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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE - SPECIAL</b>	<b>AGENDA ITEM: 6</b>
<b>DATE OF MEETING:</b>	<b>22<sup>nd</sup> MAY 2013</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE and CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/financial monitoring reports/2013 2 April
<b>SUBJECT:</b>	<b>BUDGET and FINANCIAL MONITORING: PROVISIONAL OUT-TURN 2012-13</b>	<b>REF</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1.0 Recommendations**

- 1.1 That the provisional out-turn figures for 2012/13 are approved.
- 1.2 That a net appropriation of £294,192 in 2012/23 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 2012/13:

Sundry Debtors	£12,446
Council Tax	£335,286
Housing Rents	£44,679

## **2.0 Purpose of Report**

- 2.1 As part of proper financial management, the Council monitors income and expenditure against its budgets on a regular basis throughout the year. This is generally undertaken on a monthly basis, although more regular monitoring takes place on more volatile and higher risk budgets such as housing repairs.
- 2.2 Financial information is available on-line to enable day-to-day monitoring within services. Formal monitoring involves budget managers together with their service accountant, meeting and reviewing performance against their particular budgets. This is intended to identify any variances as early as possible to enable remedial and timely action to be taken.
- 2.3 Overall financial performance and the major budget variances are reported to the committee throughout the year. In accordance with its Treasury Management Strategy, the Council monitors its lending and borrowing on a regular basis.

- 2.4 The Council's cash flow is monitored on a daily basis and reported monthly to the Council's Chief Finance Officer. Again, overall performance is reported to the Committee throughout the year.
- 2.5 This is the fourth and final monitoring report for the financial year 2012/13. It details performance up to 31st March 2013 and is effectively a provisional out-turn position.
- 2.6 Final figures will be reported at the Final Accounts meeting on 27th June 2013. However, other than any outstanding matters highlighted in the report, this is a strong indication of the final position for the year regarding income and expenditure on the Council's main revenue and capital accounts.
- 2.7 The Council's draft statement of accounts, i.e. the formal document to comply with statutory and accounting requirements, will be presented to the Committee on 25th September 2013, following the work and opinion of the External Auditor.
- 2.8 This report is analysed over the following 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 – Other Financial Indicators (including Council Tax Collection)
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- Appendix 1 - Environmental and Development Services
  - Appendix 2 – Housing and Community Services
  - Appendix 3 – Finance and Corporate Services
  - Appendix 4 – Summary of General Fund Variances
  - Appendix 5 – Capital Expenditure and Financing
  - Appendix 6 – Earmarked Reserves
  - Appendix 7 – The Collection Fund
  - Appendix 8 - Leisure and Community Services Capital Projects

### 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 and Council Tax, with any shortfall being financed from the Council's Reserves.
- 3.2 The original budget, which was approved in February 2012, estimated a budget deficit of £109,767 in 2012/13 to be financed from general reserves. The Budget included contingent sums set-aside for inflation, growth and the implementation of the local pay and grading review.
- 3.3 Following the half-yearly review of income and expenditure, the deficit was revised down to £24,974 as summarised in the following table.

	Original Budget £	Revised Budget £	Change £
Net Expenditure on Services	11,343,340	11,395,875	52,535
Capital Accounting Adjustments	-356,430	-356,430	0
Contingent Sums	437,423	299,856	-137,567
<b>Overall Net Revenue Expenditure</b>	<b>11,424,333</b>	<b>11,339,301</b>	<b>-85,032</b>
Less - Financing	-11,314,566	-11,314,327	239
<b>Estimated Budget Deficit</b>	<b>109,767</b>	<b>24,974</b>	<b>-84,793</b>

- 3.4 The reduced deficit reflected the effect of savings made in the early part of the financial year, offset by some one-off costs associated with service restructures. The changes are summarised in the following table.

Changes to Original Budget Deficit 2012/13	£
<b>Original Budget Deficit</b>	<b>109,767</b>
Reduction in Inflation and Growth Contingency	-137,567
Confirmed savings reported at half-yearly review	-96,263
Restructure of Democratic Services (December 2011)	-27,793
Adjustment to Government Grant	239
Service Revisions in Pest Control (March 2012) - one-off costs	9,600
Restructure of Legal, Democratic and Licensing Services (March 2012)	21,900
Re-organisation of Direct Services (April 2012) - one-off costs	145,091
<b>Revised Deficit 2012/13</b>	<b>24,974</b>

#### **Position as at the 3<sup>rd</sup> Quarter (December 2013)**

- 3.5 This was considered by the Committee at its meeting in February 2013. This projected an overall decrease in net expenditure on services of £214,879 compared to the Original Budget for the year (£267,414 compared to the Revised Budget).

- 3.6 In addition, it was anticipated that other variances would arise during the remainder of the financial year. Furthermore, it was anticipated that the amounts set-aside as a contingent sum (inflation, pay/grading and growth pressures, etc.) would not be utilised.
- 3.7 In total, the main reasons that accounted for the projected variance at that stage are summarised below.

<b>Projected Variances as at December 2012</b>	<b>£'000</b>
Approved Efficiency and Budget Savings in Corporate Services	-149
Lower costs to-date on waste collection, recycling and street cleansing	-128
Grounds Maintenance - Insurance and Staffing costs lower	-47
Additional Income	-53
Other Corporate Costs and Expenses	-124
Lower Staffing Costs	-71
Restructures and Service Revisions - one-off costs	202
Reduction in Planning Fees (Development Control)	47
Other cost pressures	56
<b>TOTAL PROJECTED VARIANCE @ DECEMBER 2012</b>	<b>-267</b>
<b>Other Potential Variances Likely Post December</b>	
Additional shortfall in Planning Fees	53
Underspend on external support in Planning Services	-40
Additional Income (Rosliston Forestry Centre)	-10
New Burdens Grant for Welfare Reform	-97
Legal and Professional Fees	36
<b>OVERALL REDUCTION IN NET SERVICE EXPENDITURE</b>	<b>-325</b>
Contingent Sums not Utilised	-300
Reduction in Provision for Benefit Subsidy Clawback	-70
<b>TOTAL PROJECTED BUDGET UNDERSPEND 2012/13</b>	<b>-695</b>

- 3.8 As the above table highlights, an overall reduction in net service expenditure of £325,000, together with no requirement to directly utilise the contingent sum amount of £300,000, would provide an overall underspend, compared to the Budget of £11.4m, of just under £700,000 (6%).

### **Provisional Out-turn 2012/13**

- 3.9 The Budget, together with major variances identified as the year closed is summarised in the tables, below. 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 2012/13 as at 30<sup>th</sup> April 2013 (by Committee)

<b>Summary by Policy Committee</b>	Approved Budget £	Provisional Out-turn £	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
<b>TOTAL</b>	<b>11,343,340</b>	<b>10,954,069</b>	<b>-389,270</b>

### Performance against Budget 2012/13 as at 30<sup>th</sup> April 2013 (by Service)

<b>Summary by Main Service Area</b>	Approved Budget £	Provisional Out-turn £	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
<b>TOTAL</b>	<b>11,343,340</b>	<b>10,954,069</b>	<b>-389,270</b>

3.10 The above tables show that there is an overall decrease in net expenditure on services of £389,270 compared to the earlier estimate for the year of £325,000. The reasons for additional under spend are shown in the following table.

<b>Projected Variance as at December 2012</b>	<b>-325</b>
One-off costs of Council Restructure (as reported to the Committee in April 2013)	258
Compensation and legal costs	64
Amounts adjusted through Earmarked Reserves	-224
Net cost of Housing Benefits better than estimated	-114
Lower cost of pensions deficit	-35
Other income and expenditure better than projected	-13
<b>Final Out-turn Variance (provisional) 2012/13</b>	<b>-389</b>

### **Council Restructure (£258,000)**

- 3.11 As reported to the Committee in April, the one-off costs were fully charged in 2012/13 in accordance with accounting regulations. Over the life of the MTFP, there is an overall saving of approximately £600,000 (including these costs). The costs in 2012/13 will be met from general reserves.

### **Compensation and Legal Costs (£64,000)**

- 3.12 As reported in February 2013, these were incurred in respect of Weston Hill Caravan Park (£14,000) and the Vehicle and Operator Services Agency (£2,000). In addition, compensation and legal fees were incurred in respect of the Dry Recyclables Contract, which is subject to a separate report elsewhere on this Agenda. follows:

### **Adjustments through Earmarked Reserves (- £224,000)**

- 3.13 This is split between expenditure that is incurred and financed from an earmarked reserve (mainly Housing and Planning Delivery Grant), together with amounts received in advance, which need to be transferred into earmarked reserves to meet future expenditure. An analysis of the amounts is shown in the following table.

<b>Expenditure Financed from Earmarked Reserves</b>	<b>£</b>
Housing and Planning Delivery Grant	171,717
Arts Development and Support	17,835
Sports Development	35,664
Maintenance of Parks and Open Spaces	10,947
<b>Sub-Total</b>	<b>236,163</b>
<b>Less - Resources Received in Advance/Spending Deferred</b>	
Environmental Education Projects - Rosliston	-56,624
Food Safety Training	-3,000
Preparation and Consultation on Local Plan	-32,000
Community Safety Schemes	-27,074
Schools Sports Partnership Project	-38,535
Get Active in the Forest	-48,220
Play Schemes	-12,487
Housing Strategy and Advice	-40,875
Homelessness Initiatives and Grant Funding	-176,581
Rosliston Forestry Centre - Café maintenance	-9,877
Discretionary Housing Payments	-14,962
<b>Total Adjustments through Earmarked Reserves</b>	<b>-224,072</b>

3.14 These amounts are adjusted through reserve transfers as detailed in **Section 6**.

### Overall Income and Expenditure

3.15 Generally, the variances projected during the year were as estimated, including the additional variances highlighted post December 2012, such as the reduction in planning fee income.

3.16 In several instances the actual amount varied. In particular, the budget for corporate training was under spent by a greater amount with some corporate savings also being greater. However, costs were greater in some areas, such as maintenance of leisure and recreational facilities

3.17 A full list of the major variances is analysed in **Appendix 4**.

### Financing

3.18 After bringing into account financing from government grant and other accounting adjustments, the overall position is summarised in the following table.

SUMMARY GENERAL FUND 2012 /13 (Provisional)	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	-368,085	13,345
Contingent Sums	299,856	0	-299,856
<b>Overall Net Revenue Expenditure</b>	<b>11,339,301</b>	<b>10,598,430</b>	<b>-740,871</b>
<b>Financing</b>			
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
<b>Total Financing</b>	<b>11,314,327</b>	<b>11,381,853</b>	<b>67,526</b>
<b>Revenue Deficit Surplus (-) for the Year</b>	<b>24,974</b>	<b>-783,423</b>	<b>-808,397</b>

3.19 The above summary shows that the overall surplus for the year on the General Fund for 2012/13 is £808,397, over £100,000 greater than estimated at the end of the 3<sup>rd</sup> quarter, after allowing for contingent sums (inflation, etc.) not being required.

3.20 The reduction in the use of earmarked reserves relates to parks and grounds maintenance expenditure and this was lower than estimated. This matches the overall under spend in this service area, i.e. a consequential reduction in the need to use this reserve.

### **Bad Debts Provision**

3.21 The provision in the preceding table relates to sundry debtors. This is the amount required to be added to the provision as a contingency against non-collection in accordance with accounting practice.

3.22 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.

3.23 It is recommended that the provision is increased by £12,446 as calculated below.

<b>Sundry Debtors</b>	
Sundry Debtor Arrears as at 1 <sup>st</sup> April 2012	1,007,229
Provision b/fwd as at 1 <sup>st</sup> April 2012	391,041
Less: Write-offs in 2012/13 against the Provision	87,350
Balance of Provision after write-offs	303,691
Sundry Debtor Arrears as at 31 <sup>st</sup> March 2013	919,879
Provision required for updated arrears	316,137
Increase	<u>12,446</u>

3.24 The overall effect 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. 2012/13 was the first financial year under the self-financing framework introduced on 1<sup>st</sup> April 2012.
- 4.2 The approved HRA Budget for 2012/13 was set with a small surplus of £30,346. The updated position at the 3<sup>rd</sup> quarter highlighted an estimated surplus in the year of £383,298.
- 4.3 The main variances identified were staffing (vacant posts) external support costs, rental income, together with responsive repairs and planned maintenance.
- 4.4 The projected under spend on the overall repairs budget was approximately £240,000 (7.5%). This was set to follow the pattern of recent years. In addition, rent income was projected to be greater compared to budget, due to empty properties being relet at Formula Rent during the year.

### Provisional Out-turn 2012/13

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

#### HRA - PROVISIONAL 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	1,200,147	-65,673
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
Supported Housing and Careline Services	428,790	263,236	-165,554
Capital Expenditure Requirement	4,500,000	4,500,000	0
<b>Total - HOUSING REVENUE ACCOUNT 2012/13</b>	<b>-30,346</b>	<b>-282,350</b>	<b>-252,004</b>

- 4.6 The table shows that the overall surplus has out-turned at £282,350, much higher than the Budget as expected, but lower than estimated at December 2012 of £383,298. This was mainly due to an increase in spending on repairs and maintenance.

### Repairs and Maintenance

- 4.7 As stated earlier, the projected under spend on the overall repairs budget, as at December, was approximately £240,000 (7.5%). This was set to follow the pattern of recent years. However, the out-turn shows an over spend compared to the Budget of £140,000 (4.5%).

- 4.8 The main reason was the cost of repairing void properties in the year. In total there was a cost £428,000 in 2012/13, compared to £335,000 in 2011/12, with one void alone costing £45,000.
- 4.9 In addition, repairs during the final month were much higher than anticipated. Income from rechargeable repairs was £25,000 lower than estimated.

### Other Variances

- 4.10 As anticipated, greater income was achieved on housing rents and also from contributions to Supported Housing and Careline services where income held up in line with previous years.
- 4.11 Reductions in expenditure (compared to the Budget) were made from staffing vacancies, recharges from the General Fund, together with lower interest payments on the variable element of the self-financing debt.

### Bad Debts Provision

- 4.12 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.
- 4.13 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.
- 4.14 It is recommended that the provision is increased by £44,679 as calculated below

<b>Rent Arrears</b>	
Total Rent Arrears as at 1 <sup>st</sup> April 2012	<u>313,758</u>
Provision for non-collection b/fwd as at 1 <sup>st</sup> April 2012	157,771
Less: Write-offs in 2012/13 against the Provision	<u>-23,387</u>
Balance of Provision after write-offs	<u>134,384</u>
Total Rent Arrears as at 31 <sup>st</sup> March 2013	<u>398,973</u>
Provision for non-collection for updated arrears	<u>179,063</u>
<b>Increase in Provision Required</b>	<u><b>44,679</b></u>

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

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

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

### **Capital Investment: Provisional Out-turn 2012/13**

<b>Services</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Council House Improvements	£4,824,994	£3,945,967	-£879,027
Private Sector Housing Renewal	£405,225	£347,976	-£57,249
Leisure and Community Schemes	£2,150,731	£443,944	-£1,706,787
Environmental Development	£89,000	£52,910	-£36,090
Asset Management	£106,794	£50,475	-£56,319
<b>Total - Spending</b>	<b>£7,576,744</b>	<b>£4,841,272</b>	<b>-£2,735,472</b>

5.2 The table highlights that expenditure on schemes of approximately £2.7m 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 2013/14 to complete schemes.

5.3 An analysis and update of the major projects is detailed in the following sections.

### **Council House Improvements**

5.4 Slippage on the approved programme was due to a procurement review as reported to the Committee during the financial year. The outcomes of this review are being implemented and the main work programme under self-financing will continue.

5.5 However substantial works have still been completed in the year under existing contracts and new works of just under £3.8m.

5.6 The other main variance was on works to complete the Sheltered Housing Vision. This scheme commenced during the final quarter of 2012/13 with over 50% of works completed.

5.7 During the final phases of the contract, the appointed contractor went into administration as works were being completed in the first half of 2013/14. This has left works outstanding of around £50,000 to be completed, which are currently being retendered.

### **Private Sector Housing Renewal**

5.8 Overall spending was virtually in accordance with budgeted investment. The main variance related to the Strategic Housing Market Assessment (£60,000) which has been deferred into 2013/14.

## Leisure and Community Schemes

5.9 The programme in this area includes some major investment in sports and leisure facilities over 2 to 3 years. During 2012/13, work was concentrated on generating the necessary external funding, together with the procurement of contractors. An update on the major schemes is detailed in **Appendix 6**.

### Financing Capital Expenditure

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

#### Capital Financing: Provisional Out-turn 2012/13

Funding Source	Budget	Actual	Variance
Government Grants	£269,000	£334,890	£65,890
External/Partnership Contributions	£1,693,978	£698,063	-£995,915
Capital Reserves	£4,824,994	£3,945,967	-£879,027
Capital Receipts	£788,772	£98,320	-£690,452
<b>Total - Financing</b>	<b>£7,576,744</b>	<b>£5,077,240</b>	<b>-£2,499,504</b>

5.11 The variance reflects expenditure outstanding and this will be drawn down as schemes are progressed and external funding secured. The actual total financing of just over £5m, was £235,000 greater than total expenditure in the year of £4.8m as shown in the previous table.

5.12 This was due to additional financing received for disabled facility grants and this will be carried forward to fund works earmarked in 2013/14.

5.13 Additional capital receipts of £14,070 were required to finance some extra costs identified in 2013/14. This mainly related to grant funding for Heritage Conservation where there was shortfall in eventual funding for schemes undertaken in previous years.

## 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. 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.
- 6.2 Therefore, the remaining provision of £58,000 can be returned to the General Fund Reserve. The Subsidy claim for 2011/12 has, in the meantime, been subject to initial testing and this has identified a small potential claw back of £4,000. There is no requirement to make a separate provision for this amount.
- 6.3 Additional audit fees for testing these claims has been met from within the budget for housing benefit administration.

### General Fund Reserve

- 6.4 Following the out-turn figures as detailed in [Section 3](#), the provisional position on the General Fund Reserve Balance is summarised in the following table.

Provisional General Fund Reserve as at 31st 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	783,423	808,397
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
<b>Proposed net transfer to Earmarked Reserves (per Appendix 6)</b>	0	-274,192	-274,192
Transfer from Housing Benefits Provision	0	58,000	58,000
<b>Closing Balance as at 31st March 2013</b>	<b>3,537,222</b>	<b>4,353,952</b>	<b>816,730</b>

- 6.5 The table shows that the level of general reserves is greater than estimated at March 2013 (£815,176). 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**

- 6.6 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.

- 6.7 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**

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

### **Earmarked Reserves**

- 6.10 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.
- 6.11 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.
- 6.12 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.
- 6.13 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.
- 6.14 Several new reserves have been established, mainly to reflect funding received (as detailed in Section 3) for leisure and community development, homelessness, together with welfare reform - all where expenditure will be incurred in future years.

### **Housing Revenue Account Reserve**

- 6.15 Section 4 detailed the budget out-turn of the HRA and this highlighted an overall under spend of approximately £282,350 in 2013/14 compared to the Budget. Provisionally, the HRA reserve balance now totals £2.67m as at 31<sup>st</sup> March 2013, compared to an estimate of £2.42m.

### **Major Repairs Reserve**

- 6.16 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<sup>st</sup> March 2013 is shown in the following table.

Balance as at 1 <sup>st</sup> April 2012	£14,175
Add: Transfer from the HRA	£4,500,000
Less: Capital Expenditure 2012/13	-£3,788,242
<b>Balance as at 31<sup>st</sup> March 2013</b>	<b>£725,933</b>

### **General Capital Receipts Reserve**

6.17 Appendix 5 highlights that this reserve is £640,452 greater as at 31<sup>st</sup> 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.

6.18 After allowing for this and the future capital programme, there is a potential deficit on this reserve of approximately £64,070 as summarised below.

Reconciliation of Capital Receipts	£
Additional balance at 31st March 2013	640,452
<b>Less amounts earmarked for existing schemes</b>	
Private Sector Housing	-73,044
Leisure and Community Development	-481,706
Community Partnership Scheme	-42,978
Property Maintenance	-106,794
<b>Deficit</b>	<b>-64,070</b>
<b><u>Represented By:</u></b>	
No capital receipts generated in the year (as estimated)	-50,000
Additional financing required 2012/13	-14,070
	<b>-64,070</b>

### **Housing Capital Receipts Reserve**

6.19 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**

6.20 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.

6.21 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%.

### Council House Sales in 2012/13

6.22 During the year, 18 sales were completed. An analysis of the receipts and how they have been allocated under the pooling mechanism is shown in the following tables.

<b>ANALYSIS OF COUNCIL HOUSE SALES 2012 / 13</b>		<b>£</b>
Receipts Received		956,360
Less Allowable Costs		-23,400
Less Allowable Debt		-652,448
<b>Amount subject to Share</b>		<b>280,512</b>
<b>Split</b>		
SDDC Share		78,815
Treasury Share (Pooling Payment)		189,025
Initially Retained 1-4-1 Receipts		12,672
		<b>280,512</b>
<b>Required Amount of New Build Expenditure by March 2016</b>		42,240
<b>Cash Retained</b>		
For General Reinvestment		102,215
To Repay Debt / Reinvestment		652,448
For New Build		12,672
		<b>767,335</b>
Add Pooling Payment		189,025
<b>Total Receipts Received</b>		<b>956,360</b>

6.23 The tables show that out of £956,360 received in the year, £767,335 has been retained. In accordance with approved policy, this will be set-aside for new additional housing.

6.24 The amount of 12,672 is the calculated 1-4-1 receipts under the pooling mechanism. This generates a required new build expenditure of £42,240 by September 2016.

6.25 The amount of £652,448 represents the debt attributable to the units sold as calculated under the pooling mechanism. This could be set-aside to repay debt but there is no statutory requirement to do so.

6.26 The Committee approved a funding package for the delivery of additional affordable housing at its meeting in April. The package effectively committed this part of the retained amount to this project. Consequently, it will now be set-aside for capital investment and not to repay debt.



## Land Sales

6.27 There was one land sale approved in 2012/13 in respect of HRA land previously approved as surplus to requirements. Proceeds were received in the first quarter of 2013/14 and generated £70,000 in 2013/14, which will be set-aside against the Council's capital allowance for new affordable housing.

## 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 31<sup>st</sup> March 2013.

7.2 Debt outstanding is split between the HRA and the General Fund and this represents the "two pool" approach adopted for debt management with the implementation of self-financing.

Debt Outstanding - HRA	1/04/2012 £'000	31/03/13 £'000	Change £'000
Self-financing Debt (Average rate 2.7%)	57,423	57,423	0
Market Loan (4.875% fixed)	1,000	1,000	0
Transferred Assets (variable rate currently < 1%)	279	258	-19
<b>Total Debt Outstanding - HRA</b>	<b>58,702</b>	<b>58,702</b>	<b>0</b>
Capital Financing Requirement	62,860	62,860	0
Debt Cap (Fixed on Self-Financing)	66,853	66,853	0
Borrowing Headroom (Cap Less Debt o/s)	8,151	8,151	0
<b>Debt Outstanding - General Fund</b>			
Actual Loans o/s	0	0	0
Capital Financing Requirement (CFR)	6,578	6,294	-284
Borrowing Headroom (CFR Less Debt o/s)	6,578	6,578	-284
<b>Temporary Investments and Borrowings</b>			
Temporary Bank and other Deposits	3,000	4,500	1,500
Less Parish Council Deposits	-113	-41	72
Temporary Debt	0	0	0
<b>Total - Short-term Cash Position</b>	<b>2,887</b>	<b>4,459</b>	<b>1,572</b>
Average Interest Rate on Deposits	0.74%	0.26%	-0.48%
Target - Average 7-Day Local Authority Rate	0.62%	0.48%	-0.14%

## Debt Outstanding

7.3 This is largely fixed and no repayments were made during the year as planned.

## **Short-term Investments**

- 7.4 As previously reported, the Council's lending list has become considerably constrained by the reduction in credit ratings of major financial institutions. The Council's deposits were mainly with other local authorities and the Government's Debt Management Office (DMO).
- 7.5 The amount on deposit at the end of the year of £4.5m, although it was as high as £14m during the year. Of the 4.5m, £3m was on deposit with other local authorities and 1.5m with the Government.

## **Interest Rates**

- 7.6 Rates remained historically low throughout 2013/14 with investment returns being small as a consequence. The overall rate earned was below the market average, although clearly the rates in both circumstances are extremely low.
- 7.7 Total interest earned totaled £36,354 compared to an original estimate for the year of £50,000 – the estimate being based on interest rates increasing during the year.
- 7.8 Further details of the Council's borrowing and investment activities for the year will be provided in the Treasury Management Annual Report at the Committee on 27<sup>th</sup> June 2013.

## 8.0 THE COLLECTION FUND

- 8.1 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.
- 8.2 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.
- 8.3 However, over time, not all council tax is collected due to non-payment and changes to household's circumstances; this can affect the amount of tax collected compared to that set in the Budget.
- 8.4 These circumstances ultimately produce a balance on the Fund over time and this can vary from year to year. With a turnover in excess of £48m in Council Tax in 2012/13, even a very small variation can affect the amount collected.
- 8.5 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.
- 8.6 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 lower than estimated, with £10,000 attributable to the Council compared to an estimate of £22,000. The increase in the Bad Debts Provision was calculated as follows:

<b>Council Tax Arrears</b>	
Total Council Tax Arrears as at 1 <sup>st</sup> April 2012	<u>4,160,783</u>
Provision for non-collection b/fwd as at 1 <sup>st</sup> April 2012	2,468,745
Less: Write-offs in 2012/13 against the Provision	<u>-525,797</u>
Balance of Provision after write-offs	<u>1,942,948</u>
Total Council Tax Arrears as at 31 <sup>st</sup> March 2013	<u>3,816,290</u>
Provision for non-collection for updated arrears	<u>2,278,234</u>
<b>Increase in Provision Required</b>	<u>335,286</u>

- 8.7 As approved, during the budget round for 2013/14, no surplus was actually declared on the Collection Fund for the year and is being held as a contingency pending the effect of the new Local Council Tax Support Scheme implemented on 1<sup>st</sup> April. The position on the Fund will be monitored during the year.

## 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 default conditions if they are not achieved.

9.2 The indicators are detailed in the following table.

	Annual Volumes	Actual 2011/12	Target 2012/13	Actual 2012/13	
<b>Collection Rates</b>					
Council Tax in-year Collection	£43.0m	97.90%	97.40%	97.90%	GREEN
Council Tax Arrears Collection	£4.2m	22.30%	26.70%	23.40%	RED
Business Rates Collection	£21.9m	97.10%	96.10%	98.30%	GREEN
Recovery of Housing Benefit Overpayments	£0.6m	31.50%	34.20%	39.50%	GREEN
Sundry Debtor Collection (incl. Arrears)	£4.5m	87.20%	82.60%	90.60%	GREEN
<b>Benefits Processing (Average Time)</b>					
New Claims	1,000	16 Days	18 Days	16 Days	GREEN
Change of Circumstances	14,000	7 Days	8 Days	7 Days	GREEN
<b>Financial Efficiency</b>					
Council Tax Base (number of dwellings)	32,494	32,313	32,494	33,031	GREEN
Percentage of Invoices paid within 30-days	5,900	97.10%	97.50%	98.20%	GREEN
Percentage of Invoices paid within 10-days	5,900	74.40%	65.00%	80.60%	GREEN
Number of Payments made Electronically	49,600	91.30%	90.00%	93.70%	GREEN

9.3 Except for one area, performance in 2012/13 was at least on a par with that for 2011/12 and in several areas, actual performance improved compared to 2011/12.

## 10.0 Background Papers

None