 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'.
- 8.5 Within the Housing Investment Programme, underspends in the Environmental Improvements Programme has resulted in increased capital receipts being carried forward to 2013/14.
- 8.6 Underspends in the Registered Providers Programme has resulted in increased capital contributions being carried forward to 2013/14.
- 8.7 In addition, favourable variances in the HRA increased the amount available to contribute to the Housing Capital Investment Reserve for future developments, resulting in an increased HRA Capital Investment Reserve balance.
- 8.8 The HRA related Capital slippage into 2013/14 will reduce the budgeted 2013/14 contribution to the HRA Capital Investment Reserve by £99,900.
- 8.9 The financing of the 2012/13 Latest Budget Other Services Capital Programme envisaged the use of capital receipts emanating from the sale of 21 Church Street Warwick and 10/14 Chapel Street Warwick. However, these properties were not sold during 2012/13 but slippage in the 2012/13 capital programme has meant that they were not needed and therefore when received in 2013/14 will be available to finance the aforementioned slippage.
- 8.10 Appendix 'B' also shows the Capital funding balances held by the Council as at 31st March 2013 totalling £25.867m. Once financing of capital slippage (see 8.3 above) has been allowed for, there is £24.201m available to finance the future Capital Programme, which is £2.337m more than the latest budgeted figure to be held as at 31 March 2013. 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 2012 | 8,428 | 8,428 |
| Additions in the year | 1,566 | 548 |
| Funding of Capital Programme | (2,341) | (1,329) |
| Capital Resources 31 March 2013 | 7,653 | 7,647 |

The £7.647m in Table B above does not include the expected capital receipts for 21 Church Street Warwick (£450,000) and 10/14 Chapel Street (£425,000) both of which should be received in 2013/14 but does include £0.020m in external contributions received in 2012/13 re the Cubbington Flood Alleviation project which were not anticipated when the 2012/13 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 latest forecasts. 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 2012/13 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 2011 to February 2012 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.

9.2 Plans were finalised on 22nd February 2012 when the Council approved total budgeted net expenditure of £16,103,067 and set a band D council tax for District purposes of £146.86. Additional general grants of £13,400 increased resources available and net expenditure to £16,116,467.

9.3 The revenue accounts relating to 2012/13 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 budgets for the year and explanations of the major variations. The latest budgets are the latest budgets approved in December 2012 amended for any subsequent Executive decisions and the virements permitted under the Financial Code of Practice.

9.5 A summary of the General Fund performance for 2012/13 is as follows:

TABLE 'C': General Fund 2012/13

| | See Para. | Latest Budget £'000 | Actual £'000 | Variance £'000 |
|--|--------------|---------------------------|-----------------|-------------------|
| Net Cost of General Fund Services | 9.5 | 23,035 | 19,156 | (3,879) |
| Add: Earmarked Reserves | | - | 529 | 529 |
| Adjusted Cost of General Fund Services | | 23,035 | 19,685 | (3,350) |
| Financing Adjustments | | | | |
| Replacement of Notional with Actual Cost of Capital | | | | |
| - Less Capital Charges in Service Estimates | 9.9 | (5,815) | (3,316) | 2,499 |
| - Add Loan Repayments, Revenue Contributions and Interest Paid | | 32 | 33 | 1 |
| Net External Investment Interest Received | 9.10 | (306) | (336) | (30) |
| Revenue Contributions to Capital | 9.11 | 449 | 509 | 60 |
| Contributions to / (from) Reserves | 9.12 | (909) | (196) | 713 |
| IAS 19 Pensions Adjustment | 9.14 | (367) | (289) | 78 |
| Transfer to Accumulated Absences Reserve | 9.15 | - | 37 | 37 |
| Contribution to / (from) General Fund | | (2) | (10) | (8) |
| Total Financing Adjustments | | (6,918) | (3,568) | 3,350 |
| Net Expenditure for District Purposes | | 16,117 | 16,117 | - |
| Less Financing from Council Tax, RSG and NNDR | | (14,836) | (14,836) | - |
| General Grants | | (1,309) | (1,309) | - |
| Prior year Collection Fund (Surplus) / Deficit | | 28 | 28 | |
| Deficit / (Surplus) for Year | 9.18 | - | - | - |

- 9.6 The first row of Table C, above, shows that the net cost of providing the General Fund Services was £19.1m against a budget of £23.0m, 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 2012/13

| | £'000 | £'000 |
|---|-------|--------------|
| General Fund Services' Variations (paragraph 9.5) | | (3,879) |
| Less: Financing Adjustments included in above figure | | |
| - Capital Financing Charges | 2,499 | |
| - Revenue Contributions to Capital | 60 | |
| - Revenue Expenditure financed from Reserves - net change | 713 | |
| - IAS 19 Pension Adjustments | 78 | |
| - Transfer to Accumulated Absences Reserve | 37 | 3,387 |
| | | (492) |
| Items of Slippage: Earmarked Reserve Requests | | 529 |
| Adjusted General Fund Services' Variations | | 37 |

This shows that there was actually a net variance of £37,000 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:

- Transfer to Local Land Charges Provision (+£200,000);
- Increase in Benefits Bad Debts provision (+£100,000);
- Delay in a major planning application (+£69,700);

Favourable:

- Extension of Environment Agency contract (-£76,600);
- Fees and charges income at Crematorium and cemeteries (-£71,200);
- Earmarked Reserves no longer required (-£54,000);
- Customer Service Centre staffing costs (-£53,700);
- Corporate Repair and Maintenance (-£40,000).

9.8 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 £2.3m 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. In addition, impairment charges of £88,000 have been debited to Service Accounts in respect of equipment declared obsolete. These variations are "reversed out", and do not add or reduce the net underspend of the Council.

9.9 Financing Adjustments

The largest component of the Financing Adjustments is income shown in respect of Capital Charges (£3.316m actual). This income reflects the Capital Financing Charges made to services as discussed in paragraph 9.8 being reversed out so that they do not impact on the Council Tax.

9.10 Investment interest receipts for 2012/13 were £29,500 above budget. The gross interest was £451,400 which is £14,000 more than the latest budget of £437,400. The interest due to the HRA was £115,600 which is £15,500 less than the latest budget of £131,100.

9.11 The revenue financing of the Capital Programme (Revenue Contributions to Capital) includes Government Grants financing expenditure to be accounted for as REFCUS (see paragraph 9.8 above) within the Service Accounts. These grants relate to Private Sector Housing and include Disabled Facilities and Decent Homes Grants. The outturn shows an increase of £60,200 which reflects the changes in the capital programme.

9.12 An increase in contributions to Reserves of £0.713m reflects the actual financing requirements of the Council.

9.13 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 2012/13 is £197,600 and will form part of future budget reports (see Appendix 'G' for the overall balance).

- 9.14 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.
- 9.15 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 (£37,200) is the change between the reversal of the accrual carried forward from 2011/12 (£264,600) and the new accrual brought forward from 2013/14 (£227,400).
- 9.16 Most of the variances in the financing adjustments shown in paragraphs 9.8 - 9.15 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 9.10) where the income received was above the figure included within the budgets.
- 9.17 General Fund Balance
The Council Tax Setting report in February 2013 identified a surplus of £520,000 for the year, which was subsequently appropriated and is reflected in the latest budget figures.
- 9.18 Taking all of the above items into account there is a net reduction for the year of £376 from the forecast surplus of £520,000 in February.

10. TREATMENT OF GENERAL FUND SURPLUS

- 10.1 In February 2013 it was anticipated that there would be a surplus of £520,000 on the General Fund, which was subsequently appropriated to various reserves. The actual position is a surplus of £519,600 as referred to in paragraph 9.18.
- 10.2 It is recommended that the small adverse change of £400 be charged to the General Fund Balance, leaving a balance of £1.536m.

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 2013 can be found in Appendix 'G'. These balances include the above appropriations.

12. HOUSING REVENUE ACCOUNT

- 12.1 Housing Revenue Account Budgets for 2012/13 were approved by Council on 22nd February 2012 when rents were increased by an average of £6.36 per week.
- 12.2 The HRA for 2012/13 has now been finalised and is summarised in Appendix 'H'. This shows a balance on the HRA at 31st March 2013 of £1,282,500, as per the latest budget.
- 12.3 Within the HRA there are a number of variances, the most significant being favourable variances for lower void loss on rental income (£94,600), Feed-in tariff income from photovoltaic solar panels installed (£67,500), underspend on Consultants Fees (£106,800), reduced contributions to Capital works due to external grant funding part of Biomass installations (£30,600) and net underspend on capital works (£136,500). More detailed information on the major variances between latest estimates and actual performance can be seen in Appendix 'H'.
- 12.4 Overall there is a net favourable variance of £734,400 on HRA services, which has enabled the contribution to the HRA Capital Investment reserve towards future developments to increase from the budgeted £3.7m to £4.4m.

13. HOUSING CAPITAL INVESTMENT AND MAJOR REPAIRS RESERVES

- 13.1 In addition to the HRA there are other reserves available to fund HRA related expenditure; these reserves are summarised in Appendix 'I'.
- 13.2 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 the Major Repairs Allowance specified under the former Housing Subsidy system is used as a proxy to calculate amount to transfer.
- 13.3 As budgeted for, and projected in the Housing Business Plan model, the entire balance of the Major Repairs Reserve has been spent on financing capital works carried out during the year.
- 13.4 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 2012 was £8.5m. £4.4m was contributed from the HRA in 2012/13 and £29,500 was used to fund initial expenditure preparing for the redevelopment of Fetherston Court, giving £12.9m in the reserve at 31st March 2013.
- 13.5 The HRA related Capital slippage into 2013/14 will reduce the budgeted 2013/14 contribution to the HRA Capital Investment Reserve by £99,900.

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 2013, the deficit on the Collection Fund was £97,627, a reduction of £223,522 from the opening deficit of £321,150. During 2012/13 contributions of £249,800 towards the anticipated deficit on the Collection Fund were received from the three main recipients of Council Tax. Excluding the above contributions there was an operational deficit for the year of £26,300. This 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 £80.6m.
- 14.3 Following the statutory mid-January review of the Collection Fund it was estimated that there would be a deficit of £294,300 as at 31st March 2013. The recovery of this deficit was built into the 2013/14 Council Tax bills, of which £33,000 equated to the Council's share. Following a review of the outstanding Council Tax arrears the Bad Debts provision remained unchanged. As the actual deficit is £97,627, there will be a credit balance of £196,700 towards the 2013/14 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 £22,200.
- 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 2012/13 will be £62,577,400. The amount that the Council received by way of its share from the Pool is £6.848m in 2012/13 as part of the Revenue Support Grant Settlement.
- 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 increased from 0.86% to 0.90%. The Council Tax collection rate for 2012/13 was 98.7% (2011/12 98.9%) and 98.5% (2011/12 98.5%) for Business Rates, both of which are excellent.

15. 2013/14 REVENUE BUDGET AMENDMENTS

- 15.1 As Members will be aware, the original budgets were approved in December of last year and changes have been identified which mean these are no longer up to date and accurately reflect the latest financial position.
- 15.2 Appendix 'L', details the proposed changes which Members have already approved, totalling £66,000. Section 9.7 summarises the 2012/13 main variations, arising from the closure of the accounts. These are now being scrutinised in far more depth, alongside smaller favourable variances. Savings on budget lines which are recurrent will be brought to future Executive Meetings to note.

- 15.3 Following the update to the Code of Financial Practice agreed in April 2013, there is delegated authority for Heads of Service to make changes to budgets up to £50,000. These need to be reported retrospectively to the Executive. Details may be found of these changes made to date in Appendix 'M' (£184,000 of which £102,000 is recurrent).

16. THE CONTINGENCY BUDGET

- 16.1 As reported in paragraph 3.3, the 2013/14 Contingency Budget will be increased by £119,000 in respect of slippage from 2012/13. The updated position on the Contingency Budget is shown in Appendix 'N'.
- 16.2 £60,000 has been agreed by the Chief Executive under Emergency Powers in respect of Station Approach to ensure its continued use as a car park pending any future redevelopment. This cost will be shared with Waterloo Housing Group and should eventually be recovered from the car park revenue.
- 16.3 Under delegated authority (up to £10,000), the Head of Finance has agreed the following allocations from the Contingency:
- Parish Plan Funding – to enable further contributions to parish plans of up to £1,500, following on from contributions made earlier.
 - Media Room Staffing - £3,300 approved for staffing resources to cover long term sickness.
- 16.4 Several contributions from the Contingency Budget are requested within reports to this Executive meeting. These are shown within Appendix 'N' and, if all are approved, this will leave £160,000 in the Contingency Budget for the remainder of 2013/14.

17. CONCLUSION

- 17.1 Whilst the Council can carry forward its capital underspend of £1.962m, this represents 11% of the latest Housing Investment Programme and 43% of the latest Other Services Capital Programme for 2012/13. In reviewing and planning future programmes officers need to consider how they can achieve planned levels of expenditure more closely.
- 17.2 The general fund showed a reduction of £400 from the surplus of £520,000 forecast in February 2013. After stripping out the capital financing changes, which have no net effect, the main reasons for this change are:

Adverse:

- Transfer to Local Land Charges Provision (+£200,000);
- Increase in Benefits Bad Debts provision (+£100,000);
- Delay in a major planning application (+£69,700);

Favourable:

- Housing Benefits Bad Debt Provision (-£140,000);
- Extension of Environment Agency contract (-£76,600);
- Fees and charges income at Crematorium and cemeteries (-£71,200);
- Earmarked Reserves no longer required (-£54,000);
- Customer Service Centre staffing costs (-£53,700);
- Corporate Repair and Maintenance (-£40,000).

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

- 17.3 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.
- 17.4 The Housing Revenue Account balance is as budgeted; the HRA Capital Investment Reserve balance is £736,400 more than projected.
- 17.5 The Collection Fund opening deficit balance of £321,150 was reduced by a surplus in the year of £223,522 to leave a closing deficit balance of £97,627 of which £10,800 is due from this Council. An amount £33,000 has already been built into the 2013/14 budgets and council tax bills.
- 17.6 Ongoing reviews of budgets have identified a surplus of £250,000 in respect of 2013/14. Of this, £102,000 is ongoing and a further £66,000 has slipped from 2013/14 to 2017/18.
- 17.7 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 2012/13. 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.