
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE - SPECIAL	AGENDA ITEM: 7
DATE OF MEETING:	20th MAY 2014	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/financial monitoring reports/2014/ 2 provisional out-turn/main report
SUBJECT:	BUDGET and FINANCIAL MONITORING: PROVISIONAL OUT-TURN 2013-14	REF
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the provisional out-turn figures as detailed in the report for 2013/14 are approved.
- 1.2 That a net appropriation of £280,140 in 2013/14 is made from the General Fund Reserve to other Earmarked Reserves as detailed in **Appendix 6**.
- 1.3 That the following contributions are made to Bad Debt Provisions in 2013/14:

Sundry Debtors and Housing Benefit Overpayments	£124,146
Council Tax Arrears	£346,909
Business Rates Arrears	£1,360,817
Business Rates Appeals	£314,598
Housing Rent Arrears	£67,216

- 1.4 That the following Provisions in accordance with Accounting Standards are made in 2013/14:

Land Charges (Personal Searches)	£100,000
Planning Appeal	£70,000

2.0 Purpose of Report

- 2.1 In accordance with the Council's financial management framework, to report the provisional budget out-turn position for 2013/14. This follows previous reports during the year on financial performance and the major budget variances that have been identified throughout the year.

Introduction

- 2.2 Final figures will be reported at the Final Accounts meeting on 26th June 2014. **However, other than finalising the final accounts for Retained Business Rates and Benefits Subsidy** as highlighted in the report, this is a firm indication of the final position for the year regarding income and expenditure on the Council's main revenue and capital accounts.
- 2.3 The Council's Draft Statement of Accounts, which is the formal document to comply with statutory and accounting requirements, will be presented to the Committee on 25th September 2014, following the work and opinion of the External Auditor.
- 2.4 This report is analysed over the following sections with detailed appendices:

Sections

- Section 3 – General Fund Revenue Account
- Section 4 – Housing Revenue Account
- Section 5 – Capital Expenditure and Financing
- Section 6 – Reserves, Balances and Provisions
- Section 7 – Treasury Management
- Section 8 – The Collection Fund
- Section 9 – Collection Rates and Financial Indicators

Appendices

- Appendix 1 - Environmental and Development Services Spend 2013/14
- Appendix 2 – Housing and Community Services Spend 2013/14
- Appendix 3 – Finance and Management Spend 2013/14
- Appendix 4 – Summary of General Fund Variances 2013/14
- Appendix 5 – Capital Expenditure and Financing 2013/14
- Appendix 6 – Earmarked Reserves 2013/14
- Appendix 7 – The Collection Fund 2013/14
- Appendix 8 – Collection Rates and Financial Indicators 2013/14

3.0 **GENERAL FUND REVENUE ACCOUNT**

- 3.1 Apart from Council Housing, day to day income and expenditure of the Council is accounted for through the General Fund. The net expenditure is financed from Government Grant (including retained Business Rates) and Council Tax, with any shortfall being financed from the Council's Reserves.
- 3.2 The original budget, which was approved in February 2013, estimated a budget deficit of £138,675 for 2013/14 to be financed from the General Reserve. As in previous years, the Budget included contingent sums set-aside for inflation, growth and the implementation of the local pay and grading review. The Original Budget for 2013/14 is summarised in the following table.

Net Expenditure on Services	£11,482,987
Depreciation and Capital Charges (in above)	-£689,023
Minimum Revenue Provision	£250,000
Contingent Sums	£377,538
Total Estimated Spending	£11,421,502
Financing	-£11,282,827
Deficit	£138,675

- 3.3 Following updates to Medium Term Financial Plan in October 2013 and January 2014, the following approved adjustments were made to net spending to reflect:
- Savings from the Senior Management Restructure (£146,491)
 - Savings in Corporate Services and E-committees (£33,509)
 - Apportionment of recharges to the HRA (£273,878)
 - Provision for purchase of Green Bins – repayment of internal borrowing, first installment (£54,831)
- 3.4 These adjustments, netting off at approximately £400,000 reflected definite savings previously identified and resulted in a revised budgeted surplus for the year of £260,372.

Position as at the 3rd Quarter (December 2013)

- 3.5 This was considered by the Committee at its meeting in March 2014. The report indicated that based on current income and expenditure, there would be a decrease in net service expenditure (after allowing for adjustments between earmarked reserves) of £384,000, in addition to the £400,000 already identified above.
- 3.6 After taking account of approved adjustments and the reduction in contingent sums required, the overall position on the General Fund, compared to the Budget, was estimated as shown in the following table.

	£'000
Additional Reduction in Service Expenditure	-384
Reduction in Contingent Sums	-319
Rosliston Forestry Centre – Capital Sum	10
Reduction in Housing Benefit Subsidy	23
Additional Business Rates Income	-50
Additional New Homes Bonus	-18
Estimated Reduction in Net Expenditure	-738

- 3.7 The main reasons for the estimated reduction in service expenditure of approximately £384,000 are summarised in the following table.

	£'000
Additional Income Compared to Budget	-442
Staffing Vacancies	-242
Corporate Training	-35
Corporate and Democratic Costs	-19
Repairs and Maintenance - Civic Offices and Depot	10
Utility and Maintenance Costs - Rosliston Forestry Centre	18
Other Variances	21
External Fees - Planning Services	36
Vehicles and Plant - Repairs and Maintenance	52
National Pay Award (1%)	56
Supplies and Services - Waste and Recycling	56
Agency Costs - Waste and Cleansing	105
Net Variance	-384

- 3.8 Most of the projected variances were those that had been reported during the year, although many had increased as the year progressed. The largest variances continued to be additional income (especially in the Planning Service) and staff vacancies, although some of this was being offset by increased costs.

Provisional Out-turn 2013/14

- 3.9 The Budget, together with major variances identified as the year closed is summarised in the tables which follow. A full analysis of each service area at Cost Centre level with variances across each Policy Committee is detailed in **Appendices 1 to 3.**

Performance against Budget 2013/14 as at 30th April 2014 (by Committee)

Summary by Policy Committee	Original Budget £	Provisional Out-turn £	Variance £	Earmarked Reserves £	General Reserve £
Environmental and Development Services	5,699,575	5,330,704	-368,870	-10,288	-358,582
Housing and Community Services	3,682,208	3,423,766	-258,442	402	-258,844
Finance and Management	2,101,205	1,179,890	-921,315	-289,100	-632,215
TOTAL	11,482,988	9,934,360	-1,548,627	-298,986	-1,249,641

Performance against Budget 2013/14 as at 30th April 2014 (by Committee)

Summary by Main Service Area	Original Budget £	Provisional Out-turn £	Variance £	Earmarked Reserves £	General Reserve £
Economic Development	351,672	315,699	-35,973	0	-35,973
Environmental Education	136,605	136,317	-288	-288	0
Environmental Services	812,001	751,739	-60,262	0	-60,262
Highways	28,090	9,703	-18,387	0	-18,387
Licensing and Land Charges	106,868	170,503	63,635	0	63,635
Planning	1,264,172	1,002,060	-262,112	-10,000	-252,112
Town Centre	79,677	127,446	47,769	0	47,769
Waste Collection & Street Cleansing	2,920,489	2,817,237	-103,252	0	-103,252
Community Development and Support	718,488	783,486	64,999	85,683	-20,684
Leisure and Recreational Activities	145,526	158,967	13,441	17,459	-4,017
Leisure Centres and Community Facilities	866,384	689,274	-177,110	-149,712	-27,398
Parks and Open Spaces	1,247,214	1,161,715	-85,499	56,972	-142,471
Private Sector Housing	704,597	630,324	-74,273	-10,000	-64,273
Central and Departmental Accounts	115,085	109,873	-5,212	0	-5,212
Concessionary Travel	3,224	-431	-3,655	0	-3,655
Corporate and Democratic Costs	1,010,369	867,375	-142,994	-10,850	-132,144
Electoral Registration	157,112	156,652	-460	-38,401	37,941
Payments to Parish Councils	311,182	323,034	11,852	0	11,852
Pension Deficit, Interest and Receipts	231,027	108,605	-122,422	-239,849	117,427
Property and Estates	-79,724	-520,290	-440,566	0	-440,566
Revenues and Benefits	352,930	135,072	-217,858	0	-217,858
TOTAL	11,482,987	9,934,360	-1,548,627	-298,986	-1,249,641

The Headline Amount

3.10 The above tables show that there is an overall decrease in net expenditure on services (after allowing for transfers between earmarked reserves) of approximately £1.25m compared to the Original Budget.

3.11 Of this, as highlighted in 3.3 above, £454,000 was known and approved, representing the savings from the Senior Management Restructure, E-committees and HRA recharges. In addition, accounting adjustments for depreciation and capital charges in service expenditure were £325,000 lower than estimated. These two amounts (£454,000 and £325,000) reduce the headline amount to £470,000.

Comparison to the 3rd Quarter

3.12 The equivalent figure projected at the end of the 3rd quarter was reductions in net expenditure of £384,000 – a difference of approximately £86,000. However, the net amount of £470,000 is after incurring some additional expenditure in the year and the net amount is made up of:

- Specific costs – £427,000
- Less additional income and cost savings - £513,000 (*compared to the 3rd quarter*)

Specific Costs

3.13 The additional costs were mainly due to issues for which financing has been separately identified or received (unless stated) and previously reported, but not brought directly into the Budget. The financing is shown later in the report with the costs summarised in the following table

Provision for Land Charges – personal search refunds (<i>allowance included in the MTFP as a charge against General Reserves</i>)	£100,000
Provision for a Planning Appeal (not identified - <i>to be financed from General Reserve</i>)	£70,000
Early termination costs – restructures in Legal, Democratic and Property Services (<i>allowance included in the MTFP as a charge against General Reserves</i>)	£104,000
System changes to implement Local Council Tax Support and Welfare Reform (<i>financed from Government Grant</i>)	£130,000
Provision for Housing Benefit Subsidy clawback (<i>allowance included in the MTFP as a charge against General Reserves</i>)	£23,000

Additional Income and Cost Savings

3.14 The main areas continued to be additional income and staff vacancies across several services, which continued to increase over the final quarter.

Additional income and lower costs - arising over the final quarter £'000

Net cost of Housing Benefits lower than estimated	246
Property Rent Reviews and lower voids	70
Grounds Maintenance - rechargeable works and costs	67
Continued vacancies in Planning and Housing	54
Additional Planning income	31
Trade Waste - income and costs	19
Rosliston Forestry Centre - Income generated	18
External Audit Fees	10
Other Variances	-2

TOTAL

513

Net Cost of Housing Benefits

- 3.15 This was the largest variance during the final quarter. The variance equates to 1.5% of the total cost of benefits paid out.
- 3.16 This is subject to external audit, which may identify a potential clawback of subsidy following audit testing. An update will be provided when the final accounts are concluded.
- 3.17 In addition, the cost of overpayments needs to be offset against this, for which provision has been included in the bad debts amount detailed later in the report.

Overall Variations in Income and Expenditure

- 3.18 The reasons for the total overall variances for the year of £1.25m, compared to the Original Budget, are set out in **Appendix 4**. This includes all variances for 2013/14 previously reported since the Original Budget was set in January 2013. A summary is shown in the following table.

	£'000
Depreciation and Capital Charges	-325
Approved Savings and Budget Changes	-455
Lower Employee Costs	-301
Additional Income	-476
Net Cost of Housing Benefits (<i>as above</i>)	-240
Other Budget Savings	-62
Additional Costs (<i>including Provisions and Voluntary Redundancy Costs</i>)	610
	<u>-1,249</u>

Depreciation and Capital Charges

- 3.19 These are charged within services but are reversed out in the financing section of the General Fund, so that there is no effect on the bottom line; these are accounting charges which reflect the value of assets used in service provision in accordance with accounting standards.
- 3.20 The lower charge is due to revaluation gains on commercial units in the Town Centre following rent reviews.

Approved Savings and Budget Changes

- 3.21 These mainly relate to the Senior Management Restructure in May 2013, together with an increase in apportionment of central costs from the General Fund to the HRA.

Lower Employee Costs (Vacant Posts)

- 3.22 The overall budget saving in vacancies equates to approximately 10 vacant posts (about 3% of the establishment) on average in the year.

Additional Income

- 3.23 The total increase equates to 11% of the total income received from fees, charges, rents and other levies.

Transfers to/from Earmarked Reserves

- 3.24 This is split between expenditure that is incurred and financed from earmarked reserves together with amounts received in advance, which need to be transferred into earmarked reserves to meet future expenditure. These are detailed in the following table.

Heritage Grants - Funding to be carried forward	£10,000
Community and Voluntary Grants - financed from reserves	-£100,069
Community and Sports Development - Partnership Contributions	£146,927
Drawdown of Section 106 funding for Grounds Maintenance	-£56,972
Housing Needs Survey	£10,000
Profit Share - Rosliston Forestry Centre - café	£10,850
Electoral Registration - EIR funding	£38,401
Net S106 developer contributions	£239,849
Total Adjustments - Earmarked Reserves	£298,986

red minus figures denote drawdown of reserve

- 3.25 These amounts are adjusted through reserve transfers as detailed in **Appendix 6**.

Provisions

- 3.26 As previously highlighted, under accounting standards, two provisions are required for 2013/14 in respect of Personal Searches and a Planning Appeal. This is because a legal and constructive obligation has arisen on the Council as a result of a past event. Some costs are probable and can be reasonably estimated.

Personal Searches

- 3.27 As previously reported, the Council is liable to refund fees for providing information on environmental data as part of a land or property search. This arose out of a European Union Directive and affects all councils providing this service.
- 3.28 The potential obligation has previously been reported as a contingent liability and the Council has set-aside a contingent amount of £100,000 in its MTFP to pay for any refunds. During 2013/14, claims against the Council have been confirmed and are estimated at approximately £97,000.
- 3.29 Therefore, under accounting standards, a provision of £100,000 has been set up, financed from the MTFP contingency.

Planning Appeal

- 3.30 The Council has received an appeal against a refusal of planning permission for houses. This will be subject to a public inquiry and the appointment of expert witnesses, legal counsel and potential costs if the appeal is successful. Overall costs are estimated at a maximum £70,000 and this will need to be financed from the General Reserve.

Other Proposed Transfers to Earmarked Reserves

- 3.31 The most significant favorable variance in the year was in the Planning Service, where fee income, as expected, was greater than the budget, together with savings due to staff vacancies.

The Local Plan

- 3.32 As previously reported, there are additional costs being incurred in developing and consulting on the Local Plan, alongside the possible costs of a public inquiry and then formally publishing the adopted plan.
- 3.33 The strategy that has been approved to meet this expenditure, is to build up a separate earmarked reserve to meet the one-off costs and consequently protect the base budget.
- 3.34 As at March 2013, this reserve totaled £130,500; the latest estimate of total costs is £200,000. There are also likely to be additional costs associated with the formulation of a charging scheme for the Community Infrastructure Levy.
- 3.35 Therefore, it is recommended that a further transfer to the Earmarked Reserve of £69,500 (£200,000 - £130,500) is made to reflect the latest estimated costs. This would be financed from the additional planning income in accordance with the approved strategy.

Other Cost Pressures

- 3.36 Due to the major redevelopment work at Green Bank Leisure Centre, it is now likely that parts of the Centre will need to be closed periodically to accommodate certain works. This will be managed with the Contractor to limit disruption to users of the facility. Additional costs/loss of income is likely to be incurred and these are currently estimated at £50,000.
- 3.37 This will be a one-off sum and it is therefore recommended that this amount is set-aside in an earmarked reserve to meet any additional costs.

Financing

3.38 After bringing into account financing from government grant and accounting adjustments, the overall position on the General Fund is summarised in the following table.

SUMMARY GENERAL FUND 2013/14 (Provisional)	Original Budget £	Actual £	Variance £
Net Service Expenditure	11,482,987	9,934,360	-1,548,627
Reverse out Depreciation and Asset Adjs.	-689,023	-363,468	325,555
Minimum Revenue Provision	250,000	252,600	2,600
Voluntary Provision for Green Bins	0	55,335	55,335
Contingent Sums	377,538	0	-377,538
Net Revenue Spending	11,421,502	9,878,827	-1,542,675
Financing			
Revenue Support Grant	-3,363,237	-3,380,479	-17,242
Share of Retained Business Rates	-2,204,773	-2,204,773	0
New Homes Bonus	-1,347,000	-1,365,687	-18,687
Council Tax Support Scheme (Transitional Grant)	-14,053	-14,053	0
Grant Earmarked for Homelessness Prevention	64,080	0	-64,080
Payment to Parish Councils - Share of CTSG	37,563	43,627	6,064
Welfare Reform Grant and New Burdens Grant	0	-132,518	-132,518
Community Right to Bid Grant	0	-7,855	-7,855
Community Right to Challenge Grant	0	-8,547	-8,547
Publication of Property Records - Data Sharing	0	-7,131	-7,131
Council Tax Payers	-4,411,190	-4,411,190	0
Earmarked Reserves	-44,217	0	44,217
Total Financing	-11,282,827	-11,488,606	-205,779
Revenue Surplus for the Year	138,675	-1,609,779	-1,748,454

3.39 The above summary shows that the overall surplus for 2013/14 on the General Fund is approximately £1.6m. However, this is before the proposed transfer to earmarked reserves detailed earlier.

3.40 The table shows that as projected, there was no requirement to use any of the contingent sums of £377,000. These were allowed for:

- Provision for Pay and Grading Review - £130,000
- Growth - £100,000
- Inflation - £147,000

3.41 In addition, the above table shows the additional grant for Welfare Reform used to finance changes to systems as detailed earlier.

3.42 Some additional Revenue Support Grant (RSG) and New Homes Bonus were received, along with administrative grants for “community rights.” These amounts are being kept separate in an earmarked reserve pending any costs incurred by the Council. These reserves are detailed in **Appendix 6**.

3.43 The grant element of RSG earmarked for Homelessness Prevention was not required due to lower costs and other income received in the year. This amount will be maintained in the earmarked reserve for this service.

Bad Debts Provision

3.44 Within service expenditure, a provision of £124,146 has been made against non-collection of sundry debts and housing benefit overpayments (HBOs). This is the amount required to be added to the provision as a contingency against non-collection in accordance with accounting practice.

3.45 The amount calculated is based on the age of individual debts outstanding, together with current recovery action in place. In principle, the older the debt, the greater the provision that has to be made for eventual non-collection. The calculation is summarised below.

	Sundry Debts	HBOs	Total
Debt Outstanding as at 1 st April 2013	£478,980	£440,899	£919,879
Provision for non-collection b/fwd as at 1 st April 2013	-£107,479	-£208,658	-£316,137
Less: Write-offs in 2013/14 against the Provision	£13,407	£34,084	£47,491
Balance of Provision after write-offs	-£94,073	-£174,574	-£268,646
Debt Outstanding as at 31st March 2014	£1,055,705	£590,649	£1,646,354
Provision for non-collection for updated debts	-£111,973	-£280,820	-£392,794
Increase in Provision Required	£17,900	£106,247	£124,147

3.46 The increase in the provision for HBOs is effectively contained within the additional benefits subsidy highlighted earlier in the out-turn variance analysis.

3.47 The overall effect of all of the out-turn figures on General Reserves is detailed in **Section 6**.

4.0 HOUSING REVENUE ACCOUNT

- 4.1 The Council is required to account separately for income and expenditure in providing Council Housing. The approved HRA Budget for 2013/14 was set with a deficit to finance from reserves of £91,590. Following the updated MTFP approved by the Committee in February, this deficit was increased to £572,469, due to the change in accounting methodology for housing rents and the revised apportionment of costs between the General Fund and the HRA.

Position as at the 3rd Quarter (December 2013)

- 4.2 This was considered by the Committee at its meeting in March 2014. The report indicated that based on current income and expenditure, the HRA was projected to achieve a surplus of approximately £250,000.
- 4.3 However, this was due to slippage on the Planned Maintenance Programme, which did not commence until January 2014 following a review of the procurement process. These resources would then be carried forward.
- 4.4 Besides this variance, income and expenditure was well within budget. Some savings were identified in the year due to staff vacancies, with interest on the variable element of the self-financing debt, likely to be lower than estimated as interest rates have remained static.
- 4.5 Rental income was projected to be down due to a greater level of Council House Sales, together with a reduction in income from garage rents.

Provisional Out-turn 2013/14

- 4.6 Final (provisional) performance on the HRA is shown in the following table.

HRA - Provisional Out-turn 2013/14	Revised Estimate £	Actual £	Variance £
Rents	11,802,050	11,762,065	-39,985
Rechargeable Repairs	21,000	2,125	-18,875
TOTAL INCOME	11,823,050	11,764,190	-58,860
Housing Repairs	3,261,085	2,698,275	-562,810
Management and Support Costs	1,515,606	1,390,349	-125,257
Managing Tenancies	38,310	24,191	-14,119
Supported Housing	395,841	330,302	-65,539
Provision for Bad Debts	20,000	67,216	47,216
Capital Charges - Historic Debt	51,872	48,528	-3,344
Depreciation	2,851,007	3,602,312	751,305
Interest on Self Financing Debt	1,562,805	1,569,795	6,990
Capital Expenditure Requirement	5,500,000	5,500,000	0
Provision for Capital Salaries	50,000	0	-50,000
TOTAL EXPENDITURE	15,246,526	15,230,968	-15,558
HRA NET EXPENDITURE	3,423,476	3,466,778	43,302
Less Depreciation reversed out	-2,851,007	-3,602,312	-751,305
HRA Surplus (-) / Deficit	572,469	-135,534	-708,003

- 4.7 The table shows that the overall surplus is approximately £135,000, mainly due to slippage on the Planned Maintenance Programme, as expected. There were lower staffing (vacancies), IT, equipment and office accommodation costs, as anticipated.
- 4.8 In addition, there were lower central and support costs (£60,000) allocated into the HRA as the relevant proportion of General Fund savings in these areas are reflected in the HRA.
- 4.9 As expected, rental income was lower compared to that estimated, mainly garage rents (£32,000) together with a higher number of council house sales (£8,000).

Bad Debts Provision

- 4.10 The provision relates to rent arrears, in particular for former tenants. These have increased during the last financial year. The increase is the amount required to be added to the provision as a contingency against non-collection in accordance with accounting practice.
- 4.11 The amount calculated is based on the age of individual debts outstanding, together with current recovery action in place. In principle, the older the debt, the greater the provision that has to be made for eventual non-collection.
- 4.12 It is recommended that the provision is increased by £67,216 as calculated below.

Rent Arrears

Total Rent Arrears as at 1 st April 2013	<u>£398,973</u>
Provision for non-collection b/fwd as at 1 st April 2013	£179,063
Less: Write-offs in 2013/14 against the Provision	<u>0</u>
Balance of Provision after write-offs	<u>£179,063</u>
Total Rent Arrears as at 31 st March 2014	<u>£479,667</u>
Provision for non-collection for updated arrears	<u>£246,279</u>
Increase in Provision Required	<u>£67,216</u>

- 4.13 Overall, the effect of the HRA surplus on the HRA's General Reserve is detailed in **Section 6**.

5.0 **CAPITAL EXPENDITURE and FINANCING 2013/14**

- 5.1 The provisional out-turn is detailed in **Appendix 5** with a summary in the following table.

Capital Investment: Provisional Out-turn 2013/14

Services	Budget £	Actual £	Variance £
Council House Improvements	5,653,094	4,665,962	-987,132
Private Sector Housing Renewal	613,583	663,021	49,438
Leisure and Community Schemes	3,793,109	874,184	-2,918,925
Environmental Development	20,000	33,429	13,429
Property and Equipment	1,544,161	1,493,917	-50,244
Total - Spending	11,623,947	7,730,514	-3,893,433

- 5.2 The table highlights that expenditure on schemes of approximately £3.9m is still to be incurred. Once all schemes are completed, it is anticipated that there will be no major under or over spends; outstanding budgets will be carried forward into 2014/15 to complete schemes.
- 5.3 An analysis and update of the major projects is detailed in the following sections.

Council House Improvements

- 5.4 A revised programme was considered by the Housing and Community Services Committee in October 2013 and in February 2014. Following tender exercises to take account of the extended capital programme, new contracts for kitchen, bathroom and heating replacements were let in January 2014.

Private Sector Housing Renewal

- 5.5 The budget was fully committed in the year with additional works completed financed from external funding. Some grant and survey works were still to be completed by the year end.

Leisure and Community Schemes

- 5.6 Due to time taken to secure external funding, negotiating land leases and to adhere to procurement regulations, slippage occurred on projects to refurbish Green Bank Leisure Centre (contract since commenced), Eureka Park (contract since commenced) and recreational facilities in Melbourne through the Sporting Partnership (preliminary works commenced).
- 5.7 All external funding for improving the fitness facility at Etwall Leisure Centre is still to be secured, although the final funding package is now near to being completed. The expenditure associated with the new Artificial Grass Pitch at Etwall just shows the Council's contribution, as the School procured the works and accounted for the total costs and financing.

Financing Capital Expenditure

5.8 All expenditure was financed as summarised in the following table.

Capital Financing: Provisional Out-turn 2013/14

Funding Source	Budget £	Actual £	Variance £
Government Grants	382,314	370,178	-12,136
External/Partnership Contributions	2,457,845	929,104	-1,528,741
Internal Borrowing	885,367	885,367	0
Council Reserves/Earmarked Funds	676,750	465,263	-211,487
Housing Capital Receipts	5,653,094	4,665,962	-987,132
General Capital Receipts	1,568,577	414,640	-1,153,937
Total - Financing	11,623,947	7,730,514	-3,893,433

5.9 The variance reflects expenditure outstanding and this will be drawn down as schemes are progressed and external funding secured.

6.0 RESERVES, BALANCES AND PROVISIONS

General Fund Reserve

- 6.1 Following the out-turn figures as detailed in **Section 3**, together with proposed adjustments between earmarked reserves, the provisional position on the General Fund Reserve Balance is summarised in the following table.

Provisional General Fund Reserve as at 31st March 2014	Budget £	Actual £	Variance £
Balance b/fwd (1st April 2013)	4,372,356	4,372,356	0
Add: Surplus for the Year	260,372	1,609,779	1,349,407
Grants to Community Organisations (within revenue account)	-100,000	0	100,000
Contribution to the Vehicle Renewals Fund	-20,000	-20,000	0
Contribution to Capital Expenses	0	-23,747	-23,747
Proposed net transfer to Earmarked Reserves (per Appendix 6)	-21,000	-280,140	-259,140
Closing Balance as at 31st March 2014	4,491,728	5,658,248	1,166,520

- 6.2 The table shows that the level of general reserves is greater than estimated at March 2014 by approximately £1.1m. This is due to the better out-turn position as detailed in Section 3 and higher than the £738,000 projected following the 3rd quarter's monitoring figures.

Reconciliation of Increase in the General Fund Reserve

- 6.3 The provisional balance of approximately £5.6m is an increase of £1.7m from that projected when the Original Budget for 2013/14 was set in January 2013. Broadly, the increase is summarised in the following table.

Projected Balance - January 2013	3,900
Additional Income 2013/14	450
Contingent Sums not Required 2013/14	350
Lower Staffing Costs (Vacant Posts) 2013/14	300
Apportionment of Central Costs to the HRA	225
Lower Net Cost of Housing Benefits Paid in 2013/14	225
Senior Management Restructure	150
One-off costs of Pay and Grading Review c/f	150
Budget Savings identified in 2013/14	150
Additional Costs (Planning Appeal, Agency Costs, Maintenance)	-300
Provisional Balance - April 2014	5,600

Earmarked Reserves

- 6.4 The Council maintains several earmarked reserves that are held for specific purposes. These are to meet exceptional and one-off items of expenditure, together with areas where larger costs are incurred over several years, for example, Vehicle and IT replacements and where external funding may be received in advance of expenditure.
- 6.5 Yearly contributions are made to these reserves each year from other accounts and reserves and they are drawn down to finance expenditure in revenue and capital accounts as required.
- 6.6 Once established, earmarked reserves can only be used for that specific purpose and to meet policy/strategy commitments, such as IT. Other reserves may be established through a legal agreement or contractual commitment. The Committee should review these reserves at least annually and formally approve the proposed use and contributions to these reserves.
- 6.7 The Council's earmarked reserves are detailed in **Appendix 6**. This shows the overall change on the balances during 2013/14, subject to appropriations being approved at this Committee.

Housing Revenue Account Reserve

- 6.8 **Section 4** detailed the budget out-turn of the HRA and this highlighted a surplus for 2013/14 of £135,000.
- 6.9 Provisionally, the HRA reserve balance totals £2.82m as at 31st March 2014, compared to an estimate of £2.11m as shown in the table below. However, within the variance of £708,000, approximately £500,000 will be carried forward to complete the on-going Planned Maintenance Programme

HRA GENERAL RESERVE 2013/14	Budget	Actual	Variance
Balance b/f	-2,686,082	-2,686,082	0
Surplus (-) / Deficit (as Section 4)	572,469	-135,534	-708,003
Balance c/f	-2,113,613	-2,821,616	-708,003

Major Repairs Reserve

- 6.10 This reserve is used to finance the investment in the housing stock and the reserve is funded by transfers from the HRA (through the Capital Expenditure Requirement). The status of the reserve as at 31st March 2014 is shown in the following table.

Balance as at 1 st April 2013	£652,923
Add: Transfer from the HRA	£5,500,000
Less: Capital Expenditure 2013/14	£4,505,600
Balance as at 31st March 2014	£1,647,323

General Capital Receipts Reserve

6.11 The position on this reserve during 2013/14 is shown in the following table.

GENERAL CAPITAL RECEIPTS RESERVE 2013/14	Estimated £	Actual £	Variance £
Balance b/fwd 1st April 2013	2,808,111	2,808,111	0
Add - new receipts received	7,250	8,250	1,000
Less - Contribution to Vehicle Renewals Fund	-250,000	-250,000	0
Less - Amount required to Fund GFund Programme	-1,425,533	-358,706	1,066,827
Less - Amount required to Fund Private Sector Housing	-143,044	-55,934	87,110
Balance c/fwd 31st March 2014	996,784	2,151,721	1,154,937

6.12 The table shows this reserve is approximately £1.15m greater as at 31st March 2014 compared to that estimated. This is due to the slippage in respect of the leisure capital programme in particular and this amount will be carried forward into 2014/15 to match expenditure.

Housing Capital Receipts Reserve

6.13 This is the reserve that is being built up for investment in providing new council houses. All sale proceeds (net of any pooling payment) from existing council houses and HRA land are transferred to this reserve. The position on this reserve during 2013/14 is shown in the following table.

HOUSING CAPITAL RECEIPTS RESERVE 2013/14	Estimated £	Actual £	Variance £
Balance b/fwd 1st April 2013	708,052	708,052	0
Add - new receipts received	300,000	941,810	641,810
Less - amount pooled	-100,000	-294,176	-194,176
Less - costs incurred in New Build preparation	0	25,559	25,559
Balance c/fwd 31st March 2014	908,052	1,381,245	473,193

6.14 The table shows that the balance on the Reserve is higher than estimated at the end of the year. This is due to the number of council house sales, which totalled 17 compared to an estimate of 7. There was also one land sale of £70,000 included in the total receipts of £941,000.

6.15 Under the New Build Agreement with the Government, a greater share of HRA asset sales are retained locally and effectively, the proportion pooled reduces as more sales are generated. The costs incurred during the year were associated with land assembly, options appraisal and other preparation costs associated with the first phase of New Build.

Supported Housing Capital Reserve

6.16 An amount of £153,094 remained in this reserve at the end of the previous year, 2012/13. Expenditure of £134,830 was incurred in 2013/14 to complete a schedule of works to upgrade sheltered accommodation. The amount remaining will be utilised to fund some final works.

7.0 TREASURY MANAGEMENT

7.1 An analysis of the Council's borrowing and short-term investments/bank deposits is summarised in the table, below. This shows the position as at 31st March 2014.

	01/04/13 £'000	31/03/14 £'000	Change £'000
Debt Outstanding - HRA			
Self-financing Debt (Average rate 2.7%)	57,423	57,423	0
Market Loan (4.875% fixed)	1,000	1,000	0
Transferred Assets (<i>repaid as previously reported</i>)	279	0	-279
Total Debt Outstanding - HRA	58,702	58,423	-279

Capital Financing Requirement - HRA	62,860	62,581	-279
Debt Cap (Fixed on Self-Financing)	66,853	66,853	0
Borrowing Headroom (Cap Less Debt o/s)	8,151	8,430	279

Debt Outstanding - General Fund

Actual Loans o/s	0	0	0
Capital Financing Requirement (CFR)	6,315	6,892	577
Borrowing Headroom (CFR Less Debt o/s)	6,315	6,892	577

Temporary Investments and Borrowings

Temporary Bank and other Deposits	4,500	7,429	2,929
Less Parish Council Deposits	-41	-28	13
Less Temporary Debt	-15	-7	8
Total - Short-term Cash Position	4,444	7,394	2,950

Average Interest Rate Earned (Cumulative)	0.31%	0.33%	0.02%
Target - Average 7-Day Local Authority Rate	0.51%	0.47%	-0.04%

Debt Outstanding

7.2 This is largely fixed and no repayments were made during the year on the self-financing debt. As previously reported, the historic debt outstanding on transferred assets was repaid to Erewash Borough Council in April 2013.

Capital Financing Requirement (CFR)

7.3 The increase in the General Fund's CFR during 2013/14, represents the impact of financing the purchase of the bins and caddies for the extended recycling service, from internal borrowing. The increase of £577k is made up as shown in the following table.

General Fund CFR		£'000
Balance as at April 2013		6,315
Add: Net Financing of new Bins and Caddies		885
Less: Normal Minimum Revenue Provision		-253
Less: Provision for Bins and Caddies (part year 2013/14		-55
Provisional Balance as at March 2014		<u>6,892</u>

Short-term Investments

7.4 Funds of £7.4m were on deposit on 31st March 2014 as follows:

Other Local Authorities	£2.0m	0.27%
UK Banks	£5.4m	0.73%

7.5 The amounts on deposit with Banks are in instant access reserve accounts. Net interest received in the year was just over £25,000 compared to a budget of £21,000.

8.0 THE COLLECTION FUND

- 8.1 The Collection Fund is the statutory account that records the collection of Council Tax and Business Rates and shows how that income has been distributed to the Government and other Preceptors on the Fund, including this Council.
- 8.2 Any surplus or deficit on the Fund is transferred to the General Funds of the Preceptors, with the proportion for South Derbyshire being approximately 11.5%. The provisional out-turn on the Fund for 2013/14 is detailed in **Appendix 7**.
- 8.3 ***It should be noted that figures for Business Rates are still to be confirmed as the final return to the Government has still to be signed off. This could make a difference to the provisional figures.***
- 8.4 Apart from this, the Fund is projected to achieve a surplus for the year of £291k, broadly in line with £312k projected at the end of the 3rd quarter. Overall, this is better than estimated due to the increase in Council Tax collectable through a combination of:
- Increase in new properties
 - Greater income from empty properties
 - Lower costs of the Local Council Tax Support Scheme
- 8.5 Within this, there is an increase in the Bad Debts provision for both Council Tax and Business Rates as detailed in the following table.

Council Tax Arrears

Total Council Tax Arrears as at 1 st April 2013	<u><u>3,816,290</u></u>
Provision for non-collection b/fwd as at 1 st April 2013	2,278,234
Less: Write-offs in 2013/14 against the Provision	<u>-67,060</u>
Balance of Provision after write-offs	<u><u>2,211,174</u></u>
Total Council Tax Arrears as at 31 st March 2014	<u><u>4,097,098</u></u>
Provision for non-collection for updated arrears	<u>2,558,083</u>
Increase in Provision Required	<u><u>346,909</u></u>

Business Rates

- 8.6 As regards Business Rates, under the new financing system, 2013/14 is the first year that a provision needs to be created for Bad Debts and Rating Appeals. As shown in Appendix 7, these have been calculated with the estimated amounts approved within the Budget.

9.0 OTHER FINANCIAL INDICATORS

- 9.1 These are reported to monitor the efficiency of financial services. In addition, the collection rates are targets that form part of the Income Guarantee arrangement under the Corporate Services Partnership. The processing of benefit claims are also key performance indicators which are subject to potential default conditions if they are not achieved.
- 9.2 The indicators are detailed in **Appendix 8**. This details the performance for 2013/14 against the contractual target. It also shows the trend over several years with a comparison to the latest available data relating to shire districts.
- 9.3 Four out of the ten targets were not met with performance for all areas falling from that achieved in 2012/13. The four indicators that failed to meet their target were:
- Collection of Council Tax Arrears (*although overall Council Tax in-year collection was above target*)
 - Collection of Sundry Debt (*although this was affected at the year end with some large agency recharges being raised in 2013/14 but collected in 2014/15 – a timing difference*)
 - Housing Benefits - processing change of circumstances, which was affected by the DWP's ATLAS system as reported during the year.
 - Payment of undisputed invoices within 30 days.

10.0 Background Papers

None