

REPORT TO THE CABINET MEETING OF 1st July 2019

PUBLIC REPORT: Y

EXEMPT REPORT: N

Report Title	Financial Outturn 2018/19					
KEY DECISION	Y					
Report Author	Simon Riley, Head of Finance and Corporate Services (s151 Officer)					
Purpose of Report	<ul style="list-style-type: none"> To review the Revenue and Capital Outturn for 2018/19 and associated explanations for variances. To consider and approve carry-forwards of revenue and capital budget provision into 2019/20. 					
Reason for Decision	<ul style="list-style-type: none"> The Council was required to produce its statement of accounts (subject to Audit) by the end of May 2018. The outturn report details the Council's financial performance for the 2018/19 financial year. The request to transfer resources between financial years requires Cabinet Approval. 					
Portfolio (holder)	Councillor James Hallam; Finance					
Corporate Priorities	<table border="1"> <tr> <td colspan="2">YOUR COUNCIL: innovative, proactive and efficient</td> </tr> <tr> <td>CO 10</td> <td>Deliver Financial Sustainability for the future</td> </tr> </table>		YOUR COUNCIL: innovative, proactive and efficient		CO 10	Deliver Financial Sustainability for the future
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Financial Implications	<ul style="list-style-type: none"> 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 					
Risk Management Implications	<ul style="list-style-type: none"> If the requested carry forwards (Appendix B) are not approved and the Capital Slippage of approvals and associated financing (Appendix F) are not approved there are contractual commitments that would have to be funded from within the approved 2019/20 budget. 					
Environmental Implications	<ul style="list-style-type: none"> None 					
Legal Implications	<ul style="list-style-type: none"> The financial accounts for 2018/19 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 28th May 2018. The Council External Auditor, Mazars is required to now audit the accounts and to report back to the Council by the end of July. Any changes will be reported back to the Governance 					

	& Audit Committee for approval on 24th July 2019 following completion of the audit.
Equality Implications	None
Data Protection Implications	None
Consultation	Consultation has been undertaken with Portfolio Holder. .
Options	<ul style="list-style-type: none"> The Statement of Accounts and Outturn report are a formal record of the financial transactions of the Council in 2018/19. The approval of carry-forward requests is subject to approval by the Cabinet.
Background Papers	None
Recommendation	<p>2.1 To note the outturn figures for 2018/19 as shown on Appendix A, subject to the audit of the Accounts.</p> <p>2.2 To approve Revenue carry forwards in Appendix B totalling £267k into 2019/20.</p> <p>2.3 To note the key variances detailed in Appendix C and explanation of variances (over £25K) in Appendix D</p> <p>2.4 To note the Revenue Reserves detailed in Appendix E</p> <p>2.5 To note the actual expenditure against the 2018/19 Capital Programme as shown on Appendix F, subject to the audit of the Accounts.</p> <p>2.6 To approve the carry-forward of capital approvals and funding in the Capital programme totalling £886K listed in Appendix F to 2019/20.</p>

1. Introduction

- 1.1 The Council annually sets its budget in the February proceeding the financial year. Financial Performance is then reported on a quarterly basis to the Executive. This report detailed the outturn for 2018/19 and should be read alongside the Statement of Accounts that were 'authorised for issue' on the 28 May.
- 1.2 As part of the year end accounts process there is an option for Executive to approve carry-forwards of Revenue and Capital funds to 2019/20 to support delivery of Council priorities. If approved, these will be a call on the General Fund or Capital Financing Sources in 2019/20 over and above the budget for 2019/20 approved in February 2019.
- 1.3 The figures detailed within this report are subject to audit and approval of the Statement of Accounts by the Governance and Audit Committee on 24th July 2019.

2. Key Facts

- 2.1 The Council approved the Revenue and Capital Budget for 2019/20 in February 2018. Updates are reported to Executive in the quarterly monitoring reports. The updated budget is described as the Revised Budget and is used to monitor in-year variances and the final outturn position.
- 2.2 Revenue and Capital monitoring has been reported to Executive and scrutinised by the Performance Scrutiny Panel during 2018/19. A number of transfers to Reserves for the Revenue Budget and slippage of Capital expenditure and funding were agreed in the quarterly monitoring report.
- 2.3 The Council continues to deliver it's priorities detailed within the Capital Plan and Corporate Delivery Plan within the available resources, delivering an in-year surplus and further improving the financial health of the Council to respond to future funding challenges and investment in priorities within the District.
- 2.4 The financial outturn for the Revenue Budget is detailed at Appendix A with further details of spend and variances at cost centre level detailed in Appendix C and Appendix D. During the year a number of budgets were identified where the spend will now take place in 2019/20 rather than 2018/19 as originally intended. These are detailed in Appendix B and are subject to Cabinet approval. Within the Statement of Accounts issued for Audit on the 29th May 2019 these are shown in the General Fund Balance. Approval of the carry-forward requests totalling £267K would therefore be a commitment against this fund and reduce the unallocated General Fund Balance to

support the Medium Term Financial Strategy.

2.5 The financial outturn for the Capital Budget is detailed at Appendix F. This also details capital slippage of £886K through profiling of spend and financing into future years, which is subject to Cabinet approval.

2.6 *Portfolio Budgets*

2.7 The majority of spend is managed through allocation of budgets to Portfolio Holders. These budgets are monitored on a monthly basis by Budget Holders and reported quarterly to Executive and Scrutiny. Explanations of variances over £25K are provided in these reports.

2.8 The following variances were reported on Net Direct Costs of Services

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	£000s	£000s	£000s	£000s
Portfolios Net Surplus	(230)	(625)	(564)	(1,067)
Contingency	0	0	(73)	(90)
Sub Total Surplus	(230)	(625)	(637)	(1,157)
Approved Transfer to Reserves (Q2)	0	330	330	330
Carry-Forward Requests	0	0	0	267
Sub Total Surplus	(230)	(325)	(337)	(560)
<i>Explanation of Key Variances</i>				
Neighbourhood Planning – (Transfer to Reserves)				(65)
Local Plan – re-profile of spend (Transfer to Reserves)				(151)
Corporate Contingency not fully utilised				(90)
Residual Surplus	(230)	(325)	(337)	(254)

2.9 The residual **surplus of £254K** represents a **surplus of 2%** on the Revised Budget of £12.514 million. This has been achieved through meeting stretched income targets, tight management of staffing costs (including reduced use of interim and agency staff) and being able to meet in year additional budget pressures, for example Magna Park appeal costs. The majority of the movement from Quarter 3 to Quarter 4 is accounted for by the re-profiling of expenditure and income (see explanation of key variances in the above table) alongside the carry-forward requests (**Appendix B**) which are subject to Cabinet approval on this report. The residual surplus not accounted for by transfers to reserves, carry forward requests (linked to re-profiling) or not

requiring the corporate contingency has remained consistently in the range of £230K to £337K surplus throughout the year.

- 2.10 Key savings and income generation at a subjective level that demonstrate robust financial management during the year delivering a planned surplus are detailed in the table below:

	£000's	Explanation
Income: Fees and Charges above target	(250)	The majority of service areas exceeded their stretched income targets set for 2018/19.
Employees	(395)	Vacancy Management and reduced requirement for Agency and Interim Staff in 2018/19.
Transport Costs	(74)	Savings from introduction of revisions to Essential Car User Scheme and mileage claims.
Contingency Provision (Corporate and Major Projects)	(299)	Contingency Budgets not utilised in year or requested as a carry-forward.
Other Net variances	(139)	Various
Total Surplus 2018/19	(1,157)	

It is important to note that the Employee Savings are mainly one-off (linked to recruitment) with the required staffing establishment being budgeted for post by post for the subsequent year.

- 2.11 Variances of more than £25K are reported to Cabinet. These have been reported during the year with the final outturn variances being reported in Appendix D. In addition, the final outturn split by cost centre is detailed in Appendix C.
- 2.12 The Outturn reflects the Councils continued success in not only delivering in year savings and efficiencies agreed in the Budget but also delivering an-year surplus from income generation and robust financial management to support the future MTFs against a backdrop of austerity.
- 2.13 *Cost of Borrowing and Interest Payments*
- 2.14 The Council continued in 2018/19 its policy of using investments to negate the need for more expensive borrowing – this has been the case since 2008. As a result there are savings of £200K against the provision in the budget for Interest Payable of £406K. This was forecast during the year and reported. During the year, the Council invested £1.5 million in a Property Fund (CCLA)

and invested £3.8 million in the Council's Local Authority Company, Harborough District Commercial Services Limited through share capital and a loan.

2.15 Reserves

2.16 The 2018/19 assumed the use of General Fund Balances and Earmarked Reserves to help balance the Revenue Budget. The delivery of a surplus on the Revenue Budget in 2018/19 has meant that instead of a drawdown of £961K from the General Fund there has been a contribution of £206K to the General Fund. If the carry-forward requests detailed in Appendix B are approved this would make the net drawdown of £65K in respect of 2018/19 on the General Fund.

2.17 The 2018/19 Budget assumed contributions to/from earmarked reserves. These have been actioned during the year and are detailed in Appendix E. During 2018/19 a review was undertaken into the provision for Business Rate Appeals that (as forecast) released a significant amount back into the Budget for 2018/19. This resulted in a contribution to the Business Rate Growth Reserve of £2.436 million (the budgeted contribution was £967K). This had been anticipated in the 2019/20 budget where £600K of this increase is being utilised in supporting the Revenue Budget.

2.18 The Revenue Reserve Movements are summarised in the below table:

Revenue Reserve Movements	Earmarked Reserves	General Reserve Fund	General Fund
		£000's	£000's
	£000's	£000's	£000's
Opening Balance	5,175	941	6,517
Contributions to Reserves	3,205	144	413
Contribution from Reserves	(2,511)	(150)	0
Sub Total	694	(6)	413
Closing Balance	5,869	935	6,930

2.19 Retention of earmarked reserves for designated purposes and General Fund Balances is an integral part of the Council's financial planning arrangement. These assist the Council in financial resilience for future change in funding or cost pressures.

2.20 *Funding*

2.21 The Funding line includes Government Grants, Council Tax, Collection Fund Surplus and the accounting for business rates. The outturn reflects a positive variance of £1.563 million, nearly all of which is the release of business rate appeal provision into the revenue budget following a review. This is included in the £2.436 million added to the business rate growth reserve shown in Appendix E

2.22 *Capital Budget*

2.23 The Council approved a capital programme in February 2018 of £9.925m. On the 16th July 2018 the Executive approved capital carry-forwards of £712K. During the year additional approvals of £4.821 million were approved alongside previously reported slippage of £7.271 million into 2019/20.

2.24 The final outturn was £7.152 million resulting in a variance of £1.034 million. During Quarter 4 further slippage of expenditure and funding of £886K was identified and subject to Cabinet approval in this report will be re-profiled into 2019/20. Taking into account the anticipated slippage into 2019/20 the underspend in 2018/19 was £148K with the key variance being £101K being in respect of Lightbulb/Social Care Projects which was not required due to additional Disabled Facility Grants during the year.

2.25 The Capital Programme was funded from a mixture of borrowing (£2.926 million); External Grants (£1.743 million), S106 Grants (£1.539 million) and other funding sources.

2.26 The Council has £3.205 million of Capital Commitments as at 31st March, this is primarily the Grow on Space.

2.25 *Background Papers*

Statement of Accounts 2018/19

Council's Financial records

Previous report(s): Executive, 3rd September 2018, 3rd December 2018, 4th March 2019, Budget Monitoring Reports