

GENERAL FUND PROVISIONAL OUTTURN 2015/16

1 INTRODUCTION

- 1.1 This report sets out the provisional outturn position on the General Fund (revenue and capital) for 2015/16 (subject to audit).
- 1.2 The General Fund Revenue Summary and Revenue Balances are shown at Appendix A, with the principal individual variations between the current approved estimates and actual expenditure shown at Appendix B. These show an improved position since the last budget monitoring report to Cabinet (FIN1607) 29th March 2016.
- 1.3 The General Fund Capital outturn is shown at Appendix C with the principal variations on individual schemes being shown at Appendix D.
- 1.4 In order to comply with the Accounts and Audit Regulations 2015, a full set of financial statements will be prepared for sign off by the Chief Financial Officer by 30 June 2016. The statements will be audited during the summer, before consideration by the Licensing and General Purposes Committee in September alongside the Auditor's report.

2 GENERAL FUND REVENUE SUMMARY

- 2.1 In its original budget for 2015/16, the Council set a savings figure of £500,000 to be achieved through reductions in service costs and additional income generation, in addition to £315,000 of expected staff turnover savings. As reported through budget monitoring, substantial savings were achieved during the first half of the year, leaving £387,000 outstanding and these figures were incorporated into the revised budget, as shown in Appendix A.
- 2.2 The revised budget figures have been further adjusted to reflect any subsequent virements, supplementary estimates and use of the service improvement fund, to form the current approved budget, with estimated year-end balances of £1.47 million.
- 2.3 The provisional outturn shows an improvement in the Council's financial position, with a net underspend of approximately £473,000 against the current approved budget and £337,000 compared with the last budget monitoring position, before accounting for any change due to the operation of the business rates retention scheme.

- 2.4 This improvement in our financial position is due to a number of factors such as those listed below:
- i) Continued restraint on spending exercised by budget holders in the final months of 2015/16
 - ii) Additional income for a number of services during the final months of 2015/16, above the volumes expected during the budget monitoring exercise
 - iii) Additional interest received from investments
 - iv) Reduced revenue contributions to Improvement Grants due to additional Better Care Funding received
 - v) Other additional grant funding
- 2.5 Due to the wide range of services provided by the Council, there are over 100 different cost centres. Small variances on each, while not individually significant to report during budget monitoring, can mount up to a significant sum at the year-end, both positive and negative.
- 2.6 The total net underspend of £473,000 represents a variation of less than 0.5% on the Council's gross annual turnover of around £115 million but has a large impact on the level of balances. A detailed list of the principal variations between the provisional outturn position and the current approved budget is attached at Appendix B.
- 2.7 Included in the variations identified, are a number of underspent budget items where specific conditions have prevented work being carried out during 2015/16 but this work is still required and therefore will be carried out during 2016/17. For example, works delayed due to unforeseen adverse weather conditions. In accordance with Financial Regulations, Directors' Management Board has granted approval for these items, totalling approximately £176,000 to be carried forward for spending in 2016/17.
- 2.8 Around £85,000 of these carry-forwards relates to expenditure that is directly funded by external grants, and therefore has no effect on the General Fund Revenue balance as grants have been set aside to meet this future expenditure.
- 2.9 This leaves around £91,000 to be set aside from the General Fund balance in 2015/16 in order to meet the expenditure now planned for 2016/17.
- 2.10 The net effect of these variances is to increase the General Fund revenue balance to approximately £1.94 million, which is close to the top of the range of balances (£1 million - £2 million) set out in the Medium Term Financial Strategy, before accounting for any change due to the operation of the business rates retention scheme.

3 CHANGES DUE TO THE OPERATION OF THE BUSINESS RATES RETENTION SCHEME

- 3.1 As we have seen in previous years, the operation of the business rates

retention scheme can cause large swings in the general fund balance at the end of the financial year. This is due to the complex interaction of accounting regulations and statutory guidance.

- 3.2 An estimate of the income to be collected from business rate payers is made during January of the prior year. In May of the subsequent year, the actual business rates income is reported, net of various reliefs and with revised estimates of the amounts to be set aside for losses on collection (doubtful debts) and for the future settlement of appeals relating to the year of account.
- 3.3 The difference between the original estimate and the final outturn creates a surplus or deficit, which is reported in the following year. This is a statutory requirement of the system. The final outturn for business rates (NNDR3) shows a reduction compared to the original estimates, largely due to additional awards for s44a Part-Occupation Relief, empty property relief and an increase in the provision for appeals. This produces a deficit of £1,025,222, which is carried forward to 2016/17. The 2015/16 accounts continue to show the original estimates for collection of £18,620,000 with corresponding tariff payment of £15,178,000.
- 3.4 The original estimates assumed growth above the baseline set for Rushmoor. 50% of this growth is payable to government as a levy which was estimated at £848,000 for 2015/16. As the Council's share of business rates has reduced, the growth above the baseline is also reduced, leading to a lower levy payment to government. Due to accounting rules this reduction must be shown in the 2015/16 accounts, disconnecting it from the deficit recorded in the following year. The Council is also obliged to account for any change in the level of grants relating to the scheme's operation in the year to which it relates i.e. 2015/16. The levy payment for 2015/16 has reduced by £483,000 (to £365,000) and the grants, given to compensate for various mandatory reliefs, have increased by £47,000 (to £518,000).
- 3.5 The operation of the scheme has therefore improved the outturn position for Rushmoor by £530,000 in 2015/16 (by paying less levy and receiving additional grants) despite the fact that the overall position for rates income has worsened, which will be reflected in future years.
- 3.6 These factors would increase the general fund balance from £1.94 million to £2.47million, which is above the approved range of balances. It is therefore recommended to transfer £473,000 to the Stability and Resilience Reserve to reduce the general fund balance to the top of the approved range (£2 million).

4 RISKS AND RESERVES

- 4.1 The improvement to the Council's revenue balances maintains the strength of the Council's overall financial position moving into 2016/17. However, this must be considered in the context of on-going reductions required over the medium-term and the financial risks identified in previous reports.

- 4.2 The last update to the medium-term financial forecast identified a requirement for the Council to reduce its net spend by £3 million over the next three years, with £900,000 required in 2016/17, and an additional £775,000 and £1,325,000 in 2017/18 and 2018/19 respectively. It is therefore essential that significant savings or additional income are realised during 2016/17 in order to deliver a full year effect for future years.
- 4.3 While the provisional outturn provides us with an improved starting point, it is difficult to identify which variances will be on-going, permanent reductions in net spend rather than one-off occurrences. The recent budget challenge exercise carried out by Directors' Management Board has identified a significant sum (around £275,000) relating to line items in the budget that will be reduced for 2016/17 and onwards. These reductions reflect realisable, permanent savings which will be reflected in the budgets and therefore should lessen the extent of future variances at each year-end.
- 4.4 Further work continues with both officers and Members (including the Budget Strategy Working Group) to identify options for increased income or reduced expenditure, for Member consideration in September 2016. Work also continues on projects already identified within the Council's 8-point plan for achieving financial sustainability.
- 4.5 However, major uncertainty continues around central government funding in spite of the offer of a four-year settlement, with redistribution between authorities forming as significant a risk as the overall cuts for the sector.
- 4.6 We await the outcomes of the review of the Business Rates Retention Scheme, the revaluation of Business Rates, the move to 100% local retention system, the consultation on the future of New Homes Bonus and implications of legislation around Welfare Reform and the Housing and Planning Act.
- 4.7 Locally, Hampshire County Council is reviewing its Highways, Traffic and Transport Agency arrangements, which may affect future funding for Districts and reduce the level of provision of these services.
- 4.8 Additionally, the volatility of the business rates retention scheme can have a marked effect on year-end balances, providing a false impression of the overall picture as elements of the scheme are accounted for in different years. A large part of the movement in business rates income relates to an increase in the Council's provision for the settlement of appeals against rateable value set by the Valuation Office Agency (VOA). Currently the VOA is unable to progress appeals due to the volume of work around the 2017 national revaluation of rates. A greater number of outstanding appeals leads to a larger provision, reducing the income distributed to Rushmoor, Hampshire County Council and central government.
- 4.9 Taking into account the factors above, it is prudent to continue our path of reviewing the financial sustainability of the Council via the 8-point plan and having sufficient supporting reserves in place to mitigate against the risks we face, while the plan is being delivered.

- 4.10 Key reserves in support of our financial strategy are the Service Improvement Fund, which is used to support invest-to-save schemes and service transformation and the Stability and Resilience Reserve, which allows the Council flexibility to withstand fluctuations in its income and expenditure.
- 4.11 During the year, £440,000 has been drawn down from the Service Improvement Fund to support projects such as channel shift, organisational development and major contract renewal, leaving a balance of £447,000 to support future work. £3,852,000 has been added to the Stability and Resilience Reserve during 2015/16 to replace use of this fund at the end of 2014/15 and to provide resilience to the general fund position, in line with recommendations from the Council's external auditors.
- 4.12 In addition, the Council has recently approved a policy on the flexible use of capital receipts, whereby the proceeds from sale of assets may be set aside to support service transformation over the next three years. This will provide an alternative to the Service Improvement Fund, reducing the pressure to top up that fund from the revenue account over this period.
- 4.13 As part of the outturn process, and in line with proper accounting practices, all outstanding potential liabilities will be reviewed to ensure that the appropriate level of reserves is held against the risks the Council faces.

5 GENERAL FUND CAPITAL OUTTURN

- 5.1 The Capital Outturn Summary at Appendix C shows a total net underspend of £5,919,000 against the current approved budget.
- 5.2 This net underspend is due mainly to the re-scheduling of work on a number of projects, with a consequent slippage of £5,893,000 into 2016/17. After accounting for this slippage, overall the capital programme has underspent by around £26,000.
- 5.3 The most significant variations are listed in Appendix D.
- 5.4 The capital resources not used due to slippage will transfer into 2016/17.

6 CONCLUSIONS

- 6.1 The figures contained within this report are provisional and subject to external audit.
- 6.2 In the past two years, the Council has seen results from its 8-point plan, which has enabled it to strengthen its financial position and help it to meet the pressures arising from future changes in central government funding, the economic climate and other known risks referred to in the report. For example, the amended Treasury Management Strategy has seen substantial increases in returns compared to previous years and income generation

projects such as bringing the markets and car boot sales in house has boosted our income.

- 6.3 In addition, a raised awareness of the financial position throughout the Council has contributed to savings achieved in the current year. The increased focus on financial sustainability via the Council's 8-point plan, the visibility of the budget challenge process with Directors' Management Board and greater communication of the financial position has seen a shift in culture throughout the organisation.
- 6.4 Against this background, the Council continues to face significant challenges for the future. It is therefore prudent to continue with the financial strategy built around the Council's 8-point plan and the retention of sufficient reserves to support improvement and to mitigate fluctuations in income and expenditure, particularly from the operation of the business rates retention scheme.
- 6.5 After allowing for transfers to reserves, the General Fund revenue balance for 2015/16 is estimated to be in the region of £2.0 million, at the top of the approved range of balances, providing additional flexibility moving into 2016/17.
- 6.6 The figures presented in this report are provisional and a number of technical accounting entries are still to be processed, as we produce the final Statement of Accounts. Therefore, the final outturn position may vary from that reported here but this is unlikely to be material. Should any further movement take the balances above the agreed range of balances, or below the balances agreed at revised budget, a compensating adjustment will be made to/from the Stability and Resilience Reserve to maintain the General Fund revenue balance within those previously agreed figures.

7 RECOMMENDATIONS

- 7.1 Members are requested to:-
- i) note the provisional outturn for 2015/16, for both Revenue and Capital, and
 - ii) approve the approach to reserves and balances set out in the report.

AMANDA FAHEY
HEAD OF FINANCIAL SERVICES

GENERAL FUND REVENUE BUDGET SUMMARY

APPENDIX A

	Revised Estimate 2015/16 £000	Current Approved Estimate 2015/16 £000	Provisional Outturn 2015/16 £000
<u>Net Cost of Services by Portfolio</u>			
1 Corporate Services	1,159	1,185	1,098
2 Environment and Service Delivery	3,903	4,023	5,517
3 Concessions and Community	1,903	1,903	1,846
4 Health and Housing	2,170	2,177	1,439
5 Business, Safety and Regulation	2,828	2,831	2,563
6 Leisure and Youth	4,175	4,175	3,671
7 PORTFOLIO NET EXPENDITURE	16,138	16,294	16,134
8 Capital Accounting Charges - Reversed	(3,137)	(3,137)	(3,799)
9 IAS 19 Pension costs/employee benefits reversed	225	225	(128)
10 NET EXPENDITURE AFTER ADJUSTMENTS	13,226	13,382	12,207
<u>Provisions for Budget Restructuring:</u>			
11 Reductions in Service Costs/Income Generation	(387)	(387)	-
12 Vacancy Monitoring	-	-	-
13 Corporate Income and Expenditure	(5,353)	(5,353)	(5,258)
14 Contributions to/(from) Reserve Accounts	4,748	4,615	5,440
15 Central Government Funding	(6,612)	(6,612)	(7,275)
16 NET TOTAL EXPENDITURE	5,622	5,645	5,114
17 Contribution to/(from) balances	(146)	(169)	362
18 COUNCIL TAX REQUIREMENT	5,476	5,476	5,476
REVENUE BALANCES			
19 1 April	1,638	1,638	1,638
20 General Fund Transfer	(146)	(169)	362
21 31 March	1,492	1,469	2,000

Notes:

13 Corporate Income and Expenditure			
Interest Receivable	(849)	(849)	(891)
Collection Fund Surplus - Council Tax	(150)	(150)	(150)
Collection Fund Surplus - NNDR	(4,354)	(4,354)	(4,354)
Other Corporate Income and Expenditure	-	-	137
Total	(5,353)	(5,353)	(5,258)
14 Contributions to/(from) Reserve Accounts			
Revenue Contributions to Capital Programme	959	959	959
Revenue Contributions to Improvement Grants	200	200	157
Transfers to CPE account	162	162	160
Contributions to/(from) earmarked reserves/prior yr grants	355	355	752
Contributions to/(from) Service Improvement Fund	(307)	(440)	(440)
Contributions to/(from) Stability and Resilience Reserve	3,379	3,379	3,852
Total	4,748	4,615	5,440
15 Central Government Funding			
New Burdens and other non-ringfenced grants	(34)	(34)	(168)
New Homes Bonus	(1,696)	(1,696)	(1,696)
Council Tax Freeze Grant	(61)	(61)	(60)
Revenue Support Grant	(1,756)	(1,756)	(1,756)
RBC share of rates collected	(18,620)	(18,620)	(18,620)
Tariff Payable	15,178	15,178	15,178
Levy Payable	848	848	365
s31 grants in relation to Business Rates	(471)	(471)	(518)
Total	(6,612)	(6,612)	(7,275)

**GENERAL FUND REVENUE ACCOUNT 2015/16
PRINCIPAL VARIATIONS FROM CURRENT APPROVED BUDGET**

<u>Corporate Services Portfolio</u>	£000
ICT & Facilities	
- Various reductions in premises and supplies and service spend relating to the Council Offices, including gas, canteen subsidy, consultancy fees, repairs and maintenance, kitchen supplies and grounds maintenance.	(25)
- An overspend on Technical Support costs, for Data Centre maintenance, network software and telephony support.	20
Legal Services	
- Increase in Local Land Searches income.	(13)
- Belle Vue Enterprise Centre - increase in spend for one-off inspections and issue of electrical safety certificates, required for legal compliance.	14
- Belle Vue Enterprise Centre – rent receipts are above budget.	(13)
- Additional income for Town Centre rents relating to the Wellington Centre.	(35)
- Underachievement of Industrial Centre rental income due to vacant properties	26
- Reduction in spend on Counsels fees.	(20)
- Increase in income to Legal Services, including S106 agreements, recharging of valuation work and other chargeable work.	(14)
Strategy Engagement & Organisational Development	
- Reduction in spend on citizens consultation and engagement due to use of in-house staff as alternative to external suppliers.	(23)
Financial Services	
- Council Tax collection - reduction in supplies and services costs including magistrate court fees, bankruptcy fees, stationery and software costs.	(15)
- Council Tax collection - reduction in costs recovered.	20

<u>Environment and Service Delivery Portfolio</u>	£000
<p>Community Services</p> <p>Car Parks & Parking Management</p> <ul style="list-style-type: none"> <li data-bbox="220 338 1260 414">- Shortfall in smartcard sales mainly relating to a reduction in smartcard purchases by one company. 131 <li data-bbox="220 450 1260 562">- Shortfall in Pay and Display income across various car parks, primarily due to specific store closures, problems with rough sleepers and the impact of building works. 80 <li data-bbox="220 598 1260 710">- Shortfall in the penalty charge notices income for both car parks and on-street parking, as recruitment of four Civil Enforcement Officer posts was delayed by several months. 53 <li data-bbox="220 745 1260 779">- Reduced income from over-65 concessions. (11) <li data-bbox="220 815 1260 927">- Savings against budget across various car park utilities, repairs and maintenance categories, including lighting, machines and signs. (29) <li data-bbox="220 963 1260 996">- Savings against budget for other supplies and services. (17) <p>Recycling</p> <ul style="list-style-type: none"> <li data-bbox="220 1077 1260 1153">- Shortfall in income mainly due to the continued decline in the value of glass. 17 	
<p><u>Environment and Service Delivery Portfolio (cont)</u></p> <p>Maintenance Team</p> <ul style="list-style-type: none"> <li data-bbox="220 1335 1260 1447">- Overspend on expenditure on handyman materials, primarily due to additional clean-up costs required at the depot and increased workload of the maintenance teams. 27 <p>Markets and Car Boot Sales</p> <ul style="list-style-type: none"> <li data-bbox="220 1518 1260 1630">- Shortfall in car boot sales income as the Aldershot car boot is not performing as well as predicted, partially offset by an increase in market pitch fee income 33 <p>Other Highways</p> <ul style="list-style-type: none"> <li data-bbox="220 1702 1260 1778">- Additional income from temporary traffic regulation orders as part of the 8 point plan (11) <li data-bbox="220 1778 1260 1854">- Reduced costs for verge maintenance plus additional income from Hampshire County Council for grass cutting (21) 	

<p><u>Concessions and Community Portfolio</u></p> <p>Community Services</p> <ul style="list-style-type: none"> - Grants to organisations – unspent balance of budget for small grants. 14 <p>Financial Services</p> <p>Rent Allowances</p> <ul style="list-style-type: none"> - Additional grants and funding or Universal Credit (21) - Improved Housing Benefit subsidy position (222) - Greater volume of overpayment due to Real Time Information and increased bad debt provision 288 <p>Democratic & Customer Services Unit</p> <ul style="list-style-type: none"> - Local Elections – Increase in costs recovered for running other elections, such as the General Election in May 2015. (20) <p>Legal Services</p> <ul style="list-style-type: none"> - Sustainability Initiatives – increased cost recovery from recharging staff time to Hart DC. (18) 	<p>£000</p>
<p><u>Health and Housing Portfolio</u></p> <p>Environmental Health & Housing Services</p> <ul style="list-style-type: none"> - Increase in spend on voids on Clayton Court. These voids, which RBC fund, are due to the number of rooms that have to be allocated and matching households to the right size accommodation. 16 - Increase in Bond deposits where landlords in the private rented sector won't use the Rushmoor bond scheme hence a cash deposit is the only way to secure accommodation. 11 - Additional licence income for new Houses in Multiple Occupation during the year. (9) 	<p>£000</p>

<p><u>Business, Safety & Regulation Portfolio</u></p> <p>Planning Services</p> <p>Development Management</p> <ul style="list-style-type: none"> - Unbudgeted income from S106 admin charges. No income was budgeted following a court ruling that these charges could be deemed illegal. However some monies were received at the implementation stage of planning permissions granted prior to the ruling. (59) - Increase in planning application fee income following an upturn in the second half of the year. (13) <p>Building Control</p> <ul style="list-style-type: none"> - Increase in Building Control fee income. (10) - Anticipated cost recovery from Hart DC following the launch this year of a shared Building Control service. (126) 	<p>£000</p>
<p><u>Leisure and Youth Portfolio</u></p> <p>Community Services</p> <p>Parks and Recreation Grounds</p> <ul style="list-style-type: none"> - Net savings across a range of premises and supplies and services areas, including tree survey works and maintenance, playground apparatus and utilities. (41) - Additional developer income for Southwood Woodlands SANG. The SANG receipts will be transferred to the SANG Earmarked Reserve from the General Fund. (275) <p>Southwood Community Centre</p> <ul style="list-style-type: none"> - Reduction in premises costs. (14) <p>Leisure facilities</p> <ul style="list-style-type: none"> - Additional spend relating to RBC's share of the lido season loss. 14 - Various premises-related savings at Farnborough Leisure Centre including utilities, repairs and maintenance. (14) 	<p>£000</p>

<u>Leisure and Youth Portfolio (cont)</u>	£000
<p>Princes Hall</p>	
- Additional sales income from the pantomime and other shows.	(98)
- Increase in sales income from the £1 increase on ticket prices for the professional shows (not including the pantomime) as part of the 8 point plan actions.	(20)
- Increase in income from refreshments.	(12)
- Reduction in spend on utilities.	(17)
<p>Special Events</p>	
- Increase in expenditure due to cancellation costs for the firework event.	11
<p><i>Other variances</i></p>	
- Salary savings across all portfolios	(291)
- Reduced requirement for contributions towards Improvement Grants	(43)
- Transfers to Earmarked Reserves	868
- Additional income generated from longer term investments and feed-in tariff from photovoltaic cells	(54)
- Change in provision for doubtful debts and other provisions	150
- Additional non-ring fenced grants	(133)
- Changes due to operation of Business Rates Retention Scheme	(530)