

REPORT TO THE EXECUTIVE MEETING OF 5th SEPTEMBER 2016

Meeting: Executive
Date: 5th September 2016
Subject: Outturn 2015/16
Report of: Simon Riley
Portfolio Holder: Cllr Phil 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 2015/16 and associated explanations for variances.
- 1.2 To consider and approve carry-forwards of revenue and capital budget provision into 2016/17.

2 Recommendations:

- 2.1 To note the outturn figures for the General Fund for 2015/16 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 £174k into 2016/17.
- 2.4 To note the position of the Council's Reserves detailed in Appendix C.
- 2.5 To note the actual expenditure against the 2015/16 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 £1.487 million listed in Appendix E to 2016/17.

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 2016. The outturn report details the Council's financial performance for the 2015/16 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 2015/16 Accounts the Council underspent by £990k against the Revised Budget approved by Council. This represents a saving of 8.5% on the budget. 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 2015/16 is estimated to be £5.867m.
- 4.2 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, NNDR and pension adjustments) that distorts the understanding and these are identified separately at the bottom of **Appendix A**.
- 4.3 The cost centres included in the Portfolios shown in **Appendix A** are those that were in place for 2015/16.
- 4.4 The Council's accounts are prepared for the financial year up to the 31 March 2016. As a result there are a number of areas where budgets were not spent in 2015/16 where service areas have requested revenue carry-forward to fund expenditure in 2016/17. These total £174k 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 £5.693m. The £174k 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 2015/16 are detailed in **Appendix C**.
- 4.6 The Council sets annually its borrowing and capital prudential indicators. During 2015/16 the Council operated within the approved indicators. The Annual Treasury Management report is due to go to Council on 24th October 2016.

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 2015/16 the Authority was part of the Leicester and Leicestershire Business Rate Pool allowing for the retention of additional monies within Leicestershire to be distributed into economic growth projects through the LLEP and for a share to be retained as a contingency. The levy retained by the pool in 2015/16 was £3.4 million.
- 4.8 2015/16 saw an increase in the level of business rate appeals not determined by the valuation office increased by a further £1.873 million to £5.724 million, of which Harborough has had to provide in its' accounts a provision for £2,290 million (2015/16 £1.540 million). As a result of having to provide for this the retained business growth, £809K transferred to the business rate growth reserve was lower than expected (the budget assumed £1.245 million).
- 4.9 The Council utilised £547K of the business rate growth reserve during 2015/16 supporting the overall budget and investing in economic development initiatives.
- 4.10 The accounting for business rates and the in-year and cumulative impact over a number of years is complex. A member's workshop is planned for the autumn to allow members to better understand and scrutinise this area in the future.

Capital Programme 2015/16

- 4.11 The original 2015/16 Capital Programme was set at £1.435 million and was approved by Council in February 2015. Subsequent amendments were approved by the Executive to allow for capital commitments and slippage from the 2014/15 Capital Programme, and to allow for schemes funded from additional external resources. These changes have increased the budgeted capital expenditure for 2015/16 to £2.677 million; the details can be seen on **Appendix D**.
- 4.12 The Council in 2015/16 spent a total of £1.118 million on capital schemes against the final budget of £2.677 million. The Capital Programme has been reviewed to identify underspend and slippage. It is proposed to carry forward £1.487 million of approved schemes and their associated funding into 2015/16, leaving a residual £72k underspend against the capital programme. Explanations for the significant slippages are given on **Appendix E** to this report.

- 4.13 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 2015/16.
- 4.14 The amount shown in **Appendix E** of £1.487 million represents the unspent budget in 2015/16 in respect of schemes which had not started or were incomplete at 31 March 2016. The Executive are asked to approve that these budgets (and associated funding) be carried forward to 2016/17 to allow for completion of those schemes.
- 4.15 Resources which were earmarked to finance those schemes carried forward to 2016/17 will also transfer over to the new financial year.

5 Legal Issues

- 5.1 The financial accounts for 2015/16 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 June 2016. 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 on 22nd September 2016 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 2016/17 budget.

9 Consultation

- 9.1 Performance Scrutiny Panel are due to scrutinise the outturn report on 15th September.
- 9.2 The financial position detailed in this report is included within the draft statement of accounts published on the Council’s website and will be considered by Governance and Audit Committee on 22nd September 2016

10. Options

10.1 The Statement of Accounts and Outturn report are a formal record of the financial transactions of the Council in 2015/16. 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 variances

B. Revenue carry forwards

C. Reserves

D. Capital Out-turn

E. Capital carry forwards