

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	13 July 2016
Subject:	Financial Outturn Report including Capital Financing and Earmarked Reserves 2015/16
Report of:	Simon Dix, Finance and Asset Management Group Manager
Corporate Lead:	Rachel North, Deputy Chief Executive
Lead Member:	Councillor D J Waters, Lead Member for Finance and Asset Management
Number of Appendices:	Four

Executive Summary:

The report highlights the Council's financial performance for the previous year, setting out the General Fund and capital outturn positions. To support this, a detailed statement on both positive and negative variances against budget is included.

The formation of the Council's reserves for the forthcoming year requires the approval of Executive Committee.

The performance of the Treasury Management function is also included within the report as required by the Council's Treasury Management Policy.

Recommendation:

- 1. To CONSIDER the General Fund outturn for 2015/16, the financing of the capital programme and the annual treasury management report and performance.**
- 2. To APPROVE the transfers to and from earmarked reserves.**

Reasons for Recommendation:

In line with the requirement to provide Members with regular information on the Council's finances and financial performance, a report on progress against budget is produced on a quarterly basis. This report on the outturn position for the Council offers more detail on the final financial position and compliments the existing reporting framework. Members are also required to approve the transfers to and from earmarked reserves and the carry forward of budgets.

The Council's Treasury Management Policy requires the Section 151 Officer to report to Members annually, by 30 September, on the treasury management activities and prudential indicators for the previous financial year.

Resource Implications:

As detailed within the report.

Legal Implications:

None associated with the report.

Risk Management Implications:

A number of reserves have been set aside to deal directly with specific service risk or general financial risk to the Council.

Performance Management Follow-up:

The performance of services against their set budget is monitored on an ongoing basis and includes Challenge Panels on a quarterly basis. In addition, performance is reported to Members on a quarterly basis.

Environmental Implications:

None associated with this report

1.0 INTRODUCTION/BACKGROUND

- 1.1 This report sets out the final outturn position for the 2015/16 financial year. The main purpose of this report is to provide Members with an overview of the performance against the General Fund revenue budget for 2015/16 and explain significant variances.
- 1.2 The report also addresses the movement on reserves and requests Member approval for the creation of newly requested reserves or additions to existing reserves that fall outside of a previously approved sum.
- 1.3 In addition to the revenue budget outturn, this report also seeks to confirm the full year progress against the capital programme and the sources of finance used in delivering that programme and also to report the performance in 2015/16 of the treasury management function in line with the requirements of the code of practice.
- 1.4 All of the information within this report will be contained within the Council's Statement of Accounts which will be approved by the Audit Committee on 21 September 2016 following the audit conducted by Grant Thornton.

2.0 GENERAL FUND REVENUE OUTTURN 2015/16

- 2.1 In April 2016, the quarter three outturn position was reported to Executive Committee. The report confirmed a surplus of £276,131 for this period which represented a positive variance of 3.81% on budget.
- 2.2 The final General Fund revenue outturn position for the full year can now be reported at a £1,408,610 surplus, representing a positive variance of 15.8%. It is pleasing to again report a surplus for the Council within the financial year particularly given the financial climate for local government and the squeeze on service budgets. The surplus can now be utilised to finance the reserve and carry forward requests of the Council.
- 2.3 The table below summarises the service performance which has generated the reported surplus.

Table 1 – General Fund outturn summary

	Full Year Budget	Outturn Position	Underspend / (overspend)	Budget Variance
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	£	£	£	%
Employees	8,004,018	8,194,190	(190,172)	(2.4)
Premises	677,142	554,661	122,480	18.1
Transport	166,404	149,099	17,306	10.4
Supplies & Services	2,376,679	2,529,723	(153,044)	(6.4)
Payments to Third Parties	4,265,901	4,583,699	(317,798)	(7.4)
Transfer Payments	19,665,790	18,711,947	953,843	4.9
Income	(26,219,934)	(27,195,929)	975,995	3.7
Total	8,936,000	7,527,390	1,408,610	15.8

2.4 The outturn position is mainly attributable to the major items outlined below:

- The employees full year budget is overspent largely as a result of the requirement to bring in additional staff to meet service requirements and to fulfil the requirements of grant funding received. The overspend is offset by additional income received from sale of services and grant funding.
- Premises are underspent for the year as a result of the release of a provision relating to leased assets. The provision was previously set aside to meet expected requirements but has not been needed during the year and has now been released. Additional savings on business rates and utilities during the year have boosted the surplus.
- Supplies and services overspend is in relation to the expenditure associated with central government grants received. This expenditure was unbudgeted for at the start of the year but corresponding additional income has been received to finance the expenditure.
- Disbursements incurred by One Legal during the course of their activities are not budgeted for and therefore have increased the deficit on payments to third parties by £150,000. The disbursements are recovered from the client Councils and are shown in the additional income generated. In addition to disbursements, extra expenditure has been incurred in service areas such as burial services where additional income is generated. A further £110,000 relates to flood relief expenditure where grant has been received from the county Council.
- Transfer payments relating to the Council's activities in regarding the administration of housing benefit on behalf of central government. The outturn position shows a reduction in the quantum of housing benefit paid out during the year to claimants across the Borough.
- Income targets have far exceeded expectations during the year. The primary area of additional income is development management where total income exceeded target by over £1.58m. This position has been boosted by the receipt of external grant funding totalling £0.918m but strong income in planning fees, both plan submissions and pre-planning advice, has supported the outturn position.

- Other income targets have also exceeded expectation in particular trade waste, garden waste, licensing and car parking. The overall position for income has been reduced to a £976,000 surplus by the need to reclaim less from central government for housing benefit expenditure incurred.
- 2.5** A full explanation of all variances exceeding £30,000 at a group subjective level is contained at Appendix A. The explanation also includes contact details of the relevant service manager should more information be required by Members.
- 2.6** Balances allocated from New Homes Bonus towards specific projects including the new community grants scheme and the elections, which formed part of the base budget for 2015/16 and remain unspent at the year end, have been carried forward and added to the reserves of the Council.
- 2.7** In contrast to the excellent position reported for the general fund, the financing of the Council's general fund has again been impacted by the performance of the retained business rates scheme in 2015/16. The scheme, which was introduced in 2013, allows Councils to retain a percentage of the growth in the local business rate base above a calculated baseline. Tewkesbury had budgeted for retained income of £255,000 from this scheme and was also a member of the Gloucestershire Business Rates Pool which maximises the retention within Gloucestershire.
- 2.8** As in the previous year, the Council's position in relation to retained rates has been impacted by the position of Virgin Media. Losses were incurred at the start of the financial year as a result of successful appeals and a further provision being made against outstanding appeals. No further progress or clarification has been received with regards to the outstanding appeals and the request to move to a single national assessment for the Virgin Media network.
- 2.9** In addition to Virgin Media, a number of other appeals and valuation adjustments have reduced the Council's rates retention. There has also been an increase in the amount of void properties during the year and it was also necessary to write off a number of historic debts. This has resulted in the Council once again being in deficit within the scheme and requiring a safety net payment from the Gloucestershire Pool. The safety net payment for 2015/16 totalled £252,000 and restored the Council's position to a net loss of £378,000 against the retained income budget.
- 2.10** As a result of the ongoing risk associated with Virgin Media, the Council has withdrawn from the Gloucestershire Pool for 2016/17. This will protect Gloucestershire residents from the costs of further losses associated with Virgin Media and other potential successful appeals.
- 2.11** Overall, the Council has benefitted from a healthy financial performance in 2015/16 with costs being controlled, significant extra income from fees and charges and additional one-off grants from various bodies being received. The setting of the 2016/17 budget included an increase in income targets to the levels seen in 2015/16 in order to assist the Council with the deficit in financing it faced. This means that the Council will again require strong income streams and control over expenditure in order to meet the set budget of the Council, with surpluses to this level unlikely to be seen again.

3.0 COUNCIL RESERVES

- 3.1** A breakdown of the reserves of the Council as at the 31 March 2016 is shown at Appendix B. The reserves are grouped under strategic headings rather than the previous method of grouping so as to provide Members with a better understanding of the actual intended use of the monies set aside. Also included is a breakdown of previous year's reserves, under the same strategic headings, so as to inform Members about the movement on those reserves in

the last two years.

3.2 Total revenue reserves of the Council stand at £9.84m as at the end of March 16 and include earmarked reserves, planning obligations and the general fund working balance. Despite gross expenditure totalling £1.29m during 2015/16, the reserve balances have seen a net decrease of only £732,000 during the year. There are a number of reasons for this including the surplus on the general fund and the unspent New Homes Bonus monies being carried forward. External grant funding received late in 2015/16 has also been carried forward into the new year.

3.3 Where significant movements have occurred during the year, a note in Appendix B has been included, to explain the reason for the movement. Members are asked to approve the balances on the reserves for the new financial year.

4.0 CAPITAL PROGRAMME

4.1 The Council has committed to a substantial capital programme in the last few years and this is highlighted in the level of capital expenditure incurred in 2015/16. The bulk of the expenditure has been on the new leisure facility (£6.06m) and maintenance and improvements to the Council's asset portfolio (£416,000).

4.2 2015 saw the financing of the community grants programme move away from capital resources to the use of revenue resources. As a result, capital expenditure on this scheme fell to £207,000 in year and is expected to fall again in the new year as capital awards are drawn down by claimants.

4.3 Within the total expenditure on housing and business grants is expenditure on flood relief grants for properties and businesses affected by flooding. £264,000 has been spent on this programme in the 15/16 financial year and has been financed from central government grant. The Council also spent £657,000 on Disabled Facility Grants in 15/16 which was financed in part by the Council (£160,000) with the balance being financed by central government (£497,000).

4.4 The summarised capital programme is shown at Appendix C together with the sources of finance used. In summary, the Council expended £7.86m on capital projects in 2015/16 utilising £6.96m of capital reserves, £0.79m of capital grants and £0.116m of revenue contributions. The balance on the capital reserve has reduced to £5.68m as at 31 March 2016 with commitments totalling £11.9m over the next three years. This investment programme, which includes the purchase of a vehicle fleet, the regeneration of Tewkesbury Town and the purchase of an investment property, will require the Council to borrow monies from both internal and external sources.

5.0 TREASURY MANAGEMENT

5.1 Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services. This Council has adopted the code and complies with its requirements, one of which is the receipt by Members of an Annual Review Report after the financial year end.

5.2 The detailed treasury report is attached at appendix D.

5.3 The prudential indicators have been monitored regularly and there were no material departures from the indicators arising during the year. The in-year performance of investments resulted in an average return of 0.82% and total income of £116,500. This is £71,500 below the budget for the year and reflects the reduced investment portfolio available to the Council following the refunds issued to Virgin Media. This was expected and an earmarked reserve was included within the accounts to equalise the investment returns budget. The full reserve has not been required and therefore represents a good performance

from treasury officers under the circumstances.

6.0 PERFORMANCE INDICATORS

6.1 The Financial Services section reports on two performance indicators during the year relating to the speed of paying invoices and the level of sundry debt over 12 months old. The summary performance of the indicators is shown in the table below.

Table 2 – Performance Indicators

KPI description	Outturn 2014-15	Outturn Q1 15-16	Outturn Q2 15-16	Outturn Q3 15-16	Outturn Q4 15-16
Percentage of creditor payments paid within 30 days of receipt	93.71%	94.54%	93.44%	93.82%	94.12%
Outstanding sundry debt in excess of 12 months old	£49,735	£39,450	£29,605	£53,809	£44,609

6.2 It is pleasing to report a further performance improvement in the speed of paying invoices. The outturn performance of 94.12% within 30 days is up 0.41% on the previous year and is the highest annual figure reported. This reflects the service improvements made and the efficient working of staff involved. The sundry debt position has fallen by over £5,000 across the financial year taking the amount outstanding to £44,609. It is disappointing that having achieved outstanding debt of less than £30,000 at the mid-year point, this position worsened during the second half of the year. The situation was as a result of one individual debtor who has now paid off the majority of the arrears and has a payment plan in place for the balance.

7.0 CONSULTATION

7.1 Budget holders have been consulted about the budget outturn for their service areas. The feedback has been incorporated in the report to explain differences between budgets and actual income and expenditure.

8.0 RELEVANT COUNCIL POLICIES/STRATEGIES

8.1 Treasury Management strategy approved at Council on 19 February 2015 and the Medium Term Financial Strategy approved at Council on 16 December 2014.

9.0 RELEVANT GOVERNMENT POLICIES

9.1 None

10.0 RESOURCE IMPLICATIONS (Human/Property)

10.1 As detailed within the report and appendices.

11.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

11.1 None

12.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

12.1 None

13.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

13.1 Approval of Treasury Management Strategy 2015/16 – Council 19 February 2015
Approval of Budget 2015/16 – Council 19 February 2015

Background Papers: Approval of Treasury Management Strategy 2015/16 – Council 19 February 2015

Approval of Budget 2015/16 – Council 19 February 2015

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Appendices: Appendix A – Revenue outturn by Group
Appendix B – Earmarked reserves and carry forwards
Appendix C – Capital Outturn 2015/16
Appendix D – Annual Treasury Management report