

FINANCE, AUDIT AND PERFORMANCE COMMITTEE – 20 AUGUST 2012

REPORT OF THE DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

RE DRAFT OUTTURN 2011/12

1. PURPOSE OF REPORT

To inform the committee of the financial outturn for 2011/12.

2. RECOMMENDATIONS

2.1 That the committee note the report

3. BACKGROUND

3.1 In February 2011 the Council adopted a General Fund Budget for 2011/12 which indicated that £12.143m would be spent on services with £0.254m to be transferred from General Fund Balances and a net £0.430m being transferred from Earmarked Reserves. After taking account of further adjustments to the budget, year end adjustments and savings identified in year, the final budget showed £10.382m being spent on services with £0.232m being transferred to Earmarked Reserves and £0.653m being taken to Earmarked Reserves.

	Budget £000	Actual £000	Movement from Budget £000
Budget Requirement	9,931	9,795	(136)
Non Service Specific Grant Income	9,677	9,677	0
New Homes Bonus	0	350	350
Available for transfer to balances or reserves	(684)	885	1,569
Transfer to/(from) balances	(254)	232	486
Transfer to/(from) Reserves	(430)	653	1,083
Net Budget Requirement	10,462	10,268	(194)

Table 1: General Fund Outturn Summary

	Original 2011/12 £000	Revised 2011/12 £000	Provisional Actual 2011/12 £000
Service Costs	12,143	12,762	10,382
Less items not chargeable to Council Tax included above			
Capital Accounting	(1,133)	(1,491)	(1,173)
Pensions re IAS19	(170)	(170)	199
Total Deduction	(1,303)	(1,661)	(974)
Gross Cost of Services	10,840	11,101	9,408
Net interest paid	52	52	86
Met from Taxation & Grants	10,892	11,153	9,494
Council Tax	3,584	3,584	3,584
RSG & NNDR	5,972	5,972	5,972
Council Tax Freeze Grant	105	105	105
New Homes Bonus	0	0	350
Collection Fund Surplus/(Deficit)	15	15	15
Total Tax & Grants	9,677	9,677	10,027
Suggested transfers to/(from) Balances and Reserves			
Earmarked Reserves	(430)	(489)	653
Balances	(254)	(456)	232
Grants and contributions	0	0	(15)
Carry Forward of spend	0	0	136

A full list of the budgeted and proposed contributions to or from Reserves is shown in table 2.

3.2 The major variations can be summarised as follows

	£000's (Under spend)/Overspend
<u>Expenditure</u>	
Salary savings across all service areas	(309)
Council offices - deferral of consultancy costs for depot relocation and additional rent and room hire income	(129)
Planning policy - deferral of expenditure on external traffic assessments	(127)
<u>Income</u>	
Council Tax Benefit – additional legal costs recovered	(62)

Recycling - increased income from Blue Bin rentals and excess recycling credits. Savings from recycling improvements, agency costs and fuel	(190)
Additional recovery of benefit overpayments and larger subsidy income	(229)
Car Parking – income ahead of budget	(57)

In addition, the Council was allocated additional grant income from New Homes Bonus of £350,000 which was prudently not budgeted for. A contribution of 25% (£87,500) of this additional income was made to the Parish Councils.

3.3. Adjustments/variances due to application of Accounting Code of Practice

In compiling the above table a number of transactions that need to be included in the cost of services in the Statement of Accounts but are taken out “below the line” in determining the movement on the General Fund Balance have been included in the above table. These transactions arise from the receipt of information during the closedown process and relate to matters that are not determinable at the time the budget is prepared so no provision is made in the Cost of services or “below the line” in the statement of movements in the General Fund Balance. In 2011/12 two major adjustments were required to bring the Accounts into line with the requirements of the Code of Practice and should be taken into account when interpreting the budget position:

These adjustments which total a net £963,318 are:-

- a) A credit in respect of current service costs of pensions of £1,011,296 representing an increase in the present value of the pension scheme’s liabilities.
- b) A debit of £57,000 as a result of Curtailment costs identified in the Actuary’s valuation of the Pensions Liability/Assets
- c) A credit of £15,022 in respect of grants and contributions that had been received before they are applied to finance expenditure which under the requirements of IFRS need to be taken to the Revenue Account in the year they are received and any unapplied portion be transferred to an unapplied grants and contributions reserve.

3.4 Given the timing of this report, there are a number of transactions that will not be finalised until the completion of the Statement of Accounts. These relate to the treatment of s106 monies and any movement in the value of the Council’s asset base. These movements will not impact on the reported bottom line and are revised out for the purposes of Council Tax. These amounts will be reported to the next meeting as part of the full Statement of Accounts.

3.5 Members have a choice as to whether they wish to transfer some or all of the realised underspend to the General Fund Balance or whether they wish to transfer some of the underspend to specific earmarked reserves to address future pressures on service areas.

Recommended Transfers to Earmarked Reserve Transfers

3.6 When the original Budget was approved by Council in February 2011 it was proposed that a net £430,000 would be transferred from Reserves. The revised Budget increase this by a further £58,730.

Table 2 below sets out the actual contributions to and from Reserves against planned transfers in the original budget. In a number of cases, spend on projects has not been incurred in year and therefore additional funds have been transferred to reserves or planned contributions have not occurred in line with budget. In the case of the Future Rental Management Reserve, the Council received £250,000 at the year end from the Hinckley Hub developer which has been transferred to reserves to mitigate against any potential future movements in rental indices.

Table 2: Summary of changes to planned contributions to/from Reserves 2011/12

	Planned contributions to reserves	Actual contributions to reserves	Planned contributions from reserves	Actual contributions from reserves
	£000's	£000's	£000's	£000's
Commutation & Feasibility Reserve	0	50	125	10
Benefits Reserve	0	100	0	0
Local Plan Procedure	68	68	115	17
Relocation Reserve	0	135	0	0
Future Capital Projects Reserve	0	125	0	0
Building Control Reserve	0	70	0	0
ICT Reserve	0	13	50	0
Waste Management Reserve	0	82	0	0
Planning Delivery Grant Reserve	0	0	0	44
Election Reserve	25	45	80	68
Atkins Reserve	0	9	0	0
Future Rental Management Reserve	0	250	0	0

After the suggested transfers the total of earmarked General Fund revenue reserves available would be £3.891m (including Special Expenses). A complete list of the proposed closing Reserves position is set out in the table in **Appendix 1**.

General Fund Balances

- 3.7 It is recommended that a total of £0.232m be transferred to General Fund Balances at 31 March 2012. This would leave a total closing balance of £2.249m (including Special Expenses balances). This meets the criteria of having 10% of net budget requirement held in balances. (The closing net budget requirement for 2011/12 being £10.268m)

Carry Forward of 2011/12 budgets

- 3.8 In a number of cases budget managers have requested that the under spend in their budget(s) be carried forward to 2012/13 because of delays in committing expenditure or a need to defer income. Requests totalling a net £386,798 have been received (to be funded as detailed below).

Source of Funding	Amount (£)
General Fund Balances	136,093
Reserves	180,705

Housing Revenue Account balances	70,000
Total	386,798

3.9 Details of the requests received and those recommended for approval are shown in **Appendix 2**.

Housing Revenue Account

3.10 In February 2012, the Council adopted a re-forecasted Housing Revenue Account Revised Budget which forecasted that £218,450 would be taken from the HRA Balance. The Outturn figure is for £9,223 to be taken to balances. (A net underspend of £227,673). The main reasons for this underspend are explained as follows:-

	£000's (Under spend)/Overspend
Employees - salary savings from restructure (e.g. provision of warden services)	(74)
Central and administrative expenses recharge lower than budget due to reduced headcount and legal charges	(62)
Supplies and Services – underspends on furniture and equipment maintenance in addition to a decrease in legal and consultancy fees following transfer of housing repairs service	(28)
Increase in dwelling rents due to good turnaround of void properties	(80)

It is recommended that the total underspend be transferred to HRA Balances. This would leave a closing balance of £1.699million.

Housing Repairs Account

The Revised Estimate showed that an amount of £76,170 would be added to the Housing Repairs Account balance however the outturn position increases this to £210,284 (a net underspend of £134,114). This has principally arisen from

	£000's (Under spend)/Overspend
Savings on salaries and agency costs due to vacant posts and restructure of the service	(36)
Under spend on consultancy and legal fees which were no longer required following transfer of the repairs service back in house	(30)
Under spend on service provision of programmed repairs following the end of the outsourced contract	(79)

3.11 Capital

3.11.1 General Fund Capital Programme

The General Fund Capital Programme was under-spent by £1.121m due to delays in a number of schemes including:

- Community Major and Minor Works (£211,000)
- Burbage Common (£154,000)
- Depot relocation (£158,000)
- Disabled Facilities Adaptations (£80,000)
- ICT Upgrades (£100,000)

A total of £971,000 has been requested to be carried forward. A summary of these requests are included in **Appendix 3**.

3.11.2 Housing Revenue Account (HRA) Capital Programme

The HRA Capital Programme was under spent by £536,000 made up principally of under spends on the Major Void and Programmed enhancements schemes of £292,000 and £171,000 respectively.

4 **FINANCIAL IMPLICATIONS**

These are contained in the report.

5 **LEGAL IMPLICATIONS**

These are contained within the report.

6 **CORPORATE PLAN IMPLICATIONS**

This report contributes to the achievement of the following Corporate Plan Priorities:

- The Council sets a balanced budget that meets all requirements of the Council and is aligned to the priorities of the Council and its citizens
- The Council's major projects are completed to time and to budget
- The Council's financial standing is maintained and the finances remain healthy over the period of the plan

7 **RISK IMPLICATIONS**

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision/project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report/decision were identified from this assessment:

Management of Significant (Net Red) Risks		
Risk Description	Mitigating Actions	Owner
None		

8. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

There are none.

9. CORPORATE IMPLICATIONS

By submitting this report the author has taken the following into account:-

- Community Safety Implications
- Environmental Implications
- ICT Implications
- Asset Management Implications
- Human Resources Implications

Background Papers: Civica Authority Financials reports
Closedown files

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