

<b>REPORT TO</b>	<b>DATE OF MEETING</b>
<b>Governance Committee</b>	<b>27 June 2012</b>



Report template revised June 2008

<b>SUBJECT</b>	<b>PORTFOLIO</b>	<b>AUTHOR</b>	<b>ITEM</b>
<b>South Ribble Borough Council Budget Out-turn Report 2011/12</b>	<b>Finance &amp; Resources</b>	<b>S Guinness</b>	<b>4(a)</b>

## **SUMMARY AND LINK TO CORPORATE PRIORITIES**

The 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 30<sup>th</sup> June 2012 for the 2011/12 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 2012.

This report has been prepared to notify members of the 2011/12 Budget Out-turn position in relation to both Revenue and Capital expenditure. The core financial statements relating to this year-end position are also reported to this committee on the agenda for completeness and in line with best practice.

## **RECOMMENDATIONS**

That the Governance Committee:

1. Note the contents of the report and appendices;
2. Note the budget variances for 2011/12 listed at Appendix A;
3. Approve that the budget items listed at Appendix D are carried forward to 2012/13;
4. Approve the financing of the capital programme for 2011/12 and the carry forward of capital re-phasing to 2012/13 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 Core Financial Statements and within this report.

## EXECUTIVE SUMMARY

The main points arising from this report are:

1. The actual net revenue expenditure of the Council for 2011/12 was £13.395 million, when compared against the Council's budget this gives a surplus to be transferred to general reserves of £0.123 million. The expected financial position at year end previously reported to Members was an expected contribution from general reserves of £0.305 million. A number of significant one-off items occurred in the financial year that positively impacted on the Council's out-turn position. If these items are excluded the Council would have still needed to have drawn £139k from General Reserves to cover the budget deficit. These one-off items are explained below and listed with other 2011/12 significant budget variances within Appendix A attached to this report:-

- A VAT refund of £162,000 (including £99,000 interest) was received in 2011/12. Previously VAT could only be reclaimed for a three year period as there was a capping regime placed on the number of backdated years. This claim relates to the financial years 1990-1994 as the capping restriction was temporarily overturned following a House of Lords case which ruled in favour of the tax payer (Fleming Vs HMRC).
- A one-off accounting adjustment in leasing costs within the year end closure process has resulted in a credit posting of £62,000 being made to the revenue account.
- A review of contract payments resulted in a one-off adjustment at the end of the year in the sum of £38k. This represents an adjustment to accurately account for Payments In Advance for contract payments spanning the financial years 2011/12 and 2012/13.

## 2. Revenue Service Budget

3. The variations within the revenue service budget also contained variations that are of a one year nature and also budget variations that are expected to recur in future years. These are set out below and also listed in Appendix A attached:

- One-off redundancy/severance costs of £237,000 following service reviews in Administration, Housing, Shared Assurance, Commercial Services and Community Involvement service areas offset by underspend on staff training and recruitment budgets totalling £34,000.
- One-off transport saving in vehicle financing costs (£23K) in relation to the purchase of the mini-sweeper in the corporate plan which is due to be delivered in 2012/13.
- There is a net surplus of £42k in Housing / Council Tax Benefit costs and offsetting subsidy income received at the end of 2011/12. The additional recovery of overpayments of Council Tax also attracts additional subsidy income for the Council which has resulted in increased income of £46k. This is offset by £4k relating to under recovery of Housing Benefits.
- The annual review of the provision for bad debts in the year end closure process has resulted in a decision to increase the provision. The current economic climate has had an adverse impact on the Council's ability to recover Housing Benefits overpayments. Unfortunately, the only formal recourse available to the Council to recover overpaid benefit from people who are no longer in receipt of benefit or have moved out of the area is to apply for a County Court Judgement (CCJ). This is a costly process and the issue of a CCJ doesn't automatically guarantee that the debt will be repaid.

4. Additional recurring budgetary savings have also been achieved and these items are included in the Base Budget review project which is part of the Council's Budget Efficiency Programme.
5. As above, it is important to note that the 2011/12 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.
6. The final position for 2011/12 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 2012/13 and subsequent years.
7. 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 2011/12, (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.
8. The Chief Financial Officer approves the SOA prior to 30<sup>th</sup> June and the Governance Committee Members approve the document after the external inspection by 30<sup>th</sup> 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 2011/12, there is a requirement for an audited Whole of Government Accounts (WGA), return to be submitted by 5<sup>th</sup> October 2012.

## **DETAILS AND REASONING**

### **Background**

11. This is the second year in which these statements have been produced in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, (The Code), which is based on International Financial Reporting Standards. As reported previously there have been some significant changes in the way our core financial statements are compiled, however, it is important to note that these changes do not impact on the charges to council tax payers.
12. 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
  -
13. The Council's Annual Governance Statement is also reported to members on this agenda.
14. The complete Statement of Accounts will be available to Members in July after it has been approved by the Chief Finance Officer. This will provide members with the opportunity to inspect with whole statement with Officers in order for any issues or items of concern to be

highlighted to the External Auditor for further scrutiny. This procedure is in line with best practice. The Council's External Auditors will conduct their inspection in August and present the Annual Audit Letter to members later in the financial year, following the conclusion of the audit.

15. 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 Monday 30<sup>th</sup> July 2012 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 2011/12 Statement of Accounts, has been designated as Tuesday 28<sup>th</sup> August 2012.

**Summary of Financial Points within the Financial Statement of Accounts**

**REVENUE NET EXPENDITURE**

16. Members will note that in setting the projected outturn budget for 2011/12 it was anticipated that a net contribution of £0.305 million would be released from 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 a contribution to the general reserve of £0.123 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.
17. An explanation of the items affecting the variance is shown at Appendix A.
18. With regard to the particular income streams reported throughout the year the actual out-turn position achieved is as follows:-

<b>Income Budgets</b>	<b>Projected Outturn Budget 2011/12</b>	<b>Actual Out-turn 2011/12</b>	<b>Variation to Budget 2011/12</b>
Investment property Income	(910,480)	(871,140)	39,340
Bulk Containers	(381,000)	(370,710)	10,290
Investment interest	(904,645)	(865,304)	39,341
Planning Fee Income	(300,000)	(315,920)	(15,920)
Building Control Income	(313,630)	(323,120)	(9,490)
Land Charges	(110,000)	(117,230)	(7,230)
Car parking Income	(90,000)	(86,280)	3,720

## CAPITAL EXPENDITURE & RECEIPTS

19. The original capital allocation for 2011/12 was revised during the year from £2,059,445 to £2,328,768 in order to incorporate the re-phasing of some capital projects from 2010/11. The major areas of capital expenditure and sources of funding are as follows:-

<b>CAPITAL EXPENDITURE &amp; FINANCING 2011/12</b>	
<b>Capital Expenditure</b>	<b>£000</b>
Playgrounds, Recreation Areas & Open Spaces	289
Housing Grants	287
Asset Management	606
Vehicles, Plant and Equipment	155
Information Technology and communications	54
Regeneration	65
S106 Highways & Public Transport enhancements	29
Leisure Centre Assets	52
Community Grants (PRG funded)	32
<b>Total capital expenditure</b>	<b>1,569</b>
<b>Financing</b>	<b>£000</b>
Deferred Purchase (leisure partnership)	52
Government Grants	186
Developers' contributions	190
Fund balances & reserves	721
Capital receipts	80
Revenue contributions	50
Borrowing	155
External Contributions	135
<b>Total Financing of capital expenditure</b>	<b>1,569</b>

20. The capital expenditure final actual out-turn for 2011/12 is £1,569,103 against a Projected Out-turn Budget of £2,328,768. The main reasons for the variations are summarised below. The re-programmed expenditure will, on approval, be incorporated into the 2012/13 Capital Programme.

<b>CAPITAL EXPENDITURE 2011/12</b>		
	<b>£'000</b>	<b>£'000</b>
<b>Projected Outturn Budget for 2011/12 (to Cabinet 21st February 2012)</b>		<b>2,329</b>
<b>LESS Programmed in 2012/13:</b>		
<b>Finance &amp; Resources</b>		
Asset Management - Re-programming across a number of schemes		(31)
<b>Shared Services &amp; Corporate Support</b>		
IT Schemes - Expenditure programmed for 11-12 includes: Caps £44k, Committee Management System £23k, Webstructure / internet £33k		(146)
<b>Strategic Planning &amp; Housing</b>		
Housing Grants committed but not spent in 2011/12		(203)
<b>Regeneration, Leisure &amp; Healthy Communities</b>		
Regeneration schemes to be completed in 2012/13		(71)
<b>Neighbourhoods &amp; Street Scene</b>		
Vehicles & plant replacements programmed for 2011/12	(116)	
Parks, Play areas & open spaces - works due to be completed in 2012/13 : Farington Park play area £26k, Hutton play area £2k	(28)	(144)
<b>Performance Related Grant</b>		
Partnerships projects funded from Performance Related Grant		(79)
<b>Total Programmed into 2012/13</b>		<b>(674)</b>
<b>PLUS Variations during the year:</b>		
<b>Finance &amp; Resources</b>		
Asset Management – Savings in external fees achieved through tender process and also by utilising directly employed staff rather than consultants £51k; other savings £7k		(58)
<b>Shared Services &amp; Corporate Support</b>		
New Financial Management Information System : Saved costs in relation to SRBC ICT infrastructure upgrade £31k; Other savings in IT schemes £10k		(41)
<b>Strategic Planning &amp; Housing</b>		
S106 Street lighting, Walton-le-dale – additional scheme approved		29
<b>Regeneration, Leisure &amp; Healthy Communities</b>		
Regeneration schemes savings in year		(29)
<b>Neighbourhoods &amp; Street Scene</b>		
Parks, Play areas & open spaces – net saving	(3)	
Vehicles, plant & equipment savings	(36)	(39)
<b>Total net underspending 2011/12</b>		<b>(138)</b>
<b>NET CAPITAL EXPENDITURE VARIATION</b>		<b>(812)</b>
<b>Leisure Partnership Investment</b>		<b>52</b>
<b>OUTTURN CAPITAL EXPENDITURE 2011/12</b>		<b>1,569</b>

## The Balance Sheet

### **Icelandic Bank Investments**

21. The Council had investments totalling £5.0m in the failed Icelandic Banks Landsbanki and Heritable. This year saw the successful conclusion of the Landsbanki court proceedings in Iceland. The annual Statement of Accounts will continue to incorporate the financial implications of this situation. To this end CIPFA produce guidance on the assumptions that are recommended when calculating the value of the investments within a document known as the LAAP bulletin 82. This document provides estimates on the amounts expected to be recovered and the timescales over which the staged repayments will be made.
22. With regard to Lansbanki, the LAAP 82 (6) published in May 2012 recommended that a 100% recovery rate (previously 95%) should be used to value the asset. It also assumed a certain phasing programme for repayment covering a period ending in 2018. With regard to Heritable LAAP 82 (6) assumed that 88% will be recoverable (previously 85%) with repayment being concluded in 2013. This presents an improved position from previous years and results in an increase value in respect of the Icelandic Investments and a subsequent write back to the Council's revenue account.
23. It should be noted, however, that this year the value of the Icelandic investments has been calculated in our Statement of accounts using slightly different criteria to that set out in the LAAP 82 document. The actual assumptions made do not vary significantly from those recommended and the treatment results in a write back to the Council's revenue account. Much consideration has been made on the issues involved and the decision made is based on the following judgements and facts:
- The LAAP 82 documents made assumptions and takes into account the expected % recovery rate and the timescales by which the amounts will be repaid.
  - The timescales in LAAP 82 for Landbanki differ from those on Landsbanki's own website. We have decided to use the timescales as published by Landsbanki.
  - Repayments for Landsbanki are being received in a number of currencies, no account is made within the LAAP82 for variable foreign exchange rates. Experience has shown that foreign exchange rates are constantly changing and variable throughout one day and impact on the value of the investment.
24. It is considered that the value in the Statement of Accounts should include assumptions that take all factors into account and therefore the recovery rate has been adjusted to 97% for Landsbanki.
25. In fact, and to further support the decision to vary the assumptions from those recommended by CIPFA, since May's publication of the LAAP 82 recommendations, CIPFA have re-issued LAAP 82 in June that contains a repayment phasing timetable that is closer to the assumptions used in the Council's statement.
26. With regard to the re-valuation calculation this results in an increase of £120k in the value of the asset. This is written back to the Council's accounts and has been placed in an earmarked reserve to mitigate the risk to the Council of future foreign exchange variations and subsequent reduction in investment value.
27. The details of the amounts now received are set out in the Treasury Management Out-turn Report on this agenda.

## **Fixed Asset revaluations**

28. 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 2011/12 and the Council's Estates Surveyor also carried out some valuations. In total 69 assets have been re-valued during the year.

## **Debt Recovery**

29. Council Tax in-year collection rates reduced from 97.61% in 2010/11 to 97.48% in 2011/12, a reduction of 0.13%. This was mainly due to the timing of March's direct debit and bailiff income at the end of the financial year. There was also a reduction in the NNDR collection rate of 0.59% (97.76% to 97.17%). This was mainly due to three outstanding amounts which were billed late in the financial year and together account for an additional 0.65% on collection. Full analysis is shown in Appendix B attached to this report.

## **Debtors**

30. Members will note from the draft Balance Sheet within the report on the Core Financial Statements that total debtors at the 31<sup>st</sup> March 2012 amount to £3.755m compared with £4.313m at 31<sup>st</sup> March 2011, which is an overall reduction of £0.558m. This includes a reduction of £0.376m in the DWP debtor in respect of Housing Subsidy grant and reductions in the balance owing by the DCLG in respect of NNDR (fall of £0.214m) and general debtors outstanding (fall of £0.153m). This is partly offset by an increase of £0.254m in the amount of outstanding from the council tax precepting bodies. This is mainly due to the preceptors share of the £0.390m deficit on the collection fund at 31/03/12.

31. 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**

32. Total creditors as the 31<sup>st</sup> March 2012 amounted to £3.060m compared with £3.485m at 31<sup>st</sup> March 2010, which has reduced by £0.425m. This is mainly due to a reduction in capital creditors and shared services charges offset by an increase in income received in advance in 2011/12 which relates to 2012/13.

## **Revenue Reserves**

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

34. The following table shows the Council's overall level of revenue reserves as at 31<sup>st</sup> March 2011 and 31<sup>st</sup> March 2012, subject to the approval of the Statement of Accounts as drafted. This shows a General Fund balance of £4.048 million at 31<sup>st</sup> March 2011. The overall level of reserves has increased by £0.527 million, comprising of an increase in General Reserves of £0.123million plus an increase of £0.404million in Earmarked reserves, as detailed in Appendix C.



<b>REVENUE RESERVES</b>	<b>31<sup>st</sup> March 2011 £'000</b>	<b>31<sup>st</sup> March 2012 £'000</b>
General Fund Reserve	4,047	4,170
Earmarked and other Reserves	7,471	7,875
<b>Total</b>	<b>11,518</b>	<b>12,045</b>

35. 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.

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

### **The Annual Governance Statement**

37. 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.

38. 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.

39. 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.

40. 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**

41. 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 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.
42. In addition to the new shortened period of known funding levels there are also a number of recent significant changes to the way in which Central Government grant is distributed. These serve to introduce more uncertainty with regard to annual variation to funding level. This is due to the fact that core funding is re-calculated each year on variable factors. An example of this is the New Homes Bonus which is re-calculated each year using the number of new houses.
43. It should also be noted that there are also further significant changes on the horizon in respect of core funding, namely, local retention of Business Rates and the support scheme for Council Tax the details, and therefore impact, of which remain unknown at this stage.
44. 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**

45. 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 2011/12 it was anticipated that a contribution of £0.305m would be made from the general reserve. Taking into account the outturn position it is now proposed to revise this to a contribution to the reserve of £0.123m.
46. The General Fund Balance should be viewed in context with reference to the degree of uncertainty facing the Council in respect of the financial environment in which it operates. The last few years have seen the transition from a four year settlement period to a two year settlement period with a number of changes on the horizon in respect of core Central Government funding. These are the retention of Business Rates and also Localisation of Support for Council Tax. Both of these major reviews are unknown with regard to their impact on the level of Council funding, however, they have the potential to introduce further significant budgetary pressures in addition to the present budget funding gap identified in the Councils' current Medium Term Financial Strategy a summary of which is contained in Appendix C attached.
47. In addition to the forthcoming new funding regimes the Comprehensive Spending Review 2010 also introduced annual variables with regard to the distribution mechanisms for core funding, for example, New Homes Bonus. The elements of which result in funding being re-calculated using annual variable data each year. This reduces the number of years within the MTFS that are based on actual, known funding levels and increases the risk of estimating significantly large elements of Central Government's core funding.

## **Earmarked Reserves**

48. 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:

## **My Neighbourhoods**

49. The balance on the previous Area Committee reserve as at the 31<sup>st</sup> March 2012 is £0.014m and this represents unspent amounts carried forward to fund My Neighbourhoods expenditure.

## **Asset Management**

50. 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**

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

## **Building Control**

52. 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 2012 and therefore the deficit in 2011/12 has been wholly funded from general reserves.

### **Building Control Fee-Earning Account - 2011/12 Outturn**

	<b>Projected Outturn £'000</b>	<b>Actual £'000</b>
Expenditure	292	263
Income	(194)	(176)
<b>Deficit for the year</b>	<b>98</b>	<b>87</b>

53. The main cause of the reduced levels of income during the year is the national problem of recession and its impact on the construction industry. The actual income for the year was £176,000, a shortfall of £18,000. The potential for a partnership arrangement with other local authorities is currently being actively pursued.

### **Housing Needs Survey**

54. 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**

55. As the accountable body the Council received Performance Reward Grant £0.169m in 2011/12, on behalf of the South Ribble partnership. The funding is for both capital and revenue projects. 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**

56. 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**

57. 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**

58. 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**

59. 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**

60. The balance on the ICT Reserve at 31<sup>st</sup> March 2012 amounts to £1.715m out of which spending plans are in existence for 2012/13 and 2013/14 which include: Revenues & Benefits software £0.350m, CAPS system replacement/or its equivalent £0.300m, and EDRMS Fraud case Management system £0.200m.

### **Local Development Framework (LDF)**

61. 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

62. 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 2011 was £0.555m. The proposed amounts to be carried forward from 2011/12 will add £0.174m (see Appendix D) leaving a balance at 31 March 2011 of £0.724m, after releases to revenue during 2011/12. This balance is planned to be released to fund committed expenditure between 2012-13 and 2015-16.

## Budget Efficiency Savings/Additional Income

63. 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.

64. The original budget for 2010/11 included an efficiency target totalling £1.819m, and the actual out-turn position achieved totalled £1.838m, an improvement of £0.019m, as set out in Appendix F.

65. Assumptions have been made in 2012/2013 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 2012/2013 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.

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

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 2011/12 – Cabinet, 16<sup>th</sup> February 2011
- Financial Strategy/Budget and Council Tax 2012/13 – Cabinet, 21<sup>st</sup> February 2012

## **GLOSSARY OF TERMS**

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
SRBC	-	South Ribble Borough Council
SRCLL	-	South Ribble Community Leisure Ltd
VFM	-	Value for Money
WGA	-	Whole of Government Accounts

## **APPENDICES**

Appendix A	Significant Budget Variances in 2011/12
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 2012/13
Appendix E	Medium Term Financial Strategy Revenue Budget Forecasts 2012/13 – 2015/16
Appendix F	Savings /additional income 2011/12 – Projected Outturn Compared to Actual Year End Out-turn 2011/12

## Significant Budget Variances in 2011/12

Details	(Under)/Over Spend £000	Sub Total £000	General Reserve £000
<b>Projected Outturn : Contribution from General Reserve</b>			<b>305</b>
<b><u>Revenue Service Budget - Expenditure</u></b>			
Employee Costs	203		
Premises Costs	(45)		
Supplies and Services	(98)		
Transport Costs	(26)		
Waste Partnership	(22)		
Mini sweeper finance costs	(23)		
<b><u>Revenue Service Budget - Income</u></b>			
Reduction in Property Rental Income	25		
Increase in Costs Recovered	(54)		
Fees and Charges Income	(36)		
Investment Interest	(9)		
		<b>(85)</b>	
<b><u>Housing/Council Tax Benefits</u></b>			
Year end Provision for Bad Debts	60		
Housing Benefit Admin. Subsidy Increase	(71)		
Housing/Council Tax Benefits (net) over recovery	(42)		
		<b>(53)</b>	
Other net movements		<b>(28)</b>	
<b>Total Budget Variation on Revenue Service Budget</b>			<b>(166)</b>
<b><u>Reliance on General Reserve on Service Budgets</u></b> <b>As at 31<sup>st</sup> March requires a contribution FROM General Reserve to achieve balanced budget.</b>			<b>139</b>
<b><u>Effect of One off Items occurring in 2011/12 only</u></b>			
Receipt of VAT refund		<b>(162)</b>	
Reduction in Capital Financing Costs		<b>(62)</b>	
Review of Contract Payments In Advance		<b>(38)</b>	
			<b>(262)</b>
<b>Year end surplus transferred to General Reserve</b>			<b>(123)</b>

## Council Tax, Business Rates and Sundry Debtor Collection

The collection statistics for 2011/12 were as follows:-

### (1) COUNCIL TAX

#### *Council Tax In-Year Collection*

<i>Quarter</i>	<i>2008/2009 Results %</i>	<i>2009/2010 Results %</i>	<i>2010/2011 Results %</i>	<i>2011/2012 Results %</i>
1	29.93	29.86	28.53	29.61
2	28.41	28.40	28.24	28.16
3	28.09	28.21	28.28	28.2
4	11.19	11.14	11.51	11.51
<b>ANNUAL TOTAL</b>	<b>97.64</b>	<b>97.61</b>	<b>97.61</b>	<b>97.48</b>

Council Tax collection is below last year's rates due to two factors,

- Direct debits totalling in excess of £ 50k due on the 30 & 31 March did not reach the councils bank account until the 2 April due to the weekend.
- In addition we didn't receive our normal bailiff remittance on the 30/31 March which would normally amount to £ 25k.

These two factors equate to 0.15% on collection.

#### *Value of Previous Year's Council Tax Collected by Quarter*

<i>Quarter</i>	<i>2008/2009 results £000</i>	<i>2009/2010 results £000</i>	<i>2010/2011 results £000</i>	<i>2011/2012 results £000</i>
1	224	239	288	344
2	154	183	192	195
3	50	112	149	215
4	77	62	91	-88
<b>ANNUAL TOTAL</b>	<b>505</b>	<b>595</b>	<b>720</b>	<b>666</b>

Collection of arrears reduced due to the number of revaluations carried out by the Valuation Office Agency. This resulted in large credits being generated on previous years debts, these were subsequently refunded.

### **COUNCIL TAX ARREARS ANALYSES**

#### *Analysis of arrears predating 1<sup>st</sup> April 2011:-*

Arrears at 31 <sup>st</sup> March 2011 were:	£ 2,503,138
Arrears at 31 <sup>st</sup> March 2012 were:	£1,267,725
Arrears are reduced by:	£1,235,413



Of the £2,503,138 arrears outstanding as at 31<sup>st</sup> March 2011, £1,267,725 remains outstanding as at 31<sup>st</sup> March 2012. This is a reduction of 50.65%. In 2010/11 the reduction in arrears predating 1<sup>st</sup> April 2010 was 47.40%.

**Arrears analysis including 2011/12:-**

Arrears at 31<sup>st</sup> March 2011 were: £2,503,138

Arrears at 31<sup>st</sup> March 2012 (including those relating to 11/12): £2,671,776

Arrears have increased by : £168,638

This is an increase in arrears of 6.74%. In 2010/11 the arrears including those relating to 2010/11 increased by 9.86%.

**(2) BUSINESS RATES (NNDR)**

**NNDR In-Year Collection**

<b>Quarter</b>	<b>2008/2009 Results %</b>	<b>2009/2010 Results %</b>	<b>2010/2011 Results %</b>	<b>2011/2012 Results %</b>
1	29.67	31.30	31.15	31.85
2	31.72	30.40	28.62	29.48
3	26.91	26.30	28.03	26.44
4	9.98	9.28	8.94	9.4
<b>ANNUAL TOTAL</b>	<b>98.28</b>	<b>97.28</b>	<b>97.76</b>	<b>97.17</b>

The NNDR collection figures were adversely affected by three outstanding amounts billed late in the financial year

Sainsburys	Billed	22.03.12	£ 127,628	Now Paid
Waitrose	Billed	20.02.12	£ 55,935	Now Paid
Global Renewables	Billed	28.02.12	£ 30,239	Now Paid

These three accounts, account for an additional 0.65% on collection

**Value of Previous Year's NNDR Collected by Quarter**

<b>Quarter</b>	<b>2008/2009 results £000</b>	<b>2009/2010 results £000</b>	<b>2010/2011 results £000</b>	<b>2011/2012 results £000</b>
1	77	12	263	(132)
2	(61)	(287)	(201)	(119)
3	145	(224)	(31)	147
4	(185)	(209)	(1)	(170)
<b>ANNUAL TOTAL</b>	<b>(24)</b>	<b>(708)</b>	<b>30</b>	<b>(274)</b>

Large numbers of refunds affected the amount we collected against arrears again last year. We refunded in excess of £ 1,000,000 to Business Ratepayers in South Ribble last year.

## **NNDR ARREARS ANALYSES**

### ***Analysis of arrears predating 1<sup>st</sup> April 2011***

Arrears @ 31 <sup>st</sup> March 2011 were:	£1,019,344.83
Arrears @ 31 <sup>st</sup> March 2012 were:	£318,735.06
Arrears have reduced by:	£700,609.77

Of the £1,019,344.83 arrears outstanding as at 31<sup>st</sup> March 2011 £318,735.06 remains outstanding as at 31<sup>st</sup> March 2012. The arrears have reduced for debt predating 1<sup>st</sup> April 2011 by 68.73%, this compares to a reduction the previous year of 60.97%.

### ***Arrears analysis including 2011/2012:-***

Arrears at 31 <sup>st</sup> March 2011 were:	£1,019,344.83
Arrears at 31 <sup>st</sup> March 2012 (including those relating to 11/12)	£1,031,913.42
Arrears have increased by:	£12,568.59

This is an increase in arrears outstanding of 1.23% where 2010/11 saw a decrease in arrears outstanding 1.07%.

### **(3) SUNDRY DEBTORS**

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

<b>Quarter</b>	<b>2008/2009 results</b>	<b>2009/2010 results</b>	<b>2010/2011 results</b>	<b>2011/2012 results</b>
1	252	342	135	226
2	n/a	216	161	231
3	408	n/a	179	235
4	238	172	232	191

#### **Sundry Debtors**

The cash value of outstanding sundry debtor invoices at 31<sup>st</sup> March 2012 was £1.991m which is a fall of £ 0.229m on the previous year. The number of outstanding non-instalment invoices fell from 232 to 191 between 31<sup>st</sup> March 2011 and 31<sup>st</sup> March 2012.

Sundry debtor write offs in 2011/12 amounted to £26,412.86 compared with £19,399.86 in 2010/11.

## Summary of Revenue Reserves &amp; Balances

Revenue Reserves	Actual Balance 31 March 2012 £'000	Projected Balance 31 March 2013 £'000	Projected Balance 31 March 2014 £'000	Projected Balance 31 March 2015 £'000	Projected Balance 31 March 2016 £'000
General Fund	4,136	3,699	3,632	3,632	3,632
Collection Fund Surplus	34	34	34	34	34
<b>Total General Fund Reserves</b>	<b>4,170</b>	<b>3,733</b>	<b>3,666</b>	<b>3,666</b>	<b>3,666</b>
Earmarked Reserves:					
My Neighbourhoods	14	0	0	0	0
Asset Management	2,036	823	658	632	1,000
Borough Council Elections	44	74	104	134	75
Building Control	0	0	0	0	0
Housing Needs Survey	21	9	22	9	17
Icelandic Impairment	120	120	120	120	120
ICT Strategy	1,715	1,446	459	545	845
Local Development Framework	232	232	232	232	232
Performance Reward Grant	307	251	0	0	0
Public Open Space funds	1,830	1,770	1,712	1,653	1,594
Single Status/Restructure costs	522	397	300	300	300
Vehicles & Plant Replacement	112	112	112	112	112
Leisure Sites Repair & Maint.	198	198	198	198	198
Other Earmarked Reserves	724	717	717	717	717
<b>Total Earmarked Reserves</b>	<b>7,875</b>	<b>6,149</b>	<b>4,634</b>	<b>4,652</b>	<b>5,210</b>
<b>Total Reserves</b>	<b>12,045</b>	<b>9,882</b>	<b>8,300</b>	<b>8,318</b>	<b>8,876</b>

### Budget Items Listed for Carry Forward from 2011/12 into 2012/13

The following items relate to items of expenditure that were planned in 2011/12 but will now occur in 2012/13:-

Revenue Budget to be carried forward from 2011/12 to 2012/13		
£ 000		
<b>Shared Services</b>		
Shared Financial Services	To enable the retention of expertise of until June 2013 and investment in staff development	11.5
Shared Assurance	Committed to fund agency costs of planned audit work and relocation travel costs	2.5
<b>Planning &amp; Housing</b>		
Housing – Stock condition survey	Budget carried forward due to delay in evaluation of tender for stock condition survey	50
Housing – Sanctuary scheme	Budget underspend retained to fund costs in 2012/13	6
<b>Neighbourhoods</b>		
Grounds maintenance	Committed to funding plants delivered in 2012/13	8.5
Parks development	Committed to fund works at Priory park, Penwortham and Barn Hey, Leyland	33
Car Parking	Committed to fund Coin upgrade to pay & display machines	3
Area 1 cleansing	Budget carried forward due to delay in delivery of Litter/Dog bins ordered in 2011/12	10
Administration	Budget underspend retained pending review of staffing requirements	18
<b>Chief Executive</b>		
Training	To ensure sufficient funding to deliver future training/development for leadership	10
Eye tests	Committed to fund backlog of tests due to change in supplier	1.5
<b>Business Improvement</b>		
ICT Services	Committed to fund Network Switching Replacement	20
<b>Total to be carried forward to 2012/13</b>		<b>174</b>

<b>Medium Term Financial Strategy</b>				
<b>Revenue Budget Forecasts 2012/13 to 2015/16</b>				
	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
<b>Net Expenditure (after efficiencies)</b>	<b>13,570</b>	<b>14,002</b>	<b>14,706</b>	<b>15,145</b>
<i>Financed By:</i>				
Revenue Support Grant	4,647	4,647	4,647	4,647
Council Tax	7,734	7,851	7,969	8,089
Parish/Town Council Precepts	237	237	237	237
Council tax freeze grant	189	189	189	0
New Homes Bonus	326	326	326	326
General Reserve (contribution from)	437	67	0	0
<b>Total Funding</b>	<b>13,570</b>	<b>13,317</b>	<b>13,368</b>	<b>13,299</b>
Forecast Funding Gap	0	685	1,338	1,846

**Savings/Additional Income – Projected Outturn 2011/12 Compared with Actual Year  
End Outturn**

2011/12 EFFICIENCY PROGRAMME		Budget Savings 2011/12 £	Notes - Progress/Implementation Stage
Income Generation	Pre-planning advice	5,000	Demand led income depending on buoyancy of the development market
	Bins at new properties	3,000	Completed and target income forecast to be achieved in 2012/13
Collaborative Working	Shared Revenues and Benefits	220,000	Completed and achieved through staff restructure
	Shared Financial Services	75,000	Completed and achieved through staff restructure
	Shared Assurance Services	46,000	Completed and achieved through staff restructure
	Commercial Services	47,000	Completed and achieved through staffing review. Restructure was implemented part way through 2011/12
Management and Administration & Service Restructures	Deputy Chief Executives' Post	120,000	Budget removed for post
	Housing	110,000	Completed and achieved through staff restructure including deletion of vacant posts
	Community Involvement	223,000	Completed and achieved through staffing review. Restructure was implemented part way through 2011/12
	Environmental Health	33,000	Completed and achieved through deletion of vacant post
	Property Services	20,500	Review completed and achieved – part year impact in 2011/12
	ICT	112,000	Completed and achieved through staff restructure
	Administration	100,000	Review and restructure of Administration services completed and target exceeded from 2012/13
	Development Control	13,000	Completed and achieved through deletion of vacant post
Discretionary Spending	Leisure Partnership Review	40,000	The target has been achieved through the reduction of repair & maintenance budget
	Lancs and Blackpool Tourist Board	5,000	Subscription no longer paid

2011/12 EFFICIENCY PROGRAMME		Budget Savings 2011/12 £	Notes - Progress/Implementation Stage
Asset Utilisation	Civic Centre	75,000	Additional income generated through rental of Civic Centre
	Moss Side depot	-	Negotiation underway with Property Services and third party
	Vehicle Replacement	58,000	Review of replacement programme completed and original target exceeded
	Transport Review	55,000	Review of fleet completed and original target exceeded
	Desktop replacements deferred	50,000	Desktops purchased and upgraded and part of leasing budgets removed
Short Term Options	Parks Development	30,000	Reduction in Parks Development revenue budget
	Reduce Litter/Dog bin replacement	5,000	Completed and achieved
	Street furniture replacement	5,000	Completed and achieved
	Corporate Training Budget	10,000	Training budget reduced
<b>TOTAL 2011/12 EFFICIENCY PROGRAMME</b>		<b>1,460,500</b>	

2012/13 EFFICIENCY PROGRAMME (by Directorate)		Budget Savings 2011/12 £	Notes - Progress/Implementation Stage
Neighbourhoods	Staffing Review	0	Streamlining of Administration & Neighbourhood Services.
	Review of Vehicle Fleet	89,000	Savings from re-phasing of vehicle replacements, including extension of useful life. Additional savings from impact of smarter route planning and reduced wear and tear since opening of Farington Waste Plant .
	Waste Management contract	30,000	Working with partners to reduce costs. 11/12 saving includes one-off reduction re previous years.
	Partnership Income	15,000	Income generated through undertaking additional work for partners through locality working.
	Trade Waste Income	15,000	Income generated by encouraging trade customers to move to a reduced cost recycling service.
	<b>Sub-Total</b>	<b>149,000</b>	

2012/13 EFFICIENCY PROGRAMME (by Directorate)		Budget Savings 2011/12 £	Notes - Progress/Implementation Stage
Shared Financial Services	Budget Review (50% of Total Saving)	0	Additional savings from shared services arrangement with Chorley Council through streamlined management and deletion of vacant posts.
	Base Budget Review	104,000	Cross cutting savings identified from base budget review undertaken as part of the Shared Financial Services budget process.
	<b>Sub-Total</b>	<b>104,000</b>	
Catering	Review of Catering Services	0	Review of operations of catering services at both the Civic Centre and Worden Park.
	<b>Sub-Total</b>	<b>0</b>	
Shared Assurance Services	Staffing Restructure	1,000	Review of insurance staffing requirements with Chorley Council.
	Insurance Policy Renegotiation	2,500	Work undertaken in the shared service to renegotiate the Council's insurance policies.
	<b>Sub-Total</b>	<b>3,500</b>	
Business Transformation	Desktop Replacement	0	Target saving through the enhanced upgrades of office computers to extend their useful life.
	Consultancy Budget	30,000	Reduction in use of external consultants.
	Staffing restructure	70,000	Staffing restructure within Customer Contact, ICT, and Office Support functions.
	Overpayment Recovery	0	Target recovery for new processes for additional recovery of benefit payments.
	<b>Sub-Total</b>	<b>100,000</b>	
Corporate Governance	Staffing Restructure - Mayoral & Civic/Democratic Arrangements	21,000	Savings identified through structural review enabling the deletion of a vacant post.
	Procurement of Online Legal Material	0	Saving through procuring legal materials through online subscriptions.
	<b>Sub-Total</b>	<b>21,000</b>	
<b>TOTAL 2012/13 EFFICIENCIES</b>		<b>377,500</b>	
<b>TOTAL 2011/12 EFFICIENCIES (as above)</b>		<b>1,460,500</b>	
<b>TOTAL EFFICIENCY TARGETS</b>		<b>1,838,000</b>	
<b>ORIGINAL TARGET 2011/12</b>		<b>1,819,000</b>	
<b>ADDITIONAL SAVINGS ACHIEVED</b>		<b>19,000</b>	