
REPORT TO:	FINANCE & MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	21st JULY 2005	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/finalaccounts/budgetout-turnreport2005
SUBJECT:	BUDGET OUT-TURN 2004/05	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM08

1.0 Recommendations

1.1 To consider and approve the out-turn position for:

- General Fund Revenue Account 2004/05 (as detailed in Appendices 1 and 2)
- Housing Revenue Account 2004/05 (as detailed in Appendix 3)
- Capital Expenditure and Financing 2004/05 (as detailed in Appendix 4)

1.2 To consider and approve:

- Proposed transfer to Earmarked Reserves 2004/05 (as listed in Appendix 6)
- The Council's level and proposed utilisation of Earmarked Reserves

2.0 Purpose of Report

2.1 To detail the final out-turn position for 2004/05 on the Council's main revenue and capital accounts. It also sets out the various reserves currently held by the Council, their purpose, and proposals for future utilisation.

3.0 Executive Summary

3.1 The Council's out-turn on its General Fund and Housing Revenue Accounts shows a more favourable position compared to that estimated. This has increased the level of general reserves as at 31st March 2005, compared to that anticipated.

3.2 The main reasons for this were better than estimated subsidy income for housing benefit payments, together with increasing income from planning and building regulation fees. There were no major overspends, although additional costs were incurred in respect of the Local Plan.

3.3 Spending on capital schemes was less than estimated, although a substantial part of this will need to be carried forward to 2005/06 in order to meet commitments and complete on-going schemes. The Council's capital allocation for improving Council Houses (around £2m) was fully spent in the year.

- 3.4 However, the amount of capital receipts generated was less than estimated for the year. This was due to a slowdown in the number of council house sales, which seemed to have peaked during the early part of 2004/05.

4.0 Detail

Context

- 4.1 The Council's draft annual Accounts and Financial Statements (subject to Audit) are submitted for consideration elsewhere on this Agenda. This is the statutory document that sets out details of the Council's financial position, assets and liabilities as at 31st March 2005.
- 4.2 This report details the performance in more detail against the Council's approved budgets on the General Fund, Housing Revenue and Capital Accounts. This is intended to provide timely information about the closedown position and its impact on overall finances. It also helps the Council to consider at an early stage the financial implications for setting the budget for next year and beyond.

GENERAL FUND REVENUE ACCOUNT

- 4.3 **Appendix 1** details the main service heads for each Committee, which shows the approved estimate (probable out-turn) compared to the actual out-turn for 2004/05. **Appendix 2** summarises the overall position on the General Fund, after adjusting for capital charges, financing and the impact of earmarked reserves.
- 4.4 The approved probable out-turn estimated a surplus on the General Fund of £203,700. The actual out-turn before contributions to earmarked reserves, i.e. proposed carry forwards was a surplus of £698,790 – an additional £495,090. The major variances are outlined below.

Variance compared to Revised Budget 2004/05	£'000
Additional Income	
• Planning Fees	36
• Building Regulations	60
• Subsidy for transitional protection on Housing Benefits	102
• Council Tax and Rent Allowance Subsidy	106
Total – Increased Income	304
Committed Budgets from 04/05 to be carried forward (appendix 6)	352
Main Underspendings	
• Best Value/Improvement Planning provision (being used in 2005/06 to fund Head of Business Improvement)	62
• Vacant Posts and Departmental Expenses	24
Total – Underspendings	86
Offset by:	
• Transfer of capital charges to HRA lower than estimated	112
• Increase in Bad Debts provision (following rent rebates transferred from HRA)	34
• Reductions in Bank Deposit Interest	35
• Lower reimbursement for Refuse Collection (tipping away charges)	30
• Additional costs associated with Local Plan	36
Overall Reduction in Net Revenue Expenditure 2004/05	495

- 4.5 As shown in the above table, around £352,000 of this relates to amounts that have been committed in 2004/05 but actual expenditure will be incurred in 2005/06. These items are detailed in **Appendix 6**.
- 4.6 This leaves an amount of around £143,000 that has been transferred to General reserves. This is in accordance with the Council's financial strategy to achieve a minimum level of reserves of 10% of net revenue expenditure at the end of a 3-year planning period.

General Reserves

- 4.7 These now stand at £2,974,660 as at 31st March 2005, after proposed contributions to Earmarked Reserves. This compares to an anticipated level of reserves of £2,831,600 (an additional £143,060).

HOUSING REVENUE ACCOUNT (HRA)

- 4.8 The HRA has been the subject of close scrutiny over the last two years in connection with the Stock Options Review and Business Plan requirements. The final accounts (**summarised in Appendix 3**) for 2004/05, shows an improved position to that estimated, with Reserve Balances standing at around £1.348m at 31st March 2005. This is approximately £93,000 more than estimated.
- 4.9 However, it should be noted that spending on housing repairs was some £140,000 over that estimated. This was offset by lower management costs, capital costs and increased rental income, as void properties were much lower than predicted.

CAPITAL EXPENDITURE and FINANCING

- 4.10 Total capital spending for 2004/05 was £5.239m, which was approximately £1.2m less than the approved estimate. However, around £1.1m will need to be carried forward to complete schemes and meet commitments in 2005/06. The main schemes that this relates to are:
- A contingency amount of £158,000 to fund **HRA planned maintenance** works pending the overall position on the HRA in the future can be rolled forward. The Council's main capital allocation for improving council houses was fully spent in 2004/05.
 - Outstanding payments on the **Community Partnership Scheme** (£151,000) where there can be a long lead in time between money allocated to projects and actual payments.
 - **Coton Park Community Facility** (£102,00). This is the Council's contribution to the overall scheme, which will now be paid in 2005/06.
 - **Hilton Cycle Way** (282,000). This scheme is being managed by the County Council and was due to be completed in 2004/05.
 - **Electronic Government** (£84,000). This is an-going programme which will be completed in 2005/06
 - **Disability Access Improvements** (£93,000). Phase 1 works did not commence until late in the year, although resources are now in place to accelerate the planned programme over the next 2 to 3 years as originally planned.

- 4.11 The full out-turn position detailing every scheme together with financing, is detailed **Appendix 4**. An overall analysis of capital expenditure for the year is summarised below:

Analysis of Capital Spending 04/05	Approved Estimate £'000	Actual £'000	Variance In Year £'000	Carry Forward £'000	Final Variation £'000
Council House Improvements	2,193	2,034	-159	-158	-1
Disabled Facility Grants	222	288	66	0	+66
Other Housing (HIP)	973	882	-91	-26	-65
Community Services	1,765	1,259	-506	-429	-77
Environmental and Development	412	133	-279	-286	+7
Finance and Management	858	643	-215	-219	+4
Total Expenditure	6,423	5,239	-1,184	-1,118	-66

- 4.12 After allowing for carry forwards, the projected variation is an under spending of around £66,000.

Capital Financing

- 4.13 The table below shows how capital expenditure was financed in 2004/05. In accordance with usual practice, all government (borrowing) allocations and external funding is utilised, and the balance is then taken from general (usable) capital receipts.

Analysis of Capital Financing 04/05	Approved Estimate £'000	Actual £'000	Variance In Year £'000	Carry Forward £'000	Final Variation £'000
Borrowing Approvals	618	618	0	0	0
Major Repairs Allowance	2,035	2,034	-1	-1	0
Other Government Grants	139	139	0	0	0
IEG Funding/IT Reserve	392	308	-84	-84	0
Grants and Contributions	1,276	823	-453	-424	-29
Section 106 Planning Receipts	180	96	-84	-61	-23
Planning Gain Funding	144	144	0	0	0
General Capital Receipts	913	534	-379	-363	-16
Debt Free Capital Receipts	726	543	-183	-185	+2
Total Financing	6,423	5,239	-1,184	-1,118	-66

- 4.14 In line with actual spending, the appropriate resources will need to be carried forward into 2005/06 to meet outstanding commitments.

Capital Resources Remaining

- 4.15 The main resources available to the Council are those generated from asset sales (mainly housing land and council houses) - capital receipts. The table below summarises capital receipts available, taking into account the position from 2004/05 and outstanding commitments.

- 4.16 These are split between the Council's general capital receipts and those ring fenced via Section 106 Planning Agreements.

Analysis of Capital Receipts as at 31st March 2005	Total £'000	General Receipts £'000	Section 106 £'000
Balance B/F 1 st April 2004	3,802	2,618	1,184
• Received in year 2004/05	+3,978	+3,376	+602
• Legal and Other Fees	-99	-99	0
• Pooling Payts to Government 04/05	-587	-587	0
• Applied to fund schemes 2004/05	-1,331	-1,076	-255
Balance as at 31st March 2005	5,763	4,232	1,531

- 4.17 The balance of general receipts (£4.232m) includes approximately £1.2m of "debt free" receipts. However, after allowing for carry forwards, the total balance (£4.232m) is lower than that originally estimated by approximately £1/4m.
- 4.18 This was due to a reduction in the number of council sales in 2004/05. The actual number of completions was 70, compared with a prediction of 82. As shown in Appendix 4, most of this reduction has affected the amount of "debt free" receipts available for future investment as at 31st March 2005.

EARMARKED RESERVES

- 4.19 In addition to General Reserves held for the General Fund and Housing Revenue Accounts, together with usable capital receipts, the Council has earmarked reserves held for specific purposes.
- 4.20 They are provided to meet future and known commitments and in some cases, to spread expenditure over a number of years. The current reserves are detailed in the following table.

Analysis of Earmarked Reserves	Balance 1-4-04 £	Less Used in Year £	Add Income in Year £	Balance 31-03-05 £
DSO	37,164	0	0	37,164
Commutation Adjustment	959,619	550,000	0	409,619
HRA – IT System	96,540	0	0	96,540
IT/IEG	123,860	57,853	31,390	97,397
Woodlands Section 106	339,906	46,272	0	293,634
Commitments (per Apps 5 & 7)	494,960	290,160	352,031	556,831
Repton Parish Contributions	33,049	0	0	33,049
Renewals Fund	0	76,777	553,644	476,867
Local Strategic Partnership	0	0	16,350	16,350
TOTAL – Earmarked Reserves	2,085,098	1,021,062	953,415	2,017,451

DSO Reserve

- 4.21 This reserve was built up in previous years from surpluses made on the DSO trading account when these services were subject to compulsory competitive tendering. It is currently earmarked to fund one-off expenditure associated with transport and technical works and in particular, to meet any vehicle leasing costs associated with early termination or non-recoverable insurance costs.

Commutation Adjustment

- 4.22 This reserve had been built up on annual basis to meet the negative effect of the commutation adjustment, which would have been a cost on the Council's General Fund from 2008/09. However, accounting regulations under the Local Government Act 2003 effectively revoked this.
- 4.23 However, as approved, £550,000 of this balance has been transferred to set up a Renewals Fund for the future replacement of vehicles, plant and equipment. In addition, £180,000 has been earmarked as a future transfer to the General Fund Reserve. This would effectively leave a balance of approximately £230,000.
- 4.24 It should be noted that as this reserve is no longer required it should be incorporated into the Council's general reserves in any case, unless the Council resolved to earmark the remaining sum for other purposes.

HRA – Housing IT System

- 4.25 This reserve has been set-aside as a contribution to the procurement of the new housing management/maintenance system. To-date, all costs have been funded from the Council's housing capital allocation. The balance will be used in 2005/06 to fund the remaining costs of the implementation.

IT/IEG Reserve

- 4.26 This reserve is to fund the replacement of computer hardware and software to generally upgrade I.T. and to help meet the requirements as set out in the Council's IEG Statement. It has been funded by Government grants and from savings on current computer leases and other running costs.
- 4.27 It includes an amount of £18,500 saved from replacing the Council's telecoms system in 2003/04. This has been highlighted as a Gershon efficiency gain in the Council's 2004/05 efficiency statement.

Woodlands Section 106 Agreement

- 4.28 This reserve is to fund the costs of staffing, equipment upgrades and other running costs, associated with Swadlincote Woodlands. On current costs, this reserve should last for a further 6 years. In accordance with the Section 106 agreement, this money must be spent on the Woodlands.

Commitment Reserve

- 4.29 This is to meet various commitments that were allocated in previous year's budgets but not spent. It also includes sums set-aside (as a contingency) to meet other known/possible commitments. A further detailed analysis of individual items in this reserve is shown in **Appendices 5 and 6**.

Repton Parish Contributions

- 4.30 An amount remaining from the sale proceeds of Repton Depot that is earmarked to be spent on projects in Repton Parish.

Renewals Fund

- 4.31 In accordance with the Council's financial strategy, this fund was set up in 2004/05 to finance the future replacement of vehicles, plant and equipment.

Local Strategic Partnership

- 4.32 This is money that has been received which needs to be spent as contributions to LSP projects in 2005/06.

Financial Reporting Standard (FRS) 17 Accounting Treatment for Pensions

- 4.33 This is designed to reflect the Council's future commitment to its employees in respect of pensions. As part of this, the true cost of pensions is now shown directly in the cost of services, i.e. the amount provided to employ staff regardless of cash payments to the pension fund.
- 4.34 However, the impact on the Council's revenue accounts are neutralised by accounting adjustments "below the line," which transfer the changes brought about by FRS 17 to a Pensions Reserve Account, to which actual payments and contributions are charged.
- 4.35 This pensions reserve also details the Council's share of assets and liabilities on the pension fund. It is effectively a position statement based on the latest valuation of the pension fund.
- 4.36 The balance on this reserve (as reported in the Council's Statement of Accounts) as at 31st March 2005 was a deficit of around £18.2m. This compares with a balance at 31st March of around 12.6m, an increase of £5.2m.
- 4.37 This was due to the projected liabilities in the long term on the Fund increasing during the year, based on an updated assessment of interest rates used in the calculation.
- 4.38 Although this reserve may be seen as an accounting exercise, it does help to portray the Council's future commitment on pensions. This is reflected in the year on year increases in the Council's contributions, which have been rising significantly to help fund this liability in the future.

The Collection Fund

- 4.39 The Council is required to maintain a separate income and collection account, showing the transactions relating to the collection of business rates and the council tax. This account also illustrates how this money has been distributed to preceptors and the Council's General Fund.
- 4.40 The Council's account for 2004/05 is detailed in **Appendix 7**. This shows that the surplus on the Fund was approximately £316,000 greater than estimated when

setting the Council Tax. This was mainly due to the collection of council tax (including arrears) being greater than estimated.

- 4.41 The balance on the Fund is not available to supplement council spending. Effectively, it is returned to council taxpayers. The additional surplus (plus the estimated surplus for 2005/06) will be included in setting the council tax for next year approximately 90% of which will be returned to other preceptors on the Fund.