
REPORT TO:	FINANCE & MANAGEMENT COMMITTEE	AGENDA ITEM: 16
DATE OF MEETING:	22nd JUNE 2006	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/finalaccounts/budgetout-turnreport2006
SUBJECT:	BUDGET OUT-TURN 2005/06	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

1.1 To consider and approve the out-turn position for:

- General Fund Revenue Account 2005/06 (as detailed in Appendices 1 and 2)
- Housing Revenue Account 2005/06 (as detailed in Appendix 3)
- Capital Expenditure and Financing 2005/06 (as detailed in Appendix 4)
- Collection Fund (as detailed in Appendix 6)

1.2 To consider and approve:

- Proposed transfer to Earmarked Reserves 2005/06 (as listed in Appendix 5)
- The Council's level and proposed utilisation of Earmarked Reserves

2.0 Purpose of Report

2.1 To detail the final out-turn position for 2005/06 on the Council's main revenue and capital accounts. It also sets out the various reserves currently held by the Council, their purpose, and proposals for future utilisation.

3.0 Executive Summary

- 3.1 The Council's out-turn on its General Fund and Housing Revenue Accounts shows a much more favourable position compared to that estimated. This has increased the level of general reserves as at 31st March 2006 compared to that estimated.
- 3.2 The main reasons for the better position were additional subsidy income for housing benefits together with additional income from planning and building regulation fees.
- 3.3 Overall, spending on General Fund Services was maintained within budget and there were no major overspends. The repairs budget on the HRA was exceeded, although this was substantially less than projections earlier in the year.

- 3.4 Overall capital investment was greater than estimated, although this was due to additional works financed from external contributions and grant, in particular at Rosliston Forestry Centre. Some larger schemes, such as Maurice Lea and Coton Park were substantially completed in the year. In addition, the Council's allocation for improving council houses was all but fully utilised.
- 3.5 The amount of capital receipts generated in the year was greater than estimated. This was due to a few more council house sales being completed during the later part of the year, together with repayment of discounts and other grants paid in previous years.

4.0 Detail

Context

- 4.1 The Council's draft annual Accounts and Financial Statements (subject to Audit) will be submitted to this Committee for consideration on 29th June 2006. This is the statutory document that will set out details of the Council's financial position, assets and liabilities as at 31st March 2006.
- 4.2 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 timely information about the closedown position and its impact on overall finances.
- 4.3 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 2007/08. The MTFP (2006 to 2009) will be reviewed and updated and tabled at the Committee on 27th July 2006.

GENERAL FUND REVENUE ACCOUNT

- 4.4 **Appendix 1** details the main service heads for each Committee, which shows the approved estimate (probable out-turn) compared to the actual out-turn for 2005/06. The variance splits out internal capital charges to show in effect the true variance for each cost centre.
- 4.5 **Appendix 2** summarises the overall position on the General Fund, after adjusting for capital charges, financing (Government Grant and Council Tax) and the impact of earmarked reserves.
- 4.6 The approved probable out-turn estimated a deficit on the General Fund of £159,280. The actual out-turn before contributions to earmarked reserves, i.e. proposed carry forwards was a surplus of £890,619 – an overall reduction in net revenue expenditure of £1,049,899. The major variances are outlined in the following table.

Variance compared to Probable Out-turn 2005/06	£'000
Additional Income	
• Planning Applications and Building Regulation Fees	205
• Liquor Licensing	10
• Bank and Cash Flow Interest	22
• Housing Benefit (Mainly Rent Allowances Subsidy)	456
• Property – lettings, lease renewals, rent reviews, etc	16
Total – Increased Income	709
Committed Budgets from 05/06 to be carried forward (Appendix 5)	278
Main Underspendings	
• Refund of Business Rates on Market Premises	22
• Grounds/Parks Maintenance	36
• Other Variations (net)	5
Total – Underspendings	63
Overall Reduction in Net Revenue Expenditure 2005/06	1,050

4.7 These variances are generally those that were reported to Committee on 4th May 2006 as part of the provisional out-turn report. That report projected an overall reduction in net revenue expenditure for the year of approximately £613,000.

4.8 The increase to £1,050k (of around £437,000) is mainly attributable to additional housing benefit subsidy for rent allowances (£350,000), together with further planning fees of £47,000 and the refund of business rates on the Market of £22,000.

Rent Allowance Subsidy

4.9 Clearly this is the largest variance from those previously projected. In effect, the Council achieved almost 100% reimbursement of benefits paid in 2005/06 (it's usually around 96% to 97%). This was due to the changes introduced to the subsidy system back in April 2005.

4.10 Unfortunately, the exact income cannot easily be predicted until the final subsidy claim is compiled at the year-end. To a certain extent, the additional income does reflect good performance in processing claims as the level of overpayments for instance, was kept within a designated threshold.

4.11 There is a smaller down side to this in that the level of provision for bad debts on previous overpayments needed to be increased by an additional £50,000 for 2005/06. This reflects the age and slow (if ever) recovery of housing benefit overpayments.

Overall Spending

4.12 Clearly, the main reason for the large variance was infact increased income (including the above subsidy). Fees from planning applications and building regulations continue to increase and, as reported in May 2006, the base budget should again be reviewed.

4.13 There were no major overspends and spending in many areas was infact under budget. Of the £1,050,000, approximately £278,000 has been identified as "carry

over” to meet commitments and help supplement budgets in 2006/07. These items are detailed in **Appendix 5** and are mainly those approved in principle by Committee on 4th May.

4.14 This leaves an amount of approximately £3/4m that has been transferred to general reserves.

General Reserves

4.15 These now stand at £3,465,959 as at 31st March 2006, after proposed contributions to earmarked reserves. This compares to an anticipated level of reserves of £2,715,920 (i.e. an additional £3/4m).

4.16 Clearly, this helps to consolidate further the 3-year level of balances that are now projected to be well above the minimum level as required in the Financial Strategy. If required, this also provides additional resources at the Council’s disposal.

4.17 The Medium-Term Financial Plan will be reviewed and updated as planned and tabled at the Committee’s meeting on 27th July 2006.

HOUSING REVENUE ACCOUNT (HRA)

4.18 The final accounts (**summarised in Appendix 3**) for 2005/06, also shows an improved position to that estimated, with reserve balances standing at around £1.478m at 31st March 2006. This is approximately £74,000 more than estimated and compares with a provisional figure of £36,000.

4.19 Again, additional income accrued to the HRA in the form of rents, but mainly through extra Supporting People Grant – an additional £5,000 per month reflecting eligibility and turnover rates in the year. The overall increase in income (£91,000) represents approximately 1% of the total amount due from tenants and the County Council in rents.

4.20 There were 2 large variances on controllable expenditure – an under spend of £71,000 on Sheltered Housing and Other Services, but an overspend of £91,000 on housing repairs.

Sheltered and Other Services

4.21 Overall spending was approximately 8% lower on a total budget of £810,000. The main variances are summarised below:

- Renegotiation of a new contract to combine general and window cleaning and at a reduced price overall (£21,000).
- Grounds Maintenance (£30,000).
- Equipment, Furniture and Fittings (£12,000), although the planned replacement of new carpets in some schemes will now take place in 2006/07.
- Training (£4,000) – delayed to 2006/07 pending implementation of a training plan.

Repairs and Maintenance

- 4.22 Members may recall that previous monitoring reports and in particular, December 2006, projected a potential overspend on this budget (of approximately £297,000). Subsequently, officers advised that remedial action had been taken to maintain spending within the overall budget, although as at January 2006, there was still a projected overspend of £78,500.
- 4.23 Housing Managers advise that the final overspend was due to the following:
- The majority of the housing repairs overspend is due to unforeseen Heating System Failures and Electrical Rewires on void properties.
 - In a normal winter, there is approximately 15 heating failures that are dealt with by Responsive Maintenance at a cost of around £3,000 each, but there have been almost 50 such failures this winter.
 - Additionally, void properties are electrically inspected prior to re-letting, and an abnormal number have been found to require complete re-wires, resulting in a further large expense necessary before the property can be inhabited.
 - During the year, a lot has been achieved in bringing routine maintenance schedules up to date, and this resulted in a potential overspend that was mitigated by putting a stop on non-urgent responsive maintenance in February, with a subsequent saving on materials purchasing and sub-contracted work.

Overall HRA

- 4.24 Overall, the position on the HRA as at 31st March 2006 (i.e. a greater level of general reserves) will help to sustain the forecasted position over the 10-year business-planning period.

CAPITAL EXPENDITURE and FINANCING

- 4.25 Total capital spending for 2005/06 was £6.93m, which was an increase of approximately £400,000 on the overall budgeted programme. However, within this, additional expenditure was incurred, mainly due to the Council acting as the accountable body for the development works at Rosliston Forestry Centre.
- 4.26 Other schemes, replacing play equipment and housing improvements for example, also attracted additional funding. These works (apart from the Council's contribution) were financed from the external contributions.
- 4.27 There were other projects that were not completed by the year-end, but the larger schemes such as Maurice Lea and Coton Park were substantially completed and paid.
- 4.28 The full out-turn position detailing every scheme together with financing, is detailed in **Appendix 4**. When all current schemes are completed, additional Council resources (capital receipts) of approximately £20,000 will be required, as shown on **Page 8** of Appendix 4.

Capital Receipts

- 4.29 **Pages 9 and 10** on Appendix 4 show the level of capital receipts as at 31st March 2006. As forecasted in recent monitoring reports, additional council house sales increased the overall level of receipts (after Pooling) in the year. In addition, repayment of discounts and grants from previous years, together with asset sales, also added to resources received.
- 4.30 Compared to budget, the following additional resources generated in 2005/06 are available to meet the current projected shortfall on the 5-year investment programme and/or further investment.
- General Capital Receipts - £451,000, of which £140,000 is ring-fenced for town centre development. This also takes into account £20,000 of additional financing required in 2005/06.
 - Windfall Receipts (ring-fenced) - £113,000.
 - Capital Reserve (ring-fenced for Sheltered/Low Cost Affordable Housing) - £772,000.
- 4.31 The effect of these additional resources on the 5-year investment programme will be included in a review of the Medium-Term Financial Plan to be tabled at the Committee's meeting on 27th July 2006.

EARMARKED RESERVES

- 4.32 In addition to general reserves held for the General Fund and Housing Revenue Accounts, together with usable capital receipts, the Council have earmarked reserves held for specific purposes.
- 4.33 They are provided to meet future and known commitments and in some cases, to spread expenditure over a number of years. The current reserves are detailed in the following table.

Analysis of Earmarked Reserves	Balance 1-4-05 £	Less Used in Year £	Add Income in Year £	Balance 31-03-06 £
DSO	37,164	0	0	37,164
Commutation Adjustment	409,619	0	0	409,619
HRA – IT System	96,540	44,545	0	51,995
IT	97,397	3,800	122,080	215,677
Swadlincote Woodlands	293,634	39,220	0	254,414
Public Open Space	374,816	0	0	374,816
Commitments	556,831	466,831	772,480	862,480
Repton Parish Contributions	33,049	0	0	33,049
Renewals Fund	476,867	327,920	225,000	373,947
Local Strategic Partnership	16,350	0	18,000	34,350
TOTAL – Earmarked Reserves	2,392,267	882,316	1,137,560	2,647,511

DSO Reserve

- 4.34 This reserve was built up in previous years from surpluses made on the DSO trading account when these services were subject to compulsory competitive tendering. It is currently earmarked to fund one-off expenditure associated with transport and technical works and in particular, to meet any vehicle leasing costs associated with early termination or non-recoverable insurance costs.

Commutation Adjustment

- 4.35 This reserve had been built up on annual basis to meet the negative effect of the commutation adjustment, which would have been a cost on the Council's General Fund from 2008/09. However, accounting regulations under the Local Government Act 2003 effectively revoked this.
- 4.36 As approved during 2004/05, £550,000 of the original balance was transferred to set up a Renewals Fund for the future replacement of vehicles, plant and equipment.
- 4.37 It should be noted that as this reserve is no longer required it should be incorporated into the Council's general reserves in any case, unless the Council resolved to earmark the remaining sum for other purposes.

HRA – Housing IT System

- 4.38 This reserve has been set-aside as a contribution to the procurement of the new housing management/maintenance system. The balance will be used in 2006/07 to fund the remaining costs of the implementation.

IT/IEG Reserve

- 4.39 This reserve is to fund the replacement of computer hardware and software to generally upgrade I.T. and to help meet the requirements as set out in the Council's various IEG Statements. It has been funded by Government grants and from savings on current computer leases and other I.T. related running costs.

Swadlincote Woodlands (Section 106)

- 4.40 This reserve is to fund the costs of staffing, equipment upgrades and other running costs, associated with Swadlincote Woodlands. On current costs, this reserve should last for a further 6 years. In accordance with the Section 106 agreement, this money must be spent on the Woodlands.

Public Open Space

- 4.41 This is made up of several contributions received in previous years under Section 106 agreements to fund the development and maintenance of Public Open Space.

Commitment Reserve

- 4.42 This is to meet various commitments that were allocated in previous year's budgets but not spent. It also includes sums set-aside (as a contingency) to meet other known/possible commitments. This reserve is detailed in **Appendix 5** and mainly includes the carry forwards proposed elsewhere in this report.

Repton Parish Contributions

- 4.43 An amount remaining from the sale proceeds of Repton Depot that is earmarked to be spent on projects in Repton Parish.

Renewals Fund

- 4.44 In accordance with the Council's Medium Term Financial Plan, this fund was set up in 2004/05 to finance the future replacement of vehicles, plant and equipment.

THE COLLECTION FUND

- 4.45 The Council is required to maintain a separate income and collection account, showing the transactions relating to the collection of business rates and the council tax. This account also illustrates how this money has been distributed to preceptors and the Council's General Fund.
- 4.46 Any balance on the Fund is not available to supplement council spending and is effectively returned to council taxpayers through a lower bill in subsequent years. Approximately 90% of any balance is returned to other preceptors on the Fund.
- 4.47 The Council's account for 2005/06 is detailed in **Appendix 6**. This shows that the surplus on the Fund was approximately £150,000 less than estimated when setting the Council Tax. This was mainly due to an increase in the provision required for bad and doubtful debts for outstanding council tax due.

5.0 Financial Implications

- 5.1 As set out in the report.

6.0 Corporate Implications

- 6.1 None directly.

7.0 Community Implications

- 7.1 None directly.

8.0 Background Papers

- 8.1 None



"16.variance analysis
by Committee App1.⌵



16.App2.xls



16.App3.xls



16.App4.xls



16.App5.xls



16.App6.xls