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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)</b>	<b>AGENDA ITEM:</b> 8
<b>DATE OF MEETING:</b>	30th JUNE 2011	<b>CATEGORY:</b> <b>RECOMMENDED</b>
<b>REPORT FROM:</b>	CHIEF EXECUTIVE	OPEN
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<b>SUBJECT:</b>	<b>BUDGET OUT-TURN and FINANCIAL POSITION 2010/11</b>	<b>REF:</b>
<b>WARD (S) AFFECTED:</b>	ALL	<b>TERMS OF REFERENCE:</b> FM 08

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## **1.0 Recommendations**

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

- The General Fund Revenue Account 2010/11
- The Housing Revenue Account 2010/11
- Capital Expenditure and Financing 2010/11
- The Collection Fund 2010/11
- Reserves, Provisions and Balances 2010/11

## **2.0 Purpose of Report**

2.1 To detail the final out-turn position for 2010/11 on the Council's main revenue and capital accounts. The report also details the financial position on these accounts as at 31<sup>st</sup> March 2011 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) will be signed off for External Audit on 30<sup>th</sup> June 2011. Due to a change in the Account and Audit Regulations, these will not be reported to the Committee until after the audit has been completed. The audited accounts along with the Auditor's Opinion will be reported at a meeting of the Committee on 29<sup>th</sup> September.
- 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. 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 2012/13.

- 3.3 As part of the Council's financial planning process, the MTFP (2011 to 2016) 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 October ahead of the budget round for 2012/13.

## GENERAL FUND REVENUE ACCOUNT

- 3.4 **Appendix 1** details the budget heads within the main Policy Committees. It shows the approved budget compared to the actual out-turn for 2010/11.
- 3.5 The figures exclude internal recharges for support services and capital charges. Support services are shown at gross cost within the Committee before being recharged across individual services.
- 3.6 A summary of Appendix 1 is provided in the tables below.

Summary by Policy Area	Approved Budget	Actual	Variance
Environmental and Development Services	£3,412,843	£3,307,110	-£105,733
Housing and Community Services	£2,554,270	£2,435,766	-£118,504
Finance and Management	£5,736,608	£6,272,502	£535,894
<b>TOTAL</b>	<b>£11,703,721</b>	<b>£12,015,378</b>	<b>£311,657</b>

Summary by Main Service Area	Approved Budget	Actual	Variance
Economic Regeneration	£95,106	£95,226	£120
Environmental Services	£617,983	£626,537	£8,554
Highways	£83,407	£70,253	-£13,154
Licensing and Land Charges	£53,107	£8,351	-£44,756
Planning	£884,904	£1,003,347	£118,443
Town Centre	£76,470	£53,974	-£22,496
Waste Collection and Street Cleansing	£1,601,866	£1,449,422	-£152,444
Community Development and Support	£1,121,922	£1,093,407	-£28,515
Leisure and Recreational Activities	£183,170	£177,363	-£5,807
Leisure Centres and Community Facilities	£319,045	£321,116	£2,071
Parks and Open Spaces	£488,275	£372,463	-£115,812
Private Sector Housing	£441,858	£471,417	£29,559
Central and Departmental Accounts	£4,347,584	£4,076,043	-£271,541
Concessionary Travel	£456,050	£453,489	-£2,561
Corporate and Democratic Costs	£817,763	£1,190,903	£373,140
Electoral Registration	£127,788	£114,253	-£13,535
Interest Payments and Receipts	-£201,859	-£193,268	£8,591
Internal Trading Accounts	£190,102	£172,910	-£17,192
Payments to Parish Councils	£288,332	£280,102	-£8,230
Property and Estates	-£258,564	-£199,257	£59,307
Revenues and Benefits (net cost after Subsidy)	-£30,588	£377,327	£407,915
<b>TOTAL</b>	<b>£11,703,721</b>	<b>£12,015,378</b>	<b>£311,657</b>

## Overview of Service Spending

- 3.7 The overall variance shows a net “overspend” of £311,657. However, within this, a total of £344,000 has been paid in respect of statutory (one-off) termination costs associated with the Senior Management Review. This was all paid and accounted for in 2010/11 and not in 2011/12 as forecast in the MTFP.
- 3.8 Although this is clearly a variance when compared to the budget for 2010/11, the MTFP will be adjusted by a corresponding amount in 2011/12 to compensate. Therefore, this is purely a timing difference and is affordable within the Council’s resources (as approved by the Committee in January 2011).

## Spending From Earmarked Reserves

- 3.9 In addition, additional costs were incurred that were financed from earmarked reserves. These mainly related to approved under spendings brought forward from 2009/10, additional IT costs and other expenditure previously set-aside. In total, the net expenditure financed from these reserves totalled approximately £105,000.
- 3.10 After allowing for these changes relating to the senior management review and reserves, the variance on net “mainline” expenditure was actually a reduction of approximately £137,000. This compares with a projected variance (overall reduction) of £77,000 which was reported to the Committee in February as part of the 3<sup>rd</sup> Quarter’s Performance Monitoring Report for 2010/11. That report highlighted the following variances.

### Summary of Main Variances – Projected as at December 2010.

Reduction in Planning Application Fees	£133,000
Increase in Housing Benefit Payments	£120,000
Additional income from interest on short-term investments	-£10,000
Green Bank Leisure Centre - reduction in Business Rates	-£27,000
Collection of Waste and Recycling Costs	-£30,000
Additional income from Pest Control, Licenses and Land Charges	-£32,000
Building Regulations - lower insurance premium and increased fees	-£37,000
Reduction in Costs of Concessionary Travel	-£40,000
Parks and Open Spaces	-£47,000
Reduction in Corporate and Democratic Costs	-£55,000
Other Reductions	-£52,000
<b>Total Projected Variance</b>	<b>-£77,000</b>

- 3.11 The above table showed forecasted savings overall. However, there were two adverse variances forecast at that time, i.e. an increase in the liability for housing benefits remaining with the Council, together with a reduction in planning application fees.

- 3.12 The actual and final variances are summarised in the table below.

### Actual Budget Variances 2010/11

Variations Compared to Budget 2010/11	Variance £'000	Budget £'000	%age %
Reduction in Planning Fees	281	538	52.2%
Provision made for claw back of Benefit Subsidy	159	20,700	0.8%
Net Increase in Housing Benefits (net of reclaims and costs)	137	20,700	0.7%
Property Portfolio - Net loss of income due to long-term voids	44	258	17.1%
Refuse Collection, Recycling and Street Cleansing	-152	1,602	-9.5%
Maintenance of Parks and Open Spaces	-116	488	-23.8%
IT Replacement and Upgrades to Infrastructure	-77	324	-23.8%
Corporate Services	-52	2,900	-1.8%
Democratic Services - Members Allowances / Expenses	-57	529	-10.8%
Land Charges Income and Contributions	-44	-100	44.0%
Building Regulations - Income and Vacant Post	-44	218	-20.2%
Highways, Car Parks and Town Centre Maintenance	-35	159	-22.0%
Reduction in Insurance Premiums (following re-tender)	-27	265	-10.2%
Transport Maintenance and Running Costs	-24	530	-4.5%
Running Costs of Civic Offices and Main Depot	-23	260	-8.8%
Leisure and Community Services - Departmental Costs	-20	605	-3.3%
Green Bank Leisure Centre	-18	182	-9.9%
Cash Collection Costs and External Audit fees	-18	118	-15.3%
Elections and Register of Electors - no bye election in 10/11	-14	128	-10.9%
Internal Audit - Vacant Post	-11	119	-9.2%
Other Variances - Net	-26	n/a	n/a
<b>Total Net Variance - Service Expenditure</b>	<b>-137</b>		

3.13 These figures relate to the more significant variances drawn from the detailed accounts in **Appendix 1**. In general, the overall variance is higher than estimated at the 3<sup>rd</sup> quarter by £60,000. However, within this some variances were much greater.

3.14 Overall, increased costs associated with planning fees and housing benefits were approximately £324,000 higher, mainly offset by greater reductions of £384,000. Further commentary is provided below.

#### Planning Fees

3.15 The further reduction in planning fee income was mainly due to a fee for a major planning application received in 2009/10 being redirected to the County Council in March 2011.

#### Housing Benefit Subsidy

3.16 The increase in overall liability falling on the Council has been reported to the Committee throughout the year. This mainly relates to a cap being placed on subsidy that can be reclaimed on certain benefit cases.

3.17 In addition, a provision of £158,500 has been made in the accounts in recognition of a potential claw back of subsidy relating to 2009/10. This was

reported in detail to the Audit Committee in April 2011 and they are monitoring this situation.

- 3.18 The Council is currently challenging the Department of Works and Pensions (DWP) on this matter and representations need to be made by the deadline of 4<sup>th</sup> July 2011. A final decision may not be known until later in 2011. However, it is likely that there will be some claw back, and therefore, it is considered prudent that a provision is made pending that decision.

### **Refuse Collection, Recycling and Street Cleaning**

- 3.19 Compared to the budget, overall savings were more substantial than estimated (£152,000 compared to £30,000). This was mainly due to a combination of labour costs, together with less materials being presented for recycling/collection.

### **Maintenance of Parks and Open Spaces**

- 3.20 Again, overall savings were much higher than estimated (£116,000 compared to £47,000). This was split between labour costs, together with maintenance and repair costs.

### **IT Replacement and Upgrade to Infrastructure**

- 3.21 Spending against this budget can vary each year depending on the level of PC, server and other infrastructure repairs and replacements required. Spending is undertaken in accordance with the ICT Strategy but inevitably there is a variance year to year.
- 3.22 In accordance with Council policy, any "under spend" is transferred to the IT Reserve. This is held and utilised for major one-off investment, for example, an upgrade of the local area network, upgrade of Microsoft Software, etc.

### **Land Charges**

- 3.23 Issues around personal searches were regularly reported during the year following the revocation of the Personal Search Fee in August 2010 and a revised charging mechanism which was approved in October. Actual fee income out-turned better than estimated (£114,000 compared to £100,000).
- 3.24 In addition, during March 2010, the Council received a one-off Government grant of from £34,356. This is intending to cover both potential restitutionary claims and loss of fees foregone in 2010/11.
- 3.25 The Council continues to set-aside in its MTFP a sum of £100,000 to cover any claims for refunds by individuals and private search companies who have been charged. However, this should not be taken that any refunds are necessarily due.
- 3.26 The Council will need to look closely at any claims and considers that it is the responsibility of companies and individuals to demonstrate and provide

evidence that money is owed. In this respect, definitive guidance is still required to be provided at a national level.

### The Consolidated Position

- 3.27 **Appendix 2** shows the overall (consolidated) position on the General Fund after taking account of capital and pension charges, together with provisions, financing (Government Grant and Council Tax) and the use of earmarked reserves.
- 3.28 When setting the level of Council Tax in February 2010, the original budget estimated a total deficit (financed from General Reserves) on the General Fund of £472,000 for 2010/11. This included certain provisions, the main ones being for inflation and the interim costs arising out of the pay and grading review.
- 3.29 During the year, the estimated deficit was reduced to £194,050, mainly due to the interim costs of the pay review (£150,000) being put back to 2011/12 pending its implementation.

### Final Position 2010/11

- 3.30 The actual consolidated position compared to that estimated is summarised below.

	Budget	Actual	Variance
Net Expenditure on Services	£11,703,721	£12,015,378	£311,657
Adjustments and Provisions	£986,247	£679,682	-£306,565
<b>Overall Net Revenue Expenditure</b>	<b>£12,689,968</b>	<b>£12,695,060</b>	<b>£5,092</b>
<b>Less: Financing</b>			
Government Grant	£7,353,590	£7,353,590	£0
Council Tax	£4,754,337	£4,754,337	£0
Earmarked Reserves	£387,991	£493,382	£105,391
<b>Total Financing</b>	<b>£12,495,918</b>	<b>£12,601,309</b>	<b>£105,152</b>
<b>Deficit 2010/11</b>	<b>£194,050</b>	<b>£93,751</b>	<b>-£100,299</b>

- 3.31 The overall deficit for the year was £93,751. The increase in net expenditure of £311,657 has largely been offset by the reduction in adjustments and provisions required in the year, i.e. £306,565.

### Adjustment and Provisions

- 3.32 **Appendix 2** shows a budgeted amount of £237,000 set-aside to cover any additional costs arising from inflation, together with unavoidable growth due to the expansion of the District. The largest provision was for an increase in pay of around £130,000.
- 3.33 This was not required due to the pay freeze for local government workers in 2010/11. Although this was a saving in the year, the amount will be carried forward to help fund the costs of the pay and grading review. This commitment

had previously been approved by the Committee should there be no pay award.

- 3.34 Other provisions for utility costs and fuel increases were generally contained in the base budget. In addition, a provision of £20,000 was made to cover any additional costs that may have arisen from the Boundary Commission's Review in 2010. This was not required.
- 3.35 In addition, no extra costs arose against provisions for refuse collection growth and to undertake a "Place Survey." In total, these provisions amounted to approximately £312,000. Except for £130,000 to be carried forward for pay and grading, the remaining amount of £182,000 is a budget saving.

### **Contributions from Earmarked Reserves**

- 3.36 These reserves are utilised to meet additional and approved expenditure in the year. The associated expenditure is added to the spending service and financed from the appropriate reserve. This is to meet accounting standards.
- 3.37 The variances reflect the differences in spending identified earlier in the report.

### **Effect on the Medium-Term Financial Plan (MTFP)**

- 3.38 Many of the variances in 2010/11 will have an on-going effect in the MTFP although several were built in during the 2011/12 budget round. However, the impact of these variances will be considered in the current review of the MTFP. This will be reported to the Committee in October 2011.

### **Appropriations**

- 3.39 A proportion of the budget savings in 2010/11 in accordance with previous practice/policy has been transferred to earmarked reserves. In some cases, this has been requested by budget managers.
- 3.40 This is to reflect that there is still some commitment against the original budget or it is being prudently set-aside to cover relatively small one-off liabilities anticipated in 2011/12, for which there is no mainstream budget. The proposals are summarised below.

### **Proposed Transfers to Earmarked Reserves 2010/11**

<b>Service/Activity</b>	<b>£</b>
Transfer to IT Reserve (remaining budget as highlighted earlier in the report)	77,000
Green Bank Leisure Centre – contribution to wet-side refurbishment	34,000
Civic Offices – Replacement of Windows	28,500
Civic Expenses	5,750
Surplus on Parking Enforcement – to repair town centre car parks	4,500
<b>TOTAL TRANSFER TO EARMARKED RESERVES</b>	<b>149,750</b>

## General Fund Reserve Balance

3.41 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 31<sup>st</sup> March 2011, is summarised in the following table.

### General Fund Reserves as at 31<sup>st</sup> March 2011

Balance as 1st April 2010	£3,250,550	£3,250,550	£0
<b>Less Appropriations 2010/11</b>			
General Fund Surplus / Deficit (as above)	-£194,050	-£93,751	£100,299
Transfer to Earmarked Reserves (as above)	£0	-£149,750	-£149,750
<b>BALANCE AT 31st MARCH 2011</b>	<b>£3,056,500</b>	<b>£3,007,049</b>	<b>-£49,451</b>

3.42 The table shows that the level of general reserves is slightly lower by £49,451 compared to that estimated. However, as highlighted earlier in the report, one-off costs (£344,000) associated with the senior management review was paid (and effectively absorbed) entirely in 2010/11.

3.43 This is purely a timing difference and excluding these costs, reserves would have been **higher** than estimated by approximately £295,000 at a level totalling £3,351,000. This will be reflected in the up coming review of the MTFP.

## HOUSING REVENUE ACCOUNT (HRA)

3.44 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.

3.45 The final accounts for the HRA (**summarised in Appendix 3**) for 2010/11 shows an improved position to that budgeted. The estimated deficit for the year (financed from reserves) was £496,787. The actual out-turn was a much lower deficit of £105,115, i.e. a **reduction** of £391,672.

3.46 This compares with a small overall variance as reported to the Committee in February as part of the 3<sup>rd</sup> Quarter's Performance Monitoring Report for 2010/11. That report highlighted the following variances.

### Summary of Main HRA Variances – Projected as at December 2010.

Rent from Dwellings	-£759
Rent loss on Garages due to Voids	£28,562
Additional income from Telecare Installations and Lifeline Charges	-£49,171
Increase in Rechargeable Works for Damage and Repairs to Properties	-£22,404
Reduction in Supporting People Grant from County Council	£72,703
Additional Staffing costs approved by the Committee in September 2010	£18,068
Provision for Inflation and Pay and Grading not Required	-£47,940
<b>Total Projected Variance</b>	<b>-£941</b>



3.47 The above table highlighted some significant variances associated with Supporting People Grant but with additional income from the expansion of the Telecare Service.

3.48 The actual and final variances are summarised in the table below

**Actual HRA Variances 2010/11**

Lower level of Repairs	-£203,035
Net additional income from Telecare installations and Lifeline Charges	-£58,235
Increase in Supporting People Contributions	-£51,874
Provisions for inflation and Pay / Grading (not required)	-£47,940
Increase in Rent from Dwellings	-£27,785
Recharges for repairs and damage to void properties	-£24,615
Reduction in Negative Subsidy / Capital Charges	-£24,090
Other Variances	£4,868
Reduction in Garage Rents due to Voids	£7,463
Charges payable on properties left empty pending Extra Care Project	£16,241
Increase in Former Tenant Arrears	£17,331
<b>TOTAL VARIANCE</b>	<b>-£391,672</b>

3.49 The main reason for the better than expected position was the reduction in the level of repairs, together with the change in Supporting People contributions. In total, these 2 items out-turned approximately £333,000 better than that expected at the 3<sup>rd</sup> quarter.

3.50 Although the level of repairs was under budget at the end of the 3<sup>rd</sup> quarter, the effects of the winter months are difficult to predict. The reduction of £203,000 compared to the budget is around 6.5% (of the budget). This follows a trend of lower expenditure compared to the budget in recent years.

**Supporting People Contributions**

3.51 The income from the County Council was expected to be lower compared to previous years. This was due to the County giving consideration not to continue funding the maintenance of existing Telecare equipment. However, this has continued.

**Rents and Void Properties**

3.52 During the year, there were 8 Right to Buy Sales compared to an assumption of just 3. Although this reduced rent income, it was more than offset by the number of void days. Compared to 2009/10, there were 2,000 fewer void days in 2010/11. Overall rent was slightly higher at approximately £28,000 on an estimated rent of £9.6m.

3.53 However, additional costs were incurred in the form of council tax charges for properties that remain empty for greater than 6 months. In 2010/11, the properties awaiting demolition as part of the Extra Care Project in Swadlincote fell under these regulations.

3.54 Furthermore, as reported to the previous Committee on 23<sup>rd</sup> June 2011, collection of former tenant arrears reduced during 2010/11. Therefore, in accordance with accounting practice, an increase in the HRA's provision for Bad Debts was made in 2010/11.

### **The Overall HRA**

3.55 Overall, the position on the HRA as at 31<sup>st</sup> March 2011 (i.e. a greater level of general reserves) will help to consolidate its financial position. Reserves stood at approximately £2.55m as at 31<sup>st</sup> March compared to an estimate of £2.16m.

3.56 Assuming the HRA continues to spend within budget for 2011/12, this will help to strengthen the HRA's position (compared to that estimated) ahead of the new self-financing regime which is due to be implemented on 1<sup>st</sup> April 2012.

### **CAPITAL EXPENDITURE and FINANCING 2010/11**

3.57 Total capital spending for 2010/11, scheme by scheme, is detailed in **Appendix 4**. A summary is provided in the following table.

<b>Analysis of Spending by Main Service/Project Area (£)</b>	<b>Estimate</b>	<b>Actual</b>	<b>Variance</b>
Council House Improvements	2,562,902	2,306,507	-256,395
Other Housing Investment	744,345	716,373	-27,972
Community Projects	1,170,424	545,390	-625,034
Environmental Projects	754,007	1,572,156	818,149
Spending on Property and Other Assets	483,074	393,939	-89,135
<b>Total Expenditure</b>	<b>5,714,752</b>	<b>5,534,365</b>	<b>-180,387</b>

3.58 The Table shows total capital spending in the year of approximately £5.5m, £180,000 lower than the overall budgeted programme. However, within this, there were several large variations although the apparent "overspending" on Environmental Projects was financed through external contributions.

3.59 The following sections provide further analysis of the main variances.

#### **Council House Improvements**

3.60 These works are mainly financed from the Government's Major Repairs Allowance (MRA). A substantial part of the £2.1m programme in the year was completed.

3.61 As previously reported to the Committee, works totalling £146,000 for the refurbishment of 55 George Street and a budget for renewable heating have slipped into 2011/12. In accordance with accounting regulations, the remaining sums will be carried forward in the Major Repairs Reserve to reflect that the MRA is ring-fenced for council housing.

## **Other Housing Investment**

3.62 Again, the budget was substantially spent with only £27,000 remaining on a budget of £3/4m. This will be carried forward in 2011/12 to meet outstanding commitments. Government allocations for the year were all spent in total, together with additional County Council contributions arising from council tax on "2<sup>nd</sup> Homes."

## **Community Projects**

3.63 Expenditure on leisure and community facilities is almost entirely financed from external sources. Several schemes are still being progressed and this is the reason why there is a large "under spend" overall. The main variance relates to the Hilton Village Hall extension for which the time taken to complete a detailed specification has taken longer than planned.

3.64 However, funding, which is mainly through Growth Point, remains in place and it is expected that expenditure will be incurred during 2011/12. Therefore, the outstanding amounts will be carried forward.

3.65 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.

## **Environmental Projects**

3.66 In contrast to community projects, spending on the Swadlincote Town Centre improvements was considerably higher. This was financed from additional contributions through Growth Point, DDEP and Section 106 (Developer) Contributions. No additional financial liability as regards the capital spending fell on the Council.

## **Property and Asset Holdings**

3.67 The main variance related to planned maintenance to the Council's property portfolio. The Council has addressed all of its priority repairs as identified in its stock condition surveys.

3.68 The balance remaining acts as a contingency for any unforeseen/emergency repairs. In addition, the separate amount remaining for repairs to village halls and community facilities is subject to the transfer of those facilities previously approved by the Committee (i.e. Netherseal and Walton Village Halls).

3.69 The amounts incurred for valuation, legal and other professional fees (£25,500) relating to the project for the new depot, will need to be financed in the short-term from the council's own resources. This is in lieu of the capital receipt expected to be generated in 2011/12.

## Overall Financing

3.70 All of the spending in 2010/11 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 the following table.

<b>Analysis of Capital Financing 2010/11 (£)</b>	<b>Estimate</b>	<b>Actual</b>	<b>Variance</b>
Major Repairs Reserve	2,044,145	1,912,588	-131,557
Government Grant	639,000	641,000	2,000
Capital Reserves	66,756	19,847	-46,909
Revenue Contributions	68,803	8,492	-60,311
External Contributions	1,780,150	1,984,744	204,594
Section 106 Planning Agreements	137,262	200,000	62,738
Housing and Planning Delivery Grant	25,500	0	-25,500
Interest Free Loans (Salix Finance)	44,498	43,242	-1,256
SDDC Capital Receipts	908,638	724,452	-184,186
<b>Total Income</b>	<b>5,714,752</b>	<b>5,534,365</b>	<b>-180,387</b>

3.71 The table shows that the call on the Council's capital receipts was less than estimated at £184,000. This was due to amounts not spent as highlighted in the preceding sections, in particular on the planned maintenance programme and community grants scheme.

### Capital Receipts Remaining

3.72 Capital receipts are the main source of internal finance for capital investment and are generated from the sale of assets, mainly council houses and land identified as surplus to requirements.

3.73 A separate pot exists to fund sheltered housing works under the Council's low cost affordable housing policy. The status of these reserves as at 31<sup>st</sup> March 2011 is shown below.

<b>Analysis of General Capital Receipts (£)</b>	<b>Estimate</b>	<b>Actual</b>	<b>Variance</b>
Balance b/fwd 1st April 2010	1,196,685	1,196,685	0
New receipts in the Year (Net after Pooling and Fees)	40,000	368,866	328,866
Less - Amount required to Fund Council Housing	-331,080	-331,080	0
Less - Amount required to Fund Other Housing Investment	-67,834	-29,732	38,102
Less - Amount required to Fund General Fund Schemes	-509,724	-363,640	146,084
<b>Balance c/fwd 31st March 2011</b>	<b>328,047</b>	<b>841,099</b>	<b>513,052</b>

3.74 The table shows that the Council has approximately £513,000 additional resources compared to that estimated. However, the amounts of £38k and £146k will need to be carried forward to meet potential commitments in 2011/12. This still leaves resources of approximately £328,000 over and above that estimated.

- 3.75 This amount represents resources generated from the sale of the former Coton Band Room and land at Grange Close, Melbourne. The Committee have previously agreed to set-aside approximately £90,000 pending the identification of sufficient resources to meet future capital commitments.
- 3.76 In addition, an amount of £150,000 remains which relates to the sale of 35 Midland Road. The use of this money was considered by the Committee a few days ago on 23<sup>rd</sup> June.
- 3.77 These amounts aside (£90k and £150k) approximately £80,000 then remains over and above that estimated. This was generated from 8 council sales (after pooling) and some smaller pieces of land sold as “surplus to requirements.”
- 3.78 As highlighted in the current MTFP, the Council needs to generate approximately £1.5m in capital receipts over the next 5-years to meet commitments. In particular these are to replace vehicles, plant and equipment identified in the Asset Replacement Programme.

### **Sale of Bretby Crematorium**

- 3.79 Although not a transaction related to 2010/11, the Council received its share of the receipt from the sale of Bretby Crematorium in May 2011. This totalled just over £3m and will cover the outstanding commitments.

### **Capital Reserve – Sheltered Housing**

<b>Analysis of Sheltered Housing Reserve (£)</b>	<b>Estimate</b>	<b>Actual</b>	<b>Variance</b>
Balance b/fwd 1st April 2010	35,506	35,506	0
Add: New Receipts 2010/11	31,250	92,050	60,800
Less: Amount required to fund expenditure in year	-66,756	-19,847	46,909
<b>Balance c/fwd 31st March 2011</b>	<b>0</b>	<b>107,709</b>	<b>107,709</b>

- 3.80 As at 31<sup>st</sup> March, approximately £107,000 remained in the Reserve. The receipt of £92,050 in the year is the share of the sale of the former Coton Band Room, together with land at Grange Close, Melbourne as approved by the Committee in 2010/11.
- 3.81 This does not include any share from the sale of 35 Midland Road which was considered by the Committee on 23<sup>rd</sup> June. It is estimated that approximately £250,000 is required to complete identified works under the Council's Sheltered Housing Vision.

## THE COLLECTION FUND

- 3.82 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.
- 3.83 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.
- 3.84 Approximately 90% of any balance is returned to other authorities, mainly the County Council as the main preceptors of council tax.
- 3.85 The Council's Account for 2010/11 is summarised in **Appendix 5**. This shows that the Fund performed better than estimated with a small surplus of £28,000 compared an estimated deficit of £30,000.
- 3.86 This was mainly due to a greater level of council tax being collectable following the County wide Single Person Discount Review. This identified council tax payers who were claiming discounts where they should not have been.
- 3.87 To-date this has proved successful with approximately £260,000 additional council tax being identified. However, this amount was added to the collectable debit late in the year.
- 3.88 Although some of this was also collected prior to 31<sup>st</sup> March, most of the cash will not be collected until 2011/12 and this has increased the overall arrears at the year-end and some provision for non-collection has been made.
- 3.89 In addition, as reported to the Committee on 23<sup>rd</sup> June 2011, the collection of arrears fell between 2009/10 and 2010/11 which also attracted an increase in provision for bad debts.
- 3.90 Having taken account of this, there was still an overall surplus on the Collection Fund as at 31<sup>st</sup> March 2011 of £108,000 which was slightly more than estimated. This will remain in the Fund pending the calculation of council tax for 2012/13.

## OTHER EARMARKED RESERVES

- 3.91 Apart from general and capital reserves, the Council maintains other earmarked reserves (revenue and capital) that are held for specific purposes.
- 3.92 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 the following table.

<b>Analysis of Earmarked Reserves 2010/11</b>	<b>Balance 1/4/2010 (£)</b>	<b>Used in 2010/11 (£)</b>	<b>Money in 2010/11 (£)</b>	<b>Balance 31/3/2011 (£)</b>
Public Open Space (Commutated Sums)	700,385	-185,880	63,121	577,626
Housing and Planning Delivery Grant	510,950	-155,616	0	355,334
Committed Expenditure	223,000	-128,500	72,750	167,250
Provision for Claw back of Benefits Subsidy	0	0	158,500	158,500
Vehicle Replacement Fund	50,000	-138,083	245,000	156,917
IT Reserve	103,157	-27,790	77,000	152,367
Major Repairs Reserve	128,656	-128,656	105,152	105,152
Swadlincote Woodlands	57,834	-7,060	0	50,774
Corporate Services Strategic Partnership	78,250	-33,000	0	45,250
DSO Reserve	37,164	0	0	37,164
Repton Parish	33,049	0	0	33,049
LSP – Development Fund	19,982	-13,625	10,000	16,357
Cafe at Rosliston Forestry Centre – Capital Replacement	6,916	-10,963	8,909	4,862
Housing IT	20,314	-18,000	0	2,314
Local Authority Business Incentive Grant	12,240	-12,240	0	0
<b>Total - Earmarked Reserves</b>	<b>1,981,897</b>	<b>-859,413</b>	<b>740,432</b>	<b>1,862,916</b>

### **Public Open Space (Commutated Sums)**

3.93 These are sums that are negotiated as part of major housing developments to meet the costs of maintaining public open space.

### **Housing and Planning Delivery Grant (HPDG)**

3.94 This grant was ended in 2010/11. The remaining amount is being used to supplement expenditure in the Planning Service. It is used mainly for developing local planning and to deal with associated issues such as affordable housing and regeneration brought about through growth.

3.95 The grant is used in various ways - to provide specialist support, undertake studies, to provide investment/matched funding and to supplement core service provision.

### **Commitment Reserve**

3.96 This is to meet various commitments that were allocated in previous years but not spent. This is to reflect that there is still some commitment on the unspent money in 2011/12 or it is being prudently set-aside to cover one-off liabilities anticipated next year for which there is no mainstream budget.

### **Provision for Claw Back of Benefits Subsidy**

3.97 As highlighted earlier in the report, this amount has been set-aside pending the decision by the DWP on subsidy reclaimed in 2009/10.

## **Vehicle Replacement Fund**

- 3.98 In accordance with the MTFP, this fund is used finance the future replacement of vehicles, plant and equipment. 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.

## **IT Reserve**

- 3.99 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. It is topped up each year from any "under spends" in the mainstream IT budgets.

## **Major Repairs Reserve**

- 3.100 As highlighted earlier in the report, this represents the balance of any unspent Major Repairs Allowance paid by the Government each year for council house improvements. It is carried forward to meet expenditure in the following year.

## **Swadlincote Woodlands**

- 3.101 This reserve has gradually been drawn down in recent years to finance maintenance and the replacement of equipment, etc. The original reserve was financed from developer contributions. Reliance on this fund in the future will not be as critical as budgetary provision, for the on-going costs, was identified as part of a service review in 2010/11.

## **Corporate Services Strategic Partnership**

- 3.102 Approval was granted to set up this reserve in 2008/09 to fund legal and external support associated with the implementation of the Partnership. It is not expected that any further costs will be incurred. Therefore, it is recommended that the remaining balance is now returned to General Reserves.

## **DSO Reserve**

- 3.103 This reserve was built up many years ago from surpluses made on the DSO trading account under compulsory competitive tendering. It has previously been earmarked to fund one-off expenditure associated with transport and in particular, to meet any vehicle leasing costs associated with early termination or non-recoverable insurance costs.

- 3.104 However, this reserve has stood idle for a number of years. Therefore, it is recommended that it is returned to General Fund Reserves.

## **Repton Parish**

- 3.105 This is an amount remaining from the sale proceeds of Repton Depot. It is earmarked under a legal agreement to be spent on projects in Repton Parish.



In 2008/09, the Committee gave approval for this to be earmarked as a contribution to the village hall refurbishment, subject to other external financing being generated.

### **Rosliston Forestry Centre - Cafe**

3.106 This relates to the profit share on the café at Rosliston Forestry Centre under the terms of the lease agreement. It is used to finance capital replacements in the café and is topped up from any profits generated each year.

### **Business Incentive Grant**

3.107 This was used to finance a temporary advisory post attached to the local Citizen's Advice Bureau. The remaining amount of £12,000 was used in 2010/10.

## **4.0 Financial Implications**

4.1 As set out and detailed in the report.

## **5.0 Corporate Implications**

5.1 As detailed in the report.

## **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

