
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)	AGENDA ITEM: 8
DATE OF MEETING:	29th JUNE 2010	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/final accounts 0910/budgetouturnreport 2010
SUBJECT:	BUDGET OUT-TURN and FINANCIAL POSITION 2009/10	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

1.1 To consider and approve as detailed in the report the out-turn position for:

- The General Fund Revenue Account 2009/10
- The Housing Revenue Account 2009/10
- Capital Expenditure and Financing 2009/10
- The Collection Fund 2009/10
- Reserves, Provisions and Balances 2009/10

2.0 Purpose of Report

2.1 To detail the final out-turn position for 2009/10 on the Council's main revenue and capital accounts. The report also details the financial position on these accounts as at 31st March 2010 compared to that estimated in the Council's Medium-Term Financial Plan (MTFP).

3.0 Detail

Context

3.1 The Council's draft annual Accounts and Financial Statements (prior to Audit) are subject to a separate report later on this Agenda. That report is the statutory document prepared in accordance with proper accounting practice, which provides details of the Council's financial position, assets and liabilities as at 31st March 2010.

3.2 This report details the performance in more detail against the Council's approved budgets on the General Fund, Housing Revenue and Capital Accounts.

- 3.3 This is intended to provide the key 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 the Council's Medium Term Financial Plan (MTFP) and for setting the Budget for 2011/12.
- 3.4 As part of the Council's financial planning process, the MTFP (2010 to 2015) and overall financial strategy, are currently subject to their usual periodic review including the impact of this out-turn. The updated position will be reported to the Committee in September ahead of the budget round for 2011/12.

GENERAL FUND REVENUE ACCOUNT

- 3.5 **Appendix 1** details the main service heads for each Policy Committee, which shows the approved budget estimate compared to the actual out-turn for 2009/10. The variance is the difference between budget and actual.

Internal Charges

- 3.6 The variance is divided so as to exclude those relating to internal depreciation and capital charges (which are reversed out later in the accounts for the consolidated position)' Therefore, the direct cost variance for each expenditure head is shown for comparative performance.
- 3.7 The figures also exclude internal recharges (central support and departmental accounts). A separate sheet shows the costs and financial performance of these accounts before they are recharged across other services.

The Consolidated Position

- 3.8 **Appendix 2** summarises the overall (consolidated) position on the General Fund, after capital accounting and other adjustments, provisions, financing (Government Grant and Council Tax) and the use of earmarked reserves.
- 3.9 When setting the level of Council Tax in February 2009, the original budget estimated a total deficit (financed from General Reserves) on the General Fund of approximately £5,000 for 2009/10. This included certain provisions, the main ones being for inflation and interim costs arising out of the pay and grading review.

Updated Budget 2009/10

- 3.10 The estimated deficit was significantly increased following a mid-year review to approximately £450,000. This was mainly due to the continuing economic situation reducing income from planning fees and interest on short-term investments, together with an increasing demand for housing benefits.
- 3.11 There was also pressure from additional costs of the new Etwell Leisure Centre. Furthermore, £100,000 was provided to cover emergency works at Midway Fishponds.

3.12 This increased deficit was financed from General Reserves. However, as reported during the budget round for 2010/11, this deficit and its on-going effects, was placing greater and more serious pressure upon the Council's sustainable financial position beyond 2011/12.

Progress during the Year

3.13 Similar to 2008/09, the financial year for the Council was exceptional as the continuing effects of the economic downturn had a major impact on its finances. The original budget produced back in January 2009, forecasted some recovery in the economic situation during the later part of 2009. However, it became clear that this would not be the case and the Council's financial plans (as highlighted above) were revised.

3.14 Given the worsening financial position during the year all services were asked to look closely at spending and in particular to contain any additional expenditure within overall base budgets, including inflation. This resulted in savings and reductions being identified, in particular in transport costs, together with on-going savings being realised in procurement.

3.15 In addition, vacant posts were not filled in Planning Services due to the economic situation and pending a review of the Unit as part of a wider restructure of the Community Services Directorate.

3.16 Following the 3rd quarter's monitoring and review, the revised deficit for the year was estimated at approximately £395,000 - an improvement of £55,000.

3.17 Although at this point some costs, especially in housing benefits were still a concern, it was clear that the trend pointed to an improving position. The main reasons for this highlighted in the monitoring report to the Committee in February 2010 were as follows:

- Improving position at Etwall Leisure Centre
- Staff vacancies in Environmental and Customer Services
- Centralisation/rationalisation of printing and stationery
- Lower maintenance and fuel costs for vehicles and plant

3.18 In addition, the report indicated that it was likely additional planning income would be realised during the remainder of the year due the processing of a major application. Furthermore, budget savings in IT, Economic Development and at Green Bank Leisure Centre were also anticipated.

Final Out-turn 2009/10

3.19 The actual out-turn was infact a reduction in overall net revenue expenditure of approximately £793,000 compared to budget.

3.20 However, within this, the provisions set-aside for pay and grading interim costs (£200,000), spending growth associated with increased properties (£17,000) and for other expenditure held aside in earmarked reserves (£50,000), was not required in the year. These will be rolled forward in the MTFP.

3.21 Excluding these provisions, the reduction was approximately £526,000. Furthermore, additional planning income (as highlighted in 3.17 above) was indeed received before the year-end, totalling £145,000. Excluding this, the variance was **£381,000**.

3.22 In summary, the main reasons for the remaining reduction of £381,000 (compared to budget) are shown in **Table 1**, below. This includes those anticipated variances previously highlighted. Further commentary is provided in the succeeding sections.

TABLE 1: MAJOR VARIANCS IN GENERAL FUND EXPENDITURE 2009/10

COST CENTRE	£'000	%age of Budget
Favourable Variances Compared to Estimates		
Concessionary Travel costs - lower usage in first full year of new scheme	-108	23%
Transport - fuel, maintenance, repairs and labour for vehicles and plant	-88	14%
Council Tax/NNDR Collection - increase in costs recovered	-80	41%
I.T. - replacement hardware and software - balance transferred to Reserve	-72	9%
Grounds Maintenance - direct labour and sub-contracting	-52	11%
Recycling – contracted collection costs of recyclable materials	-48	8%
Street Cleansing - direct labour and sub-contracting	-47	12%
Building Regulations - vacant posts not filled and deleted in restructure	-40	10%
Democratic Services - members allowances, expenses, printing of agendas	-38	6%
Green Bank Leisure Centre - repairs, contract fee and energy costs	-26	17%
Protective Clothing - centralisation/rationalisation of council-wide spend	-24	60%
Print Room - rationalisation of printing and purchasing stationery supplies	-23	32%
Customer Services -staff vacancies	-20	3%
Civic Offices - repairs/maintenance and re-tendering energy contract	-19	7%
Licensing - income from taxi licensing and staff vacancies	-19	7%
Economic Development - promotional expenses – external funding secured	-17	18%
Interest Paid - on transferred debt due to lower interest rates	-16	30%
Organisational Development - staff vacancies	-16	2%
Other Variances	-6	n/a
Total - Favourable Variances	-759	
Adverse Variances Compared to Estimates		
Housing Benefit - increase in payments	157	1%
Professional Fees - to support Corporate Services Partnering Contract**	72	n/a
Property Holdings - reduced income and increased maintenance costs	42	11%
Footpaths Agency - historical balance written-off on transfer of agency	35	n/a
Etwall Leisure Centre - net subsidy increased	34	22%
Building Regulations - reduction in fee income	19	7%
Increase in Provision for Bad and Doubtful Debts	19	N/a
Total - Adverse Variances	378	
TOTAL VARIANCES		-381

** It should be that this expenditure was approved and an earmarked reserve set-aside in 2008/09 to finance the costs. Effectively, this expenditure has been financed from savings elsewhere in the Corporate Services Directorate as shown in the above

table; most notably in concessionary travel, together with staff vacancies in Customer Services and Organisational Development. The original reserve remains intact and it is proposed that this is maintained to cover any legal costs associated with finalising the contract. The remaining amount will then be returned to General Reserves.

Other Highlights

3.23 Compared to budget, savings have been made in the running of direct services such as grounds maintenance. The effects of inflation, especially regarding fuel were also absorbed within base budgets.

3.24 The largest saving was in concessionary travel costs. This reflects that 2009/10 was the first year of the Government's new scheme with a full year of data on which to base costs. Clearly, this was better than the estimate, although the budget did contain a contingency of £80,000 to cover appeals from bus operators; this was not required.

I.T Replacement

3.25 A saving was ultimately made through the ICT budgets (for infrastructure replacement, software support/upgrades and telecommunications). It should be noted that under current policy, this amount (approximately £72,000 in the previous table) is transferred into the I.T Reserve. This is used to fund ICT related improvements and/or replacements as necessary, for which expenditure changes between years.

3.26 In fact, expenditure was increased in the year compared to that originally estimated. Appendix 2 shows that a draw down from the I.T Reserve of £123,000 was required to replace some parts of the ICT infrastructure, to upgrade the network and to renew software licenses.

3.27 Ultimately, not all of this was required and therefore, £72,000 is being returned to the Reserve.

Other Efficiencies

3.28 It was anticipated that efficiencies would be made through the procurement of protective clothing, stationery, printing and utility supplies. These efficiencies were realised and in total saved around £75,000 compared to budget.

Increased Costs Compared to Budget

3.29 Clearly, the previous table also highlights some adverse variances. As anticipated, the increase in housing benefit payments, which increased by approximately £5m compared to the original budget, meant a net increase to the Council in 2009/10 of just over £150,000. This was partly offset by an increase in costs recovered (£80,000) through the collection of council tax and NNDR arrears.

3.30 In the year, there was an increase in maintenance liabilities on the Council's property portfolio, but with a loss of income due to empty units. The Council's

contribution to the new Etwall Leisure Centre (opened July 2009) was approximately £34,000 greater than estimated.

- 3.31 However, as previously reported, this was much less than anticipated earlier in the year; initial estimates were forecasting an increase of £100,000.
- 3.32 In addition, the contribution from the County Council only relates to the old pool, i.e. the costs associated with that facility from April to July 2009.
- 3.33 The County Council also contributed an additional £34,000. This amount is not included in the above figures, although it is shown in the statement of accounts as attributable to the Joint Management Committee.
- 3.34 In accordance with accounting practice, it is being held in a separate holding account pending a new agreement for the management of the Centre. This could affect how that amount is distributed between the various partners.

Provision for Bad Debts – Sundry Debtors

- 3.35 Compared to the budget, this was increased by £19,000. Although this reflects the amount of debt written off in the year (£73,000) it also meets a requirement to ensure a prudent provision is made for outstanding debt due to the current economic climate. This was also affected by the need to write off an outstanding (historical) balance relating to the Footpaths Agency.

Effect on the Medium-Term Financial Plan (MTFP)

- 3.36 Many of the variances are one-off. Several others will have on-going effects, especially the efficiency savings, which can now be firmed up in the next review of the MTFP.
- 3.37 Given the projected budget deficit in 2011/12, the savings in the direct services should be further scrutinised. This follows a trend over a number of years where reductions against budget have been made in waste collection, street cleansing and grounds maintenance.
- 3.38 In accordance with the Council's financial planning timetable, a review of the MTFP will be undertaken and reported to the Committee in September 2010. This will include the effects of the 2009/10 out-turn position.

Appropriations

- 3.39 A proportion of the overall reduction in net spending has been transferred to earmarked reserves, in accordance with current policy or at the request of budget managers. This is to reflect that there is still some commitment against the original budget or it is being prudently set-aside to cover one-off liabilities anticipated in 2010/11, for which there is no mainstream budget. The proposals are summarised in **Table 2**, below.

Table 2: Proposed Transfers to Earmarked Reserves 2009/10

Service/Activity	£
Transfer to IT Reserve	70,000
Transfer to Vehicle Replacement Fund	50,000
Green Bank Leisure Centre – matched costs for refurbishment and re-tendering management contract	32,000
Inspection Pit at new Council Depot	30,000
Area Based Grant 2009/10 not yet allocated	22,500
Economic Development Promotions – external funding carried forward	12,500
Adoption of Local Development Framework/New Legislation	10,000
Outstanding payments for Midway Fishponds	10,000
Legal Fees – Depot Relocation	9,200
Homelessness Grant – unspent allocation from 2009/10	8,500
Civic Offices – supplement base budget in 2010/11	7,300
Local Investigations	7,000
Health and Safety Equipment	6,000
Temporary debt Recovery Officer – extend temporary contract	5,000
Cleaner South Derbyshire Campaign	5,000
Repairs at East End Car Park	4,000
Walking Festival – matched funding to enhance activities	3,500
TOTAL TRANSFER TO EARMARKED RESERVES	292,500

Provision for Suspended Benefit Cases

- 3.40 Over the previous 3 years, the Council has made provision to repay housing benefit subsidy it had previously reclaimed from the Department for Works and Pensions. This was in respect of a review being carried out concerning the calculation of certain benefit cases, in particular where benefit had been temporarily suspended.
- 3.41 An original provision was made in 2007/08 of £462,000. This was reduced by £360,000 in 2008/09 as the Council's claims were confirmed with only a nominal liability.
- 3.42 During 2009/10, it has become clear that no additional liability exists with this particular issue. Consequently, in accordance with proper accounting practice, the remaining provision of £101,988 has been transferred back to General Fund Reserves.

General Fund Reserve Balance

- 3.43 After allowing for the final out-turn, together with the transfers from and to reserves, the position on the General Fund Reserve Account as at 31st March 2010, is summarised in **Table 3**, below.

Table 3: General Fund Reserves as at 31st March 2010

General Fund Reserves as at March 2010	Budget £	Actual £	Variance £
Balance brought forward as at 1 st April 2009	2,801,010	2,801,010	0
Surplus / Deficit (-) for 2009/10	-453,263	382,864	836,127
Transfers to Earmarked Reserves **	0	-299,416	-299,416
Transfers back from Benefits Provision	0	101,988	101,988
Balance as at 31st March 2010	2,347,747	2,986,446	638,699

** The transfers to Earmarked Reserves include £292,500 as set out in **Table 2** above, together with a sum of £6,916 relating to the profit share on the café at Rosliston Forestry Centre under the terms of the lease agreement. This reserve is to finance future capital replacements in the café.

3.44 Table 3 shows that the level of general reserves is £638,699 above that estimated in the original budget. However, as highlighted earlier in the report, £217,000 will need to be rolled forward to meet the interim costs associated with the pay and grading review (£200,000) together with growth in property numbers (£17,000).

3.45 After allowing for this, general reserves are £421,215 better compared to that contained in the MTFP. Clearly, this helps to maintain balances at a good level, which will improve the overall financial position. In addition, the earmarking of funds in an earmarked reserve to meet one-off commitments in 2010/11 is considered prudent.

3.46 However, the MTFP still highlights a budget deficit in 2011/12 and a significant shortfall in capital resources to meet all commitments. Although, on-going efficiency savings have already been identified to fund this deficit and planned work is ongoing to realise capital receipts, the effect of a likely reduction in the Government's general grant from 2011/12 is not yet known.

3.47 As previously highlighted, a review of the MTFP will be undertaken and reported to the Committee in September 2010. This will include the effects of the 2009/10 out-turn position and the most up-to-date position of the national situation.

HOUSING REVENUE ACCOUNT (HRA)

3.48 There is a statutory requirement for the Council to account separately for income and expenditure associated with the maintenance and management of its housing stock.

3.49 The final accounts for the HRA (**summarised in Appendix 3**) for 2009/10, also shows an improved position to that budgeted. The estimated deficit for the year (financed from reserves) was £411,579. The actual out-turn was a deficit of £76,380, i.e. a reduction of **£335,199**.

- 3.50 The main reason for this reduction was that the provision for inflation of approximately £145,000 was not called upon in the year. Effectively, the main expenditure for repairs and management costs was contained within the base budget with any inflation being absorbed.
- 3.51 In addition, the provision for interim costs associated with the pay and grading review (£22,660) was not required, although this will need to be rolled forward.
- 3.52 Consequently, these resources are maintained within the HRA and the level of its general reserve stood at £2.65m as at 31st March 2010, compared to an estimate of £2.32m.

Major Variances Compared to Budget

- 3.53 The 3rd quarter's monitoring and review report indicated a projected decrease in net expenditure on mainstream costs compared to budget of approximately £113,000 for the year. This was mainly due to lower expenditure on repairs, staff vacancies, together with income generated (net of additional resources) from the expanded Telecare Service.
- 3.54 These variances were confirmed in the final account. Together with other changes, mainly increased Supporting People and other contributions, the final variance (excluding the provisions) was a decrease in net expenditure of approximately **£166,000**.
- 3.55 The additional contributions absorbed the adverse variance on interest received from the General Fund. This was due to the low level of interest rates reducing the overall return for the Council on its short-term investments. These investments include the HRA reserve balance.

Increased Income

- 3.56 As highlighted, one of the main reasons for the better out-turn was the substantial increase in income from charges and contributions compared to that estimated in 2009/10. This was mainly due to the expansion of the Telecare Service, but also included bills raised for recharges for repairs and maintenance.
- 3.57 Due to this, a further increase in the provision for bad debts was required of £13,000.

Repairs and Maintenance

- 3.58 Spending was less than 1% down (£25,000) compared to the estimate of approximately £2.9m. This included the effects of any inflationary pressures. The original budget for the year was approved at £80,000 higher at just under £3m; this amount was transferred during the year to supplement Major Capital Repairs.

The Overall HRA

- 3.59 Overall, the position on the HRA as at 31st March 2010 (i.e. a greater level of general reserves) will help to consolidate its financial position.
- 3.60 However, similar to the General Fund, over the life of the 10-year business-planning period associated with the HRA, current spending levels (including the annual payment to the national rent pool) are reliant on drawing down these reserves in the longer-term to meet a budget deficit.
- 3.61 Currently, the Council is considering the Government's proposals to become self-financing and move away from the national subsidy system. A review of the HRA business plan is also being undertaken.
- 3.62 Notwithstanding these factors, the on-going effects of the outturn will be analysed as part of the wider review of the MTFP. An updated 10-year position to 2020 which will take into account the updated position on the business plan review in particular, will be reported to the Committee in September ahead of the budget round for 2010/11.

CAPITAL EXPENDITURE and FINANCING 2009/10

- 3.63 Total capital spending for 2009/10, scheme by scheme, is detailed in **Appendix 4**. A summary is provided in **Table 4**, below.

Table 4: CAPITAL EXPENDITURE and FINANCING 2009/10

ANALYSIS OF SPENDING BY MAIN SERVICE/PROJECT AREA	APPROVED ESTIMATE £	ACTUAL £	VARIANCE £
Council House Improvements	2,429,123	2,293,636	- 135,487
Disabled Facility Grants	459,000	473,804	+ 14,804
Other Housing Investment	755,470	772,907	+ 17,437
Leisure and Community Schemes	2,371,617	1,415,062	- 956,555
Environmental and Development	1,368,491	857,539	- 510,952
Property and Other Assets	729,212	559,060	- 170,152
Total Expenditure	8,112,913	6,372,008	- 1,740,905

- 3.64 Table 4 shows total capital spending in the year of just under £6.4m, approximately £1.7m lower than the overall budgeted programme. However, within this, there were several variations that had been reported in monitoring reports during the year.
- 3.65 The main variances related to some of the bigger schemes where external funding was not finalised until well into the financial year. This is a timing difference as the budget for the total project was allocated entirely to 2009/10.

National Funding

- 3.66 These schemes are ongoing and where committed, funding will now be carried over to 2010/11. However, this is subject to a current review by the new Coalition Government into external funding at a national level. It is anticipated that where schemes are committed contractually and underway, then the funding will still be secured. This is discussed later in the report.
- 3.67 Firstly, an analysis of the main spending areas is provided in the following sections.

Council House Improvements

- 3.68 These works are financed from the Government's Major Repairs Allowance. A substantial part of the £2.1m programme in the year was completed. Some works and payments were still outstanding at the year-end totalling approximately £130,000.
- 3.69 In accordance with accounting regulations, this will be carried forward in the Major Repairs Reserve as it is effectively ring-fenced Government Grant.

Private Sector Housing

- 3.70 The budgets for Disabled Facility Grants (DFGs) and for delivering the decent homes programme were subject to much change during the year as additional resources were secured externally or transferred internally to meet demand.
- 3.71 Total expenditure on DFGs of £473,000 was £14,000 above the final budget for the year, although external contributions and reimbursements were generated to finance this. This was the same picture for the Decent Homes work where total spending of approximately £772,000 was £17,000 above the budget, although again external contributions more than covered the increase.
- 3.72 Government allocations for the year were all spent in total. Unused external contributions will be carried forward to supplement spending in 2010/11.

Leisure and Community Facilities

- 3.73 Schemes contained in this category accounted for the main variance due to the finalisation of external funding delaying the commencement of several schemes as previously highlighted. The affected schemes were:
- Hilton Village Hall Extension and Multi-Games Facility
 - Feasibility Study at Melbourne Leisure Centre
 - Chestnut Avenue Recreation Ground
 - Eureka park
- 3.74 In addition, the take up for play schemes and the replacement of equipment was less than anticipated. This is a rolling programme and depends on external finance available from year to year.

3.75 In addition, although the project to build industrial units at Rosliston Forestry Centre was substantially completed, adverse weather over the winter delayed its completion. In these cases, schemes are ongoing and funding will be carried over to 2010/11.

Environmental and Development Schemes

3.76 As previously reported, the current phase of the project to refurbish Swadlincote Town Centre did not commence until later in the year following the approval of external funding. Again, schemes and funding will be carried forward and completed in 2010/11.

Property and Asset Holdings

3.77 The main variances were on planned maintenance to the Council's property portfolio. The Council has addressed all of its priority repairs as identified in its stock condition surveys.

3.78 At the close of 2009/10, approximately £75,000 remained in this budget. After allowing for commitments in 2010/11 of £25,000, this leaves around £50,000. It is proposed to hold this remaining budget for any unforeseen/emergency repairs given the limited amount of resources now available and the possible redevelopment of some of the council's largest assets.

Overall Financing

3.79 All of the spending in 2009/10 was financed and no borrowing (as approved) was incurred to meet expenditure. A summary covering the whole capital programme for the year is provided in **Table 5**, below.

Table 5: Capital Financing 2009/10

Funding Stream	Estimate	Actual	Variance
Government Grants	2,724,589	2,604,115	-120,474
Capital Reserves	134,484	98,978	-35,506
Revenue Contributions	205,000	233,855	28,855
Growth Point	1,333,468	392,503	-940,965
Other External Financing	1,706,865	1,439,325	-267,540
Section 106 Planning Agreements	169,000	31,738	-137,262
Capital receipts	1,839,507	1,571,494	-268,013
Total Financing 2009/10	8,112,913	6,372,008	-1,740,905

3.80 The table shows that the call on the Council's capital receipts was less (£268,013) than estimated. This was due to amounts not spent as highlighted in the preceding sections.

3.81 The variance on Growth Point funding represents the spending profile of projects being affected by the finalisation of schemes within the national funding agreement.

3.82 As previously highlighted, these schemes are ongoing and where committed, funding will be carried over to 2010/11. However, this is subject to a current review by the new Coalition Government into external funding at a national level. It is anticipated that where schemes are committed contractually and underway, then the funding will still be secured.

3.83 Based on this, exiting schemes for the Town Centre and Hilton in particular should be safe. An updated position will be provided as soon as it is known.

Amounts Carried Forward

3.84 **Appendix 4** analyses the variances scheme by scheme to identify where resources will need to be carried forward. Much of this is already committed, has received prior Committee approval and/or is ring-fenced in specific reserves to meet grant conditions.

Capital Receipt Reserves

3.85 This is the main source of internal finance for capital investment and is mainly generated from the previous sale of assets, mainly council houses and land identified as surplus to requirements.

3.86 The Council has earmarked 3 distinct pots of receipts as follows:

- General capital receipts
- “Windfall” capital receipts (those received between 2004/05 and 2006/07 where the Council was exempt from the full pooling requirements) that were used to fund housing investment. The remaining balance of £370,000 has been set-aside as a contingency to meet capital commitments pending the generation of new resources, as approved in the MTFP.
- A Capital reserve, which is being used to fund sheltered housing works under the Council’s low cost affordable housing policy. This reserve has now been substantially spent with £35,000 remaining at the end of 2009/10.

3.87 **Page 4 of Appendix 4** shows the level of capital receipts, what has been generated and then used in the year to fund capital investment.

3.88 The general capital receipt pot shows a greater level of funds compared to that estimated as at 31st March 2010. After allowing for carry forwards, this pot is approximately **£70,000 better-off** due mainly to a greater number of asset sales in the year, mainly council houses, with six being sold compared to an estimate of four.

3.89 It is proposed that this is used as a further contribution to the overall shortfall in capital resources identified in the MTFP to 2015. This currently stands at approximately £1.25m.

3.90 As with the revenue accounts, a review of the capital investment programme and its financing will be undertaken in the MTFP and reported to the Committee in September. This will include an updated programme to reflect

schemes and resources carried forward, together with any changes from the national review of external funding.

THE COLLECTION FUND

- 3.91 The Council is required to maintain a separate income and expenditure account, showing the transactions relating to the collection of business rates and council tax. This account also illustrates how this money has been distributed to preceptors, the Government and into the Council's General Fund.
- 3.92 Any surplus balance on the Fund is not available to supplement council spending and is effectively returned to council taxpayers through a reduction in bills in subsequent years.
- 3.93 Approximately 90% of any balance is returned to other authorities, mainly the County Council as the main preceptors of council tax.
- 3.94 The Council's Account for 2009/10 is summarised in **Appendix 5**. This shows that the surplus on the Fund for the year of approximately £453,000 was £260,000 above that estimated.
- 3.95 This was mainly due to a lower provision having to be made to cover bad debts and highlights a substantial improvement in the collection of arrears during 2009/10.
- 3.96 The Council's share is £30,000, which will remain in the Fund pending the calculation of council tax for 2011/12.

OTHER EARMARKED RESERVES

- 3.97 Apart from general reserves, the Council maintains other earmarked reserves (revenue and capital) that are held for specific purposes.
- 3.98 They are provided to meet future and known commitments and in some cases, to spread expenditure over a number of years. An analysis is shown in Table 6, below.

Table 6: Analysis of Earmarked Reserves

Reserve	Bal b/fwd 01/04/09 £000	Less Used in Year £000	Add Income in Year £000	Bal c/fwd 31/03/10 £'000
Major Repairs Reserve	0	0	128	128
DSO	37	0	0	37
HRA – IT System Developments	22	- 2	0	20
IT Reserve	156	- 123	70	103
Committed Expenditure	126	- 75	172	223
Repton Parish	33	0	0	33
Corporate Services Partnership	78	0	0	78
Vehicle Renewals Fund	158	- 404	296	50
Housing and Planning Delivery Grant	272	- 217	456	511
Business Incentive Grant	0	- 74	62	12
Rosliston Forestry Centre – café	0	0	7	7

Major Repairs Reserve

3.99 This represents the balance of any unspent Major Repairs Allowance paid by the Government each year for council house improvements. The balance carried forward was highlighted in the capital section earlier in the report.

DSO Reserve

3.100 This reserve was built up in previous years from surpluses made on the DSO trading account under compulsory competitive tendering.

3.101 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.

HRA – Housing IT System

3.102 This reserve has been set-aside to meet future costs associated with developments and upgrades to the main housing management computer system.

IT Reserve

3.103 This reserve is to fund the replacement of computer hardware/software and network infrastructure on a rolling basis as set out in the Council's I.T. strategy.

Commitment Reserve

3.104 This is to meet various commitments that were allocated in 2009/10 but not spent. This is to reflect that there is still some commitment on the unspent money in 2010/11 or it is being prudently set-aside to cover one-off liabilities anticipated in 2010/11, for which there is no mainstream budget.

3.105 Effectively, it consists of those amounts highlighted as transfers to earmarked reserves detailed in **Table 2**, earlier in the report.

Repton Parish

3.106 An amount remaining from the sale proceeds of Repton Depot that is earmarked to be spent on projects in Repton Parish. The Committee gave approval for this to be earmarked as a contribution to the village hall refurbishment in 2008/09, subject to other external financing being generated.

Corporate Services Partnership

3.107 Approval was granted to set up this reserve in 2008/09 to fund external support associated with the project following approval of the business case. As previously highlighted in the report, although expenditure was incurred in the year, this was absorbed within the overall costs of Corporate Services.

3.108 The original reserve remains intact and it is proposed that this is maintained to cover any legal costs associated with finalising the contract. The remaining amount will then be returned to General Reserves.

Renewals Fund

3.109 In accordance with the Council's Medium Term Financial Plan, this fund was set up in 2004/05 to finance the future replacement of vehicles, plant and equipment that were currently leased. Spending fluctuates from year to year depending on the planned replacement programme. It is mainly funded by annual contributions from the Council's capital resources.

Housing and Planning Delivery Grant (HPDG)

3.110 Although this is an annual grant, expenditure is spread over a number of years. Therefore, any unused allocation in one year can be carried forward for use in future years and the mechanism for doing this is through an earmarked reserve.

3.111 Resources are mainly for developing local planning and to deal with associated issues such as affordable housing and regeneration brought about through growth.

3.112 The grant is used in various ways - to provide specialist support, undertake studies, to provide investment/matched funding and to supplement core service provision due to pressure and demands in the planning service area.

Business Incentive Grant

3.113 This is an annual Government grant and has previously been used to finance capital expenditure. The grant of £74,000 for 2009/10 was split (as approved) on a 50/50 basis between general capital and to fund a temporary advisory post attached to the local Citizen's Advice Bureau. The remaining amount of £12,000 will be used to fund that post during 2010/11.

Rosliston Forestry Centre - Cafe

3.114 This relates to the profit share on the café at Rosliston Forestry Centre under the terms of the lease agreement. This reserve is to finance future capital replacements in the café, 2009/10 being the first year under this arrangement.

Section 106 Planning Agreements and Commuted Sums

3.115 In addition to these earmarked reserves, the Council also holds funds that have been secured in recent years through development and economic regeneration. These funds are ring-fenced for specific areas of the District and can only be expended in certain ways. Effectively, the Council acts as an accountable body.

3.116 For information, the total amount of these monies as at 31st March 2010 was approximately £1.7m, down from £3.5m in the previous financial year. The reduction was mainly due to payments being made for the new Etwall Leisure Centre and recreational facilities in Hilton, together with drawing down amounts for maintaining public open space.

4.0 Financial Implications

4.1 As set out in the report.

5.0 Corporate Implications

5.1 None directly.

6.0 Community Implications

6.1 The production of financial information is an important part of stewardship and accountability for public resources. It aims to give electors, those subject to locally levied taxes and charges, members of the Authority, employees and other interested parties clearer information about the Council's finances and its financial standing.

7.0 Background Papers

7.1 None