

REPORT TO	DATE OF MEETING
Governance Committee	28 June 2011

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SUBJECT	PORTFOLIO	AUTHOR	ITEM
South Ribble Borough Council Budget Out-turn Report 2010/11	Finance & Resources	S Guinness	6(a)

SUMMARY AND LINK TO CORPORATE PRIORITIES

The new 2011 Accounts and Audit Regulations require that:

1. the responsible financial officer of the Council must sign and date the Statement of Accounts (SOA) no later than 30th June 2011 for the 2010/11 financial year;
2. the Annual Governance Statement (AGS) accompanies the Statement of Accounts;
3. the Statement of Accounts, including the AGS, is approved by members by 30 September 2011.

Previously the Accounts and Audit Regulations (2003) required the statement of accounts, including the Annual Governance Statement, to be approved by 30th June immediately following the end of the year.

This report has been prepared to notify members to of the 2010/11 Budget Out-turn position in relation to both Revenue and Capital expenditure.

RECOMMENDATIONS

That the Governance Committee:

1. note the contents of the report and appendices;
2. note the budget variances for 2010/11 listed at Appendix A;
3. approve that the budget items listed at Appendix D are carried forward to 2011/12;
4. approve the financing of the capital programme for 2010/11 and the carry forward of capital re-phasing to 2011/12 as outlined in this report;
5. endorse the retention of reserves at Appendix C together with the proposed contributions to and withdrawals from these reserves as detailed within the Statement of Accounts, in accordance with the policy as set out in this report.

EXECUTIVE SUMMARY

The main points arising from this report are:

1. The actual net revenue expenditure of the Council for 2010/11 was £14.538 million, this gives a surplus to be transferred to general reserves of £0.711 million. The expected financial position at year end previously reported to Members was an expected surplus to be transferred to general reserves of £0.093 million. This equates to an improvement in performance of £0.618 million and is principally due to a one-off saving:-
 - Transport costs, brought about by financially beneficial re-programming of vehicle replacements within Neighbourhoods and Street scene with regard to procurement and financing options (£0.130 million);
 - a higher amount of Housing Benefit Subsidy income (£0.267 million) than anticipated
 - additional income achieved (£0.139 million).
2. Additional budgetary savings have also been achieved across non employee budget heads as Budget Holders gear up to address the financial challenges set out in the Council's Medium Term Financial Strategy with regard to the 2010 Comprehensive Spending Review and uncertainty in funding levels in 2013/14 and beyond.
3. As above, it is important to note that the 2010/11 budget out-turn position is mainly attributable to one-off occurrences and should be considered in this context when assessing its impact on the Council's efficiency plans that must be on a recurring basis to be effective and sustainable.
4. The final position for 2010/11 has also allowed for a revision of the contributions to specific reserves in line with the Council's financial strategy and this will have the effect of strengthening the medium term financial planning process for 2011/12 and subsequent years.
5. All of the minor external audit issues raised in relation to the audit of 2009/10 accounts have been addressed.
6. With regard to the Council's statutory obligation to produce the year end Statement of Accounts (SOA) this is the first year in which the statements have been produced in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, (The Code). The Code is now based on International Financial Reporting Standards (IFRS) and has resulted in some significant changes in both the approval process and format.
7. In previous years the Governance Committee was required to approve the SOA before 30th June before it was inspected by external auditors to be returned back to the committee for final approval prior to 30th September.
8. This year the Chief Financial Officer approves the SOA prior to 30th June and the Governance Committee Members approve the document after the external inspection by 30th September. The SOA will to be made available to members for comment during the period of inspection.
9. The Core Financial Statements in the SOA are set out in a separate report on the agenda for information.
10. For 2010/11, there is a requirement for an audited Whole of Government Accounts (WGA), return to be submitted by 30th September 2011.

DETAILS AND REASONING

Background

11. This is the first year in which these statements have been produced in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, (The Code), which is based on International Financial Reporting Standards. This has resulted in some significant changes in both the approval process and format:-

- In previous years the Governance Committee was required to approve the SOA before 30th June before it was inspected by external auditors to be returned back to the committee for final approval prior to 30th September.
- This year the Chief Financial Officer approves the SOA prior to 30th June and the Governance Committee Members approve the document after the external inspection by 30th September. The SOA will to be made available to members for comment during the period of inspection.
- There will also be changes to the appearance and format of the statements and notes. It has meant that the statements for the previous year have had to be restated in order to enable a consistent comparison to be made between the years.

12. The main changes in the figures are summarised below:-

- the inclusion of an accrual of £157k for holiday entitlement outstanding at 31/3/2011.
- the reclassification of a single lease as a finance lease (negligible impact on the revenue account, but it has resulted in the deletion of a fixed asset and the introduction of a long term debtor)
- government grants and other contributions towards capital expenditure, totalling £1.186m in 2010/11 and £1.980m in 2009/10, now appear directly in the Comprehensive Income and Expenditure Statement in the year of receipt. Previously these amounts were released as income, over time, as assets were depreciated.
- Revaluation gains on investment properties, £0.442m loss in 2010/11 and £1.063m gain in 2009/10, have been credited to revenue. Previously they were posted to the Revaluation Reserve.

13. It is important to note that these changes do not impact on the charges to council tax payers. Regulations require compensating adjustments to be made.

14. The Code of Practice on Local Authority Accounting in the United Kingdom (the code) specifies the principles and practices of accounting required to give a "true and fair" view of the financial position and transactions of the Council and required by the Local Government Act 2003.

15. The Core Financial Statements are reported to Members within another report on the agenda and consist of the following:-

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- The Balance Sheet
- Cash Flow Statement
- Collection Fund Account
- Annual Governance Statement
- Notes to the Main Financial Statements
- Statement of Responsibilities for the Statement of Accounts

16. The Council's External Auditors will present the Annual Audit Letter to members later in the financial year, following the conclusion of the audit. It should be noted, however, that the preparation of this Statement of Accounts has involved consultation with the Council's External Auditors, and any observations have been taken into account as part of the process of producing this report.
17. The Council's External Auditors plan to conduct their final audit work during July and August. The Accounts will be available for public inspection from Friday 29th July 2011 for a period of 20 working days. The appointed day, on which electors may meet and question the Council's External Auditors in connection with their audit of the 2010/11 Statement of Accounts, has been designated as Friday 26th August 2011.
18. Members should note that, the Treasury's code for fiscal stability published in 1998 contains specific provisions relating to the production of the Whole of Government Accounts (WGA). These will be based on Generally Accepted Accounting Practice in the United Kingdom (UKGAAP) and they will provide a fully audited true and fair view of the Government's financial performance.

Summary of Financial Points within the Financial Statement of Accounts

REVENUE NET EXPENDITURE

19. Members will note that in setting the projected outturn budget for 2010/11 it was anticipated that a net contribution of £0.093 million would be released to the general reserve to balance the Council's overall revenue budget. Taking into account the final actual out-turn position, it is now proposed that this amount is revised to £0.711 million. In addition to this, in the light of the financial risks that face the Council there are some proposed changes to the contributions to and from specific (earmarked) reserves.
20. An explanation of the items affecting the variance is shown at Appendix A.
21. With regard to the income streams reported throughout the year the actual out-turn position achieved is as follows:-

Income Budgets	Projected Outturn Budget 2010/11	Actual Out-turn 2010/11	Variation to Budget 2010/11
Investment property Income	£910,350	£916,910	(£6,560)
Bulk Containers	£350,000	£347,252	£2,748
Planning Fee Income	£320,000	£352,558	(£32,558)
Building Control Income	£193,000	£180,907	£12,093
Land Charges	£80,000	£97,248	(£17,248)
Car parking Income	£95,100	£94,964	£136
Recycling	£78,600	£77,300	£1,300

CAPITAL EXPENDITURE & RECEIPTS

22. The original capital allocation for 2010/11 was revised during the year from £5,756,901 to £6,742,431 in order to incorporate the re-phasing of some capital projects from 2009/10. The major areas of capital expenditure and sources of funding are as follows:-

CAPITAL EXPENDITURE & FINANCING 2010/11	
	£000
Capital Expenditure	
Playgrounds, Recreation Areas & Open Spaces	296
Housing Grants	763
Asset Management	333
Vehicles, Plant and Equipment	1,431
Information Technology and communications	282
Regeneration	278
S106 Highways & Public Transport enhancements	193
Leisure Centre Assets	1,003
Total capital expenditure	4,579
	£000
Financing	
Deferred Purchase (leisure partnership)	764
Government Grants	804
Developers' contributions	536
Fund balances & reserves	761
Capital receipts	803
Revenue contributions	70
Borrowing	633
External Contributions	208
Total Financing of capital expenditure	4,579

23. The capital expenditure final actual out-turn for 2010/11 is £4,578,946 against a Projected Out-turn Budget of £5,084,587. The main reasons for the variations are summarised below:

CAPITAL EXPENDITURE 2010/11		
	£'000	£'000
Projected Outturn Budget for 2010/11 (to Cabinet 16th February 2011)		5,085
LESS Programmed in 2011/12:		
Finance & Resources		
Asset Management - General re-programming across a number of schemes		(385)
Shared Services & Corporate Support		
IT Schemes - Expenditure programmed for 11-12 includes: Customer Contact centre £34k; Financial Management Information System £52k		(89)
Strategic Planning & Housing		
Housing Grants	(186)	
Hulmes Mill Development – grant paid in 2011/12	(180)	(366)
Regeneration, Leisure & Healthy Communities		
Regeneration schemes to be completed in 2011/12	(58)	
Worden Park kiosk acquired in 2011/12	(20)	(78)
Neighbourhoods & Street Scene		
Vehicles & plant replacements programmed for 2011/12		(215)
Parks, Play areas & open spaces - works due to be completed in 2011/12:		
Gregson Lane play area	(38)	
Worden Park playground refurbishment	(56)	
Other schemes	(3)	(97)
Performance Related Grant		
Partnerships projects funded from Performance Related Grant		(35)
Total Programmed into 2011/12		(1,265)
PLUS Variations during the year:		
Shared Services & Corporate Support		
Computer Licences costs funded from revenue		(23)
Strategic Planning & Housing		
S106 Public Transport enhancements – additional funding received in year		40
Neighbourhoods & Street Scene		
Parks, Play areas & open spaces – net saving	(16)	
Vehicles, plant & equipment savings	(8)	(24)
Other minor variations		2
Total net underspending 2010/11		(5)
NET CAPITAL EXPENDITURE VARIATION		(1,270)
Leisure Partnership Investment		764
OUTTURN CAPITAL EXPENDITURE 2010/11		4,579

24. The re-programmed expenditure will, on approval, be incorporated into the 2011/12 Capital Programme.

The Balance Sheet

Icelandic Bank Investments

25. The Council had investments totalling £5.0m in the failed Icelandic Banks Landsbanki and Heritable. This is the third financial year in which the annual Statement of Accounts will incorporate the financial implications of this situation. The regulations require the Council to recognise that it is unlikely to recover the full amount invested and has to make a provision, known as an impairment to cover this. The cost of the impairment was charged to the General Fund in 2009/10.
26. In April the long awaited judgement of the Icelandic courts was delivered, upholding the priority status of Local Authority deposits in Landsbanki. This is still subject to further challenge in the Icelandic Supreme Court, and repayments are frozen until this is resolved (expected late autumn). 95% recovery is assumed, but the repayment period has been extended to 2018. This has necessitated an additional impairment charge of £146k. Repayment of the Heritable deposits has continued to be made at quarterly intervals. The recoverable amount has been reassessed as 85% (compared to 80% previously assumed), and the repayment period shortened by nine months to September 2012. This has reduced the impairment provision by £88k. Therefore this has resulted in a net impairment charge in 2010/11 of £58k (£146k Landsbanki less £88k Heritable). This is also detailed in the Treasury Management Annual Report also on this Committee's agenda.

Fixed Asset revaluations

27. The Council is required to revalue all its land and property assets within a five year period. In addition, each year it reviews the values of any assets which have been improved or developed, and those the values of which have been impaired because of physical damage or defects. K. J. Property Consultancy was commissioned to undertake this work in 2010/11 and the Council's Estates Surveyor also carried out some valuations. In total 78 assets have been re-valued during the year.

Debt Recovery

28. Pleasingly, given the current economic climate, Council Tax in-year collection rates in 2010/11 were exactly the same as in 2009/10. There was also an increase in the NNDR collection rate of 0.48%. (97.28% to 97.76%). Full analyses are shown in the statement at Appendix B.

Debtors

29. Members will note from the draft Balance Sheet that total debtors at the 31st March 2011 amounted to £4.284m compared with £6.922m at 31st March 2010, which is a reduction of £2.638m. The largest reduction is in the balance owing by the DCLG in respect of NNDR (fall of £1.6m) and Performance Reward Grant of £0.478m, these amounts had not been received and therefore accrued at 31st March 2010.
30. As in previous years, the bad debt provision has been reviewed to take account of the period of time the debts have been outstanding and the likelihood of ultimate recovery.

Creditors

31. Total creditors at the 31st March 2011 amounted to £3.456m compared with £4.073m at 31st March 2010, which has reduced by £0.617m. This is mainly due to the charge of £0.509m in respect of the Shared Financial Services Partnership with Chorley Council.

Revenue Reserves

32. The Council's accounting policy on reserves will be included in the accounting policies contained in the Statement of Accounts.

33. The following table shows the Council's overall level of revenue reserves as at 31st March 2010 and 31st March 2011, subject to the approval of the Statement of Accounts as drafted. This shows a General Fund balance of £3.303 million at 31st March 2010. The overall level of reserves has increased by £0.334 million, comprising of an increase in General Reserves of £0.711million offset by a reduction of £0.377million in Earmarked reserves, as detailed in Appendix C.

REVENUE RESERVES	31st March 2010 £'000	31st March 2011 £'000
General Fund Reserve	3,337	4,048
Earmarked and other Reserves	7,827	7,450
Total	11,164	11,498

34. In line with the recommendation of the Council's external auditors, strategic spending plans are maintained to support the reserves held by the Council. In setting the Medium Term Financial Strategy, the Council has acknowledged the longer term demands on certain reserves and accommodated these within its Medium Term Financial Strategy to address future expenditure pressures and risks facing the Council.

35. Members are asked to endorse the retention of reserves at Appendix C.

The Annual Governance Statement

36. The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the delivery of its services, having regard to a combination of economy, efficiency and effectiveness. This requires the Council to put in place proper arrangements for the governance of its affairs to support the achievement of its objectives, including the management of risk.

37. There is also a statutory requirement for the Council to conduct a review (at least once in a year) of the effectiveness of the internal control environment and to publish a statement on the adequacy of the system with its annual accounts. This statement is referred to as the Annual Governance Statement (AGS) and replaces the Statement of Internal Control that was presented in previous years.

38. The Council has adopted a Local Code of Governance that is consistent with best practice principles for public services and in particular for local government. The AGS demonstrates our compliance with the Local Code and explains our governance arrangements, how these were evaluated and future plans to improve and strengthen the governance environment.

39. A detailed report on the Annual Governance Statement is contained elsewhere on the Committee's agenda.

Future Risks to the Council's Medium Term Financial Strategy

40. The Council's Medium Term Financial Strategy is regularly reviewed by the cabinet member for Finance & Resources, Cabinet, Chief Executive, and the Senior Management Team. The budget monitoring process allows for issues to be highlighted and corrective action to be taken when necessary. The Council, however, faces a number of significant issues that may represent a risk to the assumptions made in the development of the Medium Term Financial Strategy, not least the current national economic climate, future government funding/spending priorities and expected recovery of Icelandic bank deposits and the efficiency agenda to meet the budget finding gap. The Government's 2010 Comprehensive Spending Review presented a number of financial challenges for the Council in significantly reduced levels of funding but also uncertainty in that funding levels were only published for 2011/12 and 2012/13. It is important that these issues are kept under constant review to take account of the latest available information and to ensure that contingency arrangements and/or reserves are adequate to manage the assessed risk. The following section of the report reviews the risks to the financial strategy and makes proposals on the levels of reserves needed to mitigate the impact of those risks. The report contains within it details of the Council's reserves that are held to cover future expenditure.

General Reserve

41. The general reserve is needed to deal with unplanned/unforeseen expenditure or losses in income. As outlined earlier in the report, in setting the revised budget for 2010/11 it was anticipated that a contribution of £0.093m would be made to the general reserve. Taking into account the outturn position it is now proposed to revise this to a contribution of £0.711m. The Council's previously agreed target level for General Fund is 10% of the net budget requirement which for 2010/11 would be approximately £1.5m.
42. The 2010/11 year end balance is significantly above this however any decision should be viewed in the context of the resources needed to deliver future corporate priorities and the risks facing the Council. The Council faces challenges of a forecast funding gap in future years, challenging efficiency targets and uncertainty over future levels of Government funding and recovery of Icelandic bank deposits. In light of all these factors it is important to consider that this reserve may be needed to balance the budget in coming years when determining whether the balance should be reduced.

Earmarked Reserves

43. Earmarked reserves have been established to meet 'known or predicted liabilities' where the impact of the expenditure would otherwise cause a significant variation to the Council's annual expenditure. As regards the individual earmarked reserves the Committee should take into consideration the specific comments set out below in deciding whether the reserves are appropriate:

Area Committees

44. The balance on this reserve as at the 31st March 2011 is £0.014m and this represents unspent amounts carried forward to fund Area Committees expenditure.

Asset Management

45. The Council owns a significant property portfolio. All property requires on-going maintenance to ensure its long term viability as an asset and to protect income generation. The Council has an Asset Management Plan which sets out the programme of maintenance and this is supported by detailed spending plans. As with any property portfolio, there is always the potential for unplanned/urgent repairs and maintenance. This has been taken into consideration in the review of the spending plans.

Borough Council Elections

46. This reserve is used to meet the costs associated with the Council's elections held once every four years.

Building Control

47. The Building (Local Authority) Charges Regulations 1998 gave local authorities the power to set their building control fees. As the Committee will be aware from in year monitoring reports, the regulations require that full recovery of the cost of providing the building control service should be achieved over a three year continuous accounting period with effect from April 1999, when the regulations came into force. There was no balance remaining on the reserve April 2010 as the remaining balance was used to fund the net deficit in the service in 2009/10. Therefore the deficit in 2010/11 has been wholly funded from general reserves.

Building Control Fee-Earning Account - 2010/11 Outturn

	Projected Outturn £'000	Actual £'000
Expenditure	249	241
Income	(193)	(181)
Deficit for the year	56	60

48. Through regular monitoring of performance, it was becoming apparent during 2010/11 that fee income in Building Control was likely to be significantly below the original budget forecast of £288,500. The main cause of the reduced levels of income arose from the national problems of the recession and its impact on the construction industry. Therefore the projected income budget was reduced by £95,500 to £193,000. The actual income for the year was £180,907, a shortfall of £12,093.

49. During 2010/11, the Building Control Manager continued to have meetings with architects, developers and planning list applicants to promote the Council's Building Control service. Many of the architects and developers confirmed they will continue to use local authority building control when the national problems with the economy and the construction industry return to some normality. Expenditure has continued to be tightly controlled, fees are being reviewed, and charges for demolitions are being introduced for the first time. Charges for personal searches and street naming and numbering continue but again the income from these has been affected by the recession. The partnership with Lancashire County Council for applications for school projects has now been consolidated, and it is anticipated that substantial funds are available for work in the coming year.

50. For the coming year, the Building Control Manager will continue with the personal approach to all potential clients and to ensure as the construction industry improves South Ribble Building Control is in position to meet the expected upturn. The partnership with LCC and other partners will be actively pursued. The early indication for the coming year shows an upturn in numbers of applications and income, these are higher after the first two months (April and May) than the same period for the previous 2 years.

Housing Needs Survey

51. This reserve is used to meet the costs of carrying out a detailed housing needs survey. The contributions to this reserve are based on the anticipated costs of conducting the next survey in 2012/13.

Performance Reward Grant

52. As the accountable body the Council received Performance Reward Grant of £0.478m in April 2010 on behalf of the South Ribble partnership. 50% of the funding is for capital projects and 50% revenue. The balance in the reserve represents the revenue grant which has been set aside to be spent in future years. The capital element is shown in the balance sheet as a capital grant unapplied.

Public Open Space Commuted Sums

53. Substantially this reserve represents the cash endowment received for maintaining assets transferred to the Council from the Commission for New Towns.

Single Status/Restructure costs

54. Funding from this reserve is gradually being introduced to the budget over the period of the Medium Term Financial Strategy to partially offset the additional costs following the implementation of the Fair Pay scheme and also to fund any one-off costs in relation to service reviews.

Leisure Sites

55. This reserve was set up to allow the carry forward of unspent repair and maintenance budgets for the Leisure sites managed by the Council's leisure partner (South Ribble Community Leisure Ltd). This will be used to fund any future repair costs for which the Council is committed to under the contract with the leisure trust.

Vehicles & Plant Replacement

56. This is a relatively small reserve which is generally utilised to fund vehicle and plant acquisitions that are not funded from other sources of finance.

ICT Strategy Reserve

57. The balance on the ICT Reserve at 31st March 2011 amounts to £1.446m out of which spending plans are in existence for 2011/12 and 2012/13 for Revenues & Benefits software and IT Replacement Programme.

Local Development Framework (LDF)

58. The purpose of this reserve is to meet the predicted fluctuating expenditure requirements in relation to the LDF. The closing balance on this reserve is £0.232m.

Other Earmarked Reserves

59. The balances on 'Other' earmarked reserves represent amounts carried forward from one financial year to the next, mainly where the timing of spending has been later than planned. The opening balance for 'Other' reserves at 1st April 2010 was £0.507m. The proposed amounts to be carried forward from 2010/11 will add £0.184m (see Appendix D) leaving a balance at 31 March 2011 of £0.555m. This is planned to be released to fund committed expenditure between 2011-12 and 2014-15.

Budget Efficiency Savings/Additional Income

60. A key element of the Council's Strategic Planning, Budgeting and Performance Monitoring processes is the identification, approval and achievement of budgetary savings. These are important to help achieve the Council's corporate aspirations and to ensure that resources are committed towards the highest priority service areas.

61. The original budget for 2010/11 included an efficiency target totalling £0.920m, due to good performance this was revised to an expected target at year end of £1.117m, however, performance subsequently improved again and the actual out-turn position achieved totalled £1.181m. Of this £0.609m is recurring savings that will have a year on year benefit as set out in Appendix F.

62. Assumptions have been made in 2011/2012 and future years to ensure that the Council achieves the efficiency targets that have been set, whilst balancing the overall impact on the budget and the inherent risks associated with such targets. Any failure to deliver the savings assumed would, in isolation, lead to a funding shortfall. It is therefore recognised that it is essential to convert the savings into specific targets and these are set out in the 2011/2012 Budget Setting Report.

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas shown below. The table shows the implications in respect of each of these.

FINANCIAL	As set out in the report
LEGAL	This report is required in line with the Accounts and Audit Regulations 2011.
RISK	Risks are as identified within the report.
OTHER (see below)	

Asset Management	Corporate Plans and Policies	Crime and Disorder Act 1998 – Section 17	Data Protection
Fair Access	Freedom of Information Act 2000	Health and Safety	Human Rights Act 1998
Implementing Electronic Government	Staffing	Sustainability	Training and Development

BACKGROUND DOCUMENTS

- Regulation 8 of the Accounts and Audit Regulations 2011
- The Local Government and Housing Act 1989, Section 56(5)
- Financial Strategy/Budget and Council Tax 2010/11 – Cabinet, 10th February 2010
- South Ribble Borough Council Statement of Accounts 2009/10 – Governance Committee, 14th June 2010, and 22nd September 2010.
- 2010/11 Whole of Government Accounts returns guidance – issued by the Department for Communities and Local Government.

GLOSSARY OF TERMS

BVACOP	-	Best Value Accounting Code of Practice
C/F	-	Carried Forward
CIPFA	-	Chartered Institute of Public Finance and Accountancy
DCLG	-	Department for Communities and Local Government
Earmarked Reserves	-	Reserves for a specific purpose representing funds set aside to meet known or predicted liabilities
IFRS	-	International Financial Reporting Standards
LCC	-	Lancashire County Council
NNDR	-	National Non Domestic Rates (Business Rates)
SOA	-	Statement of Accounts
SORP	-	Statement of Recommended Practice
SRBC	-	South Ribble Borough Council
SRCLL	-	South Ribble Community Leisure Ltd
SSAP	-	Statement of Standard Accounting Practice
UKGAAP	-	Generally Accepted Accounting Practice in the United Kingdom
VFM	-	Value for Money
WGA	-	Whole of Government Accounts

APPENDICES

Appendix A	Significant Budget Variances in 2010/11
Appendix B	Council Tax, Business Rates and Sundry Debtor Collection
Appendix C	Reserves and Balances
Appendix D	Revenue budget items to be carried forward to 2011/12
Appendix E	Medium Term Financial Strategy Revenue Budget Forecasts 2011/12 – 2014/15
Appendix F	Savings /additional income 2010/11 – Projected Outturn Compared to Actual Year End Out-turn 2010/11

Significant Budget Variances in 2010/11

The table below identifies the main variations between the outturn Net Budget Requirement and the Projected Outturn Budget for 2010/11.

	£'000	£'000
Borough Council Net Expenditure (Revised Estimate)		15,250
BUDGET VARIATIONS		
Higher Income Receivable:		
Housing Benefit Subsidy	(267)	
Grant funding	(30)	
Team Lancashire funding (shared services)	(27)	
Planning fee income	(33)	
Surplus reinstatement costs recovered	(20)	
Land Charges	(11)	
Short Term interest	(18)	
Lower Costs:		
Publicity and Promotion	(29)	
Employee Related Expenses	(81)	
Repairs and Maintenance	(79)	
Stationery & Postage	(25)	
Utility costs	(42)	
Transport Costs	(130)	
Concessionary Travel	(86)	
Legal fees	(21)	
Increased Costs:		
Bad Debt Provision	133	
Revenue Budget underspends carried forward to 2011/12	(365)	
Other Variations (net)	(152)	
Plus: Higher Contributions to Earmarked Reserves	665	
TOTAL VARIATIONS (BUDGET SAVING)		(618)
Borough Council Outturn		14,631
Budgeted Increase in General Fund Balance		(93)
Borough Council Out-turn Net Budget Requirement		14,538

Council Tax, Business Rates and Sundry Debtor Collection

The collection statistics for 2010/11 were as follows:-

(1) COUNCIL TAX

Council Tax In-Year Collection

<i>Quarter</i>	<i>2007/2008 Results %</i>	<i>2008/2009 Results %</i>	<i>2009/2010 Results %</i>	<i>2010/2011 Results %</i>
1	29.94	29.93	29.86	28.53
2	28.27	28.41	28.40	28.24
3	28.20	28.09	28.21	28.28
4	11.57	11.19	11.14	11.51
ANNUAL TOTAL	97.98	97.64	97.61	97.61

Value of Previous Year's Council Tax Collected by Quarter

<i>Quarter</i>	<i>2007/2008 results £000</i>	<i>2008/2009 results £000</i>	<i>2009/2010 results £000</i>	<i>2010/2011 results £000</i>
1	199	224	239	288
2	105	154	183	192
3	73	50	112	149
4	(39)	77	62	91
ANNUAL TOTAL	338	505	595	720

Collection of arrears improved on the previous three years, this was partly due to the reduced number of revaluations carried out by the Valuation Office Agency and the continued following of best practice of clearing older debts first. The older the debt the harder it is to collect.

COUNCIL TAX ARREARS ANALYSES

Analysis of arrears predating 1st April 2010:-

Arrears at 31st March 2010 were: £ 2,264,954

Arrears at 31st March 2011 were: £1,191,341

Arrears are reduced by: £1,073,613

Of the £2,264,954 arrears outstanding as at 31st March 2010 £1,191,341 remains outstanding as at 31st March 2011. This is a reduction of 47.40%. In 2009/10 the reduction in arrears predating 1st April 2009 was 48.72%

Arrears analysis including 2010/11:-

Arrears at 31st March 2010 were: £2,264,954

Arrears at 31st March 2011 (including those relating to 09/10): £2,488,266

Arrears have increased by : £223,312

This is an increase in arrears of 9.86%. In 2009/10 the arrears including those relating to 2009/10 increased by 15.93%.

(2) BUSINESS RATES (NNDR)

NNDR In-Year Collection

Quarter	2007/2008 Results %	2008/2009 Results %	2009/2010 Results %	2010/2011 Results %
1	30.80	29.67	31.30	31.15
2	31.89	31.72	30.40	28.62
3	25.72	26.91	26.30	28.03
4	10.29	9.98	9.28	8.94
ANNUAL TOTAL	98.70	98.28	97.28	97.76

The impact of the Business Rate deferral scheme didn't affect Business Rate bills until the latter half of the last financial year. Businesses paid reduced instalments from October 2010 onwards. The effect can be clearly seen as this scheme has now been extended to 2012.

Value of Previous Year's NNDR Collected by Quarter

Quarter	2007/2008 results £000	2008/2009 results £000	2009/2010 results £000	2010/2011 results £000
1	(241)	77	12	263
2	(98)	(61)	(287)	(201)
3	75	145	(224)	(31)
4	(104)	(185)	(209)	(1)
ANNUAL TOTAL	(368)	(24)	(708)	30

Large numbers of refunds affected the amount we collected against arrears again last year. We refunded in excess of £ 650,000 to Business Ratepayers in South Ribble last year.

NNDR ARREARS ANALYSES

Analysis of arrears predating 1st April 2010

Arrears @ 31 st March 2010 were:	£1,030,116.72
Arrears @ 31 st March 2011 were:	£402,068.36
Arrears have reduced by:	£628,078.36

Of the £1,030,116.72 arrears outstanding as at 31st March 2010 £402,068.36 remains outstanding as at 31st March 2011. The arrears reduction for 2009/10 represented 28.63% of the amount outstanding at 31st March 2009 where the reduction in the last year represents a reduction of 39.03%.

Arrears analysis including 2009/2010:-

Arrears at 31 st March 2009 were:	£1,030,116.72
Arrears at 31 st March 2009 (including those relating to 09/10)	£1,019,344.83
Arrears have decreased by:	£10,771.89

This is a decrease in arrears outstanding where 2009/10 saw an increase in arrears outstanding of 55.96%.

(3) SUNDRY DEBTORS

Number of outstanding sundry debtor accounts at quarter end (net of instalment/direct debit invoices)

Quarter	2007/2008 results	2008/2009 results	2009/2010 results	2010/2011 results
1	219	252	342	135
2	230	n/a	216	161
3	252	408	n/a	179
4	224	238	172	232

Sundry Debtors

The cash value of outstanding sundry debtor invoices at 31st March 2011 was £2.220 million which does not see any real change compared to 31st March 2010. The number of outstanding non-instalment invoices increased from 172 to 232 between 31st March 2010 and 31st March 2011 due to additional work linked to the new financial system that went 'live' from 1st April 2011.

Sundry debtor write offs in 2010/11 amounted to £19,399.86 compared with £12,680.20 in 2009/10.

Summary of Revenue Reserves & Balances

Revenue Reserves	Actual Balance 31 March 2011 £'000	Projected Balance 31 March 2012 £'000	Projected Balance 31 March 2013 £'000	Projected Balance 31 March 2014 £'000	Projected Balance 31 March 2015 £'000
General Fund	4,014	3,583	3,250	3,183	3,183
Collection Fund Surplus	34	34	34	34	34
Total General Fund Reserves	4,048	3,617	3,284	3,217	3,217
Earmarked Reserves:					
Area Committees	14	0	0	0	0
Asset Management	2,203	1,527	704	655	1,000
Borough Council Elections	120	30	60	90	120
Building Control	0	0	0	0	0
Housing Needs Survey	13	21	0	13	0
ICT Strategy	1,446	1,227	944	660	797
Local Development Framework	232	232	232	232	232
Performance Reward Grant	181	100	0	0	0
Public Open Space funds	1,889	1,830	1,771	1,712	1,653
Single Status/Restructure costs	523	222	96	0	0
Vehicles & Plant Replacement	112	92	72	52	32
Leisure Sites Repair & Maint.	162	162	162	162	162
Other Earmarked Reserves	555	488	367	367	0
Total Earmarked Reserves	7,450	5,931	4,408	3,943	3,996
Total Reserves	11,498	9,548	7,692	7,160	7,213

Budget Items Listed for Carry Forward from 2010/11 into 2011/12

The following items relate to budget underspendings in 2010/11 for which expenditure has been deferred to 2011/12:-

Revenue Budget to be carried forward from 2010/11 to 2011/12		
£ 000		
Shared Services and Corporate Support		
Elections	Committed to funding upgrade to server (delayed due to work on elections in May 2011)	10
Land Charges	Set aside of funding to meet potential liabilities	154
Corporate Training	Committed to funding corporate training in 2011-12	15
Shared Assurance	Committed to fund agency costs of planned audit work (originally programmed in 2010/11)	5
Total to be carried forward to 2011/12		184

Medium Term Financial Strategy

Revenue Budget Forecasts 2011/12 to 2014/15

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
Net Expenditure	15,655	16,218	16,775	17,418
<i>Financed By:</i>				
Revenue Support Grant	5,387	4,647	4,647	4,647
Council Tax	7,589	7,780	7,974	8,173
Parish/Town Council Precepts	241	241	241	241
Efficiencies	1,819	1,978	1,807	1,834
Council tax freeze grant	189	189	189	189
New Homes Bonus	0	250	250	250
General Reserve (contribution from)	430	333	67	0
	15,655	15,418	15,175	15,334
Forecast Funding Gap	0	800	1,600	2,084

Savings/Additional Income – Projected Outturn 2010/11 Compared with Actual Year End Outturn

	Projected Outturn	Actual 2010/11		Recurring saving 2011-12	
	2010/11	Pay	Non-pay	Total	
	£'000	£'000	£'000	£'000	£'000
C-SMART Reviews:					
Canine Welfare	30	30	0	30	40
Pest Control	23	0	0	0	0
Housing	110	101	0	101	0
Planning Customer Support	130	15	0	15	0
Commercial Services	100	37	0	37	79
Democratic Services	40	69	27	96	45
Revenues & Benefits	100	59	0	59	0
Procure to Pay	47	0	0	0	47
Gateway	(70)	(10)	0	(10)	(10)
Income from External Partnerships	50	0	45	45	45
Senior Management Costs/Collaborative working	250	231	0	231	318
Staff Turnover – provision	110	532	0	532	0
Sub-total	920	1,064	72	1,136	564
Other recurring savings identified:					
IT Supplies & Services	0	0	45	45	45
Total	920	1,064	117	1,181	609