

# REPORT TO GOVERNANCE AND AUDIT COMMITTEE

**REPORT OF: STRATEGIC DIRECTOR AND HEAD OF FINANCE**

**REPORT NO: HOF200**

**DATE: 29 June 2012**

<b>TITLE:</b>	<b>Outturn Position 2011/12</b>	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	None	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Councillor Mike Taylor Well Run Council Portfolio Holder	
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<b>INITIAL IMPACT ANALYSIS:</b>	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
<b>Equality and Diversity</b>	N/A	No
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Your Council and Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	HOF148, 166, 171, 182, 187, 193	

## 1. RECOMMENDATIONS

1.1 It is recommended that members of the Governance and Audit Committee:

- a. Review, appraise and approve the Revenue and Capital Outturn report and associated appendices for 2011/12, including the movement and use of reserves detailed in the report.
- b. Note the commentary to the outturn report and identify any issues which the Committee may wish to make Cabinet and Council aware of in relation to the Council's medium term financial planning arrangements.

## **2. PURPOSE OF THE REPORT**

2.1 The purpose of this report is to present the Council's Revenue and Capital Outturn 2011/12 for both General Fund and Housing Revenue Account. It covers:

- Revenue outturn 2011/12
- Capital outturn 2011/12
- Commentary on the revenue and capital outturn
- Commentary and review of reserves and a reserves statement

The original base budget for 2011/12 was approved by Council on 3 March 2011 (HOF148) for both the capital and revenue budgets including General Fund and the Housing Revenue Account.

2.2 A separate report which will be presented to the Committee at their next meeting will provide details of the Statement of Accounts and will be produced in compliance with the Account and Audit Regulations 2011. The Statement of Accounts must be published by 30 September 2012 following the audit of the statements which is undertaken by the District Auditor.

2.3 A primary source of information for the production of the Statement of Accounts is the Revenue and Capital Outturn position. This report provides a summary of the outturn position together with a commentary of significant variances to the budgeted position.

## **3. Executive Summary**

3.1 This report provides Audit and Governance Committee with the detail of the Council's outturn position for the financial year 2011/12. In order to comply with International Financial Reporting Standards, councils are now asked to make many technical adjustments to the final accounts before the Statements of Accounts are produced. Many are non cash accounting adjustments which do little to aid understanding and transparency. The report tries to ensure that, through explanation and presentation, the final account figures can be reconciled back to the original budget set by Council in March 2011.

3.2 The financial year 2011/12 saw the first year of the Government's 2 year settlement to local authorities and incorporated a significant reduction in the amount of Formula Grant the Authority received. This reduction amounted to 13% or £1.27M in monetary terms. This presented real challenges for the Authority but as a result of careful financial planning and pre-emptive work, the reduction has been contained with minimal impact on front line services. The Council must continue to try and make savings and further efficiencies as grant reductions continue into the current financial year with a further reduction in Formula Grant of £981K compared to 2011/12. Therefore over a 2 year period the overall Grant reduction has been £2.25M and has been met from

introducing a number of efficiency plans and service reviews that will continue in the coming years. The Council will continue to face further financial challenges with the introduction of a localised council tax benefit scheme and the localisation of business rates, both from April 2013.

- 3.3 **General Fund Revenue Account**, has an outturn of £275K (see table 1 page 4) underspent after adjusting for a contribution towards capital financing, set aside for service expenditure carry forwards and the creation of an invest to save provision of £500K (in line with the original budget of March 2011). In addition a further £169K of additional investment income has been received as a result of higher than expected levels of balances (due to profiling differences in the capital programme) and better than budgeted performance in treasury management. Detailed explanations of variances follow in section 4.
- 3.4 **General Fund Capital Programme** has an outturn of £2.595M compared with an original budget of £4.582M. Commentary on individual scheme progress is contained in section 6 of the report. The programme was revised as part of the budget setting process, further work will be undertaken during the coming months to improve programme budgeting to improve cash flow. Details of the full programme are contained at Appendix C.
- 3.5 **Housing Revenue Account (HRA)** will be in surplus at the end of 2011/12, following accounting adjustments (see section 5) of £1.284M which will be added to the housing account working balance. Detailed variances are provided at section 4.
- 3.6 The **Housing Investment Programme (HIP)** shows an outturn position of £4.709M compared to a budget of £6.755M. Commentary on individual scheme progress is contained in section 6 of the report. Detailed variances follow in section 6.4.

## 4. DETAILS OF REPORT

### 4.1 Detailed analysis of the 2011/12 Outturn

The following paragraphs give detailed analysis of the areas:

- General Fund Revenue Services (see also Appendix A)
- Housing Revenue Account (see also Appendix B)
- Capital Expenditure (both Housing and General Fund) (see also Appendix C)
- Reserves Statement (see also Appendix D)

## 4.2 General Fund (Revenue) Variance Analysis

The corporate service headings showing budget and outturn is shown below:

Table 1

Service Area		2011/12 Original Base	2011/12 Adjusted £'000	2011/12 Outturn	2011/12 Variance (adjusted)
		£'000		£'000	£'000
1	Assets	3,171	3,308	1,691	(1,617)
2	Corporate	1,619	1,493	830	(663)
3	Development and Growth	2,179	2,252	2,231	(21)
4	Environmental Services	5,684	5,640	5,578	(62)
5	Finance	1,364	1,422	993	(429)
6	Housing and Neighbourhoods	992	943	1,184	241
7	HR and Customer Services	0	(19)	87	106
8	Legal and Democratic	1,375	1,345	1,185	(160)
9	Special Expense Areas	566	566	663	97
<b>10</b>	<b>Net Total</b>	<b>16,950</b>	<b>16,950</b>	<b>14,442</b>	<b>(2,508)</b>
11	Removal of non accounting adjustments*			1,253	
<b>12</b>	<b>General Fund Total</b>	<b>16,950</b>	<b>16,950</b>	<b>15,695</b>	<b>(1,255)</b>
13	Set aside sums 2011/12**			197	
14	Removal of provisions (Invest to Save Reserve)			500	
15	Revenue contribution to Capital Expenditure			283	
<b>16</b>	<b>Restated General Fund Total</b>	<b>16,950</b>	<b>16,950</b>	<b>16,675</b>	<b>(275)</b>

Notes:

\*Line 11 – There are a number of accounting entries that are charged ‘above the line’ at service cost level (in accordance with accounting requirements) but which will be either financed from specific reserves or will be removed to eliminate any impact on the taxpayer. Therefore the General Fund outturn position can be restated as follows:

the table below provides a breakdown of the entries that have been made

	<b>Accounting Entry</b>	<b>£k</b>	<b>Financing</b>
1	General Fund total	14,442	See above
2	Deferred Charges	332	
3	Non-enhancing capital expenditure	(109)	Financed by useable capital receipts/capital reserve
4	Re-valuation gains on assets	963	Notional valuation increase following DV advice
5	Net IAS19 adjustment	177	Removed to eliminate any impact on Council balances
6	Accounting adjustment for holiday pay	(53)	In accordance with IAS19
8	Other accounting adjustments (including grants, contribution to insurance reserve & interest receivable on investments)	(57)	
<b>9</b>	<b>Re-stated total</b>	<b>15,695</b>	

\*\*Line 13 – services have rolled forward resources into 2012/13 (£63K Property Services, £50K waste services and £84K ICT) in order to complete pieces of work and initiatives that have been planned and been unable to commence in year. Set aside also enables the smoothing out of the costs of reactive spend that are unable to be budgeted for accurately, for example repairs and maintenance (see later notes in reserves and balances review).

The above outturn figure also includes expenditure relating to the 2010/11 set aside sums that were approved by the Committee last year.

It should be noted that the service outturn figures include accounting entries for IAS (international accounting standard) 19 pension adjustments although these charges were not included in the base estimates.

### **4.3 Assets**

- 4.3.1 There is a variance of £185K in respect of Bourne Leisure Centre and £111K in respect of Deepings Leisure Centre. These variances are due to a change in accounting treatment for the holding of the asset. This has resulted in a reduction of the depreciation charge.
- 4.3.2 A change in accounting practice has resulted in a number of the car parking assets being re-valued downwards which has resulted in a lower depreciation charge. Car parking income in respect of Grantham is £16K less than budget but Stamford car parks have shown an increase and have exceeded budgeted levels by £94K.

4.3.3 There have been savings of £101K in respect of the grounds maintenance contract. The service has successfully renegotiated terms with the incumbent contractor as part of the Council's efficiency and service review programme. Income received in respect of Grantham markets was £19K less than budgeted following a reduction in the number of regular traders although it is anticipated the number of regular traders will improve following the successful street scene improvement works in and around the Market Place. The trading performance of Stamford Market has remained strong during the financial year.

4.3.4 A revaluation of the Grantham Meres Leisure Centre has been undertaken by the District Valuer as part of the annual re-valuation of the Council assets. This has the effect of lowering the annual depreciation capital charge and therefore a variance when compared with budgeted costs

#### **4.4 Corporate (includes corporate costs, strategic and operational management costs)**

4.4.1 There are two specific provisions within this corporate heading that have not been required during the financial year: invest to save and set-aside for any national pay award settlement.

4.4.2 Invest to Save - £500K, as stated in section 3 above was incorporated into the 2011/12 budget framework in order to fund any initiatives that required up front resourcing based on a business case of demonstrating payback on the outlay over a defined period of time. Whilst initiatives of this nature have been funded during 2011/12, it has been possible to fund them from in-year savings rather than utilise the provision. These include the purchasing and installation of solar PV energy panels at a number of key Council assets and the installation of software in waste freight vehicles which will lead to the review of rounds to maximise efficiencies. As part of the closedown of the accounts, a specific invest-to-save reserve will be created.

4.4.3 Pay provision - £100K. This provision was put in place pending the national settlement with respect to public sector pay awards for 2011/12. The national settlement agreed a pay freeze for the year and therefore the provision will be transferred to the revenue reserve in order for it to be used to support the funding of priority projects.

#### **4.5 Development and Growth**

4.5.1 The Development Management service has undertaken a review of its staffing arrangements and introduced a new method of delivering the service to the customer. In addition to this, the service has undertaken a programme of back scanning its information to enable it to be electronically available for staff when dealing with cases and to improve the responsiveness to customer enquiries. This additional work has resulted in planned costs which have been met from overall savings within the Head of Service area.

4.5.2 There has been an underspend in respect of the Local Strategic Partnerships cost centre following the streamlining of the of the LSP during 2011/12. There

has also been an underspend in respect of the Local Development Framework (LDF) programme as a result of the Inspector delaying the start of the examination process until autumn 2012. The LDF is funded by Housing Planning Delivery Grant monies which will be utilised in 2012/13.

- 4.5.3 The Building Control trading account has experienced some trading difficulties and a combined trading deficit of £34k for the financial year which will need to be recovered during 2012/13 in order to maintain the required breakeven position over a 3year rolling period.

#### **4.6 Environmental services**

- 4.6.1 Overall this service area has no material variances which require an explanation other than an increase in depreciation charges due to the purchase of 2 street sweepers and on-street hot pavement washer in the year.

#### **4.7 Finance**

- 4.7.1 The most significant variance is caused by the requirement to make adjustments in relation to the future pension liabilities of staff in order to align with IAS 19. Following the publication of the Lincolnshire Actuaries report in May 2012, there has been a number of adjustments required to reflect the assumptions stated in the report. These adjustments determine the Authority's pension obligations in respect of its employees (both current and former).

#### **4.8 Housing and Neighbourhoods**

- 4.8.1 The variance in respect of homelessness includes £68K of grant received that will be rolled forward into 2012/13 to be utilised on specific projects.
- 4.8.2 Private sector housing – there has been a number of expenditure charges made to the service in accordance with accounting requirements (revenue expenditure funded from capital under statute – REFCUS). These include disabled facilities (£496K), empty homes grant (£75K), and better homes grant (£217K). The cost centre has also been credited with grant income of £336K in respect of grants received in-year. In general terms, these are all accounting adjustments that are necessary in order to comply with accounting standards but do not have a detrimental impact on the service.

#### **4.9 People, Projects and Performance (formerly HR and Customer Service)**

- 4.9.1 During the course of the year a new cost centre, Reputation and Communications, has been established and the budget has been moved from the Communications cost centre. There is a salary related underspend in Customer Services as a result of the internal temporary service manager arrangement.

#### **4.10 Legal and Democratic**

- 4.10.1 There have been a number of small variances within the Democratic Representation cost centre including underspends in respect of printing and postage costs.

#### **4.11 Special Expense Areas (SEAs)**

- 4.11.1 Grantham SEA – there has been an overall overspend for the SEA due to the works undertaken in respect of improvements to the drainage of Grantham Cemetery. The cost of these works will be met from the Grantham SEA over the medium term.

#### **5. HOUSING REVENUE ACCOUNT – Variance analysis**

- 5.1 The housing revenue account (HRA) (Appendix B) is a 'ringfenced' account and relates to the Council's Landlord functions. Revenue raised by rents and service charges must be sufficient to match expenditure.

The HRA outturn position shows a net operating deficit of £2.042M for the financial year. However, included within the operating expenditure is non-enhancing capital expenditure (shown at line 15) which has been financed from the major repairs allowance (shown at line 33). After applying the allowance, a surplus of £1.284M has been added to the working balance.

Overall there are a number of issues that have contributed to this outturn position.

- 5.2. **Dwelling rents and other income** – the performance for the collection of rents has improved during the financial year (98.02%) and the remaining rents due will continue to be recovered during 2012/13. The bad debt provision has been credited to reflect the position.
- 5.3. **Repairs and maintenance** – this budget covers expenditure on a range of work areas including insulation, painting, digital upgrades, water testing and gas servicing. The overall underspend of £350k reflects a number of schemes that have been delivered below budget as a result of savings achieved – these are insulation (£148K due to external grant being awarded), painting (£42K), gas servicing (£11K) and chimney sweeping (£15K). The disabled adaptations cost centre underspent by £218K due to a delay with commencing the procurement framework with the contractor. This caused delay in undertaking the works, however time efficiencies are now being gained with the use of the framework along with the employment of a designated officer within the improvements team. It is anticipated all current referrals, together with the backlog, will be cleared within 6 months. To give this some context since April 2012 40 instructions have been issued to the contractor and £106,000 of the budget has been allocated. There have been overspends in respect of specified works of £88K and materials of £35K. These are due to an increase in the number of type of repairs required to the housing stock during the year. An analysis of these overspends is underway to determine corrective actions to mitigate a re-occurrence of the situation.
- 5.4. **Supervision and management** – compared with a combined budget of £4.706M the outturn is £4.113M which gives an overall variance of £593K. £280K relates to employee related expenditure savings – a review of the vacant posts has been completed with 4 of the posts being removed from the establishment. Grounds maintenance achieved an overall saving of £60K

following re-negotiation of the current contract. A budget allocation of £50K was not required for the introduction of choice based lettings scheme.

- 5.5 **Depreciation and Impairments** – the criteria used by the District Valuer for the valuation of social housing stock has decreased from 50% to 34% which has resulted in a reduced depreciation charge when compared with original budgets. This is due to the valuation change being introduced after the original budgets had been agreed.

## 6. **CAPITAL EXPENDITURE**

- 6.1 During 2011/12 the Council's total capital investment was £11.337M (details are provided at appendix C). A summary of the expenditure is set out below and is compared to the original estimated and revised base programme.

Table 2

	<b>Corporate Area</b>	<b>2011/12 Original Base</b>	<b>2011/12 Outturn</b>	<b>2011/12 Variance</b>
		<b>£k</b>	<b>£k</b>	<b>£k</b>
1	Good for Business	2,150	153	(1,997)
2	Quality Living	1,762	1,585	(177)
3	Customer First	150	20	(130)
4	Quality Organisation	520	837	317
<b>5</b>	<b>General Fund Sub Total</b>	<b>4,582</b>	<b>2,595</b>	<b>(1,987)</b>
6	Housing Revenue Account	6,755	4,709	(2,046)
<b>7</b>	<b>Total Capital Programme</b>	<b>11,337</b>	<b>7,304</b>	<b>(4,033)</b>

- 6.2 **Capital General Fund** - The revised capital general programme for 2011/12 was agreed by Council at its meeting on 3 March 2011 and included a number of capital projects that were continued in the following financial year. The outturn position of £2.595M represents a variance of £1.987M compared with the original base. The major variances compared to the programme are in respect of:

### 6.3 **Variance Analysis – General Fund (Appendix C Page 2)**

- 6.3.1 **Bourne Core Area** – during the course of the year significant progress has been made to enable the delivery of the Bourne core area project. Work started during the latter part of 2011/12 and the retail and residential development will be delivered during 2012/13. Funding has been allocated across these financial years to enable the project to progress as planned. Significant capital receipts are expected from the scheme in the future, market conditions will affect timing of the crystallisation of the receipts.

- 6.3.2 **Grantham growth** continues to be a priority for the Council and funding has been set aside for delivery of key components of the project, specifically these include Station Approach and public realm. Servicing land at Station Approach by private treaty has not been successful and this has resulted in the commencement of compulsory purchase orders. These schemes will therefore continue to receive funding over the period of the medium term financial plan and the underspend in 2011/12 will contribute to the funding proposals.
- 6.3.3 **Housing improvement Grants** – there are a number of specific schemes within this category that are utilised in accordance with customer demand and compliance with criteria. The underspends for the current year will be carried forward to use to finance future expenditure within these headings.
- 6.3.4 **Customer First** - There is an ongoing review of the area office upgrade requirements which complements and supports the Council's customer access strategy. The most significant element of this is the Bourne Customer Access scheme. Work is progressing on the conversion of part of the Corn Exchange building which will see the development of a Customer Access Point incorporating access to district, library and town council services. The majority of the expenditure will be incurred during 2012/13 with a target opening of spring 2013. Budget not used during 2011/12 will be made available during 2012 to fund the remainder of the works.
- 6.3.5 **Quality organisation** – there a number of projects under this heading which have been delivered in accordance with the asset management plan. Details of the projects are provided in appendix C. Specifically these include the introduction of BMS (business management systems) at the leisure centres, the refurbishment of the roof and clock tower at the Guildhall Grantham, ICT infrastructure improvements and the acquisition of replacement pool vehicles.
- 6.3.6 **Housing Revenue Account Capital Programme** – the capital programme for 2011/12 was set at 6.755M. A forecast position was undertaken in January 2012 downwards to £5.410M (and presented in the 2012/13 budget estimates to Council in March 2012). This was in order to deliver a more economical way of working and improving value for money, particularly relating to re-roofing and associated external works. The outturn for 2011/12 is £4.709M. This represents a variance of £0.701M compared with the forecast position and a variance of £2.046M compared to original budget.

#### **6.4 Variance Analysis HRA (Appendix C Page 1)**

- 6.4.1 Heating and ventilation – 570 boilers were renewed during 2011/12. There was an overspend of £114K due to the number of condemned boilers in addition to the planned maintenance and improvement programme. A further £1.4M has been allocated to this programme for 2012/13.
- 6.4.2 Property refurbishments – in total 47 properties were refurbished which resulted in an overspend of £200K due to additional properties requiring refurbishment than originally envisaged. These were properties that became void during the year and required significant upgrades to meet decent homes standards.

- 6.4.3 Re-roofing – an underspend of £526K due to the re-profiling of the programme based on geographical areas which will ensure value for money is obtained by the contracts. Comparisons of pricing between roofs completed under both the current and the previous contracts have shown a 23.17% saving due to economies gained in labour, travelling, supervision, scaffolding and procurement.
- 6.4.4 Re-wiring – an underspend of £279K due to a reduction in the number of properties requiring re-wiring during 2011/12 due to the implementation of a pre-inspection testing programme which identified the wiring is in better condition than the visual inspection indicated.
- 6.4.5 Kitchen and Bathroom Refurbishments – 146 kitchens and 124 bathrooms were upgraded in 2011/12. There was an underspend of £365K due, to difficulties in accessing properties to undertake the works and following the refusal of tenants not wanting the disruption of having works carried out.
- 6.4.6 Communal door replacement programme – an underspend of £56K due to delays in the commencement of the works. It is anticipated the works will be undertaken during 2012/13 once consultation with leaseholders has been completed.
- 6.4.7 Disabled adaptations – an underspend of £88K due to the small number of major adaptation schemes being referred to the Authority by occupational health.
- 6.4.8 Chimney works – an underspend of £145K due to re-profiling of the programme based on geographical areas which will ensure value for money is obtained by the contracts. This work is being procured as part of the roofing contract (referred to in paragraph 6.4.4 rather than as a separate contract to prevent return visits).
- 6.4.9 Wall finishes – an underspend of £190K due to re-profiling of the programme based on geographical areas which will ensure value for money is obtained by the contracts. These works will be undertaken during 2012/13. As with the chimney works this work is being procured as part of the roofing contract to avoid return visits.
- 6.4.10 Essential works – During the year £129k was incurred on the installation of condensate pipes and sound insulation works carried out at Clare Close Stamford. There was an underspend of £166k due to the flat roof programme of £99,500 being included in the roofing contract (see section 6.4.3). The additional £66,500 was not spent as this was originally intended for the refurbishment of Swedish timber properties. Following survey of these properties further works are needed and additional funding will be sought for the works to be carried out in 2013/14.
- 6.4.11 Contingency allocation of £150K was not required during the course of the financial year. This amount will be credited to the HRA reserve and used to fund future projects.

- 6.4.12 Refurbishment of bin stores – an underspend of £67K of which £40K will be spent in 2012/13 due to delays in the commencement of the programme.
- 6.4.13 DDA compliance works – this programme of works will continue in 2012/13 and £200K has been allocated to support this work.

## **7. COMMENTARY ON BALANCES AND RESERVES**

- 7.1 An integral part of the closedown of the accounts is to review the usage and balances of the Council's reserves and balances. The financial statements reflect the proposed use of these and specific details of each balance and reserve are set out below and detailed at Appendix D.

### **7.2 Capital Reserves**

#### **7.2.1 General Fund - Capital Reserve £3.061M**

The General Fund capital programme has been increased by an additional contribution of £1.5M in order to have available funds to contribute to the financing of the capital programme in the medium term. The Council has developed a significant capital programme over the course of the next three years and capital financing arrangements are in place to support the overall programme of £11.602M based on the delivery of current spending plans.

#### **7.2.2 Useable Capital Receipts Reserve £6.756M**

This reserve has been utilised during 2011/12 to finance the General Fund capital programme by £1.195M. During the year capital receipts of £886K have been received (£728K in respect of General Fund sales and £158K for RTB receipts) and £2.132M has been used to contribute to the financing of the General Fund capital programme. The closing balance of £6.756M is incorporated into the medium term financial model and will be utilised to fund the future capital programme.

#### **7.2.3 Major Repairs Reserve £4.313M**

This is a mechanism whereby the Council is required to account for the resources given through the Major Repairs Allowance (MRA) which is provided via the Housing Revenue Account Subsidy and is used to fund capital expenditure on HRA assets. The closing balance of £4.313M reflects the application of £4.709M to finance the HRA capital programme and the contribution of MRA received of £3.674M. This reserve continues to be the primary source of financing for the HRA capital programme.

## **7.3 Specific Revenue Reserves**

### **7.3.1 Insurance Fund - £719K**

The Council, over recent years, has chosen to carry out a certain amount of insurance risk through a process known as self insured. This has enabled the Council to keep insurance premiums lower in a volatile market with a balance of retaining an element of 'in-house' risk. This strategy has also led to a review of the excess level of each risk category with a number of excess levels being increased. This has resulted in a reduction in the annual premium paid to the Council's insurer of £72K.

The policy of this reserve includes contingencies such as financing the costs of any Judicial Reviews the Council may face in the future. Movements during the year includes a settlement in respect of 3 planning appeals amounting to £171K.

### **7.3.2 Pension Reserves**

Whilst the Council does not currently operate a pension policy with "added years" the former employees reserve provides for matching added years payments in respect of former employees when such a policy operated.

The current employees reserve provides for potential capital costs of any future early retirements and also helps to protect the Council from large changes in Council Tax resulting from unanticipated rises in the employer's contribution rate following future triennial valuations. The reserve will be kept under constant review as the Council awaits the outcome of the national review of the Local Government pension scheme arrangements.

### **7.3.3 Priority Themes and Service Improvement Reserve £4.606M**

This reserve (together with New Homes Bonus allocation) is available to help finance delivery of the priority actions and one-off service improvement proposals. The Council is progressing a number of key priority projects and funds have been agreed and allocated to deliver these during 2012/13. These are listed and detailed at Appendix D.

### **7.3.4 Building Control Account Reserve (£34K)**

The Building Control service is split between chargeable and non-chargeable activities. The reserve position as at 31 March 2012 shows an overall trading deficit of £34K. This is an accumulated deficit over the last 2 years. It is a requirement that the trading element of the service must achieve a breakeven position over a 3 year rolling period. Therefore the service will be undertaking a review of its trading activities to ensure this requirement is achieved.

### 7.3.5 Special Expense Area (SEA) reserve £80K

This reserve is utilised to financially support transactions and future spending proposals in respect of the SEAs. At the year end the balance on the reserve is £80K. During the course of the year £50K has been transferred from the Grantham SEA reserve to contribute towards the financing of the cemetery works. The balance of these works will be met from revenue contributions over the coming years. £1K has been transferred from Deepings SEA reserve in order to meet the overspend for 2011/12. Contributions to the reserve include £3K Bourne SEA, £37K Grantham SEA, £1K Langtoft SEA and £6K Stamford SEA.

### 7.3.6 Service specific funds – set asides

In order to assist services continue to deliver specific projects which overrun the financial year, a number of service funds have been created following the closure of the 2011/12 financial year. Specifically these are:

- Asset Development £63K
- Information Technology £84K
- Human Resources learning and development programme £170K
- Waste and Recycling £50K

All of these reserves require specific delivery and works plans before they are agreed.

## 7.4 **Working Balances**

7.4.1 **The General Fund working balance** at the end of the financial year stands at £2.370m. This is equivalent to 13.9% of net original base budget for 2011/12 (net operating expenditure) and is in accordance with the council's current policy. The purpose of this working balance is to ensure there is sufficient financial resource available in order to meet unforeseen events during the course of the financial year.

7.4.2 **The HRA working balance** as at 31 March 2012 is £9.452M. This balance serves the same purpose as the General Fund working balance. In accordance with the medium term financial plan it is anticipated that there will be revenue contributions towards the housing capital programme which will be finance from the revenue working balance.

## 8. **OTHER OPTIONS CONSIDERED**

8.1 None

## 9. **RESOURCE IMPLICATIONS**

9.1 These are stated in the report.

**10. RISK AND MITIGATION (INCLUDING HEALTH & SAFETY AND DATA QUALITY)**

10.1 None

**11. ISSUES ARISING FROM EQUALITY ANALYSIS**

11.1 None – this report provides a retrospective explanation of the Council's outturn position for 2011/12.

**12. CRIME AND DISORDER IMPLICATIONS**

12.1 None

**13. COMMENTS OF FINANCIAL SERVICES**

13.1 These are included in the report.

**14. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

14.1 This report provides the Council's financial position in comparison to service budgets and capital programme as set in accordance with the Council's budgetary and policy framework.

**15. COMMENTS OF OTHER RELEVANT SERVICE MANAGER**

15.1 None

**16. APPENDICES:**

Appendix A - General Fund Revenue Outturn 2011/12

Appendix B - Housing Revenue Account Outturn 2011/12

Appendix C - Capital Programme Outturn 2011/12

Appendix D – Reserves Statement as at 31<sup>st</sup> March 2012