

 Executive 25th July 2018		Agenda Item No. 3
Title	Final Accounts 2017/18	
For further information about this report please contact	Jenny Clayton Tel 01926 456013 jenny.clayton@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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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	Full Council 21 February 2018 The Setting of the Council Tax for the Area of Warwick District Council 2018/19 (76)	
Background Papers		

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 Reference 916
Equality Impact Assessment Undertaken	N/A

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	9/07/2018	Chris Elliott
Head of Service	9/07/2018	Mike Snow
CMT	9/07/2018	
Section 151 Officer	9/07/2018	Mike Snow
Monitoring Officer	9/07/2018	Andy Jones
Finance	9/07/2018	Report from Finance
Portfolio Holder(s)	9/07/2018	Peter Whiting
Consultation & Community Engagement		
Not Applicable		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1. Summary

- 1.1 The 2017/18 Accounts have been closed and the draft Statement of Accounts has been available on the Council's website since 31 May 2018. This report provides members with an update on the progress towards the production of audited accounts and the implications of the out-turn position
- 1.2 At the time of writing this report the Statement of Accounts have yet to be finalised. These will then be audited. It is also intended that the Finance and Audit Scrutiny Committee will formally approve this Audited Statement of Accounts on the 25th September 2018, to enable publication the following day.
- 1.3 This report provides summary information on the 2017/18 out-turn with the Appendices and Statement of Accounts(draft available on the Website) providing an in depth analysis.

2. Recommendations

- 2.1 That Executive note the final revenue outturn positions for the General Fund of £937,646 surplus and Housing Revenue Account £778,682 surplus.
- 2.2 That Executive notes the final position for Revenue Slippage (Ear Marked Reserves) to 2018/19 of £798,700-General Fund and £10,700 HRA. Section 3.2, with the additional requests having been approved under delegated authority by the Head of Finance in conjunction with the Finance Portfolio Holder.
- 2.3 That Executive notes the Capital Programme shows a favourable variation of some £9,739,000.
- 2.4 That Executive agrees to consider the re- allocation of the surplus referred to in 2.2 above and discussed in paragraphs 3.7 until the Reserves Projections have been updated and reported to the Executive in August.

3. Reasons for the Recommendations

- 3.1 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 within the Statement of Accounts. Similarly it was agreed for the Housing Revenue Account, that the balance automatically appropriated to/from the HRA Capital Investment Reserve.
- 3.2 Recommendation 2.1
- 3.2.1 The final out-turn positions upon closure of the Accounts are as follows

	Revised Budget £'000's	Actual £'000's	Variation £'000's
HRA	-5,084	-5,863	-890
General Fund	14,856	13,918	-938
Capital Programme	25,136	15,398	-9,730

Under agreed delegation, the General Fund Surplus £937,646

has been allocated to the General Fund Balance. The HRA balance is automatically transferred to the HRA Capital Investment Reserve. Any adjustments to these arrangements would be carried out in 2018/19.

3.3 General Fund (Revenue)

3.3.1 The outturn for the General Fund Revenue Services for 2017/18 presents a favourable variation of *some* £937,646. Should there be any change to the Variation when the Accounts are audited, Members will be updated accordingly. An analysis by Portfolio Holder is shown at Appendix Bi. Appendices Bii and Biii provide more detailed breakdowns of major service variations with the most significant being discussed below as well. (IAS19 adjustments and capital charging have been excluded from this analysis as these are compensated for below the line). Details of the main variances are discussed below.

3.3.2.1 A National Legal Challenge was launched some years ago in respect of Councils charging for Land Searches. This Council had made a provision for this in previous years' Accounts. Legal Services have advised that this has been settled and there will be no charge to the Council, £195,000 can be released back to the General Fund.

3.3.2.2 Events Management no longer receive contributions from the Town Councils towards Town Centre Management £15,000. When the Town Centre Managers were withdrawn from their bases in the Towns, the Events Team was created. Whilst the services provided remain the same, the Town Councils no longer contribute. The budget is being proposed to be amended for 2018/19. The total effect on this Budget has been aggravated due to an overspend on expenditure of some £19,000, including £9,000 on the Women's Cycle Tour (Members had approved £20,000 from the Service Transformation Reserve for this).

3.3.2.3 The Provision for Bad Debts arising from the General Debtors has been reduced by £50,000. The overall value of Debtors at 31st March 2018 compared to 31st March 2017 has fallen to some £400,000, primarily due a debtor from 2013/14 (£40,000) which is no longer outstanding. Similarly, the Bad Debt Provision for Benefits has proven £45,000 lower than that assumed in the Budget (£50,000), due to a lower level of debtors, £1,600,000

3.3.2.4 The Royal Spa Centre Bar has performed well this last year, with sales exceeding Budget by some £60,000. This is partially offset by increased expenditure on staffing and stock (£20,000), a net favourable position of £40,000. This is the second year that there has been a favourable variation of this magnitude so the budget for 2018/19 is being adjusted to reflect this, with the Financial Strategy updated to incorporate the recurrent saving. The net Income from the main activities at the Spa Centre (Shows and Cinema) are broadly in line with that Budgeted.

3.3.2.5 Repairs and Maintenance Budgets show an adverse variation of some £130,000 after taking into account those with Reserve Funding. The overspending has been driven by various responsive repairs. Some of these are works being out-sourced which previously would have been done by the now disbanded Warwick Plant Maintenance. Officers will now review where any contracts need to be in place (and budgeted for) to cover for this work. Edmondscote Track lighting eventually had to be replaced (£37,000) after attempts to repair the old ones proved impossible. There were a significant number of lift breakdowns, including those at Riverside House. Althorpe Innovation and Enterprise Centre was broken into twice. Council Buildings are

not insured to cover remedial works from theft as the premiums would exceed the rectification work costs. Consequently the unplanned repairs could not be reclaimed. However, it has been possible to cover part of the remedial costs from the Insurance Provision Reserve, but not the additional remedial work to temporarily secure the building or the extra security measures undertaken. An Electrical Inspection at the Pump Rooms identified work required which had not been planned when budgets were set. There are now double the number of Fire Alarms on the Contract than when it was first taken out, hence the costs of servicing and maintaining them has increased.

3.3.2.6 There have been vacancies in the Building and Surveying and Commercial Property and Estates Sections due to various staff changes within the Asset Team of £86,000 and £48,000 respectively. There is a further saving (£16,000) as there was little need for Consultancy during the year.

3.3.2.7 The Budget for the procurement of the Choice Based Lettings was grossly overstated. The initial Executive Report (9 November 2017 Base Budget) asked for upfront development costs between £35,000 and £50,000 with ongoing revenue implications of £28,000. However, it transpires that the £28,000 was included within the £35,000 and £50,000 and not in addition to and these are not required until 2018/19. This presents a one-off under spend of some £59,000. The recurrent element of the Budget has been corrected for 2018/19.

3.3.2.8 New Multi-functional photocopying/scanning/printing devices were installed in late 2017. This has reduced the amount of printing and copying, a saving of £23,000. Officers are investigating how much of this Budget can be removed recurrently from 2018/19.

3.3.2.9 There are savings of some £37,000 on Car Mileage across the General Fund. After taking into account Building Control (Ring Fenced) and Elections (recharges), this leave £30,000. Officers are looking how much of this money can be removed from Budgets. It will either be transferred back to the General Fund or used to fund the electric cars, which are part grant funded.

3.3.2.10 There are some variations within Bereavement Services. Income at the Crematorium is some £70,000 above that Budgeted. Cheltenham Crematorium was closed for part of the year and with the adverse weather conditions there have been more Cremations than forecasted at the time the Budgets were set.

3.3.2.1 The General Fund's Electricity Budgets are underspent by a net £40,000. There are variances at different sites. The most significant variations are shown below.

Site	Outturn 31/3/18 £000	Budget £000	Variation £000
Green Space Development	0	7	-7
Golf Course	21	10	11
Royal Pump Rooms	54	62	-8
Riverside House	67	92	-25

3.3.2.12 2017/18 was the first full year of the new Energy Contract. Budgets had been based on the side of prudence due to uncertainties about the economy and market prices arising from Brexit. The Contract is due for renewal in 2018/19, officers will be reviewing the costs and budgets as part of the review for this.

3.3.2.13 An additional recurrent budget of £100,000 for Bed and Breakfast costs was built into the 2016/17 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 has now refurbished a property in Willes Road. This now provides accommodation to those who would have previously been placed into Private Sector Bed and Breakfast, Now in use, it presents corresponding variances approaching some £130,000 for 2017/18 Some £58,000 against a budget of £185,000.. However, this has increased expenditure on Repairs and Maintenance (£42,000). Officers will re-assess the impact on 2018/19 and adjust the budgets accordingly.

3.3.2.14 Investment Interest has proven lower than budgeted for. 2016/17 charges in respect of bonds placed in that year maturing in 2017/18 were not accounted for in 2016/17, these costs (£113,000 of which £63,000 is the General Fund share) have offset the interest received on maturity in respect of 2017/18. The return on the 2 Equity Funds as at 31 March was below that budgeted. This is being reported in greater details to Finance and Audit Scrutiny within the Treasury Management reports.. The investment returns had been anticipated when the Budgets were revised based upon latest forecasts in November 2017, subsequently, there has not been the anticipated uplift in interest rates. Had neither of these issues happened, returns would have been above that forecast. The overall impact on the HRA and General Fund is shown in the table below-

	Revised Budget £'000's	Actual £'000's	Variation £'000's
HRA	-226	-171	55
General Fund	-288	-218	70
Total Interest	-514	-389	125

Officers will now review the assumptions built into the 2018/19 Budgets and any proposed revisions will be brought to Members as part of the August Budget Review Report.

3.3.2.15 Planning Fee Income was increased as part of the Revised Budget Setting Process. This has now proven overly optimistic by £50,000. There is £350,000 more income than in the original budget.

3.3.2.16 The Leisure Centres improvements were funded from Internal Borrowing during 2017/18. It was originally expected that the costs to the Council of doing this, Minimum Revenue Provision (MRP), would be £206,600, based upon the

level of borrowing for the total debt. This was built into the Budget accordingly, with a Leisure Options Reserve Contribution of £77,600. However, for 2017/18, the Council was able to finance the project from within its own cash balances. In line with the Council accounting policy, borrowing should be based upon the opening balance at 1st April 2016/17 and not that at 31st March 2018 . A net favourable variation of some £122,000.

3.3.12.17 In February 2018, the Council entered into a Service Level Agreement with HS2 limited. Within the SLA it is agreed that HS2 Ltd. will re-imburse the Council for Officer time spent on this. As this was not done until February, it did not get included in the 2017/18 Budgets and hence shows a £33,600 favourable variation.

3.3.2.18 Net Business Rates Retained Income to the General Fund is £4,274,000. The Budget had only assumed a £3,552,900, some £721,100 favourable. Part of the additional income retained has arisen from being part of the Coventry and Warwickshire Business Rates Pool which has presented benefits to the Council of £377,000 for 2017/18. In the first year of the Business Rate Retention Scheme, this Council had drawn down its safety net payment from the Pool. After contributing back to this in subsequent years, this is the first year to realise a gain from Pooling. Instead of receiving a contribution from the Volatility Reserve of some £306,000, the Council will be in a position to contribute £444,900.

3.3.2.19 All of the significant variations above are presented in the table below. Appendix Biii includes all of the lesser ones as well.

Description	£'000's
Council no longer need to make a Provision for Land Charges	-195
Events Management, overspent on Women's Cycle Tour and no longer receive Town council contributions to the Service	34
General Debts outstanding at 31/3/28 has fallen, hence reducing the Bad Provision	-50
Spa Centre Bar, net increased activity	-40
Repairs and Maintenance Responsive Repairs	130
Property Services Vacancies and Consultancy Savings	-150
Choice Based Letting overstated, recurrent element corrected for 2018/19	-56
Car Mileage, Budget sbeing reviewed	-30
Bereavement Services , Cremation Fees more than Budgeted due to adverse weather conditions and another nearby Crematorium closed during part of the year	-70
General Fund Electricity Budgets	-40
Savings on bed and Breakfast costs as the Council have their own property on Willes Road now	-130
Investment Income,2016/17 Commision Fees should have been recognised prior year	70
Planning Fee income down on the Revised (increased) Budget	50

Saving on Financing of Leisure Centre Developments	-122
HS2 recharge of Officer time	-33

3.4

Housing Revenue Account (HRA)

- 3.4.1 The Revised Budget for the HRA was a net credit of £5,084,100, the actual outturn is a net credit of £5,862,782. The resulting surplus of £778,682 has been appropriated to the HRA Capital Investment Reserve. This is summarised in Appendix Ci. Appendix Cii provides a detailed analysis of the variations.
- 3.4.2.1 The External Interest repaid on the Borrowing for the HRA Self Financing shows a favourable variation of some £52,000. The actual interest rate has proven lower than was forecasted when budgets were set.
- 3.4.2.2 The adverse variance on Investment Interest is discussed and shown in the General Fund above.
- 3.4.2.3 Members will note the depreciation charged on Council House Dwellings has increased by some £850,000. Sayer Court was completed during 2016/17. 2017/18 is the first year that depreciation is now charged on this development. Similarly, the charges for Equipment are also higher (£36,500). This is due to the transfer of HRA Play Areas that were previously being charged to the General Fund. Depreciation Charges are subsequently reversed out to prevent these costs being charged to the Rent Payer.
- 3.4.2.4 Occupation of Sayer Court has led to favourable variations on income received for Heating (£47,000) and Service Charge (£66,000).
- 3.4.2.5 There have been less voids during the year than expected when the Budget was revised. Hence the Costs to the HRA on having to pay Council Tax on these is £70,000 below the Budget of £150,000. However, Garage rental income is down by £42,300 due to 42 demolitions during December 2017 and a number of voids during the year. The Budget will be amended for 2018/19 to reflect this.
- 3.4.2.6 Rental income has increased as less homes have been sold than was projected when Budgets were revised. This presents a favourable variation £145,000 on a budget of £25,300,000.
- 3.4.2.7 There is a favourable variation on the Bad Debt Provision approaching some £50,000. Delays to the implementation of Universal Credit, which had been factored into this Budget, and improved collection rates has reduced the level of Debt outstanding at 31st March 2017 against the forecasted arrears. Similarly there is a favourable variation on the HRA's Court Costs, £43,000. This is offset in part by reduced income from charges (£15,000).
- 3.4.2.8 The Service Charges for the Supporting People Service have proven below Budget due to changes in the way the service is provided, £34,000. Service Charges for Communal Areas are also above budget. The income is in line with 2016/17, and the budget should have been amended for 2017/18.
- 3.4.2.9 The Cost Management Consultant was not required in 2017/18 a saving of £135,000. Officers are considering if this can be removed from the budget on a permanent basis.

- 3.4.2.10 Central Alarm Charges (Lifeline) are overspent by a net £32,700. Tenants can opt out of the service, more choosing to do so in 2017/18 than forecast. This would have been higher had there not been an increase in income from private customers (non-HRA).
- 3.4.2.11 There are some savings on the Repairs Budgets £28,000 Concrete (Less work required after external surveys), £10,000 Comunal Flooring and £43,000 on Electrical Repairs (programme delayed). However, this is more than offset by adverse Variations £65,000 due to the timing of maintenance contracts, ££42,00 0 on improved security on door entries and monitoring systems and the Ear Marked Reserve from 2016/17 for Sheltered Property Fire Alalm systems proved inadequate, £20,000.
- 3.4.2.12 All of the significant variations above are presented in the table below. Appendix Cii includes all of the lesser ones as well.

3.5 Recommendation 2.2

- 3.5.1 In February of this year as part of the Budget Setting Process, Members approved the Revenue Ear Marked Reserves to be carried forward into 2018/19 where it had not been possible to complete projects during 2017/18. These totalled £292,200 for the General Fund and £10,700 for the HRA. Further requests have been approved under delegated authority by the Head of Finance and are shown in Appendix Ai. These are all for the General Fund and total £498,300.
- 3.5.2 Members will note this is a considerable sum. The most significant projects being the slippage on PPM, the ongoing works on Linen Street, Golf Course maintenance and the Grounds Maintenance Data Capture Project.
- 3.5.3 The unspent balances on the Ear Marked Reserve Requests from February have been updated to reflect those at 31st March 2018 .These and the new ones are summarised in Appendix Aii by Fund.
- 3.5.4 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.

3.6 Recommendation 2.3

- 3.6.1 Capital Expenditure showed a favourable variance against the revised budget (£25,136,000) of £9,730,000. This is comprised of the Housing Investment Programme and Other Services. The table below summarises Budget and Expenditure by Fund-

	Latest 2017/18 £'000's	Actual 2017/18 £'000's	Variation 2017/18 £'000's
Housing Investment Programme	6,322	3,717	(2,605)
Other Services	18,814	11,680	(7,134)
Total Capital	25,136	15,397	(9,739)

Appendix D shows an analysis of the Capital Programme with Appendix E providing explanations for the variations. The main reasons for these variations were.

3.6.2.1. Members will be aware that the Sayer Court development was completed during 2016/17 and reported as part of the 2016/17 Final Accounts Report last July. At that point the actual expenditure was less than expenditure anticipated within the Project Plan. It was expected that further costs would be incurred up to the value of this plan. To be prudent a provision was made for these additional works in 2016/17. However, re-assessing the position some 12 months later, these assumptions have proven to be overly cautious. Hence 2017/18 shows a balance of some £517,000 favourable which will be returned to fund the rest of the H.I.P. Programme.

3.6.2.3 There were delays in the procurement process for the Pump Room Garden restoration which resulted in a later start to the works themselves. This Budget will be slipped a further year into 2018/19. Furthermore, upon closure of the 2016/17 a provision had been made (£27,000) that was not actually incurred. Hence the Project shows a credit of this amount in the 2017/18 Accounts.

3.6.2.4 Whilst St Nicholas Park Leisure Centre was completed at the end of March 2018, work is still underway at Newbold Comyn.

3.7 Recommendation 2.4

At the time of writing this Report, Officers are in the process of how the changes to the movement in Reserves impact upon 2018/19 and subsequent years. It would be prudent to allocate the Surplus to those Reserves which are most likely to be depleted in the future. Once the projections have been updated Members will be asked to approve how the surplus should be re-allocated. It is planned to report to Executive on this further as part of the Quarter 1 Budget Review due to be reported to Executive in August.

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."

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment

<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
Impacts of Proposal		
The general fund and HRA budgets provide the necessary resources to achieve these outcomes	The general fund and HRA budgets provide the necessary resources to achieve these outcomes	The general fund and HRA budgets provide the necessary resources to achieve these outcomes
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<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
Impacts of Proposal		
The general fund and HRA budgets provide the necessary resources to achieve these outcomes	The general fund and HRA budgets provide the necessary resources to achieve these outcomes	The general fund 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 2017/18 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.

4.3 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 2017/18 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 Whilst the draft Accounts have been published within the early closure timescale, there was a risk that in doing so there is a material error within. This risk has materialised and at the time of writing this Report, the Accounts are being reflected to correct errors and prepare revised Statement of Accounts for Audit in August. It is intended that the Audited Statements will be presented to Finance and Audit on the 25th September 2018 for their approval prior to publication
- 6.2 The reasons for the issues that have arisen will be provided in more detail to Finance and Audit in the September Report, with an interim Report going to them on 24th July 2018. Measures have already been identified which will prevent such a re-occurrence in future years.

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 allow the General Fund balance to vary from the £1.5m level, along with how the 2017/18 surplus has been allocated. Any changes to the allocations would be carried out during 2018/19.

8. Background

8.1 Collection Fund

The Collection Fund collection rates were Council Tax 98.2% (98.2% 2016/17) and NNDR 98.2% (98.3% 2016/17).

The Collection Fund Accounts for 2017/18 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.

Following the statutory mid-January review of the Council Tax Collection Fund it was estimated that it would be have a zero balance at 31st March 2018. The position at the end of the year was actually £587,500 favourable, largely reflecting the increased number of dwellings in the district. This Council's share of this amounts to £63,600 (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.

8.2 Reserves and Provisions

Movements on the Council's Reserves and Provisions are contained within the draft Statements currently published on the Website.

8.3 Previous Committee Reports

The following Reports were presented to the Committee

Date	Report Title	Minute Number
31-Aug-17	Budget Review to 30 June 2017	41
27-Sep-17	Fees and Charges 2018/19	57
29-Nov-17	General Fund Base Budgets	86
29-Nov-17	Housing Revenue Account (HRA) latest 2017/18 and Base 2018/19	85
07-Feb-18	GF Budget 2017/18 and Council Tax - Revenue and Capital	105
07-Feb-18	Housing Revenue Account (HRA) Budget 2018/19 and Housing Rents	107
21-Feb-18	The Setting of the Council Tax for the Area of Warwick District Council 2018/19	76