

PAPER NO.1

REPORT TO THE EXECUTIVE MEETING OF 7 September 2015

Meeting: Executive
Date: 7 September 2015
Subject: Outturn 2014/15
Report of: Simon Riley
Portfolio Holder: Cllr P King, Finance and Commercialisation
Status: For Approval
Relevant Ward(s): All

1 Purpose of the Report

- 1.1 To review the Revenue and Capital Outturn for 2014/15 and associated explanations for variances.
- 1.2 To consider and approve carry-forwards of revenue and capital budget provision into 2015/16.

2 Recommendations:

- 2.1 To note the outturn report for the General Fund for 2014/15 as shown on Appendix A, subject to the audit of the Accounts.
- 2.2 To note the key variances detailed in Appendix A
- 2.3 To approve Revenue carry forwards in Appendix B totalling £105k into 2015/16.
- 2.4 To note the position of the Council's Reserves detailed in Appendix C.
- 2.5 To note the actual expenditure against the 2014/15 Capital Programme as shown on Appendix D, subject to the audit of the Accounts.
- 2.6 To approve the carry-forward of capital approvals and funding in the Capital programme totalling £478k listed in Appendix E budget carry forward to 2015/16.

3 Summary of Reasons for the Recommendations

- 3.1 The Council was required to produce its statement of accounts (subject to Audit) by the end of June 2015. The outturn report details the Council's financial performance for the 2014/15 financial year. The request to transfer resources between financial years requires Executive Approval.

4 Key Facts

- 4.1 The summary position for the Council's Revenue Budget is shown at **Appendix A**. Subject to audit of the 2014/15 Accounts the Council underspent by £685k against the Revised Budget approved by Council in February 2014. The underspend along with statutory accounting adjustments, is transferred as part of the accounts process to the Council's General Fund Balance which at the end of 2014/15 is estimated to be £3.748m. The report details variances based on statutory reporting categorisation and details the variances between revised budget estimate and actual expenditure as detailed in the draft statement of accounts. However, this does result in reporting of technical adjustments (such as impairment, pension adjustments and equal and opposite accounting adjustments (e.g. central recharges) that distort the understanding these are identified separately at the bottom of **Appendix A**.
- 4.2 The underspend for 2014/15 of £685k is after taking in year savings to reserves of £277k. The key movements from Quarter 3 can be found in **Appendix F**.
- 4.3 The cost centres included in the Portfolio's shown in **Appendix A** are those that were in place for 2014/15..
- 4.4 The Council's accounts are prepared for the financial year up to the 31 March 2015. As a result there are a number of areas where budgets were not spent in 2014/15 which service areas have requested revenue carry-forward to fund expenditure in 2015/16. These total £105k and are detailed in **Appendix B** for Members consideration. If Executive approves the revenue carry-forwards detailed in **Appendix B** in full this would reduce the estimated General Fund Balance to £3,643m. The £105k of carry-forward requests if approved will be drawn down into the Revenue Budget when the expenditure is committed.
- 4.5 In setting the Council Budget, the Council utilises earmarked reserves to support service delivery, or specific initiatives. The Council's reserves and movements during 2014/15 are detailed in **Appendix C**..
- 4.6 The Council sets annually its borrowing and capital prudential indicators. During 2014/15 the Council operated within the approved indicators. The Annual Treasury Management report is due to go to Council on 21 September 2015.

Business Rates Retention

- 4.7 As part of the Localism Agenda, 2013/14 saw the introduction of a new Business Rates Retention scheme where local authorities are able to retain a proportion of any business rates growth (over a Government determined baseline) within their area. The Business Rate retention scheme allows 50% of the business rate growth to be retained within Leicestershire with the remaining 50% going to Central Government. For 2014/15 the Authority was not part of a local pool.
- 4.8 Initial indications based on the statutory NNDR1 government return, completed in January 2014, forecast the Council's share of business rates growth in 2014/15 could be in the range of £596k. However the Council took a prudent approach and did not include any additional income from business rates in its budget for 2014/15. In January 2014 the Government has agreed to recompense local authorities for their share of the cost of extending the Small Business Rate Relief scheme by way of a Section 31 Grant. Once again the receipt of this was uncertain (even though the Council was awarding relief in the second half of the year) and therefore receipt of this additional grant was effectively a 'windfall' and due to its late receipt had not been built into the budget. This was adjusted as part of the revised budget.
- 4.9 At the end of 2014/15 the Authority had experienced significant appeals submitted to the Valuation Office Agency (VOA) in respect of rating assessments, this impacted on the growth by the need to provide for changes to the ratings list and any associated repayments. The Authority still achieved growth in Business Rates and therefore was required to make provision to pay, £495k as a levy to pay to DCLG within the financial out-turn, with £495k retained direct by Harborough District Council and transferred into an earmarked reserve to support the Medium Term Financial Strategy.
- 4.10 In summary, the Council's General Fund has included the following transactions due to the various requirements arising from the operation of the Business Rates Retention Scheme in 2014/15, these are subject to audit:

	£'000s
Harborough's estimated business rates growth based on NNDR1	(1,192)
Additional Growth based on NDR3	(302)
Section 31 Grant – Small Business Rate Relief	(312)
Levy payable to DCLG	495
Income Transferred into Earmarked Business Rate Growth Reserve	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> <u>(495)</u>

- 4.11 Since the Council will be required to account for any future deficits as well as any surplus, this additional income has been transferred into a newly created Business Rate Growth Reserve. This will allow mitigation of future risks and

uncertainties as well as enable the Council to support services in 2015/16 future years. When setting the budget for 2014/15, Council agreed to use £250k to support the revenue budget from this fund.

Capital Programme 2014/15

- 4.12 The original 2014/15 Capital Programme was set at £571k and was approved by Council at its meeting on 24 February 2014. Subsequent amendments were approved by the Executive to allow for capital commitments and slippage from the 2013/14 Capital Programme, and to allow for schemes funded from additional external resources. These changes have increased the budgeted capital expenditure for 2014/15 to £2,080k, the details can be seen on **Appendix D**.
- 4.13 The Council in 2014/15 spent a total of £1,477k on capital schemes against the final budget of £2,080K. A review of the underspend against the approved programme has been undertaken. It is proposed to carry forward £478k of approved schemes and their associated funding into 2015/16, leaving a residual £125k underspend against the capital programme. Explanations for the significant slippages are given on **Appendix D** to this report.

Financing of Capital Expenditure in 2014/15

- 4.14 The capital programme is financed from a number of sources, including borrowing, capital receipts, and government grants, contributions from developers and other outside bodies / organisations. The table attached at **Appendix D** shows the financing of capital expenditure in 2014/15.

Carry Forward of Capital Schemes and Funding to 2014/15

- 4.15 The amount shown in **Appendix E** of £478k represents the unspent budget in 2014/15 in respect of schemes which had not started or were incomplete at 31 March 2015. The Executive will be asked to approve that these budgets (and associated funding) be carried forward to 2015/16 to allow for completion of those schemes.
- 4.16 Resources which were earmarked to finance those schemes carried forward to 2015/16 will also transfer over to the new financial year.

5 Legal Issues

- 5.1 The financial accounts for 2014/15 were signed off "as authorised for issue", the legal term that they are ready for audit and inspection, by the Council's S151 Officer on the 30 June 2015. The Council External Auditor is required to now audit the accounts and to report back to the Council by the end of September. Any changes will be reported back to the Governance & Audit Committee for approval before 30 September 2015 following completion of the audit.

6 Resource Issues

6.1 The Outturn report summarises all the financial resources of the Council. These are also detailed in the Statement of Accounts (subject to Audit). The report and recommendations formalise transfer of resources between financial years and approval of earmarked reserves.

7 Equality Analysis Implications/Outcomes

7.1 There are no equality issues arising directly from this report.

8. Risk Management Implications

8.1 If the requested carry forwards (**Appendix B**) are not approved there are contractual commitments that would have to be funded from within the approved 2015/16 budget.

9 Consultation

9.1 Resources and Performance Scrutiny are due to scrutinise the outturn report on 17th September.

9.2 The financial position detailed in this report is included within the draft statement of accounts considered by Governance and Audit Committee on 14th July.

10. Options

10.1 The Statement of Accounts and Outturn report are a formal record of the financial transactions of the Council in 2014/15. The approval of carry-forward requests is subject to approval by the Executive.

11 Background Papers

11.1 Final Accounts Working Papers.

Previous report(s): None

Information Issued Under Sensitive Issue Procedure: N

Ward Members Notified: N

Appendices:

- A. Revenue Out-turn and analysis of key variance**
- B. Revenue carry forwards**
- C. Reserves**
- D. Capital Out-turn**
- E. Capital carry forwards**
- F. Revenue Key Variance movements since Quarter 3**