

	Executive 26 July 2017	Agenda Item No. 3
Title	Final Accounts 2016/17	
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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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?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	27 July 2016: Budget Review to 30 June 2016 28 September 2016: Fees and Charges 2017/18 2 November 2016: Budget Review to 30 September 2016 30 November 2016: General Fund Base Budgets latest 2016/17 and Original 2017/18 Housing Revenue Account Base Budgets latest 2016/17 and Original 2017/18 8 February 2017: GF Budget 2017/18 And Council Tax – Revenue & Capital HRA Budget 2017/18 And Rents 22 February 2017: Formal Council Tax Resolution 25 July 2017: Finance & Audit Scrutiny Committee - Audited Statement of Accounts	
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	Reference

number)	847
Equality Impact Assessment Undertaken	No (This Report is a matter of fact)

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	10/7/2017	
Head of Service	10/7/2017	Mike Snow
CMT	10/7/2017	
Section 151 Officer	10/7/2017	Mike Snow
Monitoring Officer	10/7/2017	
Finance	10/7/2017	Report from Finance
Portfolio Holder(s)	10/7/2017	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 2016/17 Accounts have been closed, at the time of writing this report are being audited and will be made available on the Council's Website by the end of July, subject to the outcome of the Audit. At the time of writing this Report, it is intended that Finance and Audit Scrutiny Committee will formally approve the Audited Statement of Accounts on the 25th July 2017.
- 1.2 The Executive are asked to note the financial position for 2016/17 as detailed in the report, and to retrospectively approve the allocation of the surplus which was appropriated to the Planning Appeals Reserve and the Leisure Options Reserve under delegated authority.
- 1.3 This report provides summary information on the 2016/17 out-turn with the Appendices and Statement of Accounts providing an in depth analysis.

2. **Recommendation**

- 2.1 It is recommended that Members note the new arrangements for the closure of the Annual Accounts as outlined in Sections 3.1. and 3.2 below and also in the November 2016 Budget Review Report.
- 2.2 Members are asked to note the final position for Revenue Slippage (Ear Marked Reserves) to 2017/18. £288,600 General Fund and £163,900 Housing Revenue Account (HRA). Section 3.3, with 3 additional requests having been approved under delegated authority.
- 2.3 Members note the final positions for the two funds, £456,800 favourable General Fund Revenue and £1,607,600 favourable Revenue HRA. The Capital Programme shows a favourable variation of some£4,824,600. It is recommended members confirm the appropriations which have been made. Section 3.4.
- 2.4 Members confirm the revised contributions from the Leisure Options Reserve and to the Corporate Asset Reserve. Sections 3.6 and 3.7.

3. **Reasons for the Recommendation**

- 3.1 Under the Accounts and Audit Regulations 2015, local authorities' audited Statement of Accounts from 2017/18 must be published by 31 July 2018, and annually thereafter. Under the current regulations, the draft accounts must be completed and signed by the responsible finance officer by 30 June, with the audit and formal publication completed by 30 September. Piloting this new tighter timetable, the draft accounts for 2016/17 were completed by the end of May, giving June and July for the audit process. At the time of writing this report, Finance and Audit Scrutiny Committee have yet to approve the Audited Statement of Accounts and these are on that agenda for Members' information.
- 3.2 The November 2016 Budget Review Report detailed how the new arrangements would work and 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. 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.

- 3.3 In February of this year as part of the Budget Setting Process, Members approved the Revenue Ear Marked Reserves to be carried forward into 2017/18 where it had not been possible to complete projects during 2016/17. Further requests have been approved under delegated authority by the Head of Finance and are shown in the table below.

Portfolio	Project	Amount £	Reason
Cultural Services	Replacement of Netting at St Nicholas Park and Castle Farm Leisure Centres	6,400	Awaiting completion of the Redevelopment of the Leisure Centres
Strategic Leadership	ICT Hardware	3,100	Ordered at the beginning of February, shortage of parts has delayed delivery until April
Strategic Leadership	Software for new printers that are in the process of being procured	11,200	Part of review of printer software and equipment based on relocation requirements

The unspent balances on the original approved Ear Marked Reserve Requests have been updated to reflect those at 31st March 2017. Some of these have proven lower than forecast, due to more monies being spent during 2016/17 than originally envisaged. Incorporating the new requests Members will see that the actual amounts carried forward have reduced. The final position for Ear Marked Reserves to be carried forward into 2017/18 is shown in the Table Below.

	Actual Unspent Balance £	Original Request £
General Fund		
Strategic Arts Programme	5,300	5,500
St Marys Lands Masterplan	39,300	55,900
Electric Pool Vehicles	2,100	6,200
Heat Distribution Network	17,200	17,200
Lillington Regeneration	26,300	26,000
Europa Way Strategic Opportunity Proposal	6,400	26,200
Harbury Lane	103,800	104,000
Crematorium Rebranding	24,000	24,000
HQ Relocation Project Manager	9,000	9,000
Coventry & Warwickshire LEP Growth Hub	22,500	22,500
Website	2,900	15,000
Workplace Transformation in preparation for Office Relocation	9,100	9,200
ICT hardware	3,100	
Castle Farm £1,700 & St Nicholas Park £4,700	6,400	

nets		
Installation of new printers	11,200	
Total General Fund	288,600	320,700
HRA		
New Carpeting for Chandos Court	10,700	10,700
Independent Satisfaction Survey for Tenants and Leaseholders	5,800	6,000
Chandos Court Scooter Store	32,700	33,000
New Fire Panels for Sheltered Schemes	114,700	157,000
Total HRA	163,900	206,700

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.

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

	Revised Budget £'000's	Actual £'000's	Variation £'000's
HRA	-3,992	-5,599	-1,608
General Fund	11,969	11,512	-457
Capital Programme	21,515	16,690	-4,825

Members are asked to note the position and note that £150,000 of the General Fund Surplus was appropriated to the Planning Appeals Reserve to replenish the extra demands from the implementation of the local plan upon it as outlined in the June 2017 Fit for the Future report. As referred to in Section 8.1, the Refurbishment of the Leisure Centres has been delayed. At the time of writing this Report, officers believe that the new Contractor is likely to seek compensation but will also aim to reduce the net cost to this Council. The Leisure Options Reserve is not adequate to forward fund any settlement, prior to the Council being able to agree any reimbursement. Members are therefore asked to confirm that the residual surplus (£306,800) is appropriated to the Leisure Options Reserve. These appropriations were made within the 2016/17 Accounts under the delegated powers outlined in 3.2 above. The HRA balance is automatically transferred to the HRA Capital Investment Reserve with the Capital underspend being slipped to 2017/18 or returned to the HRA or General Fund Capital Investment Reserves as appropriate. Any adjustments to these arrangements would be carried out in 2017/18.

3.5 Section 8 and the appendices provide further information on the Capital Programme, General Fund and HRA Revenue Accounts outturns, with explanations for significant variations. The Executive need to be aware of the final position for the Council's finances for 2016/17 and any future implications. They are asked to note these explanations and endorse the work that officers are doing to improve the accuracy of budget setting and monitoring.

3.6 Members will recall approving that some £484,000 was approved to be drawn down from the Leisure Options Reserve to compensate for the reduced income whilst Newbold Comyn and St Nicholas Park Leisure Centres underwent refurbishment (November 2016 Base Budget Report). Upon closure of the Accounts the actual outturn was £101,000 favourable against the Revised

Budgets, so reducing the need for this Reserve Funding from £484,000 to £383,000. Members are asked to confirm the revised contribution, with no changes to this being made in 2017/18 at present.

- 3.7 In April of this year, Members received a Report on the Corporate Repair and Annual Maintenance Programme. At that point it was forecast that £485,600 of this budget would be slipped due to some of the planned works being deferred until 2017/18. Upon closure of the accounts, it has been established that the budget, £1,371,500, has actually been underspent by £931,800. These monies will be returned to the Corporate Asset Reserve to be utilised in future years. The April Report outlined the reasons for the delays, including the absence of the Head of Service, weather and proactive decisions to defer works to minimise service disruption. This underspending is spread across the General Fund Services and is contained within the "Premises" variations in the detailed General Fund Appendix. It is recommended that Members note the revised position and confirm that the surplus appropriated back to the Reserve within the 2016/18 should remain so for 2017/18.

4. **Policy Framework**

- 4.1 **Policy Framework** – The Final Accounts for 2016/17 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 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 2016/17 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 is a risk that in doing so there is a material error within. At the time of writing this report, External Audit have yet conclude their opinion on the accounts. Members will be updated at the meetings of Finance and Audit (25/7/17) and Executive (26/7/17).
- 6.2 The timetable for achieving the early closedown had its own risk register.

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 2016/17 surplus has been allocated. Any changes to the allocations would be carried out during 2017/18.

8. Background

8.1 Capital Programme

Capital Expenditure showed a favourable variance against the revised budget (£21,515,000) of £4,824,600. This is comprised of the Housing Investment Programme and Other Services. The table below summarises Budget and Expenditure by Fund-

	Latest 2016/17 £'000's	Actual 2016/17 £'000's	Variation 2016/17 £'000's
Housing Investment Programme	13,230.0	11,357.7	-1,872.3
Other Services	8,285.0	5,332.7	-2,952.3
Total Capital	21,515.0	16,690.4	-4,824.6

The main reasons for these variations were slippage (£351,000 Housing Investment Programme and £2,822,000 Other Services) and underspends (£1,738,000 Housing Investment Fund and £16,000 Other Services). The Other Services Programme includes a budget of £74,000 for a Colour Photocopier. This has been purchased by way of a Finance Lease and these costs have been included accordingly within the Accounts. Whilst this shows as a variation in the table above and appendices, it is not an underspend or saving.

Appendices A and B, show an analysis of the Capital Programme and it's financing, with Appendix C providing explanations for the variations.

Members will be aware that the Sayer Court development was completed during 2016/17. The Budget of £7,572,000 allowed for a contingency should costs overrun. However, it has not been necessary to utilise this and overall the scheme shows a saving of some £920,000.

Within the Housing Landlord function, Members will see that some of the projects, such as the Electrical Fitments have been delayed. However, in some cases, there is already sufficient budget in 2017/18 to be able to deliver the programme without needing the unspent balances from 2016/17.

The Leisure Centre Refurbishment Programme has been delayed, primarily due to issues with the utilities. Unfortunately, this will delay completion until after the Centres are contracted to be outsourced. At the time of writing this report, Officers are engaged in discussions with the relevant parties to minimise costs arising from this. Some £769,000 of the Capital Budget is being slipped to 2017/18.

Delays in the procurement process for the Pump Room Gardens restoration has led to £1,179,000 of the budgeted £1,299,000 being slipped to 2017/18.

8.2 General Fund

The outturn for the General Fund Services for 2016/17 presents a favourable variation of some £456,800. An analysis by Portfolio Holder is shown at Appendix Di.

Appendix Dii provides a more detailed breakdown 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).

Net Business Rates Retained Income to the General Fund is £421,700 below the revised Budget. The Budget had assumed a £139,000 surplus. Due to the necessary accounting practice, which requires the Council to pay over Central Government's share of the additional income (the levy) in 2016/17, whilst not receiving its share of the benefit until subsequent years, and the Business Rates Collection Fund bringing forward a deficit from prior years, there is actually a deficit for 2016/17 of some £282,700. The variation between budget and actual has been funded from the Business Rates Volatility Reserve.

Electricity Budgets were increased, as when the contract was awarded there had been an increase in energy prices. However, upon closure of the accounts, it has been established there is a favourable variation of some £91,000 against the Revised General Fund Budget of £629,000. This is partly attributable to £24,000's of refunds in respect of prior years.

The most significant areas are shown in the table below.

Site	Variation £'000's	Annual Budget £'000's
Office Accommodation- Riverside House	-26	88
Newbold Comyn Leisure Centre	-21	79
Royal Pump Rooms	-15	59
Total of above Sites	-62	226
Total General Fund	-91	629

Having a reasonably mild winter will have led to a drop in consumption. Officers will work with the Energy Management team to determine the most appropriate usage that budgets should be based upon, with the 2017/18 budgets being adjusted to reflect this.

Investment Interest is higher than that budgeted. Delays in various programmed expenditure as discussed within this Report, means that there has 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 was presented to Finance and Audit Committee on 27th June, this provides more details on the 2016/17 performance. The Table below shows that budgeted and that received broken down into the 2 Funds.

	Revised Budget £'000's	Actual £'000's	Variation £'000's
HRA	-187	-208	-21
General Fund	-299	-328	-29
Total Interest	-486	-536	-50

Car Parking Income is £108,000 favourable against a revised budget of £3,019,000. In February 2016, Members approved that any surplus Car Parking income be appropriated to the Car Parks Repairs and Maintenance Budget to contribute towards the ongoing maintenance of the Council's Multi-Storey Car Parks. Members are informed that this appropriation has been made as part of the final accounts process.

The Spa Centre shows a net favourable variation of £96,500 on direct income and expenditure. There was a further net variation nearing £15,000 on the Bar and Catering, bringing the overall net direct income and expenditure variation there to £111,500. For the first year ever, income exceeded £1 million and was well in excess of that budgeted. Ticket Sales rose to 74,209, the highest ever (6,000 more than 2015/16). Pantomime income alone was £275,800, an increase of some £39,000 on the previous year.

In 2015/16 it was calculated that the Council would be reimbursed for a further £78,000 for that year's Parliamentary Election. This would be received in 2016/17 and was factored in accordingly. But the actual reimbursement still outstanding at 31st March 2016 was only £44,000, as the income received from the neighbouring local authorities had not been taken into account in the 2015/16 calculations. Hence 2015/16 income was overstated and leads to a £34,000 adverse variance in 2016/17.

A reduction in Costs awarded for Council Tax Arrears Hearings, (despite having the same number of Courts) and reduced income from penalty charges for fraudulent claims for single occupancy discount have led to an unfavourable variation in income budgets of some £43,000 in total. The National Fraud Initiative had been delayed until 2017/18 so there should be some improvement in identifying the fraudulent claims in the new financial year.

Staff Vacancies in Environmental Protection and the Sustainability Officer post mean these budgets were underspent by some £45,000 in total. These posts were not filled due to the impending Health and Community Protection restructure from 1st May of this year.

An additional budget of £100,000 for Bed and Breakfast costs was built into the budget in October of last year. This would be compensated for in part by additional benefits reimbursement from Government and an additional £100,000 in rebates was also built in. However, upon closure of the Accounts, it has been established the costs in the second half of the year were not as high as forecast, a favourable variation against the revised budget of £34,000. But this meant that the level of rebate would also be lower than the revised Budget. Usually, any variation in income should be matched by a variation in expenditure, leaving minimal impact overall.

However, the Government will only rebate up to a set amount per week and does not refund Service Charges. As Warwick District is a premium tourist attraction, it means that the Bed and Breakfast accommodation charges in the area are priced to reflect this, particularly during peak seasons. Hence, whilst Costs were £151,000, the Rebates were only £135,000, £16,000 lower than expenditure. But the Council also incurred a further cost from Overpayments of £50,000. These arose when Benefit Officers were not aware of a significant number of tenants who had left the accommodation and funding was still being received from Central Government. Some £40,000 of these relate to overpayments prior to 2016/17. Overall, there is a net shortfall of some £55,000 between income rebates and expenditure against Budget. Officers

have reviewed processes to mitigate against such communication failures in the future. The Table below demonstrates how the £54,000 adverse variance is comprised-

	Budget £	Actual £	Variation £
Bed & Breakfast Exps	185,000	151,000	-34,000
Rent Rebates (B&B)	-173,000	-134,000	39,000
Net Total	12,000	17,000	5,000
Overpayments		50,000	50,000
Revised Net Total	12,000	67,000	55,000

Within Property Services, there is an underspending of £79,000 on salaries. This is due to vacancies within the Surveyors Section. The Building Surveyor Manager has been seconded to the Asset Manager Post. His substantive post remains vacant with 2 existing members of the team covering this. One of the Area Engineer left during the year and has not been replaced.

Due to the imminent transfer of the Management of the Leisure Centres, a vacant post within Warwick Plant Maintenance was not filled. Out turn was £28,000 below budget.

There are some notable variations within Bereavement Services. Cremation Income is lower than budgeted. £36,000 adverse at the Crematorium against a budget of £1,174,000. Members are reminded of the recent refurbishment which restricted availability and the disruption which may have led to some customers going to other crematoria in the area. The new facility at Rugby is now open. Whilst the budget was set with this in mind, it was only possible to estimate the effect it might have. However, it is not possible to fully judge the situation until a full year of normal operation. This adverse variation is offset by an underspend on the LPG Fuel Budget (£42,000 favourable against a budget of £79,000). Officers are aware that this does not reflect current prices and whilst the budget will be amended in 2017/18 as part of the Budget Review Process, potential future additional costs for the renewal of the Cremator Repairs and Maintenance Contract and the LPG Fuel one in 2018 will reduce the on-going saving. Income from Cemeteries however, is £27,000 favourable against that budgeted.

The integrated Waste Collection Contract is overspent by some £40,000. Despite increases of £13,000 per annum built into budgets and the Medium Term Financial Strategy, the significant growth in development across the District means the extra number of properties has now exceeded the next threshold built into the agreement. Officers are working to reprofile the growth in Contract Value for 2017/18 and future years. This will then be reported to Members as part of the Budget Review Process. For 2016/17, savings on bins and other recycling receptacles alongside an overall increase in Waste Management Income present a net favourable variation of some £30,000 above that budgeted.

8.3 HRA

The Revised Budget for the HRA was a net credit of £3,991,500, the actual outturn is a net credit of £5,599,100. The resulting surplus of £1,607,600 has been appropriated to the HRA Capital Investment Reserve. This is summarised in Appendix Ei. Appendix Eii provides a detailed analysis of the variations.

Pending the outcome of the Stock Condition Survey, Repairs and Maintenance have only been carried out where necessary or as part of an already agreed programme. A new programme will be prepared when the Condition Survey is back. Overall within the HRA budgets there is a saving of £600,000 in total.

The Bad Debt Provision has been reviewed on the basis of the level of outstanding debt at 31st March 2017. The levels of debt has reduced. This can be attributed to a more proactive approach to debt collection and an overly cautious approach when closing the 2015/16 Accounts. £360,000 favourable.

There have been numerous vacancies with the HRA during the year. Taking into account staff related expenditure such as training and mileage, this creates a favourable variance across the service of £160,000. There have been reductions in overtime in some areas as well.

The Cost Management Consultancy Service had not been utilised since December 2016, yielding a saving of some £97,000. This budget is used for various projects, including the 5 yearly valuations. This would have been used for providing final account data for the TPC contracts during 2016/17 However Impart Links or their services are no longer used and there was no other planned projects against this budget. Officers will review what the budget for this should be for 2017/18 and subsequent years, based upon previous history and any known future commitments.

HRA PV Panel income is favourable compared to that budgeted by some £58,000. The calculations of this have been updated to ensure all income due for the year is correct. The 2017/18 assumptions used to set this budget will be reviewed and updated if necessary.

There is a £94,000 saving on a budget of £100,000 on the Lettings Incentive Scheme. Fewer tenants are moving to other properties. The 2017/18 has already been reduced to £20,000 to reflect this.

Overall the income charges for the Central Alarm is over-recovered by a net £38,000. This will help offset loss of grant income from Warwickshire County Council.

The Housing Capital Investment Programme is discussed in the section on Capital (above). The saving net of the overspendings, as shown in Appendix C, £1,532,000 will be appropriated back to the HRA Capital Investment Programme and Major Repairs Reserve(MRR).

The 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.

After funding all relevant Capital expenditure the Major Repairs Reserve has increased from £4.611m to £6,781m. This is higher because of the reduced level of capital expenditure.

8.4 Collection Fund

The Collection Fund collection rates were Council Tax 98.2% (98.5% 2015/16) and NNDR 98.3% (98/6% 2015/16).

The Collection Fund Accounts for 2016/17 are contained within the Statement of Accounts presented to Finance and Audit Scrutiny Committee on 25th July.

Following the statutory mid-January review of the Council Tax Collection Fund it was estimated that it would be have a deficit balance at 31st March 2017 of £183,000 which has been built into the 2017/18 budgets (this Council's share being £20,000). The actual deficit at the end of the year was actually £120,000, a reduction of £63,000 below the estimate. The Council's share of this reduction amounts to £7,000 which will be carried forward to be reflected in the 2018/19 accounts, along with any estimated balance on the 2017/18 Council Tax Collection Fund.

8.5 Reserves and Provisions

Movements on the Council's Reserves and Provisions are contained within the Statement of Accounts. A comparison to the balances forecast for the 31st March 2017 and actual are contained within Appendix F.

Members will note within Appendix Di, there is a significant reduction in the net contributions from Reserves. The most notable are discussed below.

- The reduction in the amounts required from the Leisure Options Reserve (£101,000) and Corporate Repairs and Maintenance Budget (£931,800) are discussed in Sections 3.6 and 3.7.
- The tendering process for works to Covent Garden Car Park (£300,000) and St Peters Multi Sorey Car Park were delayed (£120,000) as shown in Appendix C. These works are to be funded from the Car Parking Repairs and Maintenance Reserve.
- Similarly, delays in procuring the Pump Room Gardens restoration, reduced the contribution from the Service Transformation Reserve (£43,000) as well as impacting on the Capital Programme. (Section 8.1).
- Members will be aware that the Office Relocation Project has slipped, this is reflected in the reduced level of Service Transformation Reserve funding (86,000).

8.6 Prudential Indicators

An analysis of the 2016/17 Prudential Indicators are contained in Appendix G.