

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 25 JULY 2017

Title of report	PROVISIONAL FINANCIAL OUTTURN 2016/17
Key Decision	a) Financial Yes b) Community Yes
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Purpose of report	To present the Provisional Financial Outturn for 2016/17.
Reason for Decision	Requirement of Financial Procedure Rules
Council Priorities	Value for Money
Implications: Financial/Staff Link to relevant CAT Risk Management Equalities Impact Assessment Human Rights Transformational Government	Financial issues are contained within the report. None. There are significant financial risks to manage which were fully considered during the budget process. Not required. No implications. No implications.
Comments of Head of Paid Service	The report is satisfactory

Comments of Deputy Section 151 Officer	As author, the report is satisfactory
Comments of Monitoring Officer	The report is satisfactory
Consultees	Corporate Leadership Team
Background papers	General Fund and Special Expenses Revenue Budgets 2016/17 – Cabinet 07 february 2017
Recommendations	THAT CABINET NOTES THE PROVISIONAL FINANCIAL OUTTURN POSITION FOR 2016/17.

1.0 INTRODUCTION

- 1.1 The Council is required to produce Financial Statements each year which “give a true and fair view” of the financial position and transactions of the Council. These have been prepared under International Financial Reporting Standards since 2010/11. The 2016/17 accounts will be considered and approved by the Audit and Governance Committee on 27 September 2017 after they have been audited.
- 1.2 This report summarises the main elements of our financial performance in 2016/17 and the results are referred to as ‘provisional’ as they are still subject to external audit and may change.
- 1.3 During 2017/18 and beyond, greater emphasis will be placed on outcome based budgeting and robust financial management in forecasting the Council’s financial position and reducing variance between budgeted and outturn position. This will include more sophisticated estimates undertaken in relation to income and expenditure (using financial and non-financial data and forecasting techniques), longer term revenue planning (to provide budget holders with the opportunity to plan varying revenue budgets over the medium term and to release surplus expenditure budgets); and a leaner approach to the allocation of reserves for delivering the Council priorities.

2.0 GENERAL FUND

- 2.1 The expected final position on the General Fund is set out in Table 1 overleaf. The provisional surplus of £1.825m includes £1.178m of initiatives that were agreed to be funded from the 2016/17 surplus. The remaining £0.647m represents the remaining surplus transferred to general fund reserves.
- 2.2 Members will recall that at its Cabinet meeting on 13 June 2017, £0.577m funding in relation to Marlborough Square was agreed to be paid from any remaining 2016/17 surplus and the projected 2017/18 surplus. Given the provisional outturn position, the funding for this initiative will be paid in full from the remaining surplus transferred to reserves (£0.647m).

LINE NO.	TABLE 1 GENERAL FUND	2016/17	2016/17
		ORIGINAL ESTIMATE	PROVISIONAL OUT-TURN
		£'000	£'000
	TOTAL DISTRICT EXPENSES		
1	CHIEF EXECUTIVE'S UNIT	5,393	5,149
2	DIRECTOR OF SERVICES	5,706	5,342
3	CORPORATE AND DEMOCRATIC CORE	45	40
4	NON-DISTRIBUTED COSTS	87	86
5	NET FINANCING COSTS	1,054	1,002
6	INVESTMENT INCOME	-	187
7	CORPORATE CONTINGENCY	100	-
8	PROVISION FOR BAD DEBT	-	130
9	LOCALISATION OF COUNCIL TAX GRANT – PARISH	168	101
10	REVENUE CONTRIBUTION TO CAPITAL	-	139
11	NET RECHARGES FROM GENERAL FUND	1,418	1,368
12	DEBT RESTRUCTURING PREMIUM	-	23
13	TRANSFER TO RESERVES	983	1,825
14	FRS17	-	-
15	TRANSFER TO S106	-	36
16	P/L ON SALE OF ASSETS	-	-
17	SECTION 106	-	-
18	NET COST OF SERVICE AFTER RECHARGES	12,002	12,318
16	REVENUE SUPPORT GRANT	1,120	1,054
17	COUNCIL TAX TRANSITIONAL GRANT	-	26
18	NEW HOMES BONUS	2,773	2,778
19	TRANSFER FROM COLLECTION FUND	345	345
20	OTHER GRANTS	-	9
21	COUNCIL TAX	4,808	4,808
22	NATIONAL NON DOMESTIC RATES BASELINE	2,956	3,298
		12,002	12,318

2.3 The most significant variances for 2016/17 are explained below and summarised in Table 2 below.

TABLE 2 - Major Variances	£'000	£'000
Adverse		
Bad debt provision	-130	
Leisure Centres	-80	
Rent Allowances (over budget)	-110	
		-320
Favourable		
Business Rates Income	342	
Planning Fees Income	172	
Recycling Income	316	
Investment Income	71	
Revenues & Benefits Partnership contributions	74	
Revenues Summons Income	66	
Planning Appeals & Associated Costs under Budget	63	
Revenue Contingency not spent	100	
		1,204
Total		884

- 2.4 Prior to 1 April 2013 local authorities' Government Grant funding was announced before the start of each financial year and did not change. The introduction of a system of locally retained business rates from 2013/14 made this source of income far more volatile and introduced significant new risks, and opportunities, for the Council. As well as an ever-changing business rates base, the Council also shares the costs of appeals, debt write-offs and so on. The Council's participates in a County Pool, which is a local mechanism for retaining business rate income within Leicestershire rather than divert back to Central Government, and mitigate against the risk of under achievement on income targets. Councils are continuing to develop their systems for projecting and monitoring this major income stream. In common with the rest of the information presented in this report the outturn figures for Business Rate income are provisional and subject to external audit. In 2016/17 an additional £342k Business Rates has been taken into the accounts compared with the original budget.
- 2.5 Additional recycling income of £316k was achieved as a result of favourable movement on commodity prices and an increase in recycling rates within the District.
- 2.6 The additional £172k Planning income shown in Table 2 represents an increase of 16% on the original budget. This was mainly due to a significant number of applications with a value of above £10k
- 2.7 Investment income was £71k higher than budgeted chiefly because the Council is now lending for longer periods and getting higher returns. The current year's budget will be updated to reflect the change.

- 2.8 The Revenue Budget Contingency was not utilised, saving £100k. The Contingency has not been called upon for a number of years and in light of this was reduced from £183k to £100k in the 2016/17 budget.
- 2.9 The Council has itself benefitted from a lower number and value of Planning appeals where costs were awarded against us. This has produced a saving of £63k in 2016/17.
- 2.10 Contributions towards the Revenues and Benefits Partnership were £74k less than budgeted for. £41k was as a result of Fraud posts being transferred to DWP and £33k was as a result of using in year reserves rather than budget.
- 2.11 There was an increase in the Summons Income of £66k. This was mainly due to more recovery action being taken in the year.
- 2.12 On the adverse side we have set aside an extra £130k for bad debts provision after reviewing our bad debts ensuring that we have a realistic and accurate assessment, and there has been a lag in claiming back the benefits overpayment to private tenants (£110k). This overpayment is still being recovered.
- 2.13 Finally, there was £80k adverse variance in respect of leisure services as a result of increased expenditure on general repairs and operational equipment.

3.0 HOUSING REVENUE ACCOUNT (HRA)

- 3.1 The financial performance of the HRA is summarised in Table 3. The expected final position is a surplus of £3.234m being £839k higher than the approved budget. The surplus on the account has been added to the HRA balance which stood at £8.912m at 31 March 2017.

Table 3	2016/17		
	Approved Budget	Provisional Outturn	Provisional Variance
	£'000	£'000	£'000
HOUSING REVENUE ACCOUNT			
Repairs and Maintenance	5,258	5,000	-258
Supervision and Management	2,772	2,541	-231
Provision for Doubtful Debts	125	58	-67
Capital Financing (Depreciation, Impairment & Debt Management)	3,946	3,910	-36
Total Expenditure	12,101	11,509	-592
Less Rental Income & Service Charges	-17,842	-18,034	-192
Net Cost of Service	-5,741	-6,525	-784
Capital Financing (Principal & Interest)	3,405	3,380	-25
Investment Income	-66	-96	-30
Premature Loan Redemption Premiums	7	7	0
NET (SURPLUS) / DEFICIT	-2,395	-3,234	-839

- 3.2 The significant variances in respect of the Housing Revenue Account are explained below.
- 3.3 Reduced contribution to the Bad Debt provision of £67k as a result of continued improved rent arrears performance.
- 3.4 Additional rental income of £210k was achieved compared to budget as a result of a reduction in the number of days properties were empty before they were re-let.
- 3.5 There was a £308k under spend in respect of cyclical repairs which was largely as a result of the timetable for a contract in respect of painting being rescheduled.
- 3.6 There was also a £138k saving to the Housing Revenue Account in respect of corporate recharges from the General Fund for corporate support services.
- 3.7 The most significant adverse variance was a reduction in service charges, garage rent income, lifeline and heating charges of £61k.

4.0 SPECIAL EXPENSES

4.1 The expected final position on Special Expenses is an overspending of £25k. Table 4 below gives further details.

Table 4 Special Expenses	Original Budget £'000	Provisional Outturn £'000	Provisional Variance £'000
Special Expenses	516	519	3
Net Financing costs	-28	-24	4
Contribution to Earmarked Reserves	0	18	18
Expenditure Requirement	488	513	25
Precept	424	424	0
Localisation of Council Tax Support Grant	68	68	0
Transfer from/to Reserves	-4	21	25

4.2 The opening Special Expenses Reserves Balance was £85k and following the deficit of £21k for the year, this now stands at £64k.

5.0 CAPITAL

5.1 The Council's capital spending is detailed in Table 5.

TABLE 5 Scheme	Original	Prior Year	In Year	In Year	In Year	Revised	Provisional	Provisional
	Budget	c/f	Approvals /funding	Slippage	Acceler-ation	Budget	Outturn	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HOUSING								
Improvements and Modernisation	7,278	0	0	(1,363)	0	5,915	5,915	0
Support For Acquiring affordable housing	887	0	0	(882)	0	5	5	0
Disabled Facilities Grants	717	105	0	(371)	0	450	283	(167)
OTHER SERVICES								
Parks and Recreation Grounds	0	60	12	0	0	72	72	0
IT & Software	155	108	505	(249)	0	519	284	(235)
Transport Account Vehicles	1,333	165	20	(677)	120	961	766	(196)
Leisure Centres	415	(1)	0	0	0	414	10	(404)
Car Parks (inc Ashby Health)	84	77	620	(35)	0	746	303	(443)
Coalville Market Upgrade	0	61	0	0	0	61	31	(30)
Coalville Park-Reconfigure Depot, replace building	95	0	0	0	0	95	0	(95)
Caravan Site Appleby Magna	0	0	0	0	0	0	(5)	(5)
						0		
TOTAL CAPITAL PROGRAMME	10,963	576	1,157	(3,577)	120	9,239	7,664	(1,574)

5.2 There is always some slippage on Disabled Facilities Grant payments because approvals are given in advance of final payments being made.

5.3 The final Housing Revenue Account capital budget was under spent by £2.438m compared to the budget approved at Council in February of £7.278m plus slippage from prior year of £1.075m giving a revised budget of £8.353m. The main reason for this is the under spend and slippage £584k into 2017/18 in respect of non-decency improvements to council housing stock.