

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
5 July 2016

Subject: 2015/16 REVENUE OUTTURN AND POSITION ON RESERVES

All Wards

Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson

- 1.1 The purpose of this report is to present to Members the revenue outturn position for the year ending 31 March 2016, which includes the position on reserves. The Statement of Accounts, which is the consolidated financial position of the Council for 2015/16, is the responsibility of the Audit and Governance Committee which will meet on 20 September 2016 to approve the Annual Financial Report – Statement of Accounts.
- 1.2 The capital outturn and annual treasury management position is contained in a separate report on this cabinet agenda.
- 1.3 The report focuses on three key outcomes:-
 - (a) Overall position at the end of the financial year;
 - (b) Major variances between budget and outturn;
 - (c) Position on Reserves.
- 1.4 This report presents the revenue outturn position in the format of management accounts, which Members have become accustomed to from the quarterly monitoring reports to Cabinet. It also includes the movement on the reserve funds.

2.0 REVENUE OUTTURN:

- 2.1 The original budget plans for 2015/16 were for a net spend of **£6,918,280**. The expenditure was budgeted to be funded by council tax, Government revenue support grant, business rates and a transfer from the Council's reserves. During the financial year, under the Council's budgetary control arrangements, Cabinet received quarterly monitoring reports, all of which adjusted the budget in the light of the latest information available at the time. At quarter 3, the net expenditure budget was revised to **£7,824,350**.
- 2.2 **The outturn position for 2015/16 £7,296,374 shows an under spend of £527,976 compared to the revised budget at Q3 of £7,824,350. Annex A details the 2015/16 variance across Department net revenue budgets.**
- 2.3 The revised Q3 budget £7,824,350 compared to the original budget £6,918,280 was an increase of £906,070 mainly related to
 - (i) £801,780 - the reduced interest from the investment with Broadacres Housing Association from the organisation borrowing less and at a later stage in the year than was expected. This is a one off budget implication for 2015/16 only.
 - (ii) £101,720 – the fall in the global prices that affected the 10 year waste strategy
- 2.4 Therefore, even though there was an underspend at outturn compared to Quarter 3 revised budget position of £527,976, a transfer from reserves of £524,847 is required to fund the final outturn position compared to the original budget. The table below shows the an analysis of the original budget, quarter 3 budget and outturn position, as well as the way the budget was funded.

| | Original Budget £ | Revised Budget £ | Outturn £ | Variance £ |
|--|--------------------------|-------------------------|------------------|-------------------|
| Net Revenue Budget | 6,918,280 | 7,824,350 | 7,296,374 | (527,976) |
| LESS FINANCING | | | | |
| Council Tax | (3,105,876) | (3,120,626) | (3,120,626) | 0 |
| RSG | (1,602,272) | (1,602,272) | (1,602,272) | 0 |
| Business Rates | (1,888,491) | (1,873,741) | (1,999,911) | (126,170) |
| Other Grants | (48,472) | (48,472) | (48,719) | (247) |
| Contribution To/(From) Reserves | (273,169) | (1,179,239) | (524,847) | 654,392 |
| | (6,918,280) | (7,824,350) | (7,296,375) | 527,975 |
| Balance Budget | 0 | 0 | 0 | 0 |

- 2.6 The overall transfer required from the council tax payers reserve to support the outturn position is £524,847. This is generated from:
- (i) contribution from reserves of £654,392
 - (ii) less greater than expected business rates received £126,170
 - (iii) less higher than expected grant income £247

- 2.7 It is important to recognise that the reason for the use of the council tax payers reserve to support the outturn position is a one off occurrence and is not an ongoing requirement of the revenue budget in future years. Lower than expected investment income was received from the investment in Broadacres Housing Association in 2015/16 and in 2016/17 the investment has now been made so securing this revenue income stream to support future revenue budgets.

3.0 POSITION ON RESERVES:

- 3.1 The position on reserves held by the Council as at 31 March 2016 is compared to the position at 31 March 2015 and is shown in the table below. It should be noted that the position assumes that the recommendations included in this report are approved.

| RESERVES POSITION | 31/03/15 | 31/03/16 |
|-------------------------------|-------------------|-------------------|
| <u>Revenue Reserves</u> | £ | £ |
| Council Taxpayers | 3,842,928 | 3,165,355 |
| Repairs & Renewal Fund | 3,563,295 | 2,980,511 |
| Computer Fund | 1,436,103 | 1,198,017 |
| One Off Fund | 1,156,161 | 1,383,167 |
| Economic Development Fund | 4,924,780 | 3,237,979 |
| Community Safety | 69,568 | 53,041 |
| Strategic Forum Reserve | 10,046 | 10,046 |
| Grants Fund | 448,762 | 364,012 |
| Arts Grants Reserve | 5,187 | 7,089 |
| Make a Difference Fund | 125,000 | 5,555 |
| Take That Step | 21,139 | 6,180 |
| Winter Weather Campaign | 3,330 | 9,191 |
| Local Plan Reserve | - | 407,539 |
| Sub Total | 15,606,299 | 12,827,682 |
| General Fund Balance | 2,000,000 | 2,000,000 |
| Total Revenue Reserves | 17,606,299 | 14,827,682 |

| | | |
|--------------------------------------|-------------------|-------------------|
| <u>Capital Reserves</u> | | |
| Capital Grants Unapplied | 100,020 | 92,889 |
| General Capital Receipts | 4,034,171 | 2,438,256 |
| <u>Total Capital Reserves</u> | 4,134,191 | 2,531,145 |
| TOTAL Reserves | 21,740,490 | 17,358,827 |

- 3.2 The revenue reserves in the table above show the movement between the reserves in 2015/16 which are in line with the Financial Strategy reported to Cabinet. The overall reduction in reserve funding totals £4,381,663 where reserves have been used to support the Council's specific projects. To fund the Capital Programme, £1,603,046 capital receipts have been used as well as £2,507,671 from the Repairs & Renewals Fund, the computer fund and the economic development fund. The economic development fund was used for the purchase of the prison site at approximately £1,500,000 where further to the development of the site this funding will be returned to the council's reserve.
- 3.3 The movement in the council tax payers reserve has seen income from the new homes bonus grant of £1,347,274 and also expenditure of £1,000,000 to top up the one-off fund and £500,000 to form the Local Plan Reserve. These key movements have occurred to enable an efficient approach to the use and allocation of reserves going forwards in an ever changing environment. In addition at year end £524, 847 was used to support the revenue budget as a one off occurrence due to the interest earned from the loan to Broadacres Housing Association not being realised as soon as anticipated.
- 3.4 Movements in the one off fund receive cabinet approval during the year. Annex B details further movements that have occurred at quarter 4 which require approval in this report. It is recommended to Cabinet and Council that the total expenditure allocation of £426,732 from the One-off Fund at quarter 4 be approved.
- 3.5 The other movements in the reserves which total £227,918 have occurred from grants being received or funds being transferred out to support expenditure during the year in line with previous reports being approved at Cabinet in the past, the main movement being £125,000 for the Make a Difference Fund. Further reserves are created due to financial regulation accounting treatment of grants and contributions; examples being take that step and winter weather campaign.
- 3.6 Attached at Annex C is the detail for the movement in the reserves.

4.0 USE OF RESERVES:

- 4.1 The Council is in the process of creating a local asset backed vehicle joint venture company to develop the prison site in the centre of Northellerton. In order to progress the project specialist assistance is required in the form of legal, property, quantity cost surveyor and tax advisors.
- 4.2 The estimated cost of the advice totals £162,000 and is £107,000 for legal support, £45,000 for property advisors and £10,000 for quantity cost surveyors. The tax advice is yet to be finalised and will be confirmed at quarter 1 2016/17. The formation of the joint venture company will result in the cost outlay at the beginning of the project being repaid on the completion of the development of the prison site and the financial position overall is cost neutral to the Council. It is recommended in this report that these costs are approved.

5.0 LINK TO COUNCIL PRIORITIES

5.1 The monitoring of the financial budget throughout the year and reporting the financial year end position assists in ensuring the Council's service requirements are met and contributes to the achievement of the priorities set out in the Council Plan.

6.0 RISK ASSESSMENT:

6.1 There are no major risks associated with this report

7.0 FINANCIAL IMPLICATIONS:

7.1 Financial - the financial implications are dealt with in the body of the report.

8.0 LEGAL IMPLICATIONS:

8.1 It is a legal requirement under s25 of the Local Government Act 2003 to set a balance budget and monitor the financial position throughout the year.

9.0 EQUALITY/DIVERSITY ISSUES

9.1 There are no specific equality implications to this report, however equalities issues are accounted for at all stages of the financial planning and reporting process.

10.0 RECOMMENDATIONS:

10.1 That Cabinet approves and recommends to Council:

- (1) the council tax payers reserve of £524,847 is used to support the outturn position as year end as detailed in paragraph 2.4;
- (2) the increase in the use of the one-off fund at quarter 4 £426,732, detailed at paragraph 3.4 and attached at annex B;
- (3) the sum of £162,000 from the one-off fund to assist in the development of the Central Northallerton Prison Site development as detailed in paragraph 4.2;
- (4) the decrease in the reserves position £4,381,663, at paragraph 3.2 and detailed in Annex C.

DR JUSTIN IVES

Author ref: LBW
Contact: Louise Branford-White
Head of Finance (s151 Officer)
Direct Line No: 01609 767024

Background papers: Annual Financial Report – Statement of Accounts 2015/16
Outturn Position 15/16 Finance Ledger