

<b>REPORT TO</b>	<b>DATE OF MEETING</b>
Governance Committee	26 June 2013



Report template revised June 2008

<b>SUBJECT</b>	<b>PORTFOLIO</b>	<b>AUTHOR</b>	<b>ITEM</b>
South Ribble Borough Council Budget Out-turn Report 2012/13	Finance & Resources	S Guinness/ J Blundell	5(a)

## SUMMARY AND LINK TO CORPORATE PRIORITIES

The Accounts and Audit Regulations require that:

1. The responsible financial officer of the Council must sign and date the unaudited Statement of Accounts (SOA) no later than 30<sup>th</sup> June 2013 for the 2012/13 financial year;
2. The Annual Governance Statement (AGS) accompanies the Statement of Accounts;
3. The audited Statement of Accounts, including the AGS, is approved by members by 30 September 2013.

This report has been prepared to notify members of the 2012/13 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 2012/13 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 2012/13 and the carry forward of capital re-phasing to 2013/14 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 2012/13 was £12.764 million, when compared against the Council's budget this gives a surplus to be transferred to general reserves of £0.721 million. The expected financial position at year end previously reported to Members was an expected contribution to general reserves of £0.242 million. A number of significant one-off items occurred in the financial year that positively impacted on the Council's out-turn position. These one-off items are explained below and listed with other 2012/13 significant budget variances within Appendix A attached to this report.-

- A VAT refund of £155,000 (£72,000 VAT plus £83,000 interest and fees) was received in 2012/13. 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 beneficial year-end adjustment to the Icelandic impairment reserve of £97,000, taking account of the latest accounting guidance which forecasts a more positive picture regarding the amount to be recovered and timing of payments when compared with previous forecasts.

## Revenue Service Budget

2. The actual net revenue expenditure for 2012/13 was £12.764million. When this is compared against the Council's budget it gives a surplus to be transferred to general reserves of £0.721 million. This is a favourable movement of £0.479 million brought about predominantly as a result of a number of significant one-off items that positively impacted on this position. Budget variations are explained below and also listed in Appendix A attached:
  - Savings of £129,000 in employee costs, including underspends on training and recruitment budgets of £45,000.
  - A significant increase in Planning Fee income of £125,000.
  - Other increases in fees and charges and other income, including taxi licensing, land charges and investment interest. The variances in the key income budgets are set out in the table on page 4.
  - There is a net surplus of £132,000 in Housing / Council Tax Benefit costs and offsetting subsidy income received at the end of 2012/13. This is mainly as a result of reduced Supported Housing Subsidy loss and improvements in the recovery of overpayments.
  - 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 for 2013/14.
3. As above, it is important to note that the 2012/13 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 2012/13 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 2013/14 and subsequent years.
5. With regard to the Council's statutory obligation to produce the year end Statement of Accounts (SOA), the statements have been produced in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, (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.
6. 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 audit by 30<sup>th</sup> September. The SOA will to be made available to members for comment during the period of audit.
7. The Core Financial Statements in the SOA are set out in a separate report on the agenda for information.

8. 2012/13 is the second year whereby the council is required to submit an audited Whole of Government Accounts (WGA) return, this is due by 4<sup>th</sup> October 2013.

## **DETAILS AND REASONING**

### **Background**

9. These statements have been produced in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, (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.
10. 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
11. The Council's Annual Governance Statement is also reported to members on this agenda.
12. 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 Auditor will conduct the inspection in August and present the Annual Audit Letter to members later in the financial year, following the conclusion of the audit.
13. The Council's External Auditor plans to conduct the final Statement of Accounts audit work during July and August. The accounts will be available for public inspection from Tuesday 23<sup>rd</sup> July 2013 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 2012/13 Statement of Accounts, has been designated as Tuesday 20<sup>th</sup> August 2013.

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

### REVENUE NET EXPENDITURE

14. Members will note that in setting the projected outturn budget for 2012/13 it was anticipated that a net contribution of £0.242 million would be made into 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 £0.721 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.
15. An explanation of the items affecting the variance is shown at Appendix A.
16. 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 2012/13</b>	<b>Actual Out-turn 2012/13</b>	<b>Variation to Budget 2012/13</b>
Investment property Income	(970,204)	(970,535)	(331)
Bulk Containers	(393,000)	(368,159)	12,841
Investment interest	(282,000)	(297,741)	(15,741)
Planning Fee Income	(475,000)	(600,007)	(125,007)
Building Control Income	(186,000)	(166,925)	19,075
Land Charges	(110,000)	(122,246)	(12,246)
Licensing Income	(85,000)	(109,787)	(24,787)
Car parking Income	(83,000)	(84,403)	(1,403)

## CAPITAL EXPENDITURE & RECEIPTS

17. The major areas of capital expenditure and sources of funding in 2012/13, including capital investment in the Leisure Centres by Serco (£0.534m), is as follows:-

<b>CAPITAL EXPENDITURE &amp; FINANCING 2012/13</b>	
<b>Capital Expenditure</b>	<b>£000</b>
Playgrounds, Recreation Areas & Open Spaces	311
Housing Grants	324
Asset Management	561
Vehicles, Plant and Equipment	982
Information Technology and communications	218
Regeneration	88
Land acquisition	551
Leisure Centre Assets	534
Community Grants (Performance Reward Grant funded)	39
<b>Total capital expenditure</b>	<b>3,608</b>
<b>Financing</b>	<b>£000</b>
Deferred Purchase (leisure partnership)	534
Government Grants	363
Developers' contributions	209
Fund balances & reserves	773
Capital receipts	566
Growth Point grant	145
Revenue contributions	18
Borrowing	982
External Contributions	18
<b>Total Financing of capital expenditure</b>	<b>3,608</b>

18. The original capital allocation for 2012/13 was revised during the year from £3,904,950 to £3,700,253 in order to incorporate the re-phasing of some capital projects. The capital expenditure final out-turn for 2012/13 is £3,074,659 against a Projected Out-turn Budget of £3,700,253. The main reasons for the variations are summarised below. The re-programmed expenditure will, on approval, be incorporated into the 2013/14 Capital Programme.

<b>CAPITAL EXPENDITURE 2012/13</b>		
	<b>£'000</b>	<b>£'000</b>
<b>Projected Outturn Budget for 2012/13 (to Cabinet 6<sup>th</sup> February 2013)</b>		<b>3,683</b>
<b>Additional approval in year</b>		<b>17</b>
<b>Total Projected Outturn Budget</b>	<i>(a)</i>	<b>3,700</b>
<b>LESS Programmed in 2013/14:</b>		
<b>Finance &amp; Resources</b>		
Asset Management - Re-programming across a number of schemes		(27)
<b>Shared Services &amp; Corporate Support</b>		
IT Schemes - Expenditure programmed for 13-14 includes: Mobile Infrastructure Project £60k, SAN replacement £29k, CRM £30k, Financial Management System £20k, Academy (Revenues & Benefits) £11k		(166)
<b>Strategic Planning &amp; Housing</b>		
Land acquisition		(63)
Housing Grants committed but not spent in 2012/13		(244)
<b>Regeneration, Leisure &amp; Healthy Communities</b>		
Regeneration schemes to be completed in 2013/14		(44)
<b>Neighbourhoods &amp; Street Scene</b>		
Vehicles & plant replacements programmed for 2013/14	(49)	
Parks, Play areas & open spaces - works due to be completed in 2013/14 : Farington Park £14k	(14)	(63)
<b>Performance Related Grant</b>		
Partnerships projects funded from Performance Related Grant		(2)
<b>Total Programmed into 2013/14</b>	<i>(b)</i>	<b>(609)</b>
<b>PLUS Variations during the year:</b>		
<b>Finance &amp; Resources</b>		
Asset Management – savings in project costs		(2)
<b>Shared Services &amp; Corporate Support</b>		
IT schemes – additional costs		7
<b>Regeneration, Leisure &amp; Healthy Communities</b>		
Regeneration schemes savings in year		(2)
<b>Neighbourhoods &amp; Street Scene</b>		
Parks, Play areas & open spaces – net saving plus Vehicles and plant savings		(19)
<b>Total net underspending 2012/13</b>	<i>(c)</i>	<b>(16)</b>
<b>NET CAPITAL EXPENDITURE VARIATION</b>	<i>(b) + (c)</i>	<b>(625)</b>
<b>CAPITAL OUTTURN EXPENDITURE 2012/13</b>	<i>(a)+(b)+(c)</i>	<b>3,075</b>
<b>Leisure Partnership Investment</b>		<b>533</b>
<b>TOTAL CAPITAL EXPENDITURE 2012/13</b>		<b>3,608</b>

## **The Balance Sheet**

### **Icelandic Bank Investments**

19. In 2008, the Council had investments totalling £5.0m in the failed Icelandic Banks Landsbanki and Heritable. 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.
20. With regard to Landsbanki, further sums were received during the year from the Winding Up Board, taking the total recovered to 49.6% of the amount claimed (£3.365m). Unfortunately progress in redeeming the debt is now delayed pending a court hearing in Iceland. The hearing is concerned with a challenge to the basis used by the Winding Up Board in converting Landsbanki's assets and liabilities, denominated in various currencies, to the common base of Icelandic Krona. Until this is decided by the court (this summer), and if necessary the appeal court (late autumn), no further repayment will be made.
21. In preparing the accounts the value of the Landsbanki debt has been based on the latest advice from CIPFA. This advised that although full repayment is now expected, it will be over a timescale stretching to 2019, and a schedule of the likely phasing was provided. The book value of the debt at 31<sup>st</sup> March 2013 is not simply the face value of those future repayments, instead they have to be reduced (discounted) by the notional interest lost by the delay in receipt. In assessing the value an assumption also has to be made about future foreign exchange rates since two thirds of the sums owed to the Council will be received not in sterling but in dollars and euros.
22. In conclusion there is now every confidence that 100% recovery of the Landsbanki debt will be achieved, but there is uncertainty about the timing of repayments and their value after allowing for exchange rate movements. The assumptions used in the accounts are thought to be conservative, and as members are aware a reserve of £0.12m was created at 31 March 2012, and still exists, as protection against any reduction in value.
23. Recovery of the investments in Heritable are, thankfully more straightforward. When the bank failed in 2008, the Council was owed £2.014m. There is no foreign exchange risk, the debt being recorded and repaid in sterling. As of 31 March 2013, 77.26% has been repaid, and the liquidator has advised that the next repayment will be made in July this year, and that ultimately between 86% and 90% should be repaid. The accounts have been closed in accordance with CIPFA's advice as to the phasing of future repayments (July 2013 and July 2014), and their total (88% recovery).
24. The details of the amounts now received are set out in the Treasury Management Out-turn Report on this agenda.

### **Fixed Asset revaluations**

25. 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 2012/13 and the Council's Estates Surveyor also carried out some valuations. In total 41 assets have been re-valued or adjusted during the year.

## Debt Recovery

26. Council Tax in-year collection rates increased from 97.48% in 2011/12 to 97.60% in 2012/13, an increase of 0.12%. This was mainly due to the timing of March's direct debit and bailiff income at the end of the previous financial year which had a detrimental impact on the 2011/12 collection rate. There was also an increase in the NNDR collection rate of 0.58% (97.17% to 97.75%). This was mainly due to three outstanding amounts which were billed late in 2011/12 which together account for an additional 0.65% on collection. Full analysis is shown in Appendix B attached to this report.

## Debtors

27. Total debtors at the 31<sup>st</sup> March 2013 amount to £4.615m compared with £3.781m at 31<sup>st</sup> March 2012, which is an overall increase of £0.834m. This is mainly due to an increase of £0.811m in the DWP debtor in respect of Housing Benefits Subsidy grant which is received on account during the year and adjusted to reflect the final grant claim.

28. 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

29. Total creditors as the 31<sup>st</sup> March 2013 amounted to £4.303m compared with £3.086m at 31<sup>st</sup> March 2012, an increase of £1.217m. This is mainly due to the movement in the NNDR Pool account from a debtor of £0.081m at the beginning of the year to a creditor of £1.242m, which represents the amount owed to the pool at the year end.

## Revenue Reserves

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

31. The following table shows the Council's overall level of revenue reserves as at 31<sup>st</sup> March 2012 and 31<sup>st</sup> March 2013, subject to the approval of the Statement of Accounts as drafted. This shows a General Fund balance of £4.892 million at 31<sup>st</sup> March 2013. The overall level of reserves has increased by £1.366 million, comprising of an increase in General Reserves of £0.721 million plus an increase of £0.645 million in Earmarked reserves, as detailed in Appendix C.

<b>REVENUE RESERVES</b>	<b>31<sup>st</sup> March 2012 £'000</b>	<b>31<sup>st</sup> March 2013 £'000</b>
General Fund Reserve	4,171	4,892
Earmarked and other Reserves	7,875	8,520
<b>Total</b>	<b>12,046</b>	<b>13,412</b>

32. 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.

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



## **The Annual Governance Statement**

34. 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.
35. 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.
36. 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.
37. 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**

38. 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 funding gap. The Government's 2012 Comprehensive Spending Review presented a number of financial challenges for the Council in significantly reduced levels of core funding in 2013/14 and 2014/15 but also uncertainty in future funding levels beyond 2014.
39. In addition to the shortened period of known funding levels there are also a number of 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.
40. Other major changes in the funding regime implemented in 2013/14 are the introduction of both the retention of Business Rates and the Council Tax Support scheme. The Business Rates Retention allows local authorities to retain a proportion of additional income generated from growth in the tax base for businesses within their area. Although this means that some of the financial benefit of the net tax base growth is realised by the authority, it also results in the transfer of some of the risks of collection and potential year on year fluctuations in funding levels. The localised Council Tax Support Scheme has replaced Council Tax Benefit from 2013/14. This change has meant a 10% reduction in Government grant (£600,000) of which South Ribble Borough Council's exposure in 2013/14 is circa £84,000. The Council's local scheme has been designed to recover this shortfall in funding whilst protecting pensioner claimants.
41. 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. These will be reassessed over the coming months, especially in the light of the publication of the details of the Government's next Comprehensive Spending Review, to ensure they remain adequate and/or whether there is an opportunity to release some funds to invest in one-off projects that support our corporate priorities or will deliver efficiencies to help bridge the current forecasted budget deficit on a more sustainable basis.

## **General Reserve**

42. 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 2012/13 it was anticipated that a contribution of £0.242m would be made into the general reserve. Taking into account the out-turn position it is now proposed to revise this to a contribution to the reserve of £0.721m.
43. 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 significant changes in respect of core Central Government funding. The medium to long term implications and their impact on the Council's Medium Term Financial Strategy remain unknown, however, they have the potential to introduce further significant budgetary pressures in addition to the present budget funding gap. The new arrangements introduce new risk and volatility factors to the Councils' current Medium Term Financial Strategy, a summary of which is contained in Appendix C attached.

44. In addition to these new funding regimes and increased risk of volatility 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.
45. The next Comprehensive Spending Review will take place in the near future in 2014. Although its content are unknown at this stage it is considered highly probable that the national requirement to reduce spending in the public sector will still exist. Thus, further reductions to the Council's Central Government core funding may be made which will result in an increased budget deficit position, this will need to be addressed by reducing net expenditure.

### **Earmarked Reserves**

46. 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**

47. The balance on the My Neighbourhoods reserve as at the 31<sup>st</sup> March 2013 is £0.039m and this represents unspent core funding carried forward to fund My Neighbourhoods expenditure.

### **Asset Management**

48. 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. Schemes currently programmed include: works to Civic Centre £1.059m; Leisure Centre refurbishment £0.286m; Moss Side Depot roofing and cladding works £0.165m; improvement/refurbishment of Investment properties £0.604m; and replacement pavilions £0.114m. 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**

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

### **Building Control**

50. 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. The deficit in 2012/13 has been wholly funded from general reserves.

### **Building Control Fee-Earning Account - 2012/13 Outturn**

	<b>Projected Outturn £'000</b>	<b>Actual £'000</b>	<b>Variation £'000</b>
Expenditure	246	240	(6)
Income	(184)	(166)	18
<b>Deficit for the year</b>	<b>62</b>	<b>74</b>	<b>12</b>

51. The main cause of the reduced levels of income during the year is the national recession and its impact on the construction industry. The actual income for the year was £166,000, a shortfall in income of £18,000. The extension of the partnership arrangement with other local authorities is currently being actively pursued.

#### **Housing Needs Survey**

52. 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 survey in 2013/14.

#### **Performance Reward Grant**

53. As the accountable body, the Council received Performance Reward Grant 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**

54. Substantially this reserve represents the cash endowment received for maintaining assets transferred to the Council from the Commission for New Towns. Therefore funding is drawn down from the reserve annually, as a contribution to grounds maintenance costs.

#### **Organisational Restructure costs**

55. Funding from this reserve is taken to revenue to fund any one-off costs in relation to service reviews designed to improve the efficiency of the Council.

#### **Leisure Sites**

56. 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**

57. 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**

58. The balance on the ICT Reserve at 31<sup>st</sup> March 2013 amounts to £1.797m out of which spending plans are in place for 2013/14 to 2016/17 totalling £1.837m. The Council's Medium-Term Financial Strategy includes annual contributions into the reserve from revenue to ensure sufficient resources are available to fund the on-going programme.

59. Schemes currently programmed include: Revenues & Benefits software £0.260m, CAPS system replacement/or its equivalent £0.343m and EDRMS Fraud Case Management system £0.200m, Government Connect £0.120m, Telephony system replacement £0.200m, Intranet £0.200m and IT hardware renewal £0.154m.

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

60. The purpose of this reserve is to meet the predicted fluctuating expenditure requirements in relation to the LDF. The closing balance on this reserve at 31<sup>st</sup> March 2013 is £0.232m.

## **Other Earmarked Reserves**

61. 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. It also includes funds set aside to ensure the Council can meet any liabilities which may arise following the receipt of claims from a group of Property Search companies for the refund of statutory fees paid to the Council to access land charges data since 2005. The opening balance for 'Other' reserves at 1<sup>st</sup> April 2012 was £0.724m. The proposed amounts to be carried forward from 2012/13 will add £0.102m (see Appendix D) leaving a balance at 31 March 2013 of £0.933m, after releases to revenue during 2012/13. This balance is planned to be released to fund committed expenditure between 2013-14 and 2016-17.

## **Budget Efficiency Savings/Additional Income**

62. 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.

63. The original budget for 2012/13 included an efficiency target totalling £0.644m, as set out in Appendix F. This target was achieved during the year.

64. Assumptions have been made in 2013/2014 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 2013/2014 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 2012/13 – Cabinet, 21<sup>st</sup> February 2012
- Financial Strategy/Budget and Council Tax 2013/14 – Cabinet, 6<sup>th</sup> February 2013

## GLOSSARY OF TERMS

C/F	-	Carried Forward
CIPFA	-	Chartered Institute of Public Finance and Accountancy
DCLG	-	Department for Communities and Local Government
DWP	-	Department of Work and Pensions
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 2012/13
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 2013/14
Appendix E	Medium Term Financial Strategy Revenue Budget Forecasts 2013/14 – 2016/17
Appendix F	Savings /additional income 2012/13 – Projected Outturn Compared to Actual Year End Out-turn 2012/13

## Significant Budget Variances in 2012/13

Details	(Under)/Over Spend £000	Sub Total £000	General Reserve £000
<b>Projected Outturn : Contribution to General Reserve</b>			<b>(242)</b>
<b><u>Revenue Service Budget - Expenditure</u></b>			
Employee Costs	(129)		
Premises - R & M Costs	(34)		
Premises - Other	(55)		
Supplies and Services	(112)		
Transport Costs	(51)		
Reduction in net contribution from Earmarked reserves	250	<b>(131)</b>	
<b><u>Revenue Service Budget - Income</u></b>			
Increases in income:			
Planning Fees	(125)		
Increase in Licensing income	(24)		
Increase in Land Charges income	(13)		
Legal/professional fees recovered	(18)		
Investment Interest	(16)		
Car Parking – PCN fines	(10)		
Reductions in income:			
Building Control	19		
		<b>(187)</b>	
<b><u>Housing/Council Tax Benefits</u></b>			
Year end Provision for Bad Debts	21		
Reduction in Supported Housing Subsidy Loss	(101)		
Housing/Council Tax Benefits (net) over recovery	(52)		
		<b>(132)</b>	
Other net movements		<b>(32)</b>	
<b><u>Effect of One off Items occurring in 2012/13 only</u></b>			
Receipt of VAT refund		<b>(155)</b>	
Transfer to Business Rates Retention Reserve		<b>150</b>	
Transfer to VAT Liability Reserve		<b>105</b>	
Reduction in Icelandic Impairment Reserve		<b>(97)</b>	
<b>Total Budget Variation</b>			<b>(479)</b>
<b>Year end surplus transferred to General Reserve</b>			<b>(721)</b>



## Council Tax, Business Rates and Sundry Debtor Collection

The collection statistics for 2012/13 were as follows:-

### (1) COUNCIL TAX

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

<i>Quarter</i>	<i>2009/2010 results %</i>	<i>2010/2011 results %</i>	<i>2011/2012 results %</i>	<i>2012/2013 results %</i>
1	29.86	28.53	29.61	29.62
2	28.40	28.24	28.16	28.39
3	28.21	28.28	28.20	28.40
4	11.14	11.51	11.51	11.19
<b>ANNUAL TOTAL</b>	<b>97.61</b>	<b>97.61</b>	<b>97.48</b>	<b>97.60</b>

Council Tax collection was above last year's rates due to the two factors reported in last year's outturn report which depressed the collection rate for 2011/12 see below:-

- 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.

Collection Rates continue to be in line with previous years' performance

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

<i>Quarter</i>	<i>2009/2010 results £000</i>	<i>2010/2011 results £000</i>	<i>2011/2012 results £000</i>	<i>2012/2013 results £000</i>
1	239	288	344	305
2	183	192	195	183
3	112	149	215	3
4	62	91	-88	19
<b>ANNUAL TOTAL</b>	<b>595</b>	<b>720</b>	<b>666</b>	<b>510</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 2012:-*

Arrears at 31 <sup>st</sup> March 2012 were:	£ 2,608,220
Arrears at 31 <sup>st</sup> March 2013 were:	£1,360,672
Arrears are reduced by:	£1,247,548

Of the £2,608,220 arrears outstanding as at 31<sup>st</sup> March 2012, £1,360,672 remains outstanding as at 31<sup>st</sup> March 2013. This is a reduction of 47.83%. In 2011/12 the reduction in arrears predating 1<sup>st</sup> April 2011 was 50.65%.

**Arrears analysis including 2012/13:-**

Arrears at 31<sup>st</sup> March 2012 were: £2,608,220

Arrears at 31<sup>st</sup> March 2013 (including those relating to 12/13): £2,633,984

Arrears have increased by : £25,764

This is an increase in arrears of 0.99%. In 2011/12 the arrears including those relating to 2011/12 increased by 6.74%.

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

**NNDR In-Year Collection**

<b>Quarter</b>	<b>2009/2010 results %</b>	<b>2010/2011 results %</b>	<b>2011/2012 results %</b>	<b>2012/2013 results %</b>
1	31.30	31.15	31.85	32.39
2	30.40	28.62	29.48	29.24
3	26.30	28.03	26.44	26.63
4	9.28	8.94	9.4	9.49
<b>ANNUAL TOTAL</b>	<b>97.28</b>	<b>97.76</b>	<b>97.17</b>	<b>97.75</b>

The NNDR collection figures for 2011/12 were adversely affected by three large outstanding amounts billed late in the financial year due to the timing of information from the Valuation Office. These three accounts, accounted for an additional 0.65% on collection.

2012/13 Collection Rates continue to be in line with previous years' performance excluding the special items mentioned

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

<b>Quarter</b>	<b>2009/2010 results £000</b>	<b>2010/2011 results £000</b>	<b>2011/2012 results £000</b>	<b>2012/2013 results £000</b>
1	12	263	(132)	197
2	(287)	(201)	(119)	(136)
3	(224)	(31)	147	(16)
4	(209)	(1)	(170)	(80)
<b>ANNUAL TOTAL</b>	<b>(708)</b>	<b>30</b>	<b>(274)</b>	<b>(35)</b>

Large numbers of refunds affected the amount we collected against arrears again last year. We refunded in excess of £ 730,000 to Business Ratepayers in South Ribble last year.

## **NNDR ARREARS ANALYSES**

### ***Analysis of arrears predating 1<sup>st</sup> April 2012***

Arrears @ 31<sup>st</sup> March 2012 were: £1,031,913.42

Arrears @ 31<sup>st</sup> March 2013 were: £140,953.49

Arrears have reduced by: £ 890,959.93

Of the £1,031,913.42 arrears outstanding as at 31<sup>st</sup> March 2012 £140,953.49 remains outstanding as at 31<sup>st</sup> March 2013. The arrears have reduced for debt predating 1<sup>st</sup> April 2012 by 86.34%, this compares to a reduction the previous year of 68.73%.

### ***Arrears analysis including 2012/2013:-***

Arrears at 31<sup>st</sup> March 2012 were: £1,031,913.42

Arrears at 31<sup>st</sup> March 2013 (including those relating to 12/13) £1,070,784.11

Arrears have increased by: £38,870.69

This is an increase in arrears outstanding of 3.77% where 2011/12 saw an increase in arrears outstanding of 1.23%.

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

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

<b>Quarter</b>	<b>2009/2010 results</b>	<b>2010/2011 results</b>	<b>2011/2012 results</b>	<b>2012/2013 results</b>
1	342	135	226	250
2	216	161	231	199
3	n/a	179	235	217
4	172	232	191	248

#### **Sundry Debtors**

The cash value of outstanding sundry debtor invoices at 31<sup>st</sup> March 2013 was £2.310m which is an increase of £0.319m on the previous year. The number of outstanding non-instalment invoices increased from 191 to 248 between 31<sup>st</sup> March 2012 and 31<sup>st</sup> March 2013. The amount of arrears last year was affected by the implementation of a new software system which re-phased the input of some invoices. The level of arrears in 2012/13 is, therefore comparable to those of previous financial years.

Sundry debtor write offs in 2012/13 amounted to £11,055.85 compared with £26,412.86 in 2011/12.

## Summary of Revenue Reserves &amp; Balances

Revenue Reserves	Actual Balance 31 March 2013 £'000	Projected Balance 31 March 2014 £'000	Projected Balance 31 March 2015 £'000	Projected Balance 31 March 2016 £'000	Projected Balance 31 March 2017 £'000
General Fund	4,858	4,251	4,251	4,251	4,251
Collection Fund Surplus	34	34	34	34	34
<b>Total General Fund Reserves</b>	<b>4,892</b>	<b>4,285</b>	<b>4,285</b>	<b>4,285</b>	<b>4,285</b>
<b>Earmarked Reserves:</b>					
Asset Management	1,984	1,460	793	1,051	962
Borough Council Elections	74	104	134	44	44
Business Rates retention	150	150	150	150	150
Housing Needs Survey	71	57	76	97	117
Icelandic Impairment	120	120	120	120	120
ICT Strategy	1,797	1,463	1,309	1,039	828
Leisure Sites Repair & Maintenance	243	243	243	243	243
Local Development Framework	232	182	162	142	122
Performance Reward Grant	261	206	152	96	41
My Neighbourhoods	39	0	0	0	0
Public Open Space funds	1,771	1,712	1,653	1,594	1,535
Organisational Restructure costs	522	426	426	426	426
VAT reserve	105	105	105	0	0
Vehicles & Plant Replacement	112	112	112	112	112
Other Earmarked Reserves	1,039	474	334	182	157
<b>Total Earmarked Reserves</b>	<b>8,520</b>	<b>6,814</b>	<b>5,769</b>	<b>5,296</b>	<b>4,857</b>
<b>Total Reserves</b>	<b>13,412</b>	<b>11,099</b>	<b>10,054</b>	<b>9,581</b>	<b>9,142</b>

### Budget Items Listed for Carry Forward from 2012/13 into 2013/14

The following items relate to items of expenditure that were planned in 2012/13 but will now occur in 2013/14:-

<b>Revenue Budget to be carried forward from 2012/13 to 2013/14</b>		
<b>£ 000</b>		
<b>Shared Services</b>		
Shared Financial Services	Staffing resource to enable the retention of specialist knowledge to meet statutory year-end obligations £6k; IT upgrade costs £1.7k; staff development £1.5k.	9.2
Shared Assurance	Committed to fund additional planned audit work.	4
<b>Planning &amp; Housing</b>		
Housing	External funding c/fwd to fund committed costs in 2013/14: contribution to homelessness database; funding for rough sleepers accommodation; mortgage rescue scheme.	35.3
<b>Neighbourhoods</b>		
Parks development	Installation of railings & gates at Farmyard cottages, Worden Park £13.6k; consultancy works £1.2k.	14.8
Highways Non Agency	Budget committed to fund Longton by-pass clearance works.	5.5
Community Safety	External funding for IDVA to be spent in 2013/14.	3
<b>Regeneration and Healthy Communities</b>		
Health & Safety	Funding required to purchase 2 defibrillators to secure match funding grant which is only available after April 2013.	1.3
South Ribble Partnership	Partnership funds carried forward.	10.8
<b>Business Transformation</b>		
ICT Services	Committed to fund new servers & network composer.	18.2
<b>Total to be carried forward to 2013/14</b>		<b>102.1</b>

<b>Medium Term Financial Strategy</b>				
<b>Revenue Budget Forecasts 2013/14 to 2016/17</b>				
	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
<b>Net Expenditure (after efficiencies)</b>	<b>13,512</b>	<b>14,178</b>	<b>14,657</b>	<b>14,959</b>
<i>Financed By:</i>				
Revenue Support Grant	4,117	4,235	4,235	4,235
Council Tax	6,956	7,060	7,165	7,273
Parish/Town Council Precepts	230	249	249	249
Council Tax Freeze Grant	267	267	0	0
New Homes Bonus	511	511	511	511
Homelessness Prevention Grant	57	57	0	0
Council Tax Support Grant	767	0	0	0
General Reserve (contribution from)	607	0	0	0
<b>Total Funding</b>	<b>13,512</b>	<b>12,379</b>	<b>12,160</b>	<b>12,268</b>
Forecast Funding Gap	0	1,799	2,497	2,691

**BUDGET EFFICIENCY PROGRAMME 2012/13 and ONWARDS**

<b>Directorate</b>	<b>Scheme</b>	<b>Budget Savings 2012/13 £</b>	<b>Recurring £</b>
<b>Neighbourhoods</b>	Staffing Review	63,405	Yes
	Review of Vehicle Fleet	89,000	Yes
	Waste Management contract	15,000	Yes
	Partnership Income	15,000	Yes
	Trade Waste Income	15,000	Yes
	<b>Sub-Total</b>	<b>197,405</b>	
<b>Shared Financial Services</b>	Budget Review (50% of Total Saving)	50,000	Yes
	Base Budget Review	122,000	Yes
	<b>Sub-Total</b>	<b>172,000</b>	
<b>Regeneration &amp; Healthy Communities</b>	Review of Catering Services	42,920	Yes
	<b>Sub-Total</b>	<b>42,920</b>	
<b>Shared Assurance Services</b>	Staffing Restructure	3,175	Yes
	Insurance Policy Renegotiation	10,000	Yes
	<b>Sub-Total</b>	<b>13,175</b>	
<b>Business Transformation</b>	Desktop Replacement	20,000	Yes
	Consultancy Budget	10,000	Yes
	Gateway Staffing - reduced contingency	43,515	Yes
	Overpayment Recovery	50,000	No
	Restructure proposals	62,240	Yes
	<b>Sub-Total</b>	<b>185,755</b>	
<b>Corporate Governance</b>	Staffing Restructure - Mayoral & Civic/Democratic Arrangements	27,345	Yes
	Procurement of Online Legal Material	5,000	Yes
	<b>Sub-Total</b>	<b>32,345</b>	
	<b>Total savings achieved in 2012/13</b>	<b>643,600</b>	