

# REPORT TO GOVERNANCE AND AUDIT COMMITTEE

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

**REPORT NO: HOF236**

**DATE: 27th June 2013**

<b>TITLE:</b>	<b>Outturn Position 2012/13</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>		

## 1. RECOMMENDATIONS

- 1.1 It is recommended that Members of the Governance and Audit Committee:
- 1.2 Review, appraise and approve the Revenue and Capital Outturn report and associated appendices for 2012/13, including the movement and use of reserves and the establishment of the set-a-sides as detailed in the report.
- 1.3 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 2012/13 for both General Fund and Housing Revenue Account. It covers:

- Revenue outturn 2012/13
- Capital outturn 2012/13
- Commentary on the revenue and capital outturn
- Commentary and review of reserves and a reserves statement

The original base budget for 2012/13 was approved by Council on 1st March 2012 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 which 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 2013 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 Governance and Audit Committee with the detail of the Council's outturn position for the financial year 2012/13. In order to comply with International Financial Reporting Standards a number of technical accounting entries are required to be made which can create significant variances. The report attempts to ensure that, through explanation and presentation, that the final account figures can be reconciled back to the original budget set by Council in March 2012.

3.2 The financial year 2012/13 saw the continuation of the Government's austerity plans with a further £981K reduction in Government grant. The Council has responded to this by continuing the implementation of a number of cost saving initiatives and by asking residents to make a financial contribution towards the green waste service. The Council will continue to face further financial challenges with the introduction of localised council tax support scheme and the localisation of business rates, both from April 2013.

- 3.3 **General Fund Revenue Account** has an outturn of £16.009M (see table 1 page 3) after adjusting for a contribution towards capital financing, set asides for service expenditure and retaining key reserves. In addition a further £241K 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 **Housing Revenue Account (HRA)** is in a financial position at the year end where it can make a contribution to the loan repayment reserve of £1.685M and contribute £500K for the formation of a HRA improvement reserve. This year end surplus is in accordance with the HRA financial plan which projects annual surpluses in order to increase its working balances to meet the construction costs of additional homes and to meet the repayment cost of the maturity loan of £25M. Detailed variances are provided at section 5.
- 3.5 **General Fund Capital Programme** has an outturn of £5.534M compared with an original budget of £6.477M. Commentary on individual scheme progress is contained in section 6 of the report. The programme was revised as part of the budget setting process and undergoes regular monitoring to improve programme budgeting to improve cash flow. Details of the full programme are contained at Appendix C.
- 3.6 The **Housing Investment Programme (HIP)** shows an outturn position of £4.835M compared to a budget of £4.411M. 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 2012/13 Outturn

This 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

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

Table 1

Service Area		2012/13	2012/13	2012/13	2012/13
		Original Base	Adjusted	Outturn	Variance (adjusted)
		£'000	£'000	£'000	£'000
1	Community Assets	3,060	3,036	2,622	(414)
2	Operational Management	815	815	650	(165)
3	Development & Growth	2,219	2,226	2,201	(25)
4	Environmental Services	5,716	5,683	5,723	40
5	Finance	1,494	1,552	1,293	(259)
6	Housing & Neighbourhoods	607	607	671	64
7	People, Projects and Performance	343	313	331	18
8	Legal & Democratic	1,144	1,143	1,055	(88)
9	Property Development	116	139	86	(53)
10	Special Expense Areas	594	594	557	(37)
11	Net Total	16,108	16,108	15,189	(919)
12	Removal of accounting adjustments*			687	
<b>13</b>	<b>General Fund Total</b>	<b>16,108</b>	<b>16,108</b>	<b>15,876</b>	
14	Set aside sums 2012/13**			232	
15	Creation of provisions (asset maintenance, ICT Reserve)			175	
16	Additional revenue contribution to Capital Expenditure			162	
17	Use of reserves to fund expenditure			(436)	
<b>18</b>	<b>Restated General Fund Total</b>	<b>16,108</b>	<b>16,108</b>	<b>16,009</b>	<b>(99)</b>

Notes:

\*Line 12 – 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.

\*\*line 14 – services have rolled forward resources into 2013/14 in order to complete pieces of work and initiatives that have been planned and been unable to commence in the year. Set aside also enables the smoothing out the costs of reactive spend that are unable to be budgeted for accurately for example repairs and maintenance. (see paragraph 7.3.6 in reserves and balances review).

4.2.2 The total revenue contribution to the capital programme for 2012/13 is £821K which comprises of the original budgeted figure of £659K plus additional contributions with respect to the South Kesteven Community Point project of £105K, cemetery works £27K and £30K for the purchase of an additional street scene vehicle.

4.2.3 In accordance with Council's policy with respect to the reserves the following expenditure has been financed from the specific provisions that have been established.

Table 2

<b>Reserve Heading</b>	<b>Balance b/f (£K)</b>	<b>In –year use (£K)</b>	<b>Balance c/f (£K)</b>
Destination SK	100	(39)	61
Events and Festivals	295	(98)	197
Waste Management	150	(8)	142
Corporate Reviews	75	(18)	57
Corporate Training	170	(149)	21
Waste and Recycling set-a-side	50	(50)	0
Property Development	63	(63)	0
Insurance	488	(12)	476
ICT	84	(84)	0
<b>Total</b>	<b>1,475</b>	<b>(521)</b>	<b>954</b>

### **4.3 Summary of Key Variances**

The following is a summary of the key variances by service area that can be referenced at appendix A.

#### **4.3.1 Community Assets**

Arts and events – this area has a variance of £35K. Income has not reached the targets and this has been exacerbated by the impact of the severe winter weather affecting attendance at two high profile Meres events. Music in Quiet

places also fell short on income and appeared partially affected by high profile national events such as jubilee celebrations and the Olympics. However significant fringe benefits continue from live events with increased box office takings at both arts Centres.

A revaluation of the Grantham Meres Leisure Centre, Deepings Leisure Centre and Stamford 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.

Guildhall Arts Centre – due to improvement works at the Centre, including the refurbishment of the clock tower, the annual capital charges have been increased by £100K resulting in a variance when compared with original budget.

Markets – both Stamford and Grantham markets have suffered during the year with particularly adverse winter weather with 7% of the markets affected. This has resulted in lower income being received (Stamford £11k and Grantham £12K).

Olympic torch – the costs associated with the delivery of the Olympic Torch project will be met from the events and festivals reserve.

Stamford Arts Centre – Redecoration and improvement works of £30K have been undertaken during the year which have been met from service underspends.

Corn Exchange – following the temporary closure of the facility and the associated disruption to the building whilst the Community Point was being constructed, overall income levels were reduced by £12K.

Overall participation in arts and cultural events increased during the year and 2012/13 saw 93,000 tickets sold for the varied programme on offer within the Arts Centres in addition to the massive participation in community events such as the Olympic Torch relay days, Gravity Fields, Meres Live and the BRM celebrations in Bourne.

#### 4.3.2 Operational Management

Corporate costs – there was a saving of £41K in respect of external audit fees following the transfer of audit responsibility from Audit Commission to KPMG mid-year. There has been a saving of £27K on annual subscriptions following a review of the number of subscriptions the Authority makes during the year. The remainder of the overall variance of £165K relates to a reduction in support service allocations.

Strategic/operational management – there have been salary savings of £77K in response to the sharing of key senior staffing posts during the year and in-year vacancies in the support services.

#### 4.3.3 Development and Growth

Development Management – due to an increase in the number of major applications received there has been an increase of £88K in income during the year.

Economic Development – there have been a number of events and festivals during the year including Gravity Fields and promoting South Kesteven which were planned to be financed from earmarked reserves. £45K is to be financed from the events and festivals and £39k from destination SK. In addition to this it was also agreed to fund £15K of expenditure on the Gravity Fields festival 2014 from this year in respect of initial preparatory work.

Planning Policy – the underspend within this area is mainly related to the examination of the Grantham Area Action Plan (GAAP) and the Site Allocation and Policies Plan (SAP) which were expected to be completed by the end of March 2013. In the event, the GAAP was withdrawn by the Council in January 2013 and the examination of the SAP was suspended in March 2013 to enable some additional work to be undertaken. It is expected to recommence the examination of the SAP in June 2013 (with anticipated adoption of the Plan by the end of 2013).

#### 4.3.4 Environmental Services

CCTV – there is a variance of £48K which is in relation to an increase in income received from the monitoring service and a contribution to its costs from 2<sup>nd</sup> homes receipts.

Green waste charging – following the introduction of this initiative the income received was £648K. This was largely due to the budget being set at a take up rate of 50% with the actual take up being 90%. This income was used to off-set the operational costs of providing the service and to enhance litter picking and the clearing of fly tipping by the provision of extra staff and the purchase of a further vehicle.

Private Sector Landlords – there is a variance of £194K of which is in relation to capital expenditure that has been charged to a revenue cost centre in respect of disabled facilities grants.

Waste management – the service area has utilised a set-aside sum of £50K to fund vehicle hire charges during the course of the year following the write off of a waste vehicle and reliability issues with the fleet. There has been a reduction in recycling credit income of £38K following an increase in contamination rate from a budgeted 5% to an actual rate of 9%. This resulted in an unanticipated loss of 471 tonnes of recyclable material in conjunction with an overall reduction in collectable tonnage of 490 tonnes. The percentage of waste recycled during 2012/13 (49.5%) was marginally up on the previous year and almost met the target of 50%.

#### 4.3.5 Finance

Benefits Administration – Additional expenditure has been incurred in respect of the necessary system enhancements in order to implement recent the welfare reform changes. However, the authority has received government grant funding of £84K which will be used to offset this expenditure.

#### 4.3.6 Housing and Neighbourhoods

Helpline – there has been a small deficit of £47K incurred during the year in relation to the one-off costs associated with the transfer of the monitoring arrangements to the City of Lincoln Council. Going forward the transfer will generate an annual saving of £150K for the Authority.

Housing Solutions – the service receives specific grant relating to the provision of the homelessness service which will be used fund the additional expenditure incurred.

#### 4.3.7 Legal and Democratic

Democratic Representation – overall there has been a variance of £80K including an underspend on expenditure of £23K relating to 2 members not wishing to receive their permitted allowances and 2<sup>nd</sup> homes funding has been allocated to finance a new post in the Democratic team.

#### 4.3.8 Property Development

Building Control – income have suffered as a result of the economic climate and income is £53K below budgeted levels for 2012/13. A service improvement action plan is being developed in order to address this continuing issue and enable the chargeable element of the service to operate on a competitive basis.

Bus Stations – A revaluation 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.

Car Parks - The overall outturn of 2012/13 is broadly comparable with the outturn position of 2011/12.

- Grantham car parks - there are only small movements in usage overall, the main one being Guildhall Street has less income when compared to last year (£10k) which is due to a decrease in the short stay tariffs (2 hours and less) but this has been offset by small increases at other car parks. In respect of CPE there has been a slight increase in all day tickets being sold between December and March when compared with the same period from the previous year.
- Stamford Car Parks - income is down by £47k overall compared to 2011/2012. In summary the movements in usage across years; Cattlemarket is 16% down (£20k) and North Street is 12% down (£10k). St Leonard's Street, Wharf Road and Bath Row are down by £17k in total. Significant changes in ticket purchasing profile has occurred in respect of Cattlemarket: 19% reduced on up

to 3hr tickets, 15% and reduced sales on the up to 4hr tickets and North Street: 16% reduced on up to 30mins tickets, 18% reduced on up to 1hr tickets and 16% reduced on up to 2hr tickets).

- In respect of CPE there has been a similar impact on all day tickets being sold between December and March 2013 as the over 4hrs/ all day tickets have seen an increase of approximately £10k.

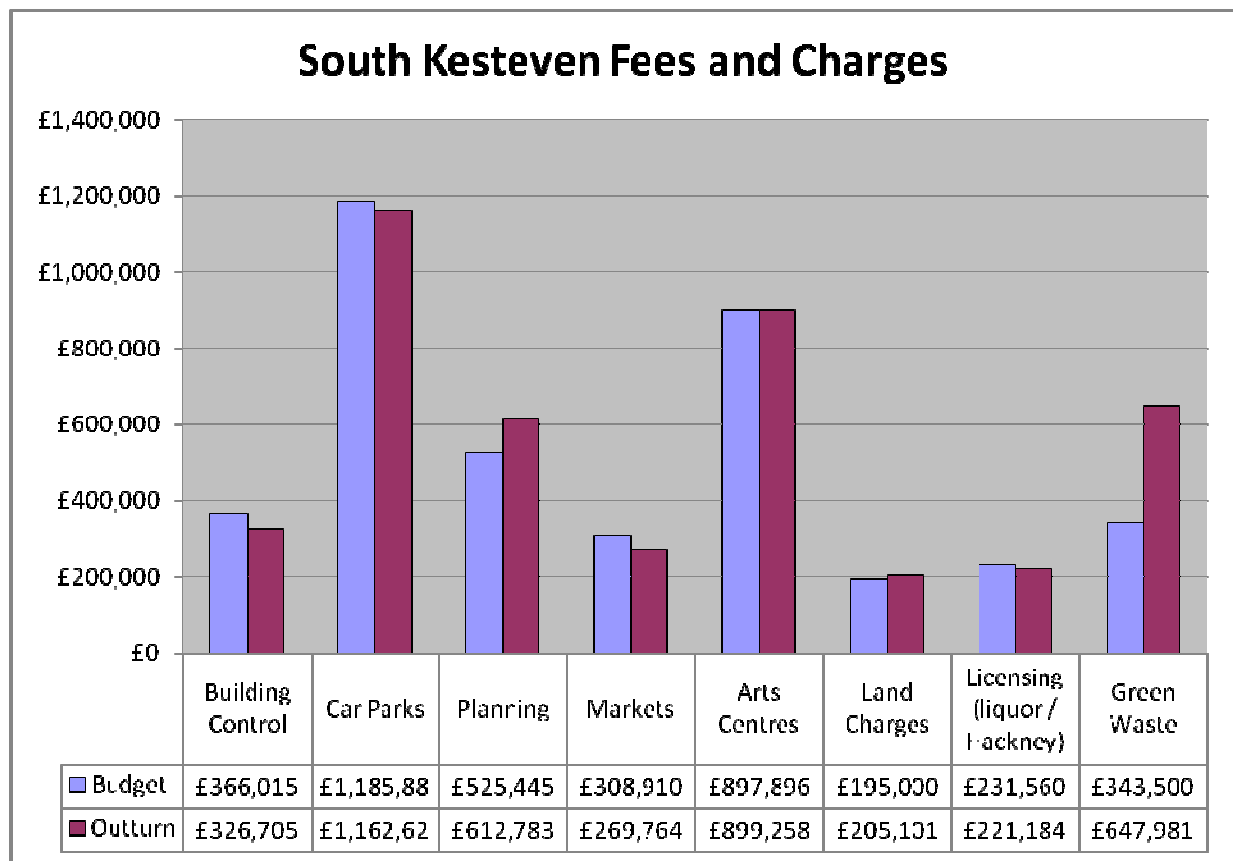
Miscellaneous Property – there has been additional income of £32K in respect of new leases for occupation of Council owned land and expenditure is reduced following savings of £41K in relation to non domestic rates.

#### 4.3.9 Special Expense Area

Langtoft SEA – there has been a revaluation of the pavilion resulting in a reduction in capital charges. This variance will not have any impact on the Langtoft SEA reserve.

#### 4.3.10 Income Summary

Table 3



## 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.

- 5.2 **Housing Revenue Account (HRA)** is in a financial position at the year end where it can make the planned contribution to the loan repayment reserve of £1.685M and the £500K for the formation of a HRA improvement reserve. This year end surplus is in accordance with the HRA financial plan which projects annual surpluses in order to increase its working balances to meet the construction costs of additional homes and to meet the repayment cost of the maturity loan of £25M.
- 5.3. **Dwelling rents and other income**– the performance for the collection of rents has improved during the financial year (98.7% collected compared with the target of 98.2%) and the remaining rents due will continue to be recovered during 2013/14. One significant factor in the increase in rent collection is the continued improvement in void turnaround times leading to a lower level of Council housing properties being throughout the year. The average cumulative void ratio for 2012/2013 was 1.022%. The bad debt provision has been credited to reflect the position.
- 5.4. **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 £306K includes 2 specific schemes that will be undertaken during 2013/14 and a year end set-a-side will be created for this purpose. These are £184K for doors and electrical assessment works at communal dwellings and £105K for the continuation of the painting works. There was an underspend of £160K in respect of an asbestos works associated with the insulation of external walls. Detailed surveys revealed that this level of expenditure was not required. There was a £44K saving in respect of the insulation works due to an external grant being awarded to fund the programme. There has also been an increase in support charges (£84K) from the general fund to reflect the increased support to the HRA undertaken during the year.
- 5.5 **Supervision and Management** – there has been an underspend of £134K which represents a variance of 4% compared with original budget. An allocation of £60K relating to this underspend has been identified for a pilot project to assist tenants to manage the changes introduced by the introduction of the housing benefit size criteria (known as the bedroom tax).

## **6. CAPITAL EXPENDITURE**

- 6.1 During 2012/13 the Council's total capital investment was £10.369M (details are provided at appendix C). A summary of the expenditure is set out below and is compared to the original estimated base programme.

Table 4

	Corporate Area	2012/13 Original Base	2012/13 Outturn	2012/13 Variance
		£k	£k	£k
1	Grow the Economy	4,080	1,107	(2,973)
2	Good Housing for all	900	1,710	810
3	Promote leisure and Arts	242	91	(151)
4	Keep SK green, clean	925	1,494	569
5	Well Run Council	330	988	658
6	Other (previous year scheme)	0	144	144
<b>7</b>	<b>General Fund Sub Total</b>	<b>6,477</b>	<b>5,534</b>	<b>(943)</b>
8	Housing Revenue Account	4,,411	4,835	424
<b>9</b>	<b>Total Capital Programme</b>	<b>10,888</b>	<b>10,369</b>	<b>(519)</b>

6.2 **Capital Programme** - The capital programme for 2012/13 was agreed by Council at its meeting on 1st March 2012 and included a number of capital projects that were continuing from the previous financial year. The outturn position of £5.534M represents a variance of £943K compared with the original base.

6.3 **Variance Analysis – General Fund (Appendix C)**

**Grow the Economy**

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. The first phase of the project which includes the mill conversion is due to be complete in June 2013 with deposits being received in respect of all the apartments. It is anticipated the total scheme will be completed in August 2013 and the remaining budget will be fully spent to support the completion of the works.

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, BIC, shop front schemes and the development of serviced land. These schemes will therefore continue to receive funding in 2013/14 and the underspend in 2012/13 will carry forward into 2013/14.

- 6.3.3 Budget slippages are identified for the shop front scheme project (£75K) and the serviced land (£600K) as both of these are expected to be completed during 2013/14.

#### **Support Good Housing for All**

- 6.3.4 Housing Improvement Grants – there are a number of specific schemes within this category that are utilised in accordance to 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.
- 6.3.5 Local Authority Mortgage Scheme – In accordance with accounting treatment the £1M committed sum is treated as capital expenditure.

#### **Promote Leisure, Arts and Culture**

- 6.3.6 The majority of the expenditure items have been incurred in accordance with the allocated budgets. The expenditure for the new market store at Bourne will be financed by a service revenue contribution as part of the new South Kesteven Community Access Point project. No expenditure has been incurred in respect of the premises at Broad Street alterations or the replacement of the Stamford Arts Centre central heating system as both of these items are being separately considered as part of the asset management plan.

#### **Keep SK clean, green and healthy**

- 6.3.7 Four additional vehicles have been purchased in respect of the waste and recycling service. A number of these vehicles have been purchased earlier than anticipated and the budget provision had been included in the 2013/14 financial year rather than 2012/13. Therefore the budget allocation for 2013/14 can be reduced by £576K to reflect this change to the procurement profile.
- 6.3.8 The expenditure incurred in respect of the cycle path improvements, the Sudbrook sewer works and the air quality monitoring device are all classed as revenue expenditure and have therefore these have been transferred to the revenue outturn. No expenditure has been incurred in respect of joint Authority CCTV provision as the proposed project has been deferred.

#### **Well Run Council**

- 6.3.9 Area Office upgrades – the South Kesteven Community Access Point became operational in March 2013 and is providing a multi agency customer facility for the residents of Bourne and the surrounding area. During the delivery of the project the opportunity was taken to include modern agile office space on the first floor and upgrade the Corn Exchange offer. These items introduced additional costs to the project which have been partly financed from further contributions from partners which total £360k. The expenditure incurred in respect of Abbey Road alterations have been financed by service revenue contributions.

6.3.10 The expenditure incurred in respect of ICT systems and replacements is split between £80K for the Community Point upgrade and the balance of £151K for system upgrades, implementation of a new firewall and network improvements.

#### **Summary of Capital Outturn**

6.3.11 The following slippage amounts have been identified for inclusion into the 2013/14 General Fund capital programme:

- Shop front scheme – slippage of £75K
- Serviced Land – slippage of £600K
- Better Homes grant – reduce programme by £28K
- Empty Homes grant – slippage of £20K
- Street Scene Vehicle Procurement – reduce programme by £576K

6.3.12 **Housing Revenue Account Capital Programme** – the capital programme for 2012/13 was set at £4.411M. A forecast position was undertaken in January 2013 to £4.404M (and presented in the 2013/14 budget estimates to Council in March 2013). The outturn for 2012/13 is £4.835M. This represents a variance of £424K compared to original budget.

### **6.5 Variance Analysis HRA (Appendix C)**

6.5.1 Repairs and Improvement – the schemes with respect to upgrading sheltered housing schemes, replacement of the passenger lift at Rectory Close Barrowby, refurbishment works at Rectory Close Barrowby and the new scooter store at Hilary close Stamford have all been completed with an overall underspend saving of £180K. This is partially due to a reduction in works carried out at Rectory Close, Barrowby, but also a reflection on the competitive tenders received.

6.5.2 Heating and ventilation – the scheduled programme of works for 2012/13 has been completed with an overspend of £67K which is a budget variance of 4.7%. This increase in expenditure reflects the cost of essential and unforeseen works on this area of the programme

- 6.5.3 Property refurbishments – Two long term voids at 25 Halfleet, Market Deeping and 2 Paddocks Estate, Horbling were refurbished following consultation with housing management. The costs of these refurbishments were £41K and £27K respectively; the decision to refurbish these properties and bring them back into the housing stock was taken due to the housing need in these areas. In addition 8 properties which became vacant during the year at Wood View, Bourne had new staircases installed at a cost of £75K. This work was necessary due to the original design of the staircases which were a health and safety risk. 88 properties were completed as major voids during 2012/13 using an external measured term contract which includes turn round timescales to further reduce void times – a report is being prepared with respect to a financial appraisal on the benefits of investing in the properties to ensure a faster turn rounds versus loss of rent. Earlier reference is made in paragraph 5.3 to the average cumulative void ratio being 1.022% for 2012/13. These properties are also

brought up to the decent homes standard whilst void, which will result in a comparable reduction in decent homes expenditure for specific elements of works in 2013/14. The approximate costs of these particular works were £90K. These works resulted in an overall overspend of £622K which will be met by the Major Repairs Reserve.

- 6.5.4 Re-roofing - Additional costs have been incurred on this contract during 2012/13 due to the licensed asbestos removal of AIB soffits on a number of properties. As these works incorporate improvement works in respect of chimney works and essential works the combined budgets of £150K will be used to offset the additional £385K that has been incurred. In total an additional 222 properties were improved during last year which will reflect in proportional reductions in the Decent Homes programme of work between now and March 2015.
- 6.5.5 Re-wiring – an underspend of £55K due to a reduction in the number of properties requiring re-wiring during 2012/13 as a result of the implementation of a pre inspection testing programme.
- 6.5.6 Upgrade tunstall system £82K – this proposal was not taken forward following the decision to transfer the monitoring of the helpline customers to City of Lincoln Council.
- 6.5.7 Vehicle Management system for repairs – the budget of £50K has been slipped in 2013/14 following the implementation of the mobile craftworking project. The need for this additional systems will be evaluated once the mobile system is fully operational.
- 6.5.8 Mobilisation of craft working software – £30K of this budget has been incurred during 2012/13 (charged to revenue as non-enhancing expenditure) and the balance of £74K will be incurred in 2013/14 when the system has been installed, tested, is fully operational and capable of delivering efficiency savings.

## **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**

The General Fund capital programme has delivered a number of key projects for the Authority and funding for the expenditure has been derived from a number of sources. The majority of the funding has been from the General Fund Capital Reserve and all of the remaining balance of £3.061M has been fully utilised. Going forward the capital programme will be primarily funded by the useable capital receipts reserve.

#### 7.2.2 Useable Capital Receipts Reserve £6.391M

This reserve is one of the primary sources to fund the General Fund capital programme and has, during the course of the year, been credited with the sales with respect to surplus vehicles that have been sold. £383k has been used to contribute towards the financing of the capital programme. However, it is recognised that there have been no strategic asset sales during the year and this will become a key primary focus as part of the asset management plan in order to ensure the reserve is replenished to be able to contribute to the capital programme in the future.

#### 7.2.3 Major Repairs Reserve (HRA) £3.396M

This reserve has received £5.549M as the notional Major Repairs Allowance to fund its capital expenditure has incurred a charge of £4.835M to fund capital items. It has also contributed to a proportion of the annuity payment of £1.631M leaving a balance of £3.396M. This will continue to be the primary financing for the HRA capital programme.

#### 7.2.4 Capital Receipts Reserve (HRA) £591K

Following the introduction of the self financing arrangements, the Council has established a capital receipts reserve where the RTB sale receipts are allocated. This reserve will be utilised to contribute to the provision of affordable housing and the provision of additional Council housing stock.

### **7.3 Specific Revenue Reserves**

#### 7.3.1 Insurance Fund - £556K

The insurance fund provides cover to meet unforeseen costs relating to insurance claims over and above the provisions made in year as part of managing the 'in house risk' with an increased self-insured strategy. During the year 12k has been used to meet unforeseen planning appeal costs and a contribution (£80k) has been made to the reserve as part of the internal premium allocations due to costs of settled claims in year being lower than anticipated. The internal premiums will be reviewed during 2013/14 to ensure they are appropriate for the level of insurance risk being carried by the Council.

#### 7.3.2 Pension Reserves £1.793M

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 level and policy use of the reserve will be reviewed as part of the broader review of all Council reserves as a key part of the medium term financial planning.

#### 7.3.3 Priority Themes and Service Improvement Reserve £3.615M

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 2013/14. These are listed and detailed at Appendix D.

#### 7.3.4 Building Control Account Reserve (£52K)

The Building Control service is split between chargeable and non-chargeable activities. The reserve position as at 31 March 2013 shows an overall trading deficit of £52K. This is an accumulated deficit over the last 3 years. The service is currently undergoing a fundamental review in order to align its costs against an achievable income level. If approved it is expected that these actions will enable the service to achieve a sustainable financial position.

#### 7.3.5 Special Expense Area (SEA) reserve £98K

This reserve is utilised to financially support transactions and future spending proposals in respect of the SEAs. During the course of the year £53K has been transferred from the Grantham SEA reserve to contribute towards the financing of the cemetery works. The individual closing balances is Deepings SEA £1K, Bourne SEA £6K, Grantham SEA £37K, Langtoft SEA £2K and Stamford SEA £52K.

#### 7.3.6 Maintenance Reserve

As part of the closure of the accounts it is proposed to establish a maintenance reserve with an opening balance of £100K which will be utilised to meet the costs of reactive and emerging maintenance and improvement works for General Fund assets. This will be utilised during the year to meet unforeseen costs and will be replenished as part of the cyclical closedown process.

#### 7.3.7 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 2012/13 financial year. Specifically these are:

- ICT £73K
- Corporate Training £21K

- Private Sector Stock Condition Survey £69K
- Neighbourhood Community Planning £23K
- Street Scene £22K
- Health and Wellbeing employee programme £10K
- Back Scanning Development Control £15K
- Electoral Roll – single registration £20K

#### 7.3.8 New Homes Bonus Reserve £1.955M

The government introduced the New Home Bonus (NHB) as a funding mechanism to incentivise growth in new houses. Under the scheme, the Government make a payment equal to the national average for the Council Tax on each additional property built, or empty property brought back into use. The payment is received for 6 years and is split between the District Council and County Council; 80% to 20%, respectively. New Homes Bonus payments are not ring-fenced, and can thus be spent by Local Authorities as they wish. The Medium Term Financial Strategy is reviewing the policy with respect to the use of NHB.

#### 7.3.9 Invest to Save £500K

This reserve is available for opportunities to fund investment opportunities that will deliver long term financial savings to the Council for example the deployment of ICT to provide electronic solutions to delivering customer solutions.

### 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 14.7% of net original base budget for 2012/13 (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 2013 is £8.946M. 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 APPENDICES:

Appendix A - General Fund Revenue Outturn 2012/13

Appendix B - Housing Revenue Account Outturn 2012/13

Appendix C - Capital Programme Outturn 2012/13

Appendix D – Reserves Statement as at 31<sup>st</sup> March 2013

