

CHANGES TO THE STATEMENT OF ACCOUNTS

Detailed below are the sections of the Statement of Accounts that will be changed as a result of the HRA balance transfer with the proposed changes highlighted. A fully amended set of accounts will be provided to Governance Committee for approval.

EXPLANATORY FOREWORD

GENERAL FUND REVENUE ACCOUNT

The General Fund Revenue Account shows the net cost of providing day-to-day services. The following paragraphs and tables provide details of actual General Fund spend compared to the budget on which the council tax was set. The presentation of information in the tables below has been simplified as far as possible, and so it is different to the accounting cost reflected within the financial statements – but they both reflect the Council's underlying financial position.

In March 2012 the Council set a net revenue budget of £14.320m. This was to be met by financing of £14.299m made up of central government grant of £7.24m, council tax income of £6.61m and New Homes Bonus of £0.45m. This resulted in a forecast deficit for the year of £21,000 to be met from the General Fund Balance.

During the year the forecast budget was revised to £14.305m, a reduction of £15,000 resulting in an anticipated deficit of £6,000 to be met from the General Fund Balance. The actual net revenue spend for the year was £14.274m, £31,000 less than the forecast position. The financing received in the year was £14.276m, a reduction of £23,000 from the forecast. Overall the year-end position resulted in a £2,000 surplus for the year.

The actual net spend compared to the original, revised budgets and prior year spend are shown below. These are shown by service area as used for the reporting in the annual budget & Medium Term Financial Plan. Details of the areas included under each directorate can be found in note 2 Segmental Reporting.

In addition Council on 25th September resolved to transfer £10m from the Housing Revenue Account balance and £2.5m from the Housing Initiatives Reserves to the General Fund balance. This transfer has been reflected in the accounts and is shown in the General Fund summary below and expanded further in note 24.

2011/12	GENERAL FUND BUDGET SUMMARY	2012/13		
		Original Budget £000	Revised Budget £000	Actual £000
Actual £000				
	Director			
811	Chief Executive	921	843	858
2,379	Finance, Housing & Community	2,439	2,655	2,611
5,165	Regeneration & Development	2,661	2,612	2,490
6,697	Environment & Corporate Assets	6,698	7,009	9,670
1,258	Governance	1,312	1,404	1,256
60	Special Revenue Projects	9	80	190
0	Corporate Adjustments	(45)	(4)	0
(118)	Council Tax Second Homes Income	(118)	(113)	(113)
16,252	Net Cost of Services	13,877	14,486	16,962
(4,046)	Depreciation & Revaluations	(1,496)	(1,527)	(4,441)
1,352	IAS19 Pension Adjustments	1,457	1,148	1,114
(12)	Accrued Annual Leave Adjustment	0	0	(15)
58	River Stour Drainage Board	64	64	64
	<u>Contribution to/(from) Reserves:</u>			
471	- Special Projects & Events	(32)	(291)	(193)
167	- Periodic Operations	54	134	447
355	- Urgent Works	360	360	348
83	- Regeneration	(191)	(102)	(76)
215	- ICT Equipment & Servers	(29)	(50)	71
14,895	Net Service Expenditure	14,064	14,222	14,281
	<u>Financing Adjustments</u>			
(260)	Interest & Investment Income	(149)	(153)	(143)
406	Interest Payable & Loan Repayments	405	236	260
(59)	Deferred Charges	0	0	(86)
(115)	Soft Loan Adjustments	0	0	(38)
96	Transfer to Capital Grants Unapplied	0	0	0
14,963	Total Budget Requirement	14,320	14,305	14,274
	Financed by:			
(1,915)	Revenue Support Grant	(138)	(138)	(138)
(6,195)	NNDR	(7,104)	(7,104)	(7,104)
(8,110)	Total Government Grant	(7,242)	(7,242)	(7,242)
(6,395)	Council Tax	(6,608)	(6,608)	(6,608)
(160)	Council Tax Grant	0	0	0
0	New Burdens	0	0	(13)
(331)	New Homes Bonus	(449)	(449)	(413)
(14,996)	Total Financing	(14,299)	(14,299)	(14,276)
(33)	Deficit/(Surplus) for the Year	21	6	(2)
0	Transfer of HRA Credit Balance	0	0	(10,000)
0	Transfer of Housing Initiatives Reserve	0	0	(2,500)
(2,225)	Opening General Fund Balance	(2,060)	(2,258)	(2,258)
(2,258)	Leaving Year End Balances of	(2,039)	(2,252)	(14,760)

HOUSING REVENUE ACCOUNT (HRA)

The Council maintains a housing stock of 4,442 houses and flats. The income and expenditure from this account is included in the Comprehensive Income and Expenditure Statement, but is also reported separately from the General Fund and is maintained in an account called the Housing Revenue Account (HRA).

With effect from 1 April 2012 Housing Finance Reform brought the subsidy system to an end and replaced it with a self-financing system. This change required a one off payment to Central Government of £90,473k on 28 March 2012. To fund this payment the Council borrowed the same sum from the Public Works Loan Board on a 30 year repayment basis at a fixed interest rate. £1,839k was paid off the PWLB loan principle sum during 2012/13. The reform will provide additional funds to invest in existing stock and future housing initiatives.

In 2012/13 the HRA achieved an increase in the HRA balance of £3,293k compared to the original budget that forecast an increase of £534k. The main reasons for the variance are as follows:

- The effect of Housing Finance Reform (£1,923k additional surplus)
- An increase in dwelling rents due to reduced void levels and lower than budgeted right-to-buy sales;
- Reduced spend on the Capital Works Programme.

As detailed in the General Fund section above on 25th September Council resolved to transfer £10m from the Housing Revenue Account balance and £2.5m from the Housing Initiatives Reserves to the General Fund balance. This transfer has been reflected in the accounts and is detailed in note 24.

MOVEMENT IN RESERVES STATEMENT

		2012/13							Total Usable Reserves	Unusable Reserves	Total Reserves
Notes	General Fund	Housing Revenue Account	Earmarked Gen Fund Reserves	Earmarked HRA Reserves	Usable Capital Receipts	Capital Grants Unapplied	£000	£000	£000	£000	
	2,258	7,365	4,228	2,846	1,361	625	18,683	72,600	91,283		
Balance at 1 April											
Comprehensive Income & Expenditure											
Surplus or (deficit) on the provision of services	(2,850)	2,132					(718)		(718)		
Other comprehensive income & expenditure								1,179	1,179		
Total Comprehensive Income & Expenditure	(2,850)	2,132	0	0	0	0	(718)	1,179	461		
Adjustments between Accounting Basis & Funding Basis under Regulations											
Depreciation and amortisation of non-current assets	4	1,614	0	1,483			3,097	(3,097)	0		
Impairment of non-current assets	4	2,597	5,681				8,278	(8,278)	0		
Excess depreciation charged to the HRA over Major Repairs Allowance (MRA)	HRA	0	(3,390)	3,390			0	0	0		
MRA transferred to fund capital expenditure	3	0	0	(4,873)			(4,873)	4,873	0		
Capital grants and contributions	21	(588)	0			355	(233)	233	0		
Changes in the value of Investment Properties	5	(51)	0				(51)	51	0		
Revenue expenditure funded from capital under statute	11	86	0				86	(86)	0		
(Gain) or loss on disposal of non-current assets	8	(431)	(443)		1,982		1,108	(1,108)	0		
Revaluation gain	33	(7)	0				(7)	7	0		
Adjustments under statutory provisions relating to soft loans	16	(250)	0				(250)	250	0		
Loan Principal Repayments	13	(24)	0				(24)	24	0		
Net charges made for retirement benefits	19	390	(76)				314	(314)	0		
Council tax income regulatory adjustment	20	(43)	0				(43)	43	0		
Capital expenditure charged to revenue	10	(66)	(610)				(676)	676	0		
Employee benefits – accrued annual leave	22	15	0				15	(15)	0		
Transfer from usable capital receipts equal to the amount payable into the housing capital receipts pool	23	207	0		(207)		0	0	0		
Capital receipts applied	10	0	0		(320)		(320)	320	0		
Net Increase or Decrease before Transfers to/from Earmarked Reserves	599	3,294	0	0	1,455	355	5,703	5,242	461		
Transfers to or (from) earmarked reserves	25	(597)	0	541	(93)	0	(149)	149	0		
Transfers to or (from) HRA Balances / reserves	24	12,500	(10,000)	0	(2,500)	0	0	0	0		
Increase or Decrease in Year	12,502	6,706	541	(2,593)	1,455	355	5,554	5,093	461		
Balance at 31 March	14,760	659	4,769	253	2,816	980	24,237	67,508	91,745		

CONSOLIDATED BALANCE SHEET

Restated 31 March 2012 £000		Notes	31 March 2013 £000	£000
153,563	Council dwellings		149,902	
57,226	Land and buildings		61,155	
1,118	Vehicles, plant and equipment		1,171	
7,665	Infrastructure assets		7,386	
204	Community assets		193	
1,606	Assets under construction		1,794	
0	Surplus assets not held for sale		495	
221,382	Property, Plant and Equipment	4		222,096
4,113	Heritage Assets	7	4,127	
2,567	Investment property	5	2,317	
66	Intangible assets	4	118	
415	Long term investments	12	362	
2,608	Soft loans	16	2,748	
392	Long term debtors	26	730	
(66)	Less provision for bad debts	26	(66)	
10,095	Long Term Assets			10,336
18,576	Short term investments	12	19,073	
137	Stocks in hand		165	
7,642	Short term debtors	26	7,501	
(2,059)	Less provision for bad debts	26	(2,136)	
2,097	Cash and cash equivalents	27	6,385	
987	Assets held for sale	6	0	
27,380	Current Assets			30,988
(1,078)	Short term borrowing	13	(2,070)	
(9,789)	Short term creditors	28	(9,320)	
0	Provisions	29	(33)	
(1,899)	Receipts in advance	30	(1,275)	
(12,766)	Current Liabilities			(12,698)
(96,785)	Long term borrowing	13	(93,954)	
(604)	Capital grants received in advance	32	(825)	
(57,419)	Pensions liability	19	(64,198)	
(154,808)	Long Term Liabilities			(158,977)
91,283	Net Assets			91,745
2,258	General Fund balance	24	14,760	
7,365	Housing Revenue Account balance	24	659	
4,228	Earmarked reserves	25	4,769	
2,846	Housing Revenue Account reserves	25	253	
1,361	Usable capital receipts reserve	23	2,816	
625	Capital grants unapplied	31	980	
18,683	Reserves Available to Fund Services			24,237
17,554	Revaluation reserve	35	24,836	
148	Available-for-sale financial instruments reserve	17	148	
113,779	Capital adjustments account	33	107,907	
(1,587)	Financial adjustments account	15	(1,337)	
207	Collection Fund adjustment account	20	250	
(82)	Employee adjustment account	22	(98)	
(57,419)	Pensions reserve	19	(64,198)	
72,600	Reserves Unavailable to Fund Services			67,508
91,283	Net Worth			91,745

24. GENERAL FUND AND HRA BALANCES

The introduction of HRA self-financing in 2012/13 was accompanied by the abolition of housing subsidy in the HRA. Schedule 4, Part III, paragraph 2 of the 1989 Local Government and Housing Act has always provided as follows:

“A local housing authority to whom no Housing Revenue Account subsidy is payable for any year may carry the whole or part of any credit balance shown in their Housing Revenue Account for that year to the credit of some other revenue account of theirs”.

Council on 25th September resolved to transfer £10m from the Housing Revenue Account balance and £2.5m from the Housing Initiatives Reserves to the General Fund balance.

The primary benefits to the Council are flexibility and sustainability. If the balances were to remain within the HRA then they could only be used for the specific purposes of the HRA. By transferring the balances to the general fund, they can be applied to the whole range of General Fund purposes.

The HRA's baseline budget is robust and is operating at a surplus which, with rent convergence and capped debt charges to the PWLB, is forecast to be maintained and to grow. Therefore, no detrimental service impacts to HRA tenants or additional rent increases will arise as a direct result of this proposal.

Impact on Balances	Opening Balance £000	Surplus in year £000	Transferred in year £000	Closing Balance £000
General Fund	2,258	2	12,500	14,760
Housing Revenue Account	7,365	3,294	(10,000)	659
Total	9,623	3,296	2,500¹	15,419

¹ £2.5m has been transferred to the General Fund Balance from the Housing Initiatives reserve as detailed below.

25. EARMARKED RESERVES

Housing Revenue Account:

	Opening Balance £000	Receipts in year £000	Applied in year £000	Closing Balance £000
Major Repairs Reserve	0	(4,873)	4,873	0
Tenant's Compact Reserve	(345)	0	92	(253)
Housing Initiatives	(2,500)	0	2,500	0
Total	(2,845)	(4,873)	7,465	(253)

Major Repairs Reserve – The Major Repairs Reserve is ring-fenced for HRA capital expenditure or debt repayment of a housing nature. Any unspent balance in a year can be carried forward to finance expenditure in future years.

Tenant's Compact Reserve – is a ring-fenced capital reserve which is a carry forward of any unspent capital budget not used in previous years.

Housing Initiatives Reserve – Council on 25th September resolved to transfer the balance on this reserve to the General Fund balance as detailed in note 24 above.

HOUSING REVENUE ACCOUNT

MOVEMENT IN THE HOUSING REVENUE ACCOUNT STATEMENT

2011/12 £000		2012/13 £000	£000
(8,608)	Balance on the HRA at the end of the previous year		(7,365)
91,997	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(2,132)	
	Adjustments between Accounting Basis and Funding under Statute:		
(5,618)	Impairment of non-current assets	(5,681)	
(90,473)	Transfer of Self-Financing Determination to Capital	0	
1,741	Voluntary Excess depreciation over Major Repairs Allowance charged to the HRA	3,390	
67	Gain on disposal of non-current assets	443	
530	Net charges made for retirement benefits	76	
499	Capital expenditure funded by the HRA	610	(1,162)
(1,257)	Net increase before transfers to or from reserves	(3,294)	
2,500	Transfers to earmarked reserves (note 5)	0	
0	Transfer to General Fund balance (note 4)	10,000	
1,243	(Increase) or decrease in year on the HRA Balance		6,706
(7,365)	Balance on the HRA at the End of the Current Year		(659)

NOTES TO THE HOUSING REVENUE ACCOUNT

4. TRANSFER OF HRA BALANCE

On 25th September Council resolved to transfer £10m from the Housing Revenue Account balance and £2.5m from the Housing Initiatives Reserves to the General Fund balance as detailed in note 24 to the main financial statements.

5. OTHER EARMARKED RESERVES

Tenants Compact

This reserve is earmarked for estate improvement works and had a balance of £253k at 31 March 2013 (£346k 31 March 2012).

Housing Initiatives

As detailed above on 25th September Council resolved to transfer the £2.5m balance on this reserve to the General Fund balance.