

27th July 2017

Subject: 2016/17 Financial Review

Report by:

Director of Resources (S151)
Ian Knowles

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Purpose / Summary:

This report provides Members with a financial review of 2016/17

RECOMMENDATION(S):

- a) That Members accept the out-turn position and the net contribution to the General Fund Balance of £1,059k
- b) Members accept the final position in relation to Useable Reserves of £21,221k.
- c) Members welcome the financial analysis and positive financial management.
- d) Members allocate £450k of the 2016/17 surplus to the Revenue Budget 2017/18 as follows;

£150k to support the Customer First Programme

£150k to support revenue costs of development of Regeneration and Growth Schemes

£150k to support invest to save initiatives

IMPLICATIONS

Legal: None arising as a result of this report.

Financial FIN/50/18/TJB

The revenue out-turn position resulted in a Net Contribution to the General Fund Balance of £1,059k, resulting an overall balance of £4,048k

£115k was earmarked to the Business Rates Volatility Reserve,

The items with significant variances 2016/17 which may have an impact on the future Medium Financial Plan are detailed at paragraph 1.1.

The capital out-turn position for 2016/17 was as previously reported at £2,584k

Staffing: None arising as a result of this report.

Equality and Diversity including Human Rights: None arising as a result of this report.

Risk Assessment: This is a monitoring report only.

Climate Related Risks and Opportunities: This is a monitoring report only.

Title and Location of any Background Papers used in the preparation of this report are held on the Website and in the Finance Department
Corporate Policy and Resources Committee Report 4 May 2017 Agenda Item 6c
Unaudited Statement of Accounts 2016/17

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

x

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

x

Summary Overview

The report below illustrates that the Council remains in a good financial position due to the following factors;

- A surplus revenue out turn position
- A General Fund Balance in excess of our minimum balance
- Revenue Reserves in excess of the annual Budget requirement providing assurance at this time of our sustainability.
- Availability of Earmarked reserves for future investment in Corporate Priority objectives and for mitigating budget risks/volatilities.
- Assets exceed our liabilities, which is a positive position when considering the value of the Pension Fund Liability
- Evidenced economic growth generating additional taxation income.

All these factors provide assurance to Members that the Council has effective financial management in place.

FINAL REVENUE OUT TURN POSITION 2016/17

1. A draft out turn position was provided to this Committee at its meeting on 4 May 2017. This was due to ongoing work relating to the Business Rates. The final Net Contribution (Surplus) to the General Fund remained at £1.059m. However £115k was contributed to the Business Rates Volatility Reserve.
2. The final out turn position is detailed below by both Service Cluster and type of income and expenditure;

Final Outturn £ by Cluster 2016/2017

SERVICE CLUSTER	2016/17 Budget £	2016/17 Actual £	2016/17 Variance £
Corporate Management	594,700	604,392	9,692
Commercial Development	2,534,900	2,513,980	(20,920)
Customer First	1,662,700	1,449,182	(213,518)
Democratic and Business Support	2,947,700	2,591,326	(356,374)
Economic Development and Neighbourhoods	2,254,771	1,822,445	(432,326)
Housing and Regeneration	1,284,100	1,514,586	230,486
Organisational Transformation	1,250,000	1,061,438	(188,562)
Controllable Total	12,528,871	11,557,349	(971,522)
Corporate Accounting Total	1,912,350	1,515,799	(396,551)
Statutory Accounting Total	4,806,300	1,484,060	(3,322,240)
Movement in Reserves Total	(3,916,486)	(448,873)	3,467,613
Net Revenue Expenditure	15,331,035	14,108,335	(1,222,700)
Funding Total	(15,331,035)	(15,166,856)	164,179
Net Contribution to the General Fund	0	(1,058,521)	(1,058,521)

FINAL OUTTURN BY EXPENDITURE TYPE

	2016/17 Original Budget £	2016/17 Revised Budget £	2016/17 Actual To 31 March £	2016/17 Variance to Budget £
INCOME				
Government Grants	0	0	(82,235)	(82,235)
Service Specific Government Grants	(23,429,100)	(23,979,683)	(23,548,720)	430,963
Other Grants and Contributions	(622,200)	(48,700)	(93,357)	(44,657)
Customer and Client Receipts	(2,985,400)	(3,924,720)	(4,302,681)	(377,961)
Total Income	(27,036,700)	(27,953,103)	(28,026,993)	(73,890)
EXPENDITURE				
Employees	9,666,100	9,903,950	9,765,405	(138,545)
Premises	1,010,100	1,073,400	766,526	(306,874)
Transport	919,100	902,600	826,398	(76,202)
Supplies and Services	1,857,900	2,771,930	2,775,482	3,552
Third Party Payments	1,595,000	2,196,994	1,786,948	(410,046)
Transfer Payments	23,213,400	23,633,100	23,328,383	(304,717)
Total Expenditure	38,261,600	40,481,974	39,249,142	(1,232,832)
BUSINESS UNITS TOTAL (Surplus)/Deficit	11,224,900	12,528,871	11,222,149	(1,306,722)
CORPORATE ACCOUNTING				
Interest and Investment Income	(214,500)	(228,500)	(290,107)	(61,607.00)
Interest Payable	192,500	192,500	17,342	(175,158.00)
Parish Precepts	1,610,050	1,610,050	1,610,050	0.00
Drainage Board Precept	338,300	338,300	338,902	602
STATUTORY ACCOUNTING				
Capital Expenditure Charged to General Fund	2,888,700	4,806,300	1,484,060	(3,322,240)
MOVEMENT IN RESERVES				
Transfer To / (From) General Fund	(109,615)	177,208	620,243	443,035
Transfer To / (From) Specific Reserves	(706,100)	(4,093,694)	(509,112)	3,584,582
NET REVENUE EXPENDITURE	15,224,235	15,331,035	14,493,527	(837,508)
FUNDED BY				
Revenue Support Grant	(1,387,300)	(1,387,300)	(1,387,345)	(45)
Capital Grants and Contributions	0	(106,800)	(126,587)	(19,787)
Other Government Grants	(565,900)	(565,900)	(651,892)	(85,992)
Business Rate Retention Scheme	(3,309,700)	(3,309,700)	(3,418,561)	(108,861)
New Homes Bonus	(2,480,600)	(2,480,600)	(2,486,928)	(6,328)
Council Tax	(5,668,602)	(5,668,602)	(5,668,602)	0
Parish Council Tax Requirement	(1,610,050)	(1,610,050)	(1,610,050)	0
Collection Fund Surplus-Council Tax	(202,083)	(202,083)	(202,083)	0
TOTAL FUNDED BY	(15,224,235)	(15,331,035)	(15,552,048)	(221,013)
(SURPLUS) / DEFICIT FOR THE YEAR	0	0	(1,058,521)	(1,058,521)

throughout the budget process to estimate appropriate budgets, these include;

- **Employees** - there are a number of significant posts currently vacant and a review of resources is currently under way. It is expected that there will be ongoing revenue savings from this exercise.
- **Planning Fee income** - the base budget 2017/18 and future years estimates will again be reviewed as whilst it was envisaged that as the

Local Plan is adopted, then Planning Applications would reduce, this has not been the case over the past year.

- **Vehicle Fuel** - a newer efficient fleet and lower prices are resulting in reduced costs.
- **Trade Waste Income** - the Business Plan will be revised for 2018/19 to reflect the growth in the customer numbers exceeding the existing plan.

2. Capital Out Turn Position

Capital Investment totalled £2,584k, and is detailed in the table below, which shows how this expenditure was funded. The table reflects the impact of these investments on our Capital Financing Requirement, which effectively shows the balance of our borrowing need as £1,219k.

However, the Council did not undertake any external borrowing in the current financial year and remains debt free.

As members are aware there are a significant capital investment schemes which will require us to externally borrow and this is likely to take place during 2017/18.

2015/16 £'000		2016/17 £'000
	Capital Investment	
286	Property, Plant and Equipment	1,488
0	Schemes not yet finalised	42
47	Software	19
0	Investment Properties	93
0	Long Term Shares Investment	38
35	Commercial Loans	35
597	Grant awards (incl. DFG's)	869
965	Total Capital Investment	2,584
	Sources of Finance	
(559)	Capital Receipts	(405)
(356)	Government Grants and Contributions	(660)
(4)	Lease financing	0
(46)	Revenue funds	(1,484)
0	Prudential Borrowing	(35)
(965)	Total Financing	(2,584)

3. The General Fund Balance

The final General Fund Balance was £4,839k, this exceeds our minimum balance requirement of £1,000k.

Members are recommended to support the proposal that £450k of the 2016/17 surplus contributed to the General Fund Balance is utilised to support the revenue costs of further investment in;

£150k resourcing and support for the Customer First Project

£150k to support revenue costs of external advice and support for Regeneration and Growth Schemes

£150k to support Invest to Save initiatives

Each of these funds will be used to further Council's Corporate Plan objectives.

The table below details the movements on the General Fund Balance 2016/17 and the current status of the balance as at June 2017.

	2016/17	2017/18
	£	£
Balance Brought Forward	3,715,215	4,838,744
Use In Year		
MTFP - Increase Volatility Reserve		-300,000.00
MTFP - Increase Invest to Save Reserve		-750,000.00
MTFP - Increase Maint of Facilities Reserve		-250,000.00
MTFP - Health Co-ordinator (over 2 yrs)		-35,400.00
MTFP - Civic Car - capital funding		-23,400.00
Approved Carry Forwards from previous year	-434,415	-523,700.00
Other Approvals		
Grants Adj	-24,277	
Mayflower 400 project (£90k over 3 yrs)		-90,000.00
2 Temporary BC Officers		-28,000.00
In year savings for Carry forward	523,700	
Surplus/Deficit in year	1,058,521	
Proposed utilisation of 2016/17 surplus		-450,000.00
Balance carried forward	4,838,744	2,388,244.00

4. Earmarked Reserves

Earmarked Reserves stand at £13,334k as at the year end. Contributions to Earmarked Reserves totalled £4,682k which included the earmarking of New Homes Bonus to the Regeneration and Growth Fund of £2,162k and £1,078k transferred from other reserves into the Regeneration and Growth Fund ensuring resources are in place to fund capital investments. £969k was contributed to Reserves for replacement and renewal funds and service investment with a further £250k for budget smoothing and £223k of new grants not yet utilised.

Earmarked Reserves were utilised to fund Capital investments of £1,484k with the remainder supporting revenue projects, including the Community Grant Scheme and budget smoothing.

The movement and balance of Earmarked Reserves is detailed below;

	Balance at 31 March 2016	Transfer out 2016/17	Transfer in 2016/17	Balance at 31 March 2017
	£'000	£'000	£'000	£'000
Business Improvement & Transformation	530	(312)	188	406
Budget Smoothing	1,190	(359)	250	1,081
Capital Programme Financing	1,189	(870)	0	319
Community Grant/Support Schemes	683	(433)	375	625
Contingencies Fund	729	(33)	0	696
Investment for Growth Fund	428	(211)	115	332
Invest to Earn	992	(461)	21	552
Invest to Save	602	(138)	22	486
Maintenance of Facilities	812	(361)	54	505
Members Initiative Fund	108	(31)	0	77
New Homes Bonus	0	0	0	0
Property Asset Fund	854	(44)	0	810
Regeneration and Growth Fund	3,228	(699)	3,240	5,769
Revenue Grants Unapplied	421	(209)	223	435
Service Investment	347	(46)	94	395
Waste Management Fund	1,734	(988)	100	846
Total	13,847	(5,195)	4,682	13,334

5. The Balance Sheet 2016/17

The Council's Balance Sheet reflects total net reserves of £4,082k, of which £21,221k are Useable and are therefore available for investment or revenue funding. £17,139k are unusable reserves as determined by statute, which reflect changes in valuation of assets and liabilities and the funding of capital investment.

The Balance Sheet is provided below and along with an analysis of the balance sheet in the form of performance indicators reflecting our liquidity, indebtedness and growth

31 March 2016 £'000		31 March 2017 £'000
19,862	Property, Plant & Equipment	20,974
164	Investment Properties	164
156	Intangible Assets	127
0	Heritage Assets	44
2,175	Long Term Investments	2,135
10	Long Term Investments -Other	48
310	Long Term Debtors	180
22,677	TOTAL LONG TERM ASSETS	23,672
9,512	Short Term Investments	9,531
35	Assets Held For Sale	0
79	Inventories	84
3,094	Short Term Debtors	4,106
8,985	Cash and Cash Equivalents	7,222
21,705	TOTAL CURRENT ASSETS	20,943
(2,918)	Short Term Creditors	(2,242)
(995)	Short Term Provisions	(917)
(218)	Short Term Finance Lease Liability	(96)
(4,131)	TOTAL CURRENT LIABILITIES	(3,255)
(17)	Long Term Provisions	(11)
(128)	Long Term Finance Lease Liability	(32)
(28,876)	Net Pensions Liability	(36,382)
(619)	Grants Receipts in Advance - Capital	(853)
(29,640)	TOTAL LONG TERM LIABILITIES	(37,278)
10,611	TOTAL NET ASSETS/(LIABILITIES)	4,082
(21,022)	Usable Reserves	(21,221)
10,411	Unusable Reserves	17,139
(10,611)	TOTAL RESERVES	(4,082)

PERFORMANCE INDICATORS		
	2015/16	2016/17
Liquidity Ratio	5.25	6.43
<i>A ratio of above 1 reflects the authority can meet its short term obligations</i>		
Working Capital	£17,574	£17,688
<i>The difference between Current Assets and Current Liabilities illustrating the Council has adequate current assets to meet its current liabilities</i>		
Working Capital as a % of Net Revenue Expenditure	117.82%	126.59%
<i>Working capital remains above 100% of Net Revenue Expenditure showing we have adequate assets to liquidate to enable continued operations should the need arise.</i>		
General Fund Reserves as a % of Net Revenue Expenditure	117.74%	130.05%
<i>This indicator measures the period over which the Council could continue to operate without using grant and tax income by utilising reserves. It should be noted that reserves are set aside to mitigate risks and to fund investments. If the use of reserves were to be used to support the revenue budget this would impact greatly on achieving the Council's corporate priorities.</i>		
Total Liabilities as a % of Total Assets	76.09%	90.85%
<i>The indicator provides assurance that the Council can meet all its liabilities from its assets</i>		
% Movement on Pension Fund Liability	-16.82%	25.99%
<i>The movement on the Pension Fund is attributable to actuarial assumptions of such factors as expected rate of return on investments, mortality, future inflation (including pay awards and pension increases). As can be seen over the past 2 financial years, this can have a significant impact on the balance sheet.</i>		
Pension Fund Liabilities as a % of Net Revenue Expenditure	-193.59%	-260.37%
<i>Whilst the Pension Liability may not be a immediate concern it does have an impact on the level of finances in the future</i>		
% Change in Council Tax Base	2.23%	2.32%
<i>1% growth on the Tax Base generates £57k p.a. of additional Council Tax revenue. This evidences the increase in economic housing growth</i>		
% Change in Rateable Value (Business Rates)	-1.68%	-0.28%
<i>Whilst growth is being achieved the impact of settled appeals is negating this benefit due to a high level of outstanding appeals.</i>		
% Movement of Fixed Assets value	17.63%	5.55%
<i>The Council continues to increase its fixed asset value to provide fit for purpose properties and to generate revenue returns. This is either through enhancements to existing assets, disposal of assets which are not providing value for money, acquisition of new assets and annual valuation impacts</i>		

APPENDIX A

EXPENDITURE	£000	Direction of Travel
BUDGET UNDERSPENDS		
Salary savings.	-£61	↓
Corporate Training postponed in year.	-£26	new
Reduction in Pension Deficit payable to Pension fund due to overpayment during 2015/16.	-£171	↔
Fuel - Waste Collection vehicles.	-£44	new
Vehicle Repairs and Maintenance.	-£17	new
Housing Strategy - no further payments to other agencies due.	-£15	↔
Base budget review after actual outturn savings.	-£53	↔
Car Parks - NNDR estimate identified through Car Parking Strategy higher than actuals, plus reduction on maintenance costs due to capital works.	-£13	new
Leisure Centre - unplanned maintenance budget underspent.	-£16	new
Tree work - less tree work required in year than budgeted for.	-£12	new
Land Charges - Accrual for legal case invoice not realised.	-£33	new
Corporate Governance - reduced cost of renewal contracts.	-£19	↑
Corporate Governance - software support & maintenance saving.	-£31	↑
PRESSURES		
HMRC underpayment relating to 2013/2014	£34	↔
Chair Replacement project-approved spend from in year savings.	£36	new
Trade Waste - tipping charges.	£42	new
Windfarm appeal costs - offset by costs recovered to date.	£63	↑
Various forecast outturn variances <£10k	-£86	↑
	-£422	

INCOME	£000	Direction of Travel
BUDGETED INCOME EXCEEDED		
Planning Application fees exceeded budget for year - to offset increased staffing costs to meet demand. Plus S106 legal fee refund from LCC.	-£294	↑
Guildhall commercial - One off in 16/17 - receipt of backdated rent owed (£37k). Increased service charge and NNDR contributions (£81k).	-£118	↑
Corporate/Financial Services - write offs and accounting adjustments.	-£56	new
Waste Collection - sale of obsolete vehicles and other income.	-£19	new
Land charge personal searches provision back to service as cases all settled.	-£74	new
Government and Non-Specific Grant income received above budget.	-£106	new
County refund for legal services.	-£71	new
Safeguarding officer recharge to LCC (one off in 16/17).	-£18	new
Bulky Waste collections - income target exceeded.	-£14	new
Housing Renewal Activity - enforcement costs reclaimed.	-£12	↓
Trade Waste income increased demand for service.	-£45	↑
Investment Interest receivable.	-£59	↑
BUDGETED INCOME NOT ACHIEVED		
Licence income reduced due to anticipated reduction in applications (Hackney Carriage licences £8k).	£10	↔
Housing Strategy - S106 fees income not achieved.	£15	↔
Housing Benefits - pressure attributable to rent allowance recovery offset by DHP Discretionary Payments Grant and FERIS Grant.	£30	↑
Local Land Charges - Law Society change - no longer charge for CON290.	£20	↑
Corporate Fraud - no definite external work confirmed at this point.	£30	↔
Projected rental income from purchase of investment properties not yet realised.	£75	↔
Car Park income pressure due to loss of income from Market Rasen, offset by increased income in Gainsborough.	£56	↑
Market stallage income has not met budgeted target based on current take up-review of market service in progress.	£13	↑
	-£637	