WARWICK DISTRICT COUNCIL	**Executive 11 June 2014**	**Agenda Item No.** **3**

Title	Final Accounts 2013/14
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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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	7 August 2013: Budget Review to 30 June 2013 9 October 2013: Fees and Charges 2014/15 13 November 2013: Budget Review to 30 September 2013 11 December 2013: General Fund Base Budgets latest 2013/14 and Original 2014/15 11 December 2013: Housing Revenue Account Base Budgets latest 2013/14 and Original 2014/15 12 February 2014: Budget 2014-2015 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 553
Equality & Sustainability Impact Assessment Undertaken	N/A

Officer/Councillor Approval

Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	27/5/14	Andrew Jones
Head of Service	23/5/14	Mike Snow
CMT	27/5/14	CMT
Section 151 Officer	23/5/14	Mike Snow

Monitoring Officer	N/A	
Finance	N/A	Finance Report
Portfolio Holder(s)	23/5/14	Councillor Cross
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 2014. The highlights from the accounts are:

- The Capital Programme was underspent by £2.24m, of which £2.07m is due to slippage to 2014/15.

- The General Fund revenue account showed a surplus of £661,000 when reviewing the budgets in February 2014 which has been duly appropriated in closing the accounts as agreed by members in February. The final accounts show an additional surplus of £476,800 after allowing for a further £0.43m of planned expenditure to be carried forward to 2014/15.

- In addition there is a further £393,300 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; the HRA Capital Investment Reserve balance has increased by £4.8m, £0.4m more than the budgeted £4.4m.

- The Council Tax collection rate was 98.5% and 98.7% 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 £2.24m, of which £2.07m is due to slippage to 2014/15;
- The General Fund revenue account shows a surplus of £476,800 which is after allowing for a further £429,100 of planned expenditure to be carried forward to 2014/15;
- The Housing Revenue Account balance is as budgeted; the HRA Capital Investment reserve available for major developments has increased by £4.8m to £17.7m, £0.4m more than projected;
- The Council Tax collection rate was 98.5% and 98.7% for Business Rates.

(b) Agree that the 2014/15 Capital Programme be amended by £2,066,800 comprising the following elements:

- +£1,226,700 for Housing Investment Programme slippage;
- +£846,200 for Other Services Capital Programme slippage;
- -£6,100 in respect of resources brought forward from the Other Services Capital Programme for 2014/15 to 2013/14 to cover expenditure on Broadband UK and street lighting.

(c) Agree the requests to carry £429,100 earmarked balances forward in respect of General Fund revenue slippage to 2014/15, and increase 2014/15 HRA budgets by £8,000 in respect of HRA revenue slippage.

(d) Note that the resulting change of the above decisions, amounting to a surplus of £476,800 above the latest Estimates for 2013/14.

(e) That £250,000 of the £476,800 surplus be appropriated to a new Local Plan Delivery Reserve, with the details of the use of this reserve and the decision making arrangements to be detailed in the July Budget Review Executive report.

(f) That the balance of the surplus, £226,800 be appropriated to the Service Transformation Reserve 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.

(g) Agree that rent payments for the Newbold Comyn Golf Course be waived between June 2013 to May 2015 in order to support Mack Golf and retain the quality golf provision at Newbold Comyn.

(h) Note that a Deed of Variation has been signed in respect of the Aviary in Jephson Gardens.

(i) Agree the increase the rent for market stalls from 1 July 2014 as follows:

- Warwick General Market: from £31.00 to £32.00
- Kenilworth General Market: from £27.50 to £28.50
- Warwick Farmers Market: from £31.00 to £32.00
- Leamington Farmers Market: from £31.00 to £32.00

3. REASONS FOR THE RECOMMENDATIONS

3.1 The recommendations above will allow the accounts for the financial year 2013/14 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 £1,226,700 in respect of Housing Investment Programme schemes not completed in 2013/14 and £846,200 for Other Services Capital schemes. Slippage of these budgets to 2014/15 is being requested together with the bringing forward of £6,100 from the 2014/15 Other Services Capital Programme in respect of Broadband UK and rural footway lighting columns. The 2014/15 Programmes need to be varied accordingly to accommodate these changes together with the associated financing.

3.3 Requests comprising items of General Fund slippage earmarked for 2014/15 totalling £429,100 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. Furthermore, without the associated funding these projects would not be achieved in 2014/15. Appendix 'F' lists the items in more detail. Expenditure against these Reserves will be closely monitored during 2014/15 with progress being reported to the Senior Management Team (monthly) and Executive (quarterly). In addition there is £8,000 of HRA slippage requested, as detailed in section 13.

3.4 The surplus for the year needs to be appropriated in order to balance the accounts. It is recommended that £250,000 of this is transferred to a new Local Plan Delivery Reserve. The precise usage of this reserve and the governance arrangements for it will be included in the July Executive Budget Review report. In addition, the balance of the surplus £226,800 is recommended to be transferred to the Service Transformation Reserve now and reviewing it in July will enable Members to consider this further alongside the latest Financial Projections.

3.5 The Finance and Audit Scrutiny Committee were asked to consider a request in summer 2013 from Mack Golf to waive rental payments, amounting to £20,000 per annum, for a limited period. F&A considered this request at their meeting in November 2013 and called for further information to be provided and for a meeting be set up with a small group of Councillors from F&A. Following the meeting in February 2014, F&A reconsidered the request and the explanation of the challenges that Mack have experienced in terms of the national decline in golf, a poor summer in 2013, and 4 incidents of vandalism on the course in the previous 12 months, and supported the waiving of the rent payments from June 2013 to May 2015, in order to support Mack Golf and retain the quality golf provision at Newbold Comyn. Accordingly, with the support of F&A, it is proposed to waive the rental for the period June 2013 to May 2015. This has been reflected in the 2013/14 accounts.

3.6 A Deed of Variation has been signed with Crown Group which has released the Aviary from the contract between Crown and WDC and that the Aviary will now be leased to a new tenant in order to improve the service delivery from this venue.

3.7 The market contractor has approached the Council with a request to raise the charges for market stalls. The increases proposed are:

- Warwick General Market: from £31.00 to £32.00
- Kenilworth General Market: from £27.50 to £28.50
- Warwick Farmers Market: from £31.00 to £32.00
- Leamington Farmers Market: from £31.00 to £32.00

The increases are in response to the continuing significant increase in costs borne by the market contractor in putting on our valued and vibrant markets. It is considered that the increase in cost does not represent an unreasonable burden for the stall holders and that the prices are still incredibly competitive with other similar markets. It is proposed that the increases will be effective from 1 July 2014.

4. POLICY FRAMEWORK

4.1 **Policy Framework** – The Final Accounts for 2013/14 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 2013/14 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.

5.2 The Budget for 2014/15 and Medium Term Financial Strategy assumes a recurrent annual income of £20,000 in respect of the rental income for Newbold Comyn Golf Course. If the recommendation is agreed this will not now materialise until part way through 2015/16. There will be a shortfall of £20,000 in 2014/15 and £16,700 in 2015/16. Whilst the profile of on-going savings required will be affected by this reduction, the overall savings required over the next 5 years will remain the same.

5.3 The current contractual arrangements and budget for the Aviary are based upon a concession (profit share) plus service charges. In future, the arrangements will be for a licence which is hoped to incentivise the new tenant so as to improve service delivery whilst providing additional income to the Council.

5.4 Increasing market stall rents by £1 per stall per market will generated an additional £1,200 per annum for the Council.

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 2013/14 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 2013/14. This is the third year that the accounts have to be produced under the requirements of the International Financial Reporting Standards (IFRS).

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. This is due to be considered by Finance and Audit Scrutiny Committee on 29th July 2014.

8.4 An advertisement will be placed in local newspapers on 27th 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 will be able to keep a proportion of the business rates revenue as well as growth on the revenue that is generated in their area. It will provide a direct link between business rates growth and the amount of money councils have to spend on local people and local services.

8.7 This is a complex report that brings together details of all of the Council's income and expenditure in 2013/14. 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 2013/14 totalled £12.399m as set out below. The capital programme has been financed in accordance with that approved in the 2013/14 Treasury Management Strategy Document. The overall position is summarised below and in Appendix A:

TABLE A: Capital Expenditure Summary 2013/14

	Latest Budget 2013/14 £'000	Actual 2013/14 £'000	Variation 2013/14 £'000
Housing Investment Prgramme	7,828	6,652	(1,176)
Other Services	4,571	3,510	(1,061)
TOTAL	**12,399**	**10,162**	**(2,237)**

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:

- Cubbington Flood Alleviation Scheme (-£222,400). Scheme continuing into 2014/15 due to delays to design, tunnelling and management of badger setts.
- The Rural/Urban Capital Improvement Scheme Grants budget (-£186,388). Slippage required due to schemes being committed but which will be paid out in 2014/15 or later years.
- Play Area Improvement Programme (-£128,189). Completion of the 2013/14 programme has been delayed due to poor weather requiring slippage into 2014/15.
- Victoria Park Bowling Green Irrigation and Pavilion (-£77,328). Completion of the pavilion works has been delayed due to issues surrounding the upgraded utility works.

Overall the Housing Landlord related Housing Investment Programme works are £217,600 overspent, after £129,400 slippage related to specific projects. There is also £1.1m slippage in respect of the Redevelopment of Fetherston Court.
Within the 'general fund related' Housing Investment Programme, there is an underspend of £165,300 on Private Sector Housing 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 Within the Housing Investment Programme, underspends in the Environmental Improvements Programme and additional capital receipts arising from the sale of council houses during 2013/14 have resulted in increased capital receipts, both for New Build and Any Purpose being carried forward to 2014/15.

9.6 Underspends in the Registered Providers Programme has resulted in increased capital contributions being carried forward to 2014/15.

9.7 Delays to major works programmes have resulted in additional MRA being carried forward to 2014/15.

9.8 The financing of the 2013/14 Latest Budget Other Services Capital Programme envisaged the use of the capital receipt arising from the sale of 10/14 Chapel Street Warwick. However, this property was not sold during 2013/14 but is expected to be sold during 2014/15 and therefore the proceeds will be available to finance capital expenditure in that year.

9.9 Government grants in respect of the Cubbington Flood Alleviation and Fen End projects have been received in advance and will be available to fund expenditure on those projects in 2014/15.

9.10 Appendix 'B' also shows the Capital funding balances held by the Council as at 31st March 2014 totalling £33.101m. Once financing of capital slippage (see 9.3 above) has been allowed for, there is £30.121m available to finance the future Capital Programme, which is £0.023m less than the latest budgeted figure to be held as at 31 March 2014. 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 2013	**7,617**	**7,617**
Additions in the year	4,124	4,170
Funding of Capital Programme	(4,525)	(3,510)
Capital Resources 31 March 2014	**7,216**	**8,277**

The £8.277m in Table B above does not include the expected capital receipt for 10/14 Chapel Street (£400,000) but does include £0.903m in external contributions received in 2013/14 re the Cubbington Flood Alleviation and Fen End projects which were not anticipated when the 2013/14 revised financing was prepared. The overall Capital funding, including the possible requirement to borrow, will be further reviewed during the year and reported to members.

9.11 <u>The Prudential Indicators</u>
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 2013/14 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 2012 to February 2013 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 20th February 2013 when the Council approved total budgeted net expenditure of £15,875,124 and set a band D council tax for District purposes of £146.86. Additional general grants of £548,500 increased resources available and net expenditure to £16,423,660.

10.3 The revenue accounts relating to 2013/14 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 the latest budgets approved in December 2013 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'.

10.5 A summary of the General Fund performance for 2013/14 is as follows:

TABLE 'C': General Fund 2013/14

	See Para.	Latest Budget £'000	Actual £'000	Variance £'000
Net Cost of General Fund Services	10.6	21,002	17,994	(3,008)
Add: Earmarked Reserves		-	429	429
Adjusted Cost of General Fund Services		**21,002**	**18,423**	**(2,579)**
Financing Adjustments				
Replacement of Notional with Actual Cost of Capital				
- Less Capital Charges in Service Estimates	10.9	(5,544)	(3,594)	1,950
- Add Loan Repayments, Revenue Contributions and Interest Paid	10.10	32	40	8
Net External Investment Interest Received	10.11	(240)	(249)	(9)
Revenue Contributions to Capital	10.12	937	1,280	343
Contributions to / (from) Reserves	10.13	884	1,132	248
IAS 19 Pensions Adjustment	10.15	(616)	(585)	31
Transfer to Accumulated Absences Reserve	10.16	-	(24)	(24)
Contribution to / (from) General Fund		(31)	(33)	(2)
Total Financing Adjustments		**(4,578)**	**(2,033)**	**2,545**
Net Expenditure for District Purposes		**16,424**	**16,390**	**(34)**
Less Financing from Council Tax, RSG and NNDR		(15,027)	(15,683)	(656)
General Grants		(1,430)	(1,216)	214
Prior year Collection Fund (Surplus) / Deficit		33	33	
Deficit / (Surplus) for Year	10.19	**-**	**(476)**	**(476)**

10.6 The first row of Table C, above, shows that the net cost of providing the General Fund Services was £18.0m against a budget of £21.0m, a variance of £3.0m. 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 2013/14

	£'000	£'000
General Fund Services' Variations (paragraph 10.5)		(3,008)
Less: Financing Adjustments included in above figure		
- Capital Financing Charges	1,950	
- Revenue Contributions to Capital	343	
- Revenue Expenditure financed from Reserves - net change	(145)	
- IAS 19 Pension Adjustments	31	
- Transfer to Accumulated Absences Reserve	(24)	2,155
		(853)
Items of Slippage: Earmarked Reserve Requests		429
Adjusted General Fund Services' Variations		**(424)**

This shows that there was actually a net variance of £424,000 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 Benefits payments (net of subsidy) (+£137,000).

Favourable:
- Additional Planning Fee income (-£238,600);
- Car Parking Fees and Charges income (-£194,200);
- Additional Section 32 grants (-£48,000).

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 £2.0m 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 (£3.594m 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 £7,000 mainly due to the 2013/14 cost of the finance lease in respect of the Dog Wardens van (£2,400) and interest paid (£4,100) on a VAT assessment.

10.11 Net investment interest receipts for 2013/14 were £8,700 above budget. The gross interest was £374,100 which is £2,600 more than the latest budget of

£371,600. The interest due to the HRA was £131,700 which is £6,100 less than the latest budget of £137,800.

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. The outturn shows an increased contribution of £342,900 which reflects the changes in the capital programme.

10.13 An increase in contributions to Reserves of £248,000 reflects the actual financing requirements of the Council. This also reflects an additional £393,000 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 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. £112,000 was released from this reserve to fund expenditure within service accounts and £17,900 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 (£23,800) is the change between the reversal of the accrual carried forward from 2012/13 (£227,400) and the new accrual brought forward from 2014/15 (£251,200). 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 2014 identified a surplus of £661,000 for the year, which was subsequently appropriated 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 £476,800.

11. TREATMENT OF GENERAL FUND SURPLUS

11.1 In February 2014 it was anticipated that there would be a surplus of £661,000 on the General Fund, which was subsequently appropriated to various reserves. The final position is a further surplus of £476,800 as referred to in paragraph 10.19.

11.2 Following from the agreement of the draft Local Plan by members in April, it is necessary to take forward the Local Plan to implementation. This will necessitate a variety of tasks including master planning, assessing and developing the feasibility of some infrastructure proposals and other tasks for which one off funding may be required. To help enable this it is proposed to set aside £250,000 of the surplus in a new Local Plan Delivery Reserve. The precise use of this reserve, and the associated governance arrangements will be included within the July Budget Review Executive Report.

11.3 It is recommended that the balance of the surplus, £226,800 be appropriated to the Service Transformation Reserve at this stage. This will be reviewed within the Budget Review report due to be considered by the Executive in late July. Other possible demands upon this funding include:

- Capital Investment Reserve
- Corporate Assets Reserve
- Public Amenity Reserve
- Equipment Renewal Reserve
- Early Retirement Reserve

11.4 In July it is intended to present a detailed update on the financial projections, including a fuller analysis of the impact of the new 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 2014 can be found in Appendix 'G'. These balances include the above appropriations.

13. HOUSING REVENUE ACCOUNT

13.1 Housing Revenue Account Budgets for 2013/14 were approved by Council on 20th February 2013 when rents were increased by an average of £2.98 per week.

13.2 The HRA for 2013/14 has now been finalised and is summarised in Appendix 'H'. This shows a balance on the HRA at 31st March 2014 of £1,323,500, as per the latest budget.

13.3 Within the HRA there are a number of variances, the most significant being variances for lower void loss on rental income (£53,300 favourable), reduced provision for Bad Debts due to increased rent collection (£82,800 favourable), underspend on Consultants Fees (£31,400 favourable), change in accounting treatment for depreciation on HRA assets excluding housing (£431,600 adverse), increase in net contribution to HRA retirement reserve (£48,200 adverse) and net underspend of staffing costs (£137,200 favourable). In addition, Responsive Repairs were overspent by £616,000 with Major Repairs being underspent by £628,000. More detailed information on the major variances between latest estimates and actual performance can be seen in Appendix 'H'.

13.4 In addition there are two areas where budgeted expenditure was committed to in 2013/14 but will not be incurred until 2014/15. Expenditure to support and develop the Tenant Panel £7,500; overtime to deal with a backlog of corporate complaints £500. Therefore it is recommended that the 2014/15 HRA budget is increased by a total of £8,000 in respect of these items.

13.5 Overall there is a net adverse variance of £17,100 on HRA services, which has reduced the contribution to the HRA Capital Investment from the budgeted £5.17m to £5.15m.

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 As budgeted for, and projected in the Housing Business Plan model, virtually the entire balance of the Major Repairs Reserve has been spent on financing capital works carried out during the year.

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 2013 was £12.913m. £5.148m was contributed from the HRA in 2013/14 and £0.331m was used to fund expenditure preparing for the redevelopment of Fetherston Court, giving £17.730m in the reserve at 31st March 2014.

14.5 The HRA related Capital slippage into 2014/15 will reduce the budgeted 2014/15 contribution to the HRA Capital Investment Reserve by £14,400.

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 national non-domestic rates (NNDR).

15.2 As at 31st March 2014, the surplus on the Council Tax Collection Fund was £1,194,030, an increase of £1,291,658 from the opening deficit of £97,628. During 2013/14 contributions of £294,300 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 surplus for the year of £997,400. 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 2012. 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 £74.6m.

15.3 Following the statutory mid-January review of the Collection Fund it was estimated that there would be a surplus of £1,258,300 as at 31st March 2014. The redistribution of this surplus was built into the 2014/15 Council Tax bills, of which £142,000 equated to the Council's share. Following a review of the outstanding Council Tax arrears the Bad Debts provision has been increased by £244,000 from £506,000 to £750,000. As the actual surplus is £1,194,030 compared to the January estimate surplus of £1,258,300there will be a debit balance of £64,300 towards the 2014/15 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 £7,200.

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 new scheme initial estimates for the collectable income for the year are used. 50% is forwarded to the Government, 10% to Warwickshire County Council and 40% retained by Warwick District Council.

15.6 The Council's share is approximately £25m. 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 of 88% (£22m) leaving the Council with £3m. Initial estimates suggested that income would still exceed the Government's assessment of the Council's requirements and a further Levy of £143,000 was calculated. The outturn for the year is less than originally forecast resulting in a deficit £2.9m on the Collection Fund. The levy due has been replaced by a safety net assessment for the Council. This, with the balance due for Small Business Rate Relief Grant has resulted in a surplus position for 2013/14 of £393,300.

15.7 The downturn in the amount of business rates retained reflects the large level of backdated appeals outstanding. Whilst the Government allowed for 5% appeals nationally in drawing us into the business rates retention scheme, recent figures received suggest the actual level locally may be twice this. These figures have only recently been made available and fully analysed. There is uncertainty as to the success rate of the appeals. However, it is necessary to be prudent when accounting for this income. Accordingly, a high level of appeals has been allowed for within the 2013/14 accounts. This uncertainty over the level of appeals is compounded by the complex accounting required for the new scheme, with regulations being passed very late, and further regulations still to be agreed. 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 increased from 0.90% to 1.03%. The Council Tax collection rate for 2013/14 was 98.5% (2012/13 98.7%) and 98.7% (2012/13 98.5%) for Business Rates, both of which are excellent.

16. CONCLUSION

16.1 Whilst the Council can carry forward its capital underspend of £2.24m, this represents 15% of the latest Housing Investment Programme and 23% of the latest Other Services Capital Programme for 2013/14. 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 £476,800. After stripping out the capital financing changes, which have no net effect, the main reasons for this change are:

Adverse:

- Increase in Benefits payments (net of subsidy) (+£137,000).

Favourable:

- Additional Planning Fee income (-£238,600);
- Car Parking Fees and Charges income (-£194,200);
- Additional Section 32 grants (-£48,000);

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 £376,400 more than projected.

16.5 The Council Tax element of the Collection Fund opening deficit balance of £97,627 was reduced by a surplus in the year of £1,291,658 to leave a closing surplus balance of £1,194,030 of which £134,800 is due to this Council. An amount £142,000 has already been built into the 2014/15 budgets and council tax bills. The Business Rates element of the Collection Fund shows a deficit balance of £2.9m at the end of its first year of the new arrangements.

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.