
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)	AGENDA ITEM: 7
DATE OF MEETING:	27th JUNE 2013	CATEGORY: RECOMMENDED
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/final accounts 12 13/final out-turn/budget out-turn report 2013
SUBJECT:	BUDGET OUT-TURN and FINANCIAL ACCOUNTS 2012/13	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

1.1 To approve the final out-turn position for:

- The General Fund Revenue Account 2012/13
- The Housing Revenue Account 2012/13
- Capital Expenditure and Financing 2012/13
- The Collection Fund 2012/13
- The Balance of Reserves and Provisions at 31st March 2013.

2.0 Purpose of Report

2.1 To detail the final out-turn position for 2012/13 on the Council's main revenue and capital accounts. The report also details the financial position on these accounts as at 31st March 2013 compared to that estimated in the Council's Medium-Term Financial Plan (MTFP).

2.2 This follows the provisional out-turn report considered by the Committee on 22nd May 2013, which detailed the Council's indicative position including detailed figures and financial commentary.

2.3 This report confirms final figures (prior to External Audit) and provides an update where applicable.

Context

2.4 The Council's Draft Annual Accounts and Financial Statements (prior to Audit) will be signed off by the Chief Finance Officer for External Audit on 30th June 2013. In accordance with the Account and Audit Regulations, the accounts will be reported to the Committee after the audit has been completed.

- 2.5 The Auditor's detailed report will be considered by the Audit Committee on 25th September. The audited accounts along with the Auditor's Opinion will be reported at a meeting of this Committee on 26th September 2013.
- 2.6 This report details the performance in more detail against the Council's approved budgets on the General Fund, Housing Revenue and Capital Accounts. It also provides details of the Collection Fund position, together with details of reserves, provisions and balances.
- 2.7 As reported to the Committee on 22nd May, the Council's out-turn position was favourable compared to that budgeted. This report does not include all the detail commentary previously reported, but includes the detailed accounts as appendices with any changes made.
- 2.8 There are no major changes from that reported in May.
- 2.9 The Accounts have been updated for reserve appropriations and contributions to bad debt provisions as approved in May. The May report is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1577/Committee/278/Default.aspx>

2.10 This report is divided into the following sections:

- Section 3 – General Fund Revenue Account and Collection Fund
 - Section 4 – Housing Revenue Account
 - Section 5 – Capital Expenditure and Financing
 - Section 6 – Reserves, Balances and Provisions
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- Appendix 1 - Environmental and Development Services Committee
 - Appendix 2 – Housing and Community Services Committee
 - Appendix 3 – Finance and Management Committee
 - Appendix 4 – Analysis of major Variances compared to Budget
 - Appendix 5 – Capital Expenditure and Financing
 - Appendix 6 – Earmarked Reserves
 - Appendix 7 – The Collection Fund

3.0 GENERAL FUND REVENUE ACCOUNT

3.1 **Appendices 1 to 3** detail net spending at cost centre level across the 3 main Policy Committees. The appendices show the approved budget compared to the actual out-turn for 2012/13 and are the figures reported in May.

3.2 A summary is provided in the following tables.

Summary by Policy Committee	Budget £	Actual £	Variance £
Environmental and Development Services	5,545,614	5,733,694	188,080
Housing and Community Services	3,512,664	3,140,624	-372,040
Finance and Management	2,285,062	2,079,751	-205,310
TOTAL	11,343,340	10,954,069	-389,270

Summary by Main Service Area	Budget £	Actual £	Variance £
Economic Development	344,567	373,686	29,119
Environmental Health Services	925,615	902,884	-22,731
Highways	19,336	13,116	-6,220
Licensing and Land Charges	51,427	42,584	-8,843
Planning	1,066,831	1,244,871	178,040
Off Street Parking	72,279	82,067	9,788
Waste Collection & Street Cleansing	2,941,135	3,006,685	65,550
Environmental Education	124,424	67,801	-56,623
Community Development and Support	707,268	678,678	-28,590
Leisure and Recreational Activities	178,770	200,204	21,434
Leisure Centres and Community Facilities	797,369	797,786	417
Parks and Open Spaces	1,193,857	1,118,908	-74,949
Private Sector Housing	635,400	345,047	-290,353
Central and Departmental Accounts (net)	124,035	122,018	-2,016
Revenues and Benefits	304,745	266,776	-37,969
Electoral Registration	173,222	123,448	-49,774
Corporate and Democratic Costs	1,173,287	1,085,385	-87,902
Payments to Parish Councils	336,190	339,012	2,822
Concessionary Travel	3,243	187	-3,056
Property and Estates	-98,864	-107,532	-8,668
Pensions, Grants and Interest	269,203	250,457	-18,746
TOTAL	11,343,340	10,954,069	-389,270

Overview of Service Spending

3.4 The above tables show that overall financial performance was better with a total under spending compared to the Net Budget of £389,270. An under spending was expected as the year progressed as reported in monitoring

statements. As at December 2012 (the third quarter's performance) the under spend was estimated slightly lower overall at £325,000.

- 3.5 The under represents 3.5% of the net budget on the General Fund. The main reasons for the under spend were savings made in staffing, waste and cleansing, corporate and central costs, together with grounds maintenance.
- 3.6 A large proportion of the under spend arose from an on-going programme of service, efficiency and budget reviews to realise cashable savings. Much of this is on-going and has been built into the Council's longer term financial plan.
- 3.7 However, the Council continued to see cost pressures in some areas such as utility costs and in repair and maintenance liabilities. In addition, income from planning fees was down compared to the Budget and the Council also incurred some additional legal fees and expenses. The main reasons for the net underspend are detailed in **Appendix 4**.

Financing

- 3.8 After bringing into account financing from government grants and other accounting adjustments, the overall position on the General Fund is summarised in the following table.

SUMMARY GENERAL FUND 2012 /13	Budget £	Actual £	Variance £
Net Expenditure on Services	11,395,875	10,954,069	-441,806
Contribution to Bad Debts Provision	25,000	12,446	-12,554
Capital Charging Adjustments	-381,430	-388,797	-7,367
Contingent Sums	299,856	0	-299,856
Overall Net Revenue Expenditure	11,339,301	10,577,718	-761,583
Financing			
General Government Grant	5,203,475	5,203,475	0
New Homes Bonus	969,769	969,805	36
Council Tax Freeze Grant	240,584	240,583	-1
Council Tax Support (Implementation) Grant	0	84,000	84,000
Welfare Reform Grant	0	21,968	21,968
Community Right to Bid Grant	0	4,873	4,873
Council Tax Payers	4,837,149	4,837,149	0
Collection Fund Surplus	20,000	20,000	0
Earmarked Reserves	43,350	0	-43,350
Total Financing	11,314,327	11,381,853	67,526
Revenue Deficit Surplus (-) for the Year	24,974	-804,135	-829,109

- 3.9 The above table shows that the overall surplus for the year on the General Fund for 2012/13 was **£804,135**. In addition to the overall under spend on services there was no requirement to draw down any amounts from the contingent sums set-aside for inflation, growth, and the pay/grading review.
- 3.10 Subject to a continuing review of income and expenditure, several of the variances in 2012/13 will be on-going and have been built into the medium term financial plan.
- 3.11 The effect of the out-turn figures on Reserves is detailed in **Section 6**.

THE COLLECTION FUND

- 3.12 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.
- 3.13 In principle, the Fund should balance. In respect of business rates, actual income collected is paid over to the National Pool and the impact of any arrears is adjusted accordingly. However, over time, not all council tax is collected due mainly to a buildup of arrears and household's individual circumstances changing during a year which can affect the amount of tax collected compared to that set in the Budget.
- 3.14 These circumstances ultimately produce a balance on the Fund over time and this can vary from year to year. With a turnover of £48m in Council Tax in 2012/13, a very small variation can affect the amount collected.
- 3.15 Any surplus balance on the Fund (which has traditionally been the case for the Council over many years) can be transferred to the General Fund as an additional financing element, with any deficit having to be made good. However, approximately 90% of any balance is attributed to other authorities, mainly the County Council, as the main preceptors of Council Tax.
- 3.16 The Council's Account for 2012/13 is summarised in **Appendix 7**. This shows that the Fund performed in accordance with that estimated. The overall surplus for the year was slightly lower than estimated, with approximately £10,000 attributable to the Council compared to an estimate of £22,000.
- 3.17 The Committee have previously approved that no surplus would actually be declared on the Fund for the year and will be held as a contingency pending the effect of the new Local Council Tax Support Scheme which was implemented on 1st April 2013.

4.0 HOUSING REVENUE ACCOUNT

- 4.1 The Council is required to account separately for income and expenditure in providing Council Housing. 2012/13 was the first financial year under the self-financing framework introduced on 1st April 2012.
- 4.2 The approved HRA Budget was set with a small surplus of £30,000. As the year progressed, it was forecasted that the surplus would be much higher due to additional income and lower expenditure on supervision and management costs. The final out-turn is summarised in the following table.

HRA - OUT-TURN 2012/13

	Budget £	Actual £	Variance £
Rent Income	-11,068,540	-11,167,357	-98,817
Housing Department Support Staff and Costs	1,265,820	1,181,239	-84,581
Repairs and Maintenance	3,124,730	3,264,915	140,185
Debt Interest	1,662,814	1,593,767	-69,047
Managing Tenancies	36,040	18,264	-17,776
Increase in Provision for Bad or Doubtful Debts	20,000	44,679	24,679
Sheltered and Careline Services	428,790	263,236	-165,554
Capital Expenditure Requirement	4,500,000	4,500,000	0
Total - HOUSING REVENUE ACCOUNT 2012/13	-30,346	-301,258	-270,912

- 4.3 The above table shows a final surplus of **£301,258**. This is approximately £18,000 higher than reported in May due to disposal costs associated with council house sales in the year being transferred to the Capital Account. The reasons for the major variances compared to Budget are summarised below.

Housing Repairs

- 4.4 The increase was due to additional costs associated with repairing void properties. In total, these costs were £428,000 in the year, compared with £335,000 in the previous year, 2011/12. In addition, repairs during the final month of the year were much higher than usual.

Other Variances

- 4.5 As anticipated during the year, greater income was achieved from housing rents and also from contributions to Supported Housing and Careline Services, where income held up in line with previous years.
- 4.6 Reductions in expenditure (compared to the Budget) were made from staffing vacancies and recharges from the General Fund, together with lower interest payments on the variable element of the HRA's debt portfolio.

5.0 **CAPITAL EXPENDITURE and FINANCING 2012/13**

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

Capital Expenditure 2012/13

Services	Budget	Actual	Variance
Council House Improvements	£4,824,994	£4,017,979	-£807,015
Private Sector Housing Renewal	£405,225	£346,342	-£58,883
Leisure and Community Schemes	£2,150,731	£572,670	-£1,578,061
Environmental Development	£89,000	£132,042	£43,042
Asset Management	£106,794	£104,233	-£2,561
Total - Spending	£7,576,744	£5,173,266	-£2,403,478

5.2 The table highlights that expenditure on schemes of approximately £2.4m was still to be incurred at 31 March 2013 against that planned. The reduction in planned expenditure was due to the lead in time required on several major projects where investment will be on-going over several years.

5.3 Major schemes include significant upgrades to Green Bank and Etwall Leisure Centres, provision of enhanced leisure facilities in the Melbourne area of the District, together with substantial works to Council Houses.

5.4 The lead in time has been utilised to secure the necessary external funding, together with considering options around the best procurement framework, before projects are commenced. Progress on individual schemes has been reported during the year and the latest update was included in the May Committee report.

Financing Capital Expenditure

5.6 The capital investment in the year was financed as shown in the following table.

Capital Financing 2012/13

Funding Source	Budget	Actual	Variance
Government Grants	£269,000	£334,890	£65,890
External/Partnership Contributions	£1,693,978	£951,520	-£742,458
Capital Reserves	£4,824,994	£4,017,979	-£807,015
Capital Receipts	£788,772	£104,845	-£683,927
Total - Financing	£7,576,744	£5,409,234	-£2,167,510

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

5.8 The actual total financing of just over £5m, was £236,000 greater than total expenditure in the year due to additional financing received for disabled facility grants; this will be carried forward to fund works earmarked in 2013/14.

6.0 RESERVES, BALANCES AND PROVISIONS

PROVISIONS

- 6.1 A provision of £205,000 was set-aside in the Council's accounts in 2011/12 to meet the potential claw back of Housing Benefit Subsidy by the DWP for 2010/11, pending the final audited claim.
- 6.2 The actual claw back (although still to be confirmed) is now £147,000 following audit testing and has this has been signed off by the Council and External Audit. Therefore, the remaining provision of £58,000 can be returned to the General Fund Reserve.

General Fund Reserve

- 6.3 Following the out-turn figures detailed in Section 3, the position on the General Fund Reserve Balance is summarised in the following table.

General Fund Reserve at 31 March 2013	Budget £	Actual £	Variance £
Balance b/fwd (1st April 2012)	3,852,196	3,852,196	0
Add: Surplus/Deficit (-) for the Year	-24,974	804,135	829,109
Pay and Grading Review - one-off costs	-200,000	0	200,000
Additional Support for the Voluntary Sector	-50,000	0	50,000
Transfer of License Income to Capital	-20,000	-20,000	0
Contribution to the Vehicle Renewals Fund	-20,000	-20,000	0
Contribution to Capital Works - Civic Offices	0	-25,475	-25,475
Net transfer to Earmarked Reserves	0	-274,192	-274,192
Transfer from Housing Benefits Provision	0	58,000	58,000
Closing Balance as at 31st March 2013	3,537,222	4,374,664	837,442

- 6.4 The table shows that the level of general reserves is greater than estimated at March 2013 (£837,442). This is due to the better out-turn position as detailed in Section 3, together with no requirement to utilise some provisional sums set-aside to meet one-off expenditure.

Pay and Grading Review

- 6.5 A sum of £420,000 continues to be set-aside (over 3 years) for meeting one-off costs associated with the pay and grading review. As this is still to be implemented, the provision of £200,000 in 2012/13 was not required.
- 6.6 This will be carried forward into future years and the total provision will be reprofiled accordingly in the MTFP.

Additional Support for the Voluntary Sector

- 6.7 A sum of £50,000 was set-aside in 2012/13 and 2013/14 (£100,000 in total) to provide additional grant aid to local voluntary and community groups. The

Housing and Community Services Committee agreed the allocation of the funding at its meeting on 14th March 2013.

- 6.8 Consequently, this funding will be paid in 2013/14 and so the proportion not required in 2012/13 will be carried forward.

Earmarked Reserves

- 6.9 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.
- 6.10 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.
- 6.11 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. es.
- 6.12 The Council's earmarked reserves are detailed in **Appendix 6**. This shows the overall change on the balances during 2013/14, including the appropriations agreed by the Committee in May.
- 6.13 Several new reserves have been established, mainly to reflect funding received for leisure and community development, homelessness, together with welfare reform - all where expenditure will be incurred in future years.

Housing Revenue Account Reserve

- 6.14 Section 4 detailed the budget out-turn of the HRA and this highlighted an overall under spend of £301,258 in 2012/13 compared to the Budget. The HRA reserve balance totals **£2,686,258** as at 31st March 2013, compared to an estimate of £2,414,572

Major Repairs Reserve

- 6.15 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 31 March 2013 is shown in the following table.

Balance as at 1 st April 2012	£14,175
Add: Transfer from the HRA	£4,500,000
Less: Capital Expenditure 2012/13	-£3,860,254
Balance as at 31st March 2013	<u>£653,921</u>

General Capital Receipts Reserve

- 6.16 Appendix 5 highlights that this reserve is £633,927 greater as at 31st March 2013 compared to that estimated. However, this is due to the timing and profile of expenditure in respect of the leisure capital programme in particular.
- 6.17 After allowing for this and the future capital programme, there is a potential deficit on this reserve of £50,000 as summarised below.

Reconciliation of Capital Receipts	£
Additional balance at 31st March 2013	633,927
Less amounts earmarked for existing schemes	
Private Sector Housing	-73,044
Leisure and Community Development	-461,111
Community Partnership Scheme	-42,978
Property Maintenance	-106,794
Deficit	-50,000
Represented By:	
No capital receipts generated in the year (as estimated)	-50,000

Housing Capital Receipts Reserve

- 6.18 With the implementation of the self-financing framework, Council policy is to reinvest all receipts (after any pooling payment to the Government) from the sale of HRA assets into the housing stock.

Government Guarantee

- 6.19 As previously reported, the Council entered into an Agreement with the Government to enable it to retain a greater proportion of proceeds from council house sales. The pooling mechanism calculates, after allowing an amount for the debt associated with each unit sold, a net figure that is retained and that must be spent on "New Build" within 3 years of its receipt.
- 6.20 These receipts are known as **1-4-1 receipts**. All 1-4-1 receipts calculated in each financial quarter can only be used as a contribution to total expenditure equating to no more than 30%.
- 6.21 Following 18 council house sales in 2013/14, the amount retained (after Disposal Costs of £35,000) was **£761,810**. This has been set-aside for new additional housing and the Committee approved a funding package for its delivery in April 2013.

7.0 Financial Implications

7.1 As set out and detailed in the report.

8.0 Corporate Implications

8.1 As detailed in the report.

9.0 Community Implications

9.1 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 Council, employees and other interested parties clearer information about the Council's finances and its financial standing.

10.0 Background Papers

10.1 None