

 Executive 13th July 2020		Agenda Item No. 6
Title	Final Accounts 2019/20	
For further information about this report please contact	Andrew Rollins andrew.rollins@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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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 26 February 2020 The Setting of the Council Tax for the Area of Warwick District Council 2020/21	
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
Equality Impact Assessment Undertaken	N/A

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	02/07/20	Chris Elliot
Head of Service	02/07/20	Mike Snow
CMT		
Section 151 Officer	02/07/20	Mike Snow
Monitoring Officer	02/07/20	Andy Jones
Finance	02/07/20	Andrew Rollins
Portfolio Holder(s)	02/07/20	Richard Hales
Consultation & Community Engagement		
N/A		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

1. Summary

- 1.1 The 2019/20 Accounts have been closed, and the draft Statement of Accounts are 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 19th August 2020.
- 1.2 This report provides a summary on the draft 2019/20 outturn 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 2019/20 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 £782.4k and £47.7k favourable respectively.
- 2.2 That Executive note the Capital Programme shows a variation of £25.9m under budget, noting the level of slippage carried forward to 2020/21 as set out in Appendix D.
- 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, and for £490.7k of the General Fund surplus to be appropriated to the Corporate Asset Reserve in 2020/21.
- 2.4 That Executive notes the final position for Revenue Slippage and approves the Earmarked Reserve (EMR) requests of £732.2k General Fund and £39.6k 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 outturn positions upon closure of the Accounts are as follows

	Latest Budget £'000's	Actual £'000's	Variation £'000's
General Fund	9,274	8,492	-782
HRA	-4,013	-4,061	-48
Capital Programme	54,322	28,381	-25,941

3.2 General Fund (Revenue)

3.2.1 The outturn for the General Fund Revenue Services for 2019/20 presents a favourable variation of £782,400. 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.

Description	Variation £'000's	Favourable / Adverse
Corporate R&M	-490,700	F
Staffing	-175,100	F
Christmas illuminations	17,000	A
Kenilworth public Service Centre Income	-64,100	F
Interactive Futures Event Income	-£20,000	F
Benefits	81,900	A
Events at Arts Facilities (excluding staffing)	-347,000	F
Car Parking Income	49,300	A
General Fund Utilities (Electricity, Gas, Water)	78,900	A
Housing services recharges to HRA	-164,000	F
Investment interest income	-67,800	F
Planning Fee income down on the Revised (increased) Budget	240,400	A
Bereavement Services	240,000	A
Legal Fees	-169,400	F

3.2.3 An analysis by Portfolio is shown at Appendix A. 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 £373,700 above the revised Budget. Under the accounting arrangements for Business Rates Retention, the Council's share of the increased business rates for 2018/19 have been reflected in the retained business rate income for 2019/20. The £373,700 has increased the contribution the Council has made to the Business Rate Volatility Reserve, so presenting a neutral position on the General Fund for 2019/20. Business rates retained by the Council in 2019/20 were lower than for the prior year, down £2.4m, largely reflecting the accounting requirements as opposed a variance in the rates collectable.

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

19th August, which will provide more information on the 2019/20 performance. The Table below summaries the HRA and GF position.

	Revised Budget £'000's	Actual £'000's	Variation £'000's
HRA	-277	-490	-213
General Fund	-670	-738	-68
Total Interest	-947	-1228	-281

- 3.2.6 Vacancies across a number of teams have resulted in staffing costs being underspent by £175,100 in 2019/20. Key drivers of the underspend include vacancies within Neighbourhood Services for waste management and green space development, Finance for Revenues and Customer contact services, and within Health and Community Protection for a Community Safety Officer. Vacancies have been offset with additional staffing costs for Arts Events at the Spa Centre and Pump Rooms.
- 3.2.7 General Fund utilities budgets were overspent overall by £78,900 with electricity £31,400, gas £34,600 and water £12,900 respectively.
- 3.2.8 The Planned, preventative maintenance (PPM) corporate repairs programme is typically funded through a combination of revenue and reserve funding from the Corporate Assets Reserve, in that order. In 2019/20, the PPM programme was funded solely from the Corporate Assets Reserve, resulting in a revenue variation of £490,700. In order to support the PPM programme in future years, it will be necessary in 2020/21, to use this element of the General Fund surplus to replenish the Corporate Assets reserve. This leaves a balance of the General Fund surplus of £291,700, the appropriation of which should be considered by a future Executive meeting.
- 3.2.9 Business (Development Services)

Increased income relating to Kenilworth Public Service Centre, including backdated utility bill service charges for WCC Library and NHS Clinic which have now been settled £48,100 and increased rental charges and lease of first floor offices £16,000. Income was received from exhibitors at the Interactive Futures Event, which when offset against costs relating to the event, generated a surplus of £20,000. New income was received in year for the Arch 4 Co-working space in the Creative Quarter £16,200. A budget has been included for this in 2020/21.

There was an adverse variation of £17,000 on the cost of the Illuminations in Kenilworth and Leamington. The contract was recently tendered, and so the budget will be reviewed in accordance with this award.

3.2.10 Cultural Services

There have been an increased number of Events throughout the Arts facilities during 2019/20, in particular at the Royal Spa Centre and the Royal Pump Rooms. Income from non WDC admissions, including room bookings, concessions and events have increased by £523,000. Much of this is offset by the additional costs directly relating to the hosting of these events, including staffing £156,000 (included in the staffing variation in 3.2.6). The sites have generated a net favourable position of £191,000, 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.

3.2.11 Development Services

Planning Fee Income budgets were reduced during the year as part of the Revised Budget Setting Process. However, even with the reduction of £320,000 the forecast proved to be too optimistic, with income being a further £240,400 under budget. A reduction in the number of large planning applications being received during the year has been attributed to the level of fees generated during the year.

3.2.12 Finance

Housing benefits presented an adverse net variance of £81,900, driven by a reduction in the subsidy on benefit overpayments.

3.2.13 Housing Services – General Fund

Following the Housing Restructure in December 2019, the split of job roles between HRA and GF services was realigned. Recharges of staffing costs from the General Fund to the HRA has now increased by £164,000. The recharge budgets will be reviewed as part of wider piece of work looking at improving the accuracy of forecasting and efficiency of completing as part of the final accounts closedown review process later in the Summer.

3.2.14 Neighbourhood Services

There have been fewer cremations than forecast in 2019/20, resulting in an adverse variation of £123,100. 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 £75,900 in Cemetery income. 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.

Car parking income has seen an adverse variance of £49,300, driven by the decline of use during March as a result of the Coronavirus pandemic and subsequent lockdown.

3.2.15 Strategic Leadership

There has been a significantly reduced requirement for legal services in 2019/20, resulting in a favourable variation of £169,400 on legal fees across the Council.

3.3 Housing Revenue Account

3.3.1 The Revised Budget for the HRA allocated £4.013m to be appropriated to the HRA Capital Investment Reserve. The actual outturn for 2019/20 resulted in £4.061m being transferred, an increase of £48k. This is summarised in Appendix B.

- 3.3.2 The favourable variance on Investment Interest is discussed and shown in the General Fund above (para 3.2.5), with delays to Housing purchases and construction projects resulting in higher retained reserve balances which are invested to generate interest.
- 3.3.3 Vacancies across a number of teams have resulted in employee costs being overspent by £92,100 in 2019/20. This is driven by IAS19 Pension adjustments and employee related insurance costs. These costs are offset by continued staffing vacancies across a number of services including Housing void and repairs, Lifeline services and Service Improvement. Agency staffing and overtime has been used in some instances where absolutely necessary for service delivery.
- 3.3.4.1 Repairs and maintenance have resulted in an adverse variation of £915,900. 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 £186,000 above budget. Responsive and void repairs have resulted in an adverse variation of £672,700. 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.
- 3.3.4.2 The main driver of the major repairs overspend is linked to the increased levels of co-dependent asbestos works completed, both removal and containment, as part of other component works.
- 3.3.4.3 There has been a significant amount of change in the Assets Team during the year, following the redesign that took place in November 2018, with posts being filled during the financial year. 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 going forward, 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. However, depreciation on other HRA properties including shops, and equipment, has increased by £80,900 from 2018/19. This 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 an adverse variation on the Bad Debt Provision of £88,500. Tenant Arrears have increased in line with the national phased implementation of Universal Credit in place of Housing Benefit to applicable HRA Tenants. There has also been an increased level of former tenant arrears.
- 3.3.7 The HRA utilities budgets were overspent by £78,400, with overspends on electricity totalling £109,900 and gas £33,500, with an underspend of £7,600 on water supplies. The electricity variation has been driven by a number of disputed bills following the change in electricity supplier last financial year.

These are currently being contested with updated meter readings and a review of all bills paid in 2019/20 being carried out. Any costs related to individual properties within one of our sheltered and the 5 very sheltered properties provided as part of communal supply are fully recovered through recharges to the tenants. However, the amount recovered is dependent on the outcome of the above meter reconciliation work.

3.3.8 Officers will be monitoring these budgets in 2020/21, 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 £25.941m. This is comprised of the Housing Investment Programme and Other Services. The table below summarises Budget and Expenditure by Fund, with further details within Appendix D.

	Latest 2019/20 £'000	Actual 2019/20 £'000	Variance 2019/20 £'000
Housing Investment Programme	40,860	20,181	-20,679
Other Services	13,462	8,200	-5,262
Total Capital	54,322	28,381	-25,941

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 2020/21 for these specific planned works total £24.716m on the Housing Investment Programme, and £5.693m for Other Services. Whilst this shows as a variation in the table above and in the appendices, it is not an underspend or saving. The slippage for Other Services is greater than the variation due to the Capital works funded by the Community Infrastructure Levy (CIL) in year £475,800, hence the Other Services slippage will be fully funded. While the Housing Investment Programme Slippage exceeds the underspend by £4.037m, the other works are due to be funded by either Right to buy reserves, HRA Capital investment Reserve or PWLB Borrowing, as agreed within the specific Executive approvals.

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 £2.213m above the agreed original budgeted programme. The main driver of the variation is continued fire safety improvement works, with the scope of the project growing to ensure all medium to high rise properties are to a high standard. This has included a number of rewiring projects, and the replacement of windows, doors and door entry systems, with many of the works being well above the minimum safety standard. Work on dwelling roofs has also incurred additional expenditure, as following routine inspection, many were deemed to be in worse condition than was expected as per the last revision of the stock condition survey.

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 £1.887m. This includes the repurchase of an ex-council house originally sold

through Right to Buy using delegated authority. It also includes a number of land and property purchases which currently remain confidential due to their commercial nature (These would have been presented to Executive previously).

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.

3.4.3 Appendix D provides a comprehensive breakdown of the variations and their drivers, and the level of budget to either be returned to reserves or slipped to 2020/21.

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, £782,400. 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. £47,700 has been transferred in 2019/20.

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.

3.5.4 As discussed in paragraph 3.2.8, £490,700 was drawn down from the Corporate Asset Reserve to fund the Pre-Planned Maintenance programme rather than using the existing revenue budget. Consequently, to help support future PPM, it is recommended that this sum is returned to the reserve in 2020/21. This leaves a net adjusted revenue surplus of £291,700 on the General Fund for 2019/20.

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 2019/20, and will therefore need to carry forward budget to 2020/21.

3.6.2 These totalled £732,200 for the General Fund and £39,600 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. Key Earmarked approvals include ongoing work relating to Europa Way, The Commonwealth Games and the car park displacement strategy pending the decision on the future of Covent Garden car park.

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.”

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 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
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 GF and HRA budgets	The GF and HRA budgets	The GF and HRA budgets

provide the necessary resources to achieve these outcomes	provide the necessary resources to achieve these outcomes	provide the necessary resources to achieve these outcomes
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4.2 Supporting Strategies

Each strand of the FFF Strategy has several supporting strategies. The 2019/20 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 2019/20 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 2019/20 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 on the 18th June, well in advance of the statutory deadline of 31st August. 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 19th August. Due to Coronavirus, the statutory deadline for this was extended to 30th November, so while there would be sufficient time to make the necessary amendments and have them reviewed, this would incur additional audit fees.

6.3 The risks have been assessed and mitigated through a review of the Statement of Accounts process from 2018/19, on which a report was presented to Executive on 13th November. This proposed a number of changes to working practices and procedures to improve the efficiency and accuracy of the Final Accounts process. These changes have been implemented where possible, along with further changes as a result of remote working since March.

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 2019/20 surplus is allocated. Any changes to the allocations would be implemented during 2020/21.

8. Background

- 8.1 Under the Accounts and Audit Regulations 2015, local authorities' audited Statement of Accounts would normally be published by 31 July, with the draft accounts completed and signed by the responsible finance officer by 31st May, and uploaded for public inspection for a period which must include the first 10 working days of June.
- 8.2 However, due to the Coronavirus pandemic, The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have been introduced. This has extended the deadline by which local authorities must commence the period for the exercise of public rights, which normally must include the first 10 working days of June, to have to commence on or before 1 September 2020. Our public inspection period commenced on 22nd June.
- 8.3 The regulation also extended the final deadline for the Council to publish the complete, audited 2019/20 Statement of Accounts from 31st July 2020 to 30th November 2020. Both amendments were introduced to provide local councils with a degree of flexibility, to mitigate the potential disruption that would be caused by the spread of coronavirus.
- 8.4 The decision was made to proceed with getting the draft Statement of Accounts completed as near to the original deadline as possible, as fully utilising the extension period would lead to disruption to other critical tasks later in the year, such as fees and charges and budget setting. Through regular contact with the External Auditors, Grant Thornton, a decision was made to commence the audit w/c 15th June, 2 weeks after the originally planned start date.
- 8.3 External Audit have been reviewing the draft Statement of Accounts, and will be carrying this completely remotely, with 5 weeks of work scheduled. Audit are expected to have completed their work by 31st July, with a view of getting the Statement of Accounts signed off at the Finance and Audit Committee on the 19th August.

8.4 Collection Fund

The Collection Fund collection rates were Council Tax 98.2% (98.3% 2018/19) and NNDR 98.2 (97.8% 2019/20).

The Collection Fund Accounts for 2019/20 are contained within the Statement of Accounts being presented to Finance and Audit Scrutiny Committee on 19th August and in the draft Statements currently published on the Website.

The surplus at the end of the year for Council Tax was £1.607m adverse (compared to an estimated deficit of £1.752m), reflecting a dampening of the tax base due to the number of additional dwellings in the district falling below forecasts. The Council's share of this amounts to £169,900 (deficit) which will be carried forward to be reflected in the 2020/21 accounts, along with any estimated balance on the 2019/20 Council Tax Collection Fund.

8.5 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.

8.6 Committee Reports

The following Reports have been presented to Committee

Date	Report Title	Agenda Item
26-Sep-18	Fees and Charges 2019/20	3
20-Feb-19	The Setting of the Council Tax for the Area of Warwick District Council 2019/20	10
13-Nov-19	Review of Final Accounts 2018/19	13
18-Dec-19	General Fund Base Budgets 19/20 and base 20/21	4
18-Dec-19	Housing Revenue Account (HRA) latest 19/20 and Base 20/21	5
12-Feb-20	GF Budget 2020/21 and Council Tax - Revenue and Capital	4
12-Feb-20	Housing Revenue Account (HRA) Budget 2020/21 and Housing Rents	5