WARWICK DISTRICT COUNCIL	**Executive 2 June 2016**	**Agenda Item No.** **2**

Title	Final Accounts 2015/16
For further information about this report please contact	Marcus Miskinis Tel 01926 456804 marcus.miskinis@warwickdc.gov.uk
Wards of the District directly affected	None
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No
Date and meeting when issue was last considered and relevant minute number	
Background Papers	29 July2015: Budget Review to 30 June 2015 30 Sept. 2015: Fees and Charges 2016/17 4 November 2015: Budget Review to 30 September 2015 2 December 2015: General Fund Base Budgets latest 2015/16 and Original 2016/17 13 January 2016: Housing Revenue Account Base Budgets latest 2016/16 and Original 2016/17 10 February 2016: GF Budget 2016/17 And Council Tax – Revenue & Capital HRA Budget 2016/17 And Rents 24 February 2016: Formal Council Tax Resolution

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes Ref 762
Equality & Sustainability Impact Assessment Undertaken	N/A

Officer/Councillor Approval		
Officer Approval	**Date**	**Name**
Chief Executive/Deputy Chief Executive	16 May 2016	Andrew Jones
Head of Service	17 May 2016	Mike Snow
CMT		
Section 151 Officer	17 May 2016	Mike Snow
Monitoring Officer	N/A	
Finance	N/A	Finance Report
Portfolio Holder(s)	16 May 2016	Councillor Whiting
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. SUMMARY

1.1 The report provides details of the Council's final account position for the year ended 31st March 2016. The highlights from the accounts are:

- The Capital Programme was underspent by £6.87m, of which £6.053m is due to slippage to 2016/17.

- For the General Fund the final accounts show a surplus of £1,731,700 against the latest Budget.

- In addition there is a further £883,400 in respect of Business Rates Retention which has reduced the amount to be appropriated from the Business Rates Volatility Reserve down to £49,000 from the previously calculated sum of £932,400.

- The Housing Revenue Account (HRA) balance is as budgeted; a contribution of £5.4m has been made into the HRA Capital Investment Reserve, £1.7m more than the budgeted £3.7m.

- The Council Tax collection rate was 98.5% and 98.6% for Business Rates, both of which are excellent.

2. RECOMMENDATIONS

2.1 It is recommended that the Executive:

(a) Capital Programme:
- Note the Capital Programme was underspent by £6.866m, of which £6.053m is due to slippage to 2016/17;
- Agree that future years Capital Programmes be amended by £5,743,600 comprising the following elements:
  - +£5,054,600 for Housing Investment Programme slippage;
  - +£998,600 for Other Services Capital Programme slippage;
  - -£309,600 in respect of resources brought forward from the Other Services Capital Programme from future years to 2015/16 to cover expenditure on West Midlands Reserve and Cadet Force new building and Victoria Park Skate Park.

(b) General Fund:
- Note the General Fund revenue account shows a surplus of £1,731,700 which is after allowing for a further £322,600 of planned expenditure to be carried forward to 2016/17;
- Agree the requests to carry £322,600 earmarked balances forward in respect of General Fund revenue slippage to 2016/17 (see Appendix 'F');
- Approve the establishment of a new Covent Garden Multi-Storey Car Park Reserve with authority to spend from this reserve delegated to the Head of Finance in line with the actual lost income and debt charges incurred;
- Agree that the resulting change of the above decisions, amounting to £1,731,700 be appropriated:
  - £900,000 to new Covent Garden Multi-Storey Car Park Reserve;
  - £200,000 to the Capital Investment Reserve;

- § £200,000 to Car Park Reserve;
- § £200,000 to the Service Transformation Reserve; and.
- § Balance of £231,700 to the 2016/17 Contingency Budget.

- Note the unfunded liabilities and the uncertainty over local authorities' future funding, and how the 2015/16 outturn is strengthening the Council's financial position.

(c) Housing Revenue Account:
- Note the Housing Revenue Account balance is as budgeted; the HRA Capital Investment reserve available for major developments has increased to £20.725m, £5.48m more than projected;
- Agree the requests to increase 2016/17 HRA budgets by £258,700 in respect of planned HRA maintenance and stock condition survey not completed in 2015/16 (See Appendix 'F').

(d) Collection Fund:
- Note that the Council Tax collection rate was 98.5% and 98.6% for Business Rates.

3. REASONS FOR THE RECOMMENDATIONS

3.1 The recommendations above will allow the accounts for the financial year 2015/16 to be closed on time and have been used as the basis for drafting the Statement of Accounts. The resultant decisions will be fed into the Financial Strategy. The Accounts and Audit Regulations 2015 require that the Head of Finance, as the responsible financial officer must, no later than 30th June immediately following the end of a year, sign and date the Statement of Accounts.

3.2 Appendix 'C' identifies £5,054,700 in respect of Housing Investment Programme schemes not completed in 2015/16 and £998,600 for Other Services Capital schemes. Slippage of these budgets to 2016/17 is being requested together with the bringing forward of £309,600 from future years' Other Services Capital Programmes in respect of West Midlands Reserve and Cadet Force new building (£300,000) and Victoria Park Skate Park (£9,600). The relevant Capital Programmes need to be varied accordingly to accommodate these changes together with the associated financing.

3.3 Requests comprising items of General Fund slippage earmarked for 2016/17 totalling £322,600 have been submitted. These requests relate to revenue expenditure that has been unavoidably delayed, and for which finance is still required. By adopting this approach of carrying forward slippage, the Council seeks to avoid an end of year spending spree which often does not result in good value for money. Furthermore, without the associated funding these projects would not be achieved in 2016/17. Appendix 'F' lists the items in more detail. Expenditure against these Reserves will be closely monitored during 2016/17 with progress being reported to the Senior Management Team (monthly) and Executive (quarterly). In addition there is £528,700 of HRA revenue slippage requested, as detailed in section 13.

4. POLICY FRAMEWORK

4.1 **Policy Framework** – The Final Accounts for 2015/16 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.

4.2 **Fit for the Future** – 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.

4.3 **Impact Assessments** - The Council's Final Account covers 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 2015/16 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.

6. RISKS

6.1 The main risk is that External Audit identifies significant errors in the accounts that require amendment.

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 not to allow any, or only some of the earmarked reserve requests and to allow the General Fund balance to vary from the £1.5m level, along with how the 2015/16 surplus is allocated.

8. BACKGROUND

8.1 The accounts have been compiled so as to comply with the appropriate accounting standards and the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

8.2 The Accounts and Audit Regulations 2015 require that the responsible financial officer must, no later than 30th June immediately following the end of a year, sign and date the statement of accounts.

8.3 The draft (unaudited) Statement of Accounts is currently being prepared to be audited by the Council's external auditors, Grant Thornton. The draft Statement is due to be considered by Finance and Audit Scrutiny Committee on 26th July 2016.

8.4 The Regulations require that members should approve the audited accounts by no later than 30th September. Consequently, a meeting has been set up in September for both the Finance and Audit Scrutiny Committee and the Council to meet this requirement.

8.5 This is a complex report that brings together details of all of the Council's income and expenditure in 2015/16. The Report is structured in the following format:

Section 9 - Capital Expenditure
Section 10 - General Fund Revenue Expenditure
Section 11 - Treatment of General Fund Surplus
Section 12 - Reserves and Provisions
Section 13 - Housing Revenue Account
Section 14 - Housing Capital Investment and Major Repairs Reserves
Section 15 - Collection Fund
Section 16 - Conclusion

Appendix A - Capital Expenditure
Appendix B - Capital Funding
Appendix C - Capital Expenditure Reasons for Major Variations
Appendix D - Prudential Indicators
Appendix E - General Fund Expenditure
Appendix F - Earmarked Reserves Requests
Appendix G - Reserves and Provisions
Appendix H - Housing Revenue Account
Appendix I - Housing Reserves and Balances
Appendix J - Collection Fund Income and Expenditure Account
Appendix K - Collection Fund Statistics
Appendix L - Glossary of Terms

9. CAPITAL EXPENDITURE

9.1 The Council's latest plans for capital expenditure in 2015/16 totalled £21.657m as set out below. The capital programme has been financed in accordance with the funding approved in the 2015/16 Treasury Management Strategy Document. The overall position is summarised below and in Appendix A:

TABLE A: Capital Expenditure Summary 2015/16

	Latest Budget 2015/16 £'000	Actual 2015/16 £'000	Variation 2015/16 £'000
Housing Investment Prgramme	18,434	12,503	(5,931)
Other Services	3,223	2,288	(935)
TOTAL	**21,657**	**14,791**	**(6,866)**

9.2 Appendices 'A', 'B' and 'C' compare actual capital expenditure for the year with revised budgets, sources of capital financing and details variances.

9.3 <u>Variations of individual Capital Schemes</u>
Appendix 'C' details the explanations for the variance in expenditure from the revised Capital Budget. In terms of expenditure, the most significant variations in the General Fund Capital Programme were in respect of:

- West Midlands Reserve & Cadet Force New Building (+£300,000). Scheme commenced earlier than anticipated.
- Leisure Options Appraisal (-£215,900). RIBA Stage 4, Electricity connection works and water diversion application expenditure due in 2016/17.
- Fen End (-£559,000). Delay in payment to Land Rover Jaguar.

- Bishop Tachbrook Community Centre (-£115,700). Scheme continuing into 2016/17.
- Rural and Urban Initiatives (-£146,600). Reduced applications.

Overall Housing Landlord related Housing Investment Programme works are £875,860 underspent, after £5.055m of slippage related to specific projects. The only sizable variance is a saving of £600,000 in respect of the cessation of Lillington Acquisitions due wider uncertainties surrounding the Lillington Regeneration.

The most significant items of slippage requested are:

- £4.01m: The redevelopment of Fetherston Court site (to construct Sayer Court). The project was subject to delays in earlier phases but unfortunately the budget was not re-profiled to take account of these delays. Completion is now expected in September 2016.
- £673,900: Electrical upgrades to communal areas, smoke detectors, etc. Issues surrounding the re-procurement of the contract meant that any significant rewiring works were held back in order that the new contractor can undertake the programme.
- £150,800: HRA Aids and Adaptations.
- £70,700 Lettings Incentive Scheme: Reduced expenditure due to transition from Tenants Incentive Scheme to Resettlement Service
- £64,800 Environmental Improvements.

All slippage requested is detailed in Appendix C.

The HRA related Capital slippage into 2016/17 includes £179,600 funded from HRA revenue contributions, for Environmental Improvements and Lettings Incentive Grants. Therefore this will reduce the budgeted 2016/17 contribution to the HRA Capital Investment Reserve by £179,600.

9.4 Variations in Sources of Capital Funding
There have been significant variations between the latest budget and the actual in the various resources utilised to finance the capital programmes as shown in Appendix 'B'.

9.5 Delay to the Sayer Court redevelopment project and additional contributions from the Housing Revenue Account has resulted in an increased Housing Capital Investment Reserve balance being carried forward to 2016/17.

9.6 Slippage in the Housing Landlord capital programme, principally in the Electrical Fitments and Aids & Adaptations programmes has resulted in an increased Major Repairs Reserve balance being carried forward to 2016/17.

9.7 Additional S106 Affordable Housing contributions amounting to £614,500 have been received during the year and which will be carried forward to finance future years capital expenditure.

9.8 Slippage in the Other Services Capital Programme has resulted in increased external contributions, principally relating to the Fen End project, being carried forward to 2016/17.

9.9 Appendix 'B' also shows the Capital funding balances held by the Council as at 31st March 2016 totalling £39.861m. Once financing of capital slippage (see 9.3 above) has been allowed for, there is £34.487m available to finance the future Capital Programme, which is £2.703m more than the latest budgeted figure to be held as at 31 March 2016. Much of this is already committed towards future Capital Programmes. The table below illustrates the decrease in General Fund Capital Resources between the latest budget and actual:

Table 'B': General Fund Capital Programme Resources

	Latest Budget £000	Actual £000
Capital Resources 1 April 2015	**7,104**	**7,104**
Additions in the year	1,990	2,260
Funding of Capital Programme	(3,223)	(2,288)
Capital Resources 31 March 2016	**5,871**	**7,076**

The £7.076m in Table B above does not reflect the impact of the slippage in the 2015/16 Other Services Capital Programme. Once this is taken into account the £6.576m is reduced to £6.293m.The overall Capital funding of the General Fund capital programme for 2016/17 onwards including the possible requirement to borrow, will be further reviewed during the year and reported to members.

9.10 The Prudential Indicators

Under the Prudential Capital Finance system Local Authorities are required to produce and report on a set of Prudential Indicators. The 2015/16 indicators are included within Appendix 'D', along with relevant explanations.

10. GENERAL FUND REVENUE ACCOUNT

10.1 The Council's budget plans were formulated during the period July 2014 to February 2015 when the Executive considered reports on:

(a) budget prospects;
(b) service plans;
(c) proposed levels of fees and charges;
(d) capital programme;
(e) detailed revenue budgets; and
(f) identification of savings proposals for services.

10.2 Plans were finalised on 25th February 2015 when the Council approved total budgeted net expenditure of £13,563,182 and set a band D council tax for District purposes of £146.86. Following changes to Business Rates income and General Grants this figure was subsequently increased to £14,609,482.

10.3 The revenue accounts relating to 2015/16 have now been finalised.

10.4 Details of actual net expenditure for General Fund services are summarised in Appendix 'E', together with comparisons against the Council's latest budgets for the year and explanations of the major variations. The latest budgets are those approved in December 2015 amended for any subsequent Executive decisions and the virements permitted under the Code of Financial Practice. Due to the size of Appendix 'E' it has been broken down into two parts – Appendix 'E1' and Appendix 'E2'. Appendix 'E1' is the summarised version of Appendix 'E2'. Due to the size of Appendix 'E2' it will only be available to download from the Committee Papers and will not be printed otherwise.

10.5 A summary of the General Fund performance for 2015/16 is as follows:

TABLE 'C': General Fund 2015/16

	See Para.	Latest Budget £'000	Actual £'000	Variance £'000
Net Cost of General Fund Services	10.6	22,911	18,610	(4,301)
Add: Earmarked Reserves		-	323	323
Adjusted Cost of General Fund Services		**22,911**	**18,933**	**(3,978)**
Financing Adjustments				
Replacement of Notional with Actual Cost of Capital				
- Less Capital Charges in Service Estimates	10.8	(5,564)	(4,492)	1,072
- Add Loan Repayments, Revenue Contributions and Interest Paid		35	35	-
Net External Investment Interest Received	10.10	(297)	(329)	(32)
Revenue Contributions to Capital	10.11	374	373	(1)
Contributions to / (from) Reserves	10.12	(1,300)	894	2,194
IAS 19 Pensions Adjustment	10.15	(1,014)	(1,124)	(110)
Transfer to Accumulated Absences Reserve	10.16	-	7	7
Contributions to / (from) General Fund Balance		(536)	(526)	10
Total Financing Adjustments		**(8,302)**	**(5,162)**	**3,140**
Net Expenditure for District Purposes		**14,609**	**13,771**	**(838)**
Less Financing from Council Tax, RSG and NNDR		(12,800)	(13,684)	(884)
General Grants		(1,809)	(1,819)	(10)
Deficit / (Surplus) for Year	10.19	**-**	**(1,732)**	**(1,732)**

10.6 The first row of Table C, above, shows that the net cost of providing the General Fund Services was £19.0m against a budget of £22.9m, a variance of £3.9m. The expenditure is broken down over Services within Appendix 'E'. A summary of the variations is shown below and explained in later paragraphs:

TABLE 'D': General Fund Service Variations 2015/16

	£'000	£'000
General Fund Services' Variations (paragraph 10.5)		(4,301)
Less: Financing Adjustments included in above figure		
- Capital Financing Charges	1,072	
- Revenue Contributions to Capital	(1)	
- Reserve funding, interest and grants	1,300	
- IAS 19 Pension Adjustments	(110)	
- Transfer to Accumulated Absences Reserve	7	2,268
		(2,033)
Items of Slippage: Earmarked Reserve Requests		323
Adjusted General Fund Services' Variations		**(1,710)**

This shows that there was actually a net variance of £1.7m in the service expenditure. This variation is on gross expenditure / income of £81.5m.

10.7 Other Items
Other items include a large variety of under- and overspendings. These are detailed against individual services in Appendix 'E2'. Some of the notable variations are:

Table E: Major Variances

Description	Variance £	Latest Budget £	% Variance
Favourable:			
Planning Income	(409,900)	(886,500)	46.24%
Cemeteries and Crematorium income	(347,200)	(1,076,200)	32.26%
Treasury Management	(110,000)		
External Contributions towards costs	(109,000)		
Additional Government Grants	(91,000)		
Housing Benefits increase in bad debts provision not required	(57,000)		
Reduced cost of Other Hired and Contracted Services	(55,400)	876,400	6.32%
Additional Recycling Credits	(54,000)	(420,000)	12.86%
Car Allowances	(47,600)	243,800	19.52%
Printing, Stationery, etc.	(42,100)	253,400	16.61%
Adverse:			
Housing Benefit Payments (net of subsidy)	110,000	29,946,600	0.37%

10.8 Capital Financing Charges
The Capital Financing Charges in respect of depreciation and Intangible Assets /REFCUS (Revenue Expenditure Financed from Capital Under Statute) charged to the service accounts has decreased by £1.1m which reflects the Capital Programme being underspent as identified in Section 9. As the capital spend has reduced, so have the charges that need to be made to services in respect of this expenditure.

10.9 Financing Adjustments
The largest component of the Financing Adjustments is income shown in respect of Capital Charges (£4.492m actual). This income reflects the Capital Financing Charges made to services as discussed in paragraph 10.8 being reversed out so that they do not impact on the Council Tax.

10.10 Gross investment interest receipts were £528,000 which is £58,400 more than the latest budget of £496,600. This is apportioned to the General Fund and HRA, giving the General Fund an additional £32,000 above the budgeted £297,400 and the HRA £26,400 more than the budgeted £172,200.

10.11 The revenue financing of the Capital Programme (Revenue Contributions to Capital) includes Government Grants financing expenditure to be accounted for as REFCUS (see paragraph 10.8 above) within the Service Accounts. These grants relate to Private Sector Housing Disabled Facilities Grants.

10.12 An increase in contributions to Reserves of £2,517,000 reflects the actual financing requirements of the Council. (This figure comprises the £322,600 Earmarked Reserves in row 2 of table C, and also the further £2,194,400 contributions to reserves shown.) This also reflects a reduction of £883,300 Retained Business Rates being allocated from the Business Rate Volatility Reserve.

10.13 The General Fund reserves with the most significant change in end of year balances when compared to those reported in February 2016 are:

Business Rate Retention Volatility – increased balance of £883k due to increased Business Rate income which has reduced the contribution from this reserve (see para 15.6).
Corporate Assets – increased balance of £678k due to slippage and underspends in the revenue repairs and maintenance programmes principally Open Spaces, Crematorium, Leisure Centres and Estates Management.
Service Transformation – increased balance of £336k due to slippage in various transformation projects notably the New Offices project (£87k), the Digital Transformation project (£64k), the Asset Management staff redesign within Housing & Property (£41k), HLF Partnership funding for the Pump Room Gardens project (£30k), Individual Electoral Registration costs (£28k), Prosperity Agenda (£27k), Riverside House Scanning project (£20k). In addition the £23k contribution for the additional Revenues Officer was not required as the cost was funded from underspends.
Public Open Spaces Planning Gain – increased balance of £178k due to additional S106 contributions being received during the year and which will be spent in future years.
Car Parking Repairs and Maintenance – increased balance of £324k due mainly to the transfer of the unspent balance on the revenue repairs and maintenance budget (£33k) and surplus car parking fee income (£83k) to the reserve. Plus an additional £200k allocation from 2015/16 surplus to meet future car park R&M commitments.

10.14 Under International Financial Reporting Standards (IFRS) specific grants and contributions that have been received but are unused at the year end need to be transferred to an earmarked balance for future financing decisions. Previously, they would have been treated as "income in advance" and removed from the service accounts for the year under review and, effectively, slipped to the new financial year. £124,900 was released from this reserve to fund expenditure within service accounts and £46,600 was transferred to the reserve in respect of contributions towards future expenditure (see Appendix 'G' for the overall balance).

10.15 IFRS requires an authority to recognise the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out 'below the line'. Current service costs are based on the actuarial assumptions which apply at the start of the accounting year.

10.16 IFRS also requires an authority to accrue for the cost of any time owing to officers (e.g. untaken leave, balance of flexi-time hours, time off in lieu, etc.), that is carried forward to the new financial year, since they relate to entitlements earned during the old financial year, rather than when the absences are eventually taken. However, the costs required to be made against council tax is based on the cash payable in the year, so the real cost of absence accruals is reversed out 'below the line'. The amount included in the accounts (-£6,900) is the change between the reversal of the accrual carried forward from 2014/15 (£254,600) and the new accrual brought forward from 2016/17 (£247,700). This is shown as the Accumulated Absences Reserve in the table above.

10.17 Most of the variances in the financing adjustments shown in paragraphs 10.8 - 10.16 have no impact upon the overall finances of the Council. In many cases they reflect items which need to be charged to the costs of services (so as to ensure that services show the full cost of their provision for comparability) being reversed out so as to have no overall impact upon the Council's resources. This notably includes Capital Charges and the pension adjustments. The one variance which does directly impact upon the Council's overall net spend is investment interest (paragraph 10.10) where the income received was above the figure included within the budgets.

10.18 General Fund Balance
The Council Tax Setting report in February 2016 identified a surplus of £151,700 for the year, which was subsequently appropriated £76,300 to the Equipment Renewal Reserve and £75,400 to the General Fund Balance to contribute towards the Contingency Budget 2016/17 and is reflected in the latest budget figures.

10.19 Taking all of the above items into account there is a net surplus for the year of £1,731,700.

11. TREATMENT OF GENERAL FUND SURPLUS

11.1 In February 2016 it was anticipated that there would be a surplus of £151,700 on the General Fund, which was subsequently appropriated £76,300 to the Equipment Renewal Reserve and £75,400 to the General Fund Balance to contribute towards the Contingency Budget 2016/17. The final position is a further surplus of £1,731,700 as referred to in paragraph 10.19.

11.2 It is recommended that of the surplus be allocated:

Covent Garden Multi Storey Car Park £900k
Within the April reports on the Office Move and proposed new multi storey car park, it was noted that funding would be required to be set aside to allow for the lost income whilst the car park is re-developed and the initial debt charges. The annual income on the current car parks is approaching £500,000 per annum. The annual debt charges for the works are estimated at £400,000. Accordingly, it is recommended that £900k of the General Fund Surplus is now allocated for the cost of the car park closure. By allocating the funding now, rather than awaiting setting the 2017/18 Budget (as was proposed in the April report), this will reduce calls upon any funding available to be allocated in February (for example New Homes Bonus). It is recommended that this funding is set aside in a new Covent Garden Multi Storey Reserve. Authority to spend from this reserve is proposed to be delegated to the Head of Finance in line with the actual lost net income and debt charges incurred. Executive will be informed upon the use of this reserve and the balance thereof.

Service Transformation Reserve £200k
The unallocated balance on this reserve currently stands at £49,000. If the authority is to have funding to invest in new initiatives and improvements (for example, Digital Transformation), it is necessary for the balance on this reserve to be increased.

Car Park Repairs and Maintenance Reserve £200k
The unallocated balance on this reserve is £157,000. A report is due to come forward later in June recommending further expenditure that is needed in

maintaining the car parks in the short term, the cost of which is likely to exceed this unallocated balance.

Capital Investment Reserve £200k
The unallocated balance on this reserve currently stands at £1,132,000, with the agreed minimum balance on this reserve being £1m to cover any unforeseeable and unavoidable liabilities. As and when new initiatives and opportunities are presented and supported, it is important that there is capital funding available to support these.

General Fund Contingency Budget £231,700
When the 2016/17 Budget was approved, £239,600 (£200,000 + £39,600 Transition Government Grant) was allocated to the Contingency Budget. With the approvals to date from the Contingency, the current unallocated balance is £21,600.

11.3 As discussed within section 5 of the Fit For the Future report also on the agenda, the Council still has some substantial unfunded liabilities. Also, as with all local authorities, there is uncertainty over future funding with the changes being planned to the Business Rate Retention scheme. Accordingly, the authority is in a stronger position by being able to increase its reserves as a result of the favourable 2015/16 outturn position.

11.4 In July it is intended to present a detailed update on the financial projections, including a fuller analysis of the impact of the Business Rates Retention scheme.

12. RESERVES AND PROVISIONS

12.1 There are no other changes to the Council's reserves or provisions. A full list of the Council's Reserves and Provisions and their balances at 31st March 2016 can be found in Appendix 'G'. These balances include the above appropriations.

13. HOUSING REVENUE ACCOUNT

13.1 Housing Revenue Account Budgets for 2015/16 were approved by Council on 25th February 2015 when rents were increased by an average of £1.94 per week.

13.2 The HRA for 2015/16 has now been finalised and is summarised in Appendix 'H'. This shows a balance on the HRA at 31st March 2016 of £1,385,900, as per the latest budget.

13.3 Within the HRA there are a number of variances, the most significant favourable variances are showing against Repairs & Maintenance, £775,590, (paragraph 13.4) Bad debt provision £221,876 (paragraph 13.7) and Supervision & Management £576,261 (paragraph 13.8).

13.4 The HRA latest budget 2015/16 and base budget 2016/17 report requested increases to the base budget and a reduction of the contribution from the HRA to the capital investment reserve. The growth in expenditure approved has not been fully utilised in 2015/16 in respect of day to day and void repairs. The expenditure for these "demand led" services has been substantially lower than anticipated due to reduction in the level of voids. Additionally, the tighter regime for repairs management and change to the charging mechanism by moving from "Open Book" to "Schedule of Rates" has contributed to the reduced expenditure.

13.5 Similarly, the planned and reactive works such as Painting & Decorating, Fire prevention and Legionella testing have been affected by delivery constraints and delays in the timing of works. The timing of the maintenance cycle has also resulted in lower than expected expenditure in 2015/16 for Electrical, Gas/heating, Lifts and Stair lift maintenance. This is expected to translate into increased expenditure in 2016/17.

13.6 The overall position in respect of Repairs & Maintenance will be monitored throughout the year. Should it become apparent that further funding is required to meet the works required this will be reported to Executive with a recommendation for such works to be funded from HRA Reserves.

13.7 The favourable variance on bad debt provision is because arrears and write offs in year have not increased as anticipated to reflect changes to the Housing benefit rules for tenants who are living in properties bigger than their assessed needs. The arrears team have worked proactively with tenants to minimise the impact of the changes to Housing benefit on the level of arrears. The introduction of universal credit and the caps on Housing benefit for young persons is expected to increase the level of arrears in future years.

13.8 The favourable variance of Supervision & Management is due to underspends in respect of budgets areas such as Stock Condition Survey, £120,000, Communal areas, £57,000, Warwick Response £70,000, Supported Housing £31,000, Service Improvement £28,000, Housing projects £38,000. Some of this budgeted expenditure has been transferred to reserves and earmarked for 2016/17. However, there are lots of other budget areas that are showing favourable and adverse variances. The most notable adverse variance is in respect of Solar Panel income showing an adverse variance of £49,000.

13.9 More detailed information on the major variances between latest estimates and actual performance can be seen in Appendix 'H'.

13.10 In addition there are five areas where budgeted expenditure was committed to in 2015/16 but will not be incurred until 2016/17: £71,000 for Sheltered Scheme Fire Alarm system replacement & upgrade, £10,700 for new carpeting for sheltered schemes, £84,000 a Stock Condition Survey, £33,000 for a Chandos Court Mobility Scooter Store and £60,000 for Fire Precaution Works. These are all areas where not carrying out the required work would impact on health and safety. Therefore it is recommended that the 2016/17 HRA budget is increased by £258,700.

13.11 Overall there is a net favourable variance of £1.6m on HRA services, which has increased the contribution to the HRA Capital Investment Reserve from the budgeted £3.8m to £5.4m.

14. HOUSING CAPITAL INVESTMENT AND MAJOR REPAIRS RESERVES

14.1 In addition to the HRA there are other reserves available to fund HRA related expenditure; these reserves are summarised in Appendix 'I'.

14.2 The Major Repairs Reserve (MRR) is a statutory account into which at least the annual depreciation of the HRA dwelling stock is transferred. This reserve is used to fund capital repairs and maintenance; it could also be used to repay debt. In this transitional period within the first 5 years of self-financing, the Major Repairs Allowance specified under the former Housing Subsidy system is used as a proxy to calculate amount to transfer.

14.3 After funding all relevant Capital expenditure the Major Repairs Reserve has increased from £2.599m to £4.611m. This is lower than budget because of the reduced of the reduced level of capital expenditure.

14.4 The HRA Capital Investment Reserve was set up for the funding of major future developments, for example the redevelopment of Fetherston (now Sayer) Court. The balance at 1st April 2015 was £21.541m. During 2015/16 £5.388m was contributed from the HRA and £6.204m was used to fund expenditure acquiring and constructing housing, giving £20.725m in the reserve at 31st March 2016.

15. COLLECTION FUND

15.1 The Collection Fund Income and Expenditure Account is set out in Appendix 'J'. This is the statutory account that contains the transactions with respect to the collection and distribution of council tax and business rates.

15.2 As at 31st March 2016, the surplus on the Council Tax Collection Fund was £643,000 an increase of £142,100 from the opening surplus of £500,900. This surplus for the year arises from where the Council Tax due is greater than originally anticipated. This increase is due to increased numbers of properties and reductions in the number of Council Tax Reduction claims. This surplus arose on Council Tax income of £79.9m.

15.3 Following the statutory mid-January review of the Collection Fund it was estimated that it would be have a surplus balance at 31st March 2016 of £501,600 which has been built into the 2016/17 budgets (this Council's share being £55,000). The actual surplus at year end was £643,000, an increase of £141,000 above the estimate. The Council's share of this additional surplus amounts to £15,500 which will be carried forward to be reflected in the 2017/18 accounts, along with any estimated balance on the 2016/17 Collection Fund.

15.4 2013/14 saw the introduction of a new Business Rate Retention Scheme. Under the scheme initial estimates for the collectable income for the year are used. 50% is forwarded to the Government, 10% to the Warwickshire County Council and 40% retained by Warwick District Council.

15.5 The Council's share is approximately £27.4m. This is clearly far in excess of the Government's assessment of the Council's requirements. Consequently, the Government then takes a further tariff payment (£22.9m) leaving the Council with £4.5m. Initial estimates suggested that income would still exceed the Government's assessment of the Council's requirements and a further Levy of £214,900 was calculated. The outturn for the year is more than originally forecast resulting in an accumulated deficit £9.0m on the Collection Fund against the £68m due. The levy due has been increased by £428,500. This, with the balance due for Small Business Rate Relief Grant has resulted in a reduction in the Business Rates credited to the General Fund for 2015/16 of £315,500. The deficit will be apportioned over the relevant bodies in 2016/17 and 2017/18.

15.6 The increase in the amount of business rates retained reflects the less increased provision being required for the level of backdated appeals outstanding. A prudent approach continues to be adopted in closing the accounts and reflecting the potential success of these appeals. As referred to in paragraph 11.3 more details on the business rates retention scheme will be included within the July Budget Review report.

15.7 Figures relating to collectable amounts, arrears and bad debts provision are set out in Appendix 'K'. The bad debts provision, as a proportion of the amount collectable plus gross arrears, has increased from 0.85% to 0.89%. The Council Tax collection rate for 2015/16 was 98.5% (2014/15 98.5%) and 98.6% (2014/15 99.1%) for Business Rates, the latter being a small reduction on the previous year.

16. CONCLUSION

16.1 Whilst the Council can carry forward its capital slippage of £6.053m, this underspend represents 27% of the latest Housing Investment Programme and 31% of the latest Other Services Capital Programme for 2015/16. In reviewing and planning future programmes officers need to consider how they can achieve planned levels of expenditure more closely.

16.2 The General Fund showed a surplus of £1,731,700. After stripping out the capital financing changes, which have no net effect, the main reasons for this change are:

Adverse:
- Housing Benefit payments net of subsidy (+£110,000).

Favourable:
- Planning Fees and Charges income (-£410,000);
- Cemeteries and Crematorium income (-£347,000);
- Treasury Management write-offs (-£110,000);
- External contributions towards costs (-£109,000);
- Additional Government Grants (-£91,000);
- Increase in Benefits bad debts not needed (-£57,000);
- Reduced costs of Other Hired and Contracted Services (-£55,000);
- Additional recycling credits (-£54,000);
- Underspend on car allowances (-£48,000);
- Underspend on printing, stationery, etc. (-£42,000).

There are also a number of other revenue variances as set out in Appendix 'E'.

16.3 Work is still on-going to confirm to what extent the variances in 2015/16 need to be reflected in future years' budgets. In addition, the Budget Review process will in future include specific details of the large volatile income budgets, and projections thereof.

16.4 The Council has a robust set of reserves and provisions as shown in Appendix 'G'. Further consideration will need to be given to the reserves and provisions when considering the development of future years' budgets.

16.5 The Housing Revenue Account balance is as budgeted. The HRA Capital Investment Reserve balance is £20.8m, which is £7m higher than the budget carried forward amount of £13.5m. This is because the contribution from the

HRA increased by £1.6m and £5.4m set aside in 2015/16 to fund Sayer Court Development has been slipped to 2016/17.

16.6 The Council Tax element of the Collection Fund opening surplus balance of £643,000 was increased by a surplus in the year of £142,100. The Business Rates element of the Collection Fund shows a deficit balance of £9.0m at the year end. Under the Business Rate Retention scheme, this balance is carried forward and will be shared with Central Government, the County Council and the District Council.

16.7 Overall, the Council is in a strong financial position, having accommodated expenditure within the agreed budget and been able to make contributions to reserves in excess of amounts originally budgeted for 2015/16. However, as with the rest of the public sector, the medium/long term outlook still requires the Council to make further financial savings. An updated position on this will be presented to the Executive later in the summer.