

NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

CABINET – 26 JULY 2016

Title of report	PROVISIONAL FINANCIAL OUTTURN 2015/16
Key Decision	a) Financial Yes b) Community Yes
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Purpose of report	To present the Provisional Financial Outturn for 2015/16.
Reason for Decision	Requirement of Financial Procedure Rules
Council Priorities	Value for Money
Implications:	
Financial/Staff	Financial issues are contained within the report.
Link to relevant CAT	None.
Risk Management	There are significant financial risks to manage which were fully considered during the budget process.
Equalities Impact Screening	Not required.
Human Rights	No implications.
Transformational Government	No implications.
Comments of Head of Paid Service	The report is satisfactory
Comments of Deputy Section 151 Officer	The report is satisfactory
Comments of Monitoring Officer	The report is satisfactory

Consultees	Corporate Leadership Team
Background papers	<u>GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGETS 2016/17 – CABINET 09 FEBRUARY 2015/16</u>
Recommendations	THAT CABINET NOTES THE PROVISIONAL FINANCIAL OUTTURN POSITION FOR 2015/16.

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 2015/16 accounts will be considered and approved by the Audit and Governance Committee on 21 September 2016 after they have been audited.
- 1.2 This report summarises the main elements of our financial performance in 2015/16 and the results are referred to as ‘provisional’ as they are still subject to external audit and may change.

2.0 GENERAL FUND

- 2.1 The expected final position on the General Fund is set out in Table 1. The provisional under spending of £2.349m is £0.753m more than projected when the 2016/17 budget was set and reported to Cabinet/Council in February 2016 and in line with the Year end updated figure of £2.3m reported to Cabinet on 14 June 2016. This underspend is currently held in a Special Projects Reserve and further reports will be brought to Cabinet on how to spend this one – off surplus.

LINE NO.	TABLE 1 GENERAL FUND	2015/16	2015/16
		ORIGINAL ESTIMATE	PROVISIONAL OUT-TURN
	TOTAL DISTRICT EXPENSES	£'000	£'000
1	CHIEF EXECUTIVE'S UNIT	4,598	4,653
2	DIRECTOR OF SERVICES	5,628	4,681
3	CORPORATE AND DEMOCRATIC CORE	55	36
4	NON-DISTRIBUTED COSTS	86	120
5	NET FINANCING COSTS	1,031	1,025
6	INVESTMENT INCOME	- 92	- 165
7	CORPORATE CONTINGENCY	183	-
8	PROVISION FOR BAD DEBT	-	100
9	LOCALISATION OF COUNCIL TAX GRANT – PARISH	100	101
10	REVENUE CONTRIBUTION TO CAPITAL	-	32
		-	
11	NET RECHARGES FROM GENERAL FUND	1,379	- 1,518
12	DEBT RESTRUCTURING PREMIUM	-	23
13	ACQUISITION OF SITES *	400	400
14	TRANSFER TO GENERAL RESERVE	-	2,349
	P/L ON SALE OF ASSETS		2
15	NET COST OF SERVICE AFTER RECHARGES	10,610	11,838
16	REVENUE SUPPORT GRANT	1,761	1,682
17	COUNCIL TAX FREEZE GRANT	58	60
18	NEW HOMES BONUS	2,123	2,130
19	TRANSFER FROM COLLECTION FUND	25	25
20	OTHER GRANTS	-	8
21	COUNCIL TAX	4,704	4,704
22	NATIONAL NON DOMESTIC RATES BASELINE	1,939	3,229
		10,610	11,838

* Money set aside in Reserves for Future Spend

2.2 The most significant variances for 2015/16 are explained below and summarised in Table 2.

TABLE 2 - Major Variances	£'000	£'000
Adverse		
Bad debt provision	-100	
Rent Allowances (over budget)	-141	
		-241
Favourable		
Business Rates Income	1,290	
Planning Fees Income	690	
Investment Income	73	
Revenues Summons Income	77	
Legal Income	52	
NNDR on Council Offices - due to refunds	141	
Planning Appeals & Associated Costs under Budget	93	
Revenue Contingency not spent	183	
		2,599
Total		2358

- 2.3 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 and debt write-offs etc. The Council participates in a County Business Rates Pool. 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 2015/16 an additional £1.290m Business Rates has been taken into the accounts compared with the original budget.
- 2.4 The additional £690k Planning income shown in Table 2 represents an increase of 188% on the original budget. This was mainly due to 7 Applications for Employer generating land uses which generated a total income of £633k and solar farms applications which generated an income of £42k. Additionally North West Leicestershire is considered to be an attractive location and home to a number of house builders, all of whom wish to have an active presence in the district. Applications for residential development generated an income of £294k.
- 2.5 Investment income was £73k higher than budgeted chiefly because the Council is now lending for longer periods and getting higher returns. The current year's budget has already been updated to reflect the change.
- 2.6 The Revenue Budget Contingency was not utilised, saving £183k. Managers have contained all their costs within their budgets. 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 2015/16 budget.
- 2.7 The Council has itself benefitted from a successful Business Rates appeal. This has produced a saving of £141k in 2015/16.

- 2.8 Legal Service income was £52k higher than budgeted. The legal services team have been selling legal services to other Council's for 6 years. The amount of income generated each year has increased and has been in excess of the targets set by the business plan for the service. The amount of income over and above the target this year is due in part to an increase in legal fees arising from S106 agreements and an increase in external clients and external income. The team operate in a commercial manner in dealing with internal and external clients; have a clear marketing strategy and an ambition to continue to reduce the net cost to the Council of providing legal services.
- 2.9 There was an increase in the Summons Income of £77k. This was mainly due to more recovery action being taken in the year.
- 2.10 On the adverse side we have set aside an extra £100k for bad debts provision after reviewing our bad debts and there has been a lag in claiming back the benefits overpayment to private tenants (£141k). This overpayment is still being recovered.

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 £388k being £205k higher than the approved budget. The surplus on the account has been added to the HRA balance which stood at £5.678m at 31 March 2016.

TABLE 3	2015/16		
	Approved Budget	Provisional Outturn	Provisional Variance
	£'000	£'000	£'000
HOUSING REVENUE ACCOUNT			
Repairs and Maintenance	5,097	5,122	25
Supervision and Management	2,576	2,549	-27
Provision for Doubtful Debts	171	63	-108
Capital Financing (Depreciation, Impairment & Debt Management)	6,555	6,513	-42
Total Expenditure	14,399	14,247	-152
Less Rental Income & Service Charges	-17,941	-17,939	2
Net Cost of Service	-3,542	-3,692	-150
Capital Financing (Principal & Interest)	3,405	3,380	-25
Investment Income	-53	-83	-30
Premature Loan Redemption Premiums	7	7	0
NET (SURPLUS) / DEFICIT	-183	-388	-205

- 3.2 Reduced contribution to the Bad Debt provision of £108k. A higher bad debt provision was budgeted due to introduction of Universal Credit. This expected increase in rent arrears hasn't materialised and the contribution for bad debt provision for future years has been adjusted accordingly.
- 3.3 Investment Income £30k more than budgeted. As explained in paragraph 2.5 the Councils investment income was higher than anticipated, a proportion of this Income is attributable to HRA.
- 3.4 There was also a reduction in Capital Financing cost of £40k compared to the Budget.

4.0 SPECIAL EXPENSES

- 4.1 The expected final position on Special Expenses is an overspending of £55k. Table 4 below gives further details.

Table 4 Special Expenses	Original Budget £'000	Provisional Outturn £'000	Provisional Variance £'000
Special Expenses	584	543	-41
Net Financing costs	-99	-23	76
Contribution to Earmarked Reserves	0	20	20
Expenditure Requirement	485	540	55
Precept	418	418	0
Localisation of Council Tax Support Grant	68	68	0
Transfer from/to Reserves	-1	54	55

- 4.2 The opening Special Expenses Reserves Balance was £141k and following the deficit of £55k for the year, this now stands at £85k.

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	Revised	Provisional	Provisional
	Budget	c/f	Approvals /funding	Slippage	Budget	Outturn	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HOUSING							
Improvements and Modernisation	8,367	738	0	0	9,105	6,421	(2,684)
Disabled Facilities Grants	560	165	63	(283)	505	401	(104)
OTHER SERVICES							
Parks and Recreation Grounds	0	169	(56)	0	113	34	(79)
IT & Software	118	94	148	0	360	253	(107)
Transport Account Vehicles	761	168	0	(459)	470	466	(4)
Leisure Centres	429	0	0	(400)	29	29	0
Car Parks	82	33	11	(44)	82	40	(42)
Coalville Market Upgrade/Wall	30	102	0	0	132	70	(62)
Caravan Site-Appleby Magna	100	59	0	0	159	166	7
Waste and Recycling	0	8	0	0	8	8	0
Whitwick Business Centre-Heating	50	0	0	0	50	0	(50)
TOTAL CAPITAL PROGRAMME	10,497	1,536	166	(1,186)	11,013	7,888	(3,125)

- 5.2 There is always some slippage on Disabled Facilities Grant payments because approvals are given in advance of final payments being made. There were some under spends in other capital projects.
- 5.3 The final Housing Revenue Account capital budget was under spent by £2.684m compared to the budget approved at Council in February of £8.367m plus slippage from prior year of £738k giving a revised budget of £9.105m. The main reason for this is the under spend and slippage in the Decent Homes Investment Programme £762k and the Affordable housing programme (£1.285m) being moved to 2016/17.