

Provisional Revenue, Capital and Treasury Management Outturn 2018/19 6 August 2019

Chief Finance Officer

PURPOSE OF REPORT			
This report provides summary information regarding the provisional outturn for 2018/19, including treasury management. It also sets out information regarding the carry forward of capital slippage and other matters for Members' consideration.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
Officer Referral			X
Date of notice of forthcoming key decision		N/A	
This report is public.			

RECOMMENDATIONS OF COUNCILLOR WHITEHEAD:

- (1) That the provisional outturn for 2018/19 be endorsed, including the transfers to Reserves and Balances actioned by the Chief Finance Officer and changes to the Reserves Strategy set out in 5.2 and Appendix 5.
- (2) That Cabinet approves the request to carry forward underspent revenue budgets as set out in section 6 and Appendix 6.
- (3) That the requests for capital slippage and the adjustments to reflect accelerated capital spending on projects as set out at Appendix 8 be endorsed, with the Capital Programme being updated accordingly.
- (4) That Cabinet approves the redirection of funding in 2019/20 from the HRA Business Support Reserve for the remodelling of Beck View as set out at section 7.3.
- (5) That the Annual Treasury Management report and Prudential Indicators as set out at Appendix 2 be noted and referred on to Council for information.

1. BACKGROUND

- 1.1. All local authorities have a legal duty to produce annual accounts, in support of openness and accountability. It is pleasing to report that the statutory deadline of 31 May was met and the Statement of Accounts was completed and signed off by the Chief Finance Officer on that date. The audit of accounts by Deloitte is currently underway and for information the draft Statement itself is freely available on the Council's website.
- 1.2. This report provides Cabinet with an update on the provisional outturn, including Treasury Management, and seeks endorsement for certain matters. The Council's financial performance is integral to its service performance overall, which is included elsewhere on this agenda, and Members are advised to consider this report in that context.

2. PROVISIONAL REVENUE OUTTURN: SUMMARY

- 2.1 A summary of the revenue outturn position for the main service accounts of the Authority is set out below.

General Fund Revenue Outturn

Expenditure	Original Budget	Working Budget	Actual	Variance	Appendix 1 Note
				(Under)/Over Spend	
Central Services	1,815	1,815	1,758	(57)	
Environmental Services	5,666	5,645	5,457	(188)	1
Governance Services	1,629	1,724	1,702	(22)	
Health & Housing Services	4,026	4,027	3,711	(316)	2
Office of the Chief Executive	270	299	331	32	
Regeneration & Planning	6,113	6,285	6,531	246	3
Resources	1,119	1,109	1,276	167	4
Other Corporate Income & Expenditure Item	(4,434)	(4,700)	(5,209)	(509)	5
Net Revenue Expenditure	16,204	16,204	15,557	(647)	

- 2.2 After allowing for various year-end adjustments, there has been a net underspending of £647K against the Original Budget for 2018/19 which has been transferred into the General Fund unallocated reserve
- 2.3 The underspending represents 4.0% of the Council's net revenue budget (2017/18 comparative: £399K underspend, 2.5% of budget) or 7.1% of the council tax requirement. If compared with the Council's gross budget, however, which is in the region of £100M+, the level of net underspending is less than 1%
- 2.4 Details of the significant variances is provided at **Appendix 1**.

3. TREASURY MANAGEMENT

- 3.1 We are required by statute to report our annual treasury management performance. This report is attached at **Appendix 2** and sets out the performance of treasury operations for 2018/19. The Council's treasury operations are conducted in accordance with its annual Treasury Management Strategy, which was approved by Council. This document identifies the investment and borrowing policies of the Council specifying various criteria for investment counterparties, maximum duration and the amount of investments together with the framework for any future borrowing.

3.2 Investments

- 3.2.1 In 2018/19 the Council had a comparatively low risk to investments. The average daily amount invested reduced slightly to £34.62M (£34.71M 2017/18) with short term investments at 31 March 2019 totalling £25.11M (£25.10M 2017/18). The overall return on investments was £211K at an average interest rate of 0.61% (£113K and 0.33% 2017/18).

3.3 Borrowing

- 3.3.1 The Council did not incur any short term, or long term borrowing during 2018/19. Total long term debt at 31 March 2019 amounted to £62.13M (£63.17M 2017/18) all of which relates to PWLB borrowing. A further £1.04M is included within short term liabilities as payment falls due within 12 months.

4 HOUSING REVENUE ACCOUNT (HRA)

- 4.1 A summary of the HRA provisional outturn is included at **Appendix 3**. Discounting any notional and presentational variances, the main items of interest are as follows:

	£000
Repairs & Maintenance costs	72
Reduced contribution to the Bad Debt Provision	(107)
Increased Rental Income from tenants	(143)
Reduced use of Reserves	258
Net reduction in Capital funded from Revenue	(410)
Other minor variances	(38)
	<u>(368)</u>

- 4.2 The Councils Housing Voids Team achieved a reduction in average empty property re-let time from 66 days to 26 days, due to a combination of reduced volumes and faster turnaround. This has realised a decrease in void rent loss from 2.6% to 1.5% equating to £143K additional rental income in 2018/19.
- 4.3 At outturn the HRA's financial standing still remains sound. As at 31 March its Balances stood at £10.537M, this being £458K higher than budgeted. A summary of all its Balances & Reserves is included at **Appendix 4**.

5 USABLE RESERVES AND BALANCES

- 5.1 The General Fund net underspending of £647K has been transferred into Balances. This means that as at 31 March 2019 General Fund Balances amounted to £5.714M, and the overall level of Usable Revenue Reserves £20.566M (2017/18 £16.936M). Further details of this work and analysis of the Council's Reserves is provided at **Appendix 5**.
- 5.2 Work is currently being undertaken with Cabinet to review the Council's Reserves policy in order to ensure it fully supports and clearly aligns with its ambitions and priorities. Paragraph 10 in **Appendix 5** outlines a number of changes to the future use of Reserves. These include the completion of a business case template setting out specific plans for the use of Reserve, likely outcomes from investment including social value and crucially the link to the Council's key ambitions and strategies. It also proposes that Reserves are assigned to Portfolio Holders who sign off on all reserve allocations. Monitoring of Reserve use will be incorporated into the emerging performance, project and financial monitoring framework.
- 5.3 It is also recommended that the Business Rates Reserve and Budget Support Reserve be opened for bids which support economic prosperity and Funding the Future projects respectively.

6 CARRY FORWARD OF UNDERSPENDINGS AND OVERSPENDINGS

- 6.1 Under the financial strategy, provisions exist to adjust budgets between years by carrying forward under or over spendings. These arrangements help to:
- provide some flexibility in delivering the Council's stated objectives
 - remove the incentive to spend up budgets unnecessarily by year end, and

- promote good financial management.

6.2 With regard to the carry forward of revenue underspends, there are two specific requests totalling £38,800, for Cabinet to consider which are detailed at **Appendix 6**

6.3 With regard to overspendings, arrangements require that

- any overspending on any expenditure budget, or shortfall on any income budget, under the control of a Director (or their nominated representative) will be automatically carried forward to the following year as part of the closure of accounts process except where the relevant Director and the S151 Officer agree that it does not make operational sense to do so, or where the overspending is trifling in value.
- The S151 Officer will report to Cabinet on overspendings and their treatment as part of year-end reporting. Such reporting will also include the reasons for any overspends occurring and details of any actions taken to prevent the situation recurring.

7 CAPITAL OUTTURN

7.1 **Appendix 7** includes a provisional capital expenditure and financing statement for the year, which is summarised in the following tables:

Capital Expenditure

SERVICE	A	B	C	D	E
	2018/19 Gross Budget £000's	2018/19 Expenditure £000's	Variance Against Budget Overspend/ (Underspend) £000's	(Slippage) or accelerated expenditure £000's	Final Over or (Underspend) £000's
			(B-A)		(C-D)
Environmental Services	912	899	(13)	(4)	(9)
Health and Housing	2,850	2,576	(274)	(273)	(1)
Regeneration and Planning	2,774	3,026	252	274	(22)
Resources	777	644	(133)	(146)	13
Development Pool	132	124	(8)	(8)	0
Total General Fund Programme	7,445	7,269	(176)	(157)	(19)
Housing Revenue Account	4,421	3,987	(434)	(68)	(366)
Total Council Capital Programme	11,866	11,256	(610)	(225)	(385)

Capital Financing

SERVICE	Direct						Total
	Grants & Contributions £000's	Earmarked Reserves £000's	Revenue Financing £000's	Capital Receipts £000's	Unsupported Borrowing £000's	Major Repairs Allowance £000's	
Environmental Services	44	105	12	0	738	0	899
Health and Housing	2369	184	0	0	23	0	2,576
Regeneration and Planning	2,420	294	1	0	435	0	3,150
Resources	0	203	0	0	441	0	644
Development Pool	0	0	0	0	0	0	0
Total General Fund Financing	4,833	786	13	0	1,637		7,269
Housing Revenue Account	25	141	509	334	0	2,978	3,987
Total Financing	4,858	927	522	334	1,637	2,978	11,256

7.2 Capital Slippage

7.2.1 Details of individual slippage requests from services have been received, a schedule of which is attached at **Appendix 8**. In considering these, Cabinet is asked to note that many of the associated capital schemes are already underway and expenditure may already have been incurred in this year – the actual carry forward of slippage can be a formality.

7.3 Change to Future Programme

7.3.1 A growth bid was approved as part of the 2018/19 budget process to convert a redundant shop into a flat at Beech Avenue. The scheme was to be funded from the HRA Business Support Reserve but did not go ahead as planned. Officers are now wishing to redirect this capital allocation to the remodelling of the warden's property at Beck View sheltered scheme, similar to the remodelling which has just been completed at Altham Walk.

7.3.2 This report now seeks the approval by Cabinet to redirect of funding in 2019/20 from the HRA Business Support Reserve for the remodelling of Beck View.

8 DETAILS OF CONSULTATION

8.1 As reflected above, the statutory arrangements regarding the public's rights in relation to the accounts provide for a fixed 30 working day period, which commenced on 3rd June for this year.

9 OPTIONS AND OPTIONS ANALYSIS

9.1 The Council has a legal requirement to ensure that its expenditure is fully funded and to produce accounts in accordance with proper accounting practice. In addition, the Prudential Indicators are a statutory requirement linked to the budgetary framework. For these aspects, therefore, there are no alternative options for Cabinet to consider. Members are being asked to endorse certain actions taken by the Chief Finance Officer, and Cabinet should consider whether it has sufficient information to do so or whether it requires any further justification.

9.2 The report requests Cabinet to consider a number of revenue overspending, capital slippage and other budget adjustment matters. The framework for considering these is set out in the report but basically Cabinet may:

- Endorse any number of the items / requests, in full or part.
- Refuse various requests and if commitments have already been incurred, require alternative funding options to be identified. Cabinet should note, however, that this may impact on other areas of service delivery.
- Request further information regarding them, if appropriate.

10 OFFICER PREFERRED OPTION AND JUSTIFICATION

10.1 The Officer preferred options are as set out in the recommendations, on the assumption that Members continue to support their previously approved spending plans.

11 CONCLUSION

11.1 Although the General Fund budget and associated Government funding reduced again in 2018/19, the Council continued to manage the financial pressures well and it has again improved the Fund's overall financial standing as at 31 March 2019. Similarly, the HRA's standing is currently sound. Although various actions have been outlined in the report, there are no wholly new matters arising that have not previously been reported or highlighted in some form, and this should give some comfort with regard to the adequacy of the Council's financial planning and monitoring arrangements.

The Outturn and Statement of Accounts report on all the financial resources generated and/or used by the Council in providing services or undertaking other activities under the Policy Framework.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

None directly identifiable, due to the high level nature of this report.

LEGAL IMPLICATIONS

There are no legal implications directly arising.

FINANCIAL IMPLICATIONS

As set out in the report

OTHER RESOURCE IMPLICATIONS

Human Resources / Information Services / Property / Open Spaces:

References and any related implications are contained within the report and related appendices.

DEPUTY SECTION 151 OFFICER'S COMMENTS

The report has been written by the Section 151 Officer. The comments of Deputy S151 Officer (Director of Corporate Services) are as follows:

The report provides a summary of the revenue and capital outturns for the 2018/19 financial year. It should also provide Cabinet with a view of the financial health of the authority ahead of the process for setting the budget framework to cover the next four years

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

None.

Contact Officers: Paul Thompson
Chief Finance Officer, Head of Financial Services & s151 Officer
Telephone: 01524 582603
E-mail: pthompson@lancaster.gov.uk
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