

 <b>Executive 10<sup>th</sup> July 2019</b>		<b>Agenda Item No.</b>  <h1 style="text-align: center;">14</h1>
<b>Title</b>	Final Accounts 2018/19	
<b>For further information about this report please contact</b>	Andrew Rollins andrew.rollins@warwickdc.gov.uk	
<b>Wards of the District directly affected</b>	None	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Full Council 20 February 2019 The Setting of the Council Tax for the Area of Warwick District Council 2019/20	
<b>Background Papers</b>		

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	Yes
<b>Included within the Forward Plan? (If yes include reference number)</b>	Yes
<b>Equality Impact Assessment Undertaken</b>	N/A

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	24/6/2019	Chris Elliot
Head of Service	24/6/2019	Mike Snow
CMT	24/6/2019	
Section 151 Officer	24/6/2019	Mike Snow
Monitoring Officer	24/6/2019	Andy Jones
Finance	24/6/2019	Andrew Rollins
Portfolio Holder(s)	24/6/2019	Richard Hales
<b>Consultation &amp; Community Engagement</b>		
N/A		
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1. Summary

- 1.1 The 2018/19 Accounts have been closed, and the draft Statement of Accounts is currently being audited by external Audit following publication on the Council's website for a period of public review. Subject to the outcome of the Audit, it is intended that Finance and Audit Scrutiny Committee will formally approve the Audited Statement of Accounts on the 30<sup>th</sup> July 2019.
- 1.2 This report provides a summary on the draft 2018/19 out-turn with the Appendices, with the draft Statement of Accounts (available on the website) providing a detailed analysis.
- 1.3 The Executive are asked to note the financial position for 2018/19 as detailed in the report, and the decisions made under delegated authority.

## 2. Recommendations

- 2.1 That Executive note the final revenue outturn positions of the General Fund (GF) and the Housing Revenue Account (HRA), being £321.5k and £116.1k favourable respectively.
- 2.2 That Executive note the Capital Programme shows a favourable variation of £2.581m, noting the level of slippage carried forward to 2019/20 as set out in Appendix E.
- 2.3 That Executive note the allocations of the revenue surpluses which have been appropriated to the General Fund Balance Reserve and HRA Capital Investment Reserve under delegated authority.
- 2.4 That Executive notes the final position for Revenue Slippage and approves the Earmarked Reserve (EMR) requests of £1.325m General Fund and £281.4k HRA (Appendix C), with the requests having been approved under delegated authority by the Head of Finance in conjunction with the Finance Portfolio Holder.

## 3. Reasons for the Recommendations

- 3.1 Recommendation 2.1

The final out-turn positions upon closure of the Accounts are as follows

	<b>Latest Budget £'000's</b>	<b>Actual £'000's</b>	<b>Variation £'000's</b>
General Fund	8,642	8,320	-322
HRA	-3,882	-3,998	-116
Capital Programme	29,045	26,464	-2,581

### 3.2 General Fund (Revenue)

3.2.1 The outturn for the General Fund Revenue Services for 2018/19 presents a favourable variation of £321,500. Should there be any change to the variation as a result of the ongoing External Audit, members will be updated accordingly.

3.2.2 All of the significant variations are presented in the table below.

<b>Description</b>	<b>£'000's</b>	<b>Favourable / Adverse</b>
Staffing underspends	-255,900	F
Christmas events management and illuminations	45,000	A
Spa Centre and Pump Rooms net increased activity	-72,900	F
Repairs and Maintenance Responsive Repairs	166,700	A
Benefits	-293,700	F
Kenilworth Public Service Centre Increased Rental Income	-30,100	F
Local land charges search income	26,700	A
General Fund Utilities (Electricity, Gas and Water)	-3,100	F
Housing Advice and Allocations	232,000	A
Investment interest income	-271,000	F
Planning Fee income down on the Revised (increased) Budget	202,000	A
Revenue income increased court fees received	-60,000	F
Burial Rights	90,400	A
Legal Fees	50,500	A
Audit Fees	47,000	A
Printing / Stationery	40,000	A

3.2.3 An analysis by Portfolio is shown at Appendix Ai. Appendix Aii provides a detailed breakdown of service variations, with the most significant identified in the table above being discussed below (from paragraph 3.2.8 – 3.2.13). Due to the length of this appendix, it will only be made available electronically. IAS19 adjustments and capital charging have been excluded from this analysis as these are reversed out.

3.2.4 Net Business Rates Retained Income to the General Fund is £121,900 below the revised Budget. This reflects adjustments in respect of increased business rates collected for the year, which has increased the levy due to be paid by the Council to the Government by £660k, this has been partly compensated by the increased income the Council received from being a member of the Coventry and Warwickshire Pool. Under the accounting arrangements for Business Rates Retention, the Council's share of any increased business rates for 2018/19 will be reflected in future years' retained business rate income. The £121,900 has

reduced the contribution the Council has made to the Business Rate Volatility Reserve, so presenting a neutral position on the General Fund for 2018/19.

3.2.5 Investment Interest is higher than that budgeted. Delays in various programmed expenditure as discussed within this Report, means that there have been more balances to invest which has led to this favourable variation rather than it being due to higher interest rates. The Annual Treasury Management Report is due to be presented to Finance and Audit Committee on 9<sup>th</sup> July, which provides more details on the 2018/19 performance. The Table below shows that budgeted and that received broken down into the 2 Funds.

	<b>Revised Budget £'000's</b>	<b>Actual £'000's</b>	<b>Variation £'000's</b>
HRA	-213	-335	-122
General Fund	-331	-602	-271
<b>Total Interest</b>	<b>-544</b>	<b>-937</b>	<b>-393</b>

3.2.6 Vacancies across a number of teams have resulted in salaries being underspent by £255,900 in 2018/19. Key drivers of the underspend include vacancies within Development Services for building control and a conservation officer, Strategic Leadership during recruitment for the Asset Manager post, and within the Asset Management team following a restructure implemented in November.

3.2.7 General Fund utilities budgets were underspent overall by £3,100, with underspends on electricity totalling £43,200 offsetting overspends on gas and water supplies of £25,200 and £14,900 respectively. The most significant variations are shown below.

<b>Site</b>		<b>Outturn 31/3/19 £000</b>	<b>Budget £000</b>	<b>Variation £000</b>
Rural Footway Lighting	Electricity	26	48	-22
Royal Pump Rooms	Electricity	55	62	-7
Riverside House	Electricity	81	95	-14
Royal Spa Centre	Gas	15	10	5
Royal Pump Rooms	Gas	21	18	3
Estate Management	Gas	5	1	4
Riverside House	Gas	14	9	5
Bowling	Water	14	5	9
Golf Course	Water	3	0	3
Jephson Gardens Catering	Water	3	0	3

Having a reasonably mild winter will have led to a drop in consumption. Officers will work with the Compliance Team to determine the most appropriate usage that budgets should be based upon, with the 2019/20 budgets being adjusted to reflect this.

### 3.2.8 Business (Development Services)

Delivering the Christmas lights events across the district, and the Victorian evening in Warwick incurred an additional £24,600 in expenditure above budget. In addition, there was an adverse variation of £21,100 on the cost of the Illuminations in Kenilworth and Leamington £21,100. The contract for providing the illuminations is currently out to tender, with the budget to be reviewed alongside the award of the subsequent contract.

### 3.2.9 Cultural Services

There have been an increased number of Events throughout the Arts facilities during 2018/19, in particular the Royal Spa Centre and the Royal Pump Rooms. Income from non WDC admissions, including room bookings, concessions and events have increased by £206,700. Much of this is offset by the additional costs directly relating to the hosting of these events, including staffing. The sites have generated a net favourable position of £72,900, the majority of which can be attributable to the Pump Rooms. Income from other activities at the Spa Centre, such as the cinema and main shows, has been in line with budget.

### 3.2.10 Development Services

Planning Fee Income budgets were increased twice during the year, the second as part of the Revised Budget Setting Process. This increase of £200,000 proved to be too optimistic and did not materialise. Income received in 2018/19 was still £257,800 more than was forecast in the original budget. The position is being re-assessed for the current and future years' budgets.

### 3.2.11 Finance

Housing benefits presented a favourable net variance of £293,700, driven by an increase in the subsidy on benefit overpayments. The bad debt provision for Benefits has been reduced by £16,800 due to a lower level of debtors, and was £67,800 lower than budget.

As previously reported, there was an increase in external audit fees paid during 2018/19 has resulted in an adverse variation of £47,000, following delays in the completion and sign off of the 2017/18 Statements of Accounts. External audit was required to carry out additional work and visits to WDC following their scheduled agreed programme in June and July 2018, with further visits required in September and November alongside ongoing work off-site.

During 2018/19 there has been a net £50,500 adverse variance in the cost of legal services, with favourable variance of £11,700 in legal fees, offset by an adverse variation of £62,200 in disbursements.

### 3.2.12 Housing and Property Services

An additional recurrent budget of £100,000 for Bed and Breakfast costs was built into the 2018/19 budget. This would be compensated for in part by additional benefits reimbursement from Government and an additional £100,000 in rebates was also built in. The Council now has a refurbished property in Willes Road, and also as of September has use of William

Wallsgrove House to provide accommodation to those who would have previously been placed into Private Sector Bed and Breakfast. Now in use, it presents a corresponding adverse variance of £23,200.

While the use of our own properties has reduced the amount of expenditure spent on Bed and Breakfast accommodation, it has increased costs relating to rents, council tax and Repairs and Maintenance on these properties, with an adverse variance of £208,400.

Officers will re-assess the use of temporary accommodation in 2019/20 and adjust the budgets accordingly to reflect the changes in how the service is provided.

### 3.2.13 Neighbourhood Services

Demand to purchase plots for future use has reduced due to the Leamington graveyard now being close of capacity, following increased demand in previous years as plots were reserved while they were still available, resulting in an adverse variation of £90,400. Going forward there will be a review of the fees for Exclusive Rights for non-residents in order to prolong availability for our own residents at Kenilworth cemetery. The effect of this should be to delay the need for a capital project to build a new Cemetery.

### 3.3 Housing Revenue Account

3.3.1 The Revised Budget for the HRA allocated £3.882m to be appropriated to the HRA Capital Investment Reserve. The actual outturn for 2018/19 resulted in £3.998m being transferred, a variance of £116k. This is summarised in Appendix Bi. provides a detailed analysis of the variations and their drivers.

3.3.2 The favourable variance on Investment Interest is discussed and shown in the General Fund above (para 3.2.5).

3.3.3 Vacancies across a number of teams have resulted in employee costs being underspent by £329,200 in 2018/19. Key drivers of the underspend include vacancies across the housing services teams, and the recharge from the Asset Management Team being below budget as discussed in paragraph 3.2.6. There have also been significant vacancies within our supported housing provision at William Wallsgrove House, following opening of the hostel in September, totally £89,900.

3.3.4.1 Repairs and maintenance have resulted in an adverse variation of £620,000. Following on from the outcome of the stock condition survey, and ongoing works as part of the fire safety in high rise properties projects, major repairs expenditure is £113,000 above budget. Responsive and void repairs have resulted in an adverse variation of £506,000. There has been an increased drive this year to make best use of the time that a property is void to ensure that when it is re-let it is to the minimum agreed standard. Across the repairs, maintenance and improvement programmes, both revenue and capital through the Housing Investment Programme, there has been increased delivery of works to ensure that none of our housing stock can be categorised as having poor or very poor components by March 2020.

3.3.4.2 There has been a significant amount of change in the Assets Team during the year, including a redesign taking place in November. Monitoring and budget

processes have been reviewed in conjunction with control processes supported and agreed by the asset manager, to ensure up to date information is shared between key service stakeholders. This will enable greater financial control, and prevent works being agreed with contractors without the necessary budget and authorisation.

- 3.3.5 Members will note the depreciation charged on HRA properties, in particular housing stock, is roughly in line with forecast expectations for the year. The increased depreciation, up £105,000 from 2017/18, is charged as an expense to the HRA as per statutory guidelines, being transferred to the Major Repairs Reserve (MRR). The MRR is ring-fenced to be used to fund capital improvements through the Housing Investment Programme, or can be used to repay debt.
- 3.3.6 There is a favourable variation on the Bad Debt Provision of £174,900. Continued delays to the full implementation of Universal Credit, which had been factored into this Budget, and improved collection rates has reduced the level of Debt outstanding at 31<sup>st</sup> March 2019 against the forecasted arrears. Similarly, there is a favourable variation on the HRA's Court Costs, £45,500, offset in part by reduced income from charges (£17,400).
- 3.3.7 HRA PV Panel income is favourable compared to that budgeted by some £9,500, driven by a summer that supported high levels of generation to maximise the Feed-In-Tariff rates received.
- 3.3.8 The HRA utilities budgets were overspent by £78,400, with overspends on electricity totalling £35,100, gas £28,000 and water supplies £15,300 respectively. Electricity cost increases were driven in part by a change in supplier part way through the year, with the latest contract reflecting increased supply rates in the sector. Any costs related to individual properties within one of our sheltered and the 5 very sheltered properties provided as part of communal supply are recovered through recharges to the tenants.
- 3.3.9 Officers will be monitoring these budgets in 2019/20, and reviewing the budgets where necessary to ensure appropriate resource allocation going forward.

### 3.4 Recommendation 2.2

- 3.4.1 Capital Expenditure showed a favourable variance against the latest budget of £2.581m. This is comprised of the Housing Investment Programme and Other Services. The table below summarises Budget and Expenditure by Fund, with further details within appendices D and E.

	<b>Latest 2018/19 £'000</b>	<b>Actual 2018/19 £'000</b>	<b>Variance 2018/19 £'000</b>
Housing Investment Programme	10,598	11,086	488
Other Services	18,447	15,378	(3,069)
<b>Total Capital</b>	<b>29,045</b>	<b>26,464</b>	<b>(2,581)</b>

3.4.2. The main reasons for these variations were:

3.4.2.1 Slippage due to delays in delivering agreed programmed works and projects commencing late. Budget to be carried forward to 2019/20 for these specific planned works total £1.375m on the Housing Investment Programme, and £2.605m for Other Services. Whilst this shows as a variation in the table above and in the appendices, it is not an underspend or saving.

3.4.2.2 The increased cost of delivering Housing Investment Programme improvements identified alongside the ongoing works for fire safety in high rise properties has resulted in an adverse spend of £237,600 above the agreed original budgeted programme, which included £2.590m for specific fire safety works (£770,400 of this programme has been slipped to 2019/20). The main drivers of this included the complete rewiring of a number of our blocks for electricity, and also for digital utilities for TV and broadband services. Doors were also replaced to offer further fire prevention above the minimum safety standard. Where these were brought forward in the programme, future budget requirements will be reduced and factored into the programme based on their new attribute expected life.

3.4.2.3 A number of major construction and acquisition opportunities for the delivery of council housing had arisen during the year, resulting in an adverse variance of £1,509,000. A number of ex-council houses originally sold through Right to Buy being repurchased using delegated authority. While it had been budgeted that only one would be purchased when the budget was set, an additional 5 were purchased during the year. The conversion of Beauchamp House following its purchase in April, and the conversion costs of 173 Rugby Road and William Wallsgrove House have also been above original forecasts. The conversion projects have been as a result of the work required to bring the units up to an appropriate standard being under estimated at the outset of the projects, with some high value works only being identified once contractors were on site.

3.4.2.4 As highlighted in 3.3.4.1, controls over how works are agreed have been reviewed to ensure projects have the necessary budget provision.

3.4.2.5 The maintenance of play areas on land with HRA ownership was transferred from Open Spaces, and has resulted in an unbudgeted cost to the HRA of £160,000. This will be factored into the programme from 2019/20.

3.4.3 Appendix D shows an analysis of the Capital Programme, with Appendix E providing a more comprehensive breakdown of the variations and their drivers, and the level of budget to either be returned to reserves or slipped to 2019/20

3.5 Recommendation 2.3

3.5.1 In November 2016 (Budget Review Report) Members approved that any surplus or deficit on the General Fund balance was to be appropriated to or from the General Fund Balance. Under this agreed delegation, £321.5k has been allocated.

3.5.2 Similarly, it was agreed for the Housing Revenue Account, that the balance be automatically appropriated to/from the HRA Capital Investment Reserve. £116.1k has been transferred in 2018/19.



3.5.3 It was also agreed that the Head of Finance, in consultation with the Finance Portfolio Holder, would amend these arrangements for appropriating the surpluses or deficits as necessary and would agree any further items of revenue and capital slippage.

### 3.6 Recommendation 2.4

3.6.1 As part of the Final Accounts process, requests have been approved under delegated authority by the Head of Finance for Revenue Ear Marked Reserves. These are for previously agreed projects where it had not been possible to complete as budgeted within 2018/19, and will therefore need to carry forward budget to 2019/20.

3.6.2 These totalled £1,325,000 for the General Fund and £281,400 for the HRA, and are outlined in detail in Appendix C. Requests are considered against budget outturn within the specific projects and services, with requests approved only where there is sufficient budget available.

3.6.3 Members will note this is a considerable sum. The most significant projects being the ongoing works on Linen Street, Covent Garden car park, golf course maintenance and the housing external decorations programme.

3.6.4 It is recommended that the Executive note the position on Revenue slippage. As in previous years, expenditure against these Budgets will be regularly monitored and reported to the Executive as part of the Budget Review Process.

## 4. **Policy Framework**

### 4.1 Fit for the Future (FFF)

The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects. This report shows the way forward for implementing a significant part of one of the Council's Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy."

<b>FFF Strands</b>		
<b>People</b>	<b>Services</b>	<b>Money</b>
<b>External</b>		
<b>Health, Homes, Communities</b>	<b>Green, Clean, Safe</b>	<b>Infrastructure, Enterprise, Employment</b>
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and ASB	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels
<b>Impacts of Proposal</b>		
The GF and HRA budgets provide the necessary resources to achieve these outcomes	The GF and HRA budgets provide the necessary resources to achieve these outcomes	The GF and HRA budgets provide the necessary resources to achieve these outcomes
<b>Internal</b>		
<b>Effective Staff</b>	<b>Maintain or Improve Services</b>	<b>Firm Financial Footing over the Longer Term</b>
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right behaviours	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money
<b>Impacts of Proposal</b>		
The GF and HRA budgets provide the necessary resources to achieve these outcomes	The GF and HRA budgets provide the necessary resources to achieve these outcomes	The GF and HRA budgets provide the necessary resources to achieve these outcomes

#### 4.2 Supporting Strategies

Each strand of the FFF Strategy has several supporting strategies. The 2018/19 Accounts are consistent with the relevant supporting strategies.

#### 4.3 Changes to Existing Policies

The proposed budgets are in accordance with existing policies. External Audit will identify should the Council not have followed the correct Accounting Policies. Any variations impacting on Fit For the Future projects will be

incorporated into those projects. This report is looking into the previous year, only savings already achieved will be included in these figures.

#### 4.4 Impact Assessments

The Council's Final Accounts cover the community throughout the District. It is a statement of fact and officers will have considered any impact when amending their budgets.

### 5. Budgetary Framework

5.1 The Final Accounts for 2018/19 represent a historic account of the financial performance for that year and, therefore, identifies how well, or otherwise, the Budget and Policy frameworks have been complied with.

5.2 The variances coming out of the 2018/19 Final Accounts will continue to be reviewed with the relevant Budget Managers to understand their causes, and any implications for future budgets and to tighten monitoring for the future.

### 6. Risks

6.1 The draft Accounts have been published on our website in accordance with the statutory deadline of 31<sup>st</sup> May. These are now subject to a review by External Audit. The main risk is that External Audit identifies significant material errors that require amendment.

6.2 Were significant material errors to be identified, there is a risk that having to make these amendments could delay the completion of the audit, and therefore the ability for the Statement of Accounts to be signed off at the Finance and Audit Scrutiny Committee on the 30<sup>th</sup> July.

6.3 The risks have been assessed and mitigated through a review of the Statement of Accounts process from 2018/19. This has brought about a number of changes, namely to the closedown timetable and the review and authorisation processes. These changes have brought forward and made a number of key tasks involved in the production of the Statement of Accounts more efficient, enabling greater time to review draft iterations ahead of the upload on 31<sup>st</sup> May.

### 7. Alternative Option(s) considered

7.1 The report is a statement of fact. However, how the outcomes might be treated, can be dealt with in a variety of ways, mainly the alternatives are to not allow any, or only allow some of the earmarked reserve requests to be approved.

7.2 Another alternative is to allow the General Fund balance to vary from the core level of £1.5m level, along with how the 2018/19 surplus is allocated. Any changes to the allocations would be implemented during 2019/20.

### 8. Background

8.1 Under the Accounts and Audit Regulations 2015, local authorities' audited Statement of Accounts for 2018/19 must be published by 31 July 2019. To achieve this deadline, the draft accounts must be completed and signed by the

responsible finance officer by 31<sup>st</sup> May 2019, and uploaded for public inspection for the first 10 working days of June.

8.2 Beginning w/c 3<sup>rd</sup> June, External Audit have been reviewing the draft Statement of Accounts, and will be carrying this out both on-site and off-site, with 4 weeks of on-site work scheduled. Audit are expected to have completed their on-site work by 19<sup>th</sup> July, with a view of getting the Statement of Accounts signed off at the Audit and Finance Committee on the 30<sup>th</sup> July.

### 8.3 Collection Fund

The Collection Fund collection rates were Council Tax 98.3% (98.2% 2017/18) and NNDR 97.8 (98.2% 2018/19).

The Collection Fund Accounts for 2018/19 are contained within the Statement of Accounts being presented to Finance and Audit Scrutiny Committee on 30th July and in the draft Statements currently published on the Website.

The surplus at the end of the year for Council Tax was £1.471m favourable (compared to an estimated surplus of £1.321m), largely reflecting the increased number of dwellings in the district. The Council's share of this amounts to £158,900 (favourable) which will be carried forward to be reflected in the 2019/20 accounts, along with any estimated balance on the 2018/19 Council Tax Collection Fund.

### 8.4 Reserves and Provisions

Movements on the Council's Reserves and Provisions are contained within the draft Statements currently published on the Website. More details on the Council's reserves, and projected levels thereof, will be included within future Budget reports.

### 8.5 Committee Reports

The following Reports have been presented to Committee

<b>Date</b>	<b>Report Title</b>	<b>Minute Number</b>
30-Aug-18	Budget Review to 30 June 2018	50
26-Sep-18	Fees and Charges 2018/19	67
09-Jan-19	General Fund Base Budgets 2019/20	118
09-Jan-19	Housing Revenue Account (HRA) latest 2018/19 and Base 2019/20	119
06-Feb-19	GF Budget 2019/20 and Council Tax - Revenue and Capital	145
06-Feb-19	Housing Revenue Account (HRA) Budget 2019/20 and Housing Rents	143
21-Feb-19	The Setting of the Council Tax for the Area of Warwick District Council 2019/20	87