

**REVENUE BUDGET MONITORING & FORECASTING 2015/16  
POSITION AT OCTOBER 2015**

**1. INTRODUCTION**

- 1.1 This report informs Members of the Council's anticipated financial position for 2015/16, based on the monitoring exercise carried out during October 2015.

**2. BACKGROUND**

- 2.1 During October, budget officers carried out a regular budget monitoring exercise for their services, identifying any variations from the current approved budget that they anticipate will occur in the financial year. The current approved budget is the Original Budget for 2015/16 as approved by Council on 26 February 2015 plus any subsequently approved supplementary estimates and virements. It also includes approved budget carry-forwards from 2014/15.
- 2.2 A salary monitoring exercise is also carried out in order to identify any salary variances, while the level of government grants and interest receivable from the Council's investments are reviewed and updated where necessary.
- 2.3 This information is consolidated to produce an updated forecast of the revenue position at the end of 2015/16 at Appendix A.

**3. BUDGET ADJUSTMENTS**

- 3.1 As indicated in paragraph 2.1, the current approved budget includes carry-forwards of unspent budgets from 2014/15 of £322,000, of which £172,000 is to be met from grants received in prior years, with the remainder being funded from underspends in 2014/15, which were set aside in an earmarked reserve. This means that this expenditure will have no effect on balances in the current year.
- 3.2 A number of supplementary estimates have been approved for both income and expenditure during the first half of 2015/16 resulting in a net reduction of £14,000 as set out in Appendix B.
- 3.3 £254,000 of virements have also been requested which simply move costs between detailed budget lines or between cost centres in order to better manage the budgets. This has been driven in part by the change in responsibilities following the recent service restructure. There is no change to the purpose of the expenditure from that approved in the original budgets and this has no effect on overall balances.

## **4 REPORTED VARIANCES**

- 4.1 As part of the overall budget for 2015/16, and in order for the Council to maintain a sound position, savings and efficiencies of £500,000 are required for the year, in addition to staff turnover savings of £315,000.
- 4.2 In this second quarter monitoring exercise, budget officers identified a net overspend of approximately £28,000 against their non-salary budgets as set out in Appendix C of this report.
- 4.3 The vacancy monitoring exercise identifies estimated savings based on regular turnover of staff, resulting in variances caused by short-term vacancy, recruiting above or below estimated pay points, entry into pension scheme etc. In addition, there are savings due to the pay award for the year being marginally different to that budgeted for and savings generated from restructuring. Based on current estimates, it is likely that savings of £415,000 will be achieved by the end of the financial year.
- 4.4 Other favourable variances include additional interest receipts (£49,000), additional grant income from central government (£34,000), and corporate income from advertising (£10,000).
- 4.5 As set out in last quarter's report, by far the greatest variances affecting 2015/16 are in relation to the operation of the Business Rates Retention Scheme. The operation of the scheme can cause major fluctuations in individual years due to the timing of estimates and the final reporting of business rates outturn. Accounting regulations further complicate matters by stipulating which figures may be reported in each year.
- 4.6 The original estimate for Business Rates surplus included the cost of a levy payable to central government, which was subsequently accounted for in 2014/15. Removing this cost from 2015/16 increased the surplus by £2,371,000. Set against this, is an expected reduction of £221,000 to the amount of s31 grants due to the Council.
- 4.7 The latest estimates for 2015/16 business rates income are broadly in line with the initial forecast although with figures of this magnitude (i.e. gross rates payable of around £52m) there will inevitably be some movement in these figures. At this stage however, there are no other material variances to report and the outlook remains positive for local growth.

## **5 TRANSFERS TO RESERVES**

- 5.1 Due to the business rates position outlined above, Members agreed at 1<sup>st</sup> Quarter Budget Monitoring to transfer £1.8m to the Stability and Resilience Reserve to replenish the amount utilised last year. This reserve is used to mitigate risks of fluctuations in income and expenditure while the Council moves forward on major savings and efficiencies projects to provide a more sustainable financial future for the Council.
- 5.2 Mindful of the Council's capital expenditure commitments, including income generating proposals within the 8-point plan, Members also agreed to increase

the revenue contributions towards capital expenditure from £550,000 for the current year to £959,000 in order to replace contributions that were not made in 2014/15.

- 5.3 In addition, it was agreed to set aside £446,000 to cover future mercury abatement measures at the Council's crematorium. A further estimated £39,000 will be transferred to this reserve during 2015/16 as outlined in the previous report.
- 5.4 £406,000 of s106 Developer contributions towards Suitable Alternative Natural Green Space have been received during 2015/16 and will be transferred to reserves for the future maintenance of these areas (Southwood Woodlands and Rowhill).
- 5.5 Other changes to reserves include additional drawdown of funding from earmarked reserves (£37,000) relating to grant funded expenditure and a reduction in transfer to the Civil Parking Enforcement Surplus account (£48,000).
- 5.6 The net effect of these transfers on general fund balances is broadly neutral. They either replace funds that were allocated in 2014/15 to offset the timing differences within the business rates scheme, draw down grants received in prior years for use in the current year or conversely, set aside income received in the current year for planned use in future years.

## **6 GENERAL FUND BALANCE AND LEVEL OF USABLE RESERVES**

- 6.1 After taking into account the variances reported to date and the expected transfers to reserves, General Fund balances will be £1.624m at the year end, which falls within the approved range of £1m - £2m and unchanged from that reported in the last quarter.
- 6.2 Maintaining balances at this level assumes that £387,000 of savings will be made during the second half of the year, in order to achieve the £500,000 savings requirement for the year.
- 6.3 The projections also provide for the replacement of funds into the Stability and Resilience Reserve, essential to mitigate against the fluctuations which can be caused by the operation of the business rates retention scheme (as seen in 2014/15) and to allow some flexibility while additional income or cost savings are generated by the 8-point plan. The Stability and Resilience Reserve will stand at £3.377m after the transfer set out above.
- 6.4 Maintaining reserves at a robust level is key to the future financial security of the Council, allowing the Council to manage risk and support key invest-to-save projects, and is in line with recent reporting from the Council's external auditors.
- 6.5 The other main reserve held for these purposes is the Service Improvement Fund, primarily used for supporting projects within the 8-point plan and to invest in improvement to services.
- 6.6 Current estimates for use of the Service Improvement Fund in 2015/16 are set out in the following table:

Service Improvement Fund	£000	£000
<b>Opening balance as at 1<sup>st</sup> April 2015</b>		<b>887</b>
Estimated Expenditure during 2015/16:		
System Thinking Reviews	30	
Service Improvement (Property & Estates/Contracts/Financial Services/Procurement/Transparency code/Personnel)	241	
Organisational Development	37	
Channel Shift	47	
<b>Forecast balance as at 31<sup>st</sup> March 2016</b>		<b>532</b>

6.7 While these funds provide an element of protection for the Council, there are still some key financial risks facing the Council in 2015/16 and beyond including:

- Risk that the council will not achieve the savings targets required
- Risks that projects will not deliver efficiency savings to timescale (both of these are mitigated to an extent by the reserves mentioned already)
- Deterioration in income streams due to the economic climate including planning fees, parking income and rents
- Potential upside for interest receipts should interest rates rise in the short term
- The potential centralisation of land charges
- Pressure on services from demographic change
- Pressure on services due to legislative changes. For example, the Welfare reform measures announced in the July budget which could create demand pressures from our most vulnerable residents in addition to cost pressure within the Council Tax Reduction Scheme
- Further reductions in central government funding and risk around the continuation of New Homes Bonus in its current format
- Continued pressure on Bed & Breakfast costs due to the number of larger families requiring assistance and the lack of suitable available accommodation
- Increasing issue of street homelessness

## 7 SUSTAINABILITY

7.1 There will always be variances reported in-year against budgets due to the Council adapting its priorities to manage inevitable changes in demand pressures and having a flexible approach to changing circumstances. While we would not want financial constraints to hamper this responsive approach, which works well for residents, the Council does need to reduce its net cost of services (by reducing costs or increasing income) to achieve financial sustainability.

7.2 This quarter's budget monitoring cycle includes some savings/income generation

as a result of projects in the 8-point plan, which builds towards this sustainable position. Some projects have already delivered and are included in the base budgets e.g. treasury management receipts. Some projects have now been adjusted in the budgets via supplementary estimates e.g. the in-house provision of markets and car boot sales. Other corporate projects, such as better procurement, are flowing through to variances reported in-year, such as £30,000 saving for insurance services.

- 7.3 This provides confidence that the savings required in the short-term are achievable, through a combination of in-year savings as well as longer-term changes to the delivery of services, which reduce net costs on an on-going basis.
- 7.4 However, we continue to expect significant financial challenges over the medium term, the quantum of which cannot be clarified until after the autumn spending review and announcements within the Autumn Statement. In order to meet these challenges, it will be essential that some of the more significant and potentially challenging to deliver projects within the 8-point plan are moved forward in sufficient time.

## **8 CONCLUSIONS**

- 8.1 The outturn position reported assumes the achievement of the remaining £387,000 of the savings requirement during the year. Given the positive position reported and the progress to date against the 8-point plan, it seems likely that this will be achieved. This should result in general fund balances of £1.624m, within the range of approved balances and £376,000 below the original forecast. This level of variation from the estimates is still only a small proportion of the gross annual turnover of the Council (less than 0.5%) but has a large impact on the level of balances.
- 8.2 While this report provides reassurance for the current financial year, the scale of the challenge for 2016/17 and beyond is considerably greater and efforts should be concentrated on moving forward the 8-point plan to achieve a sustainable financial future.

## **9 RECOMMENDATIONS**

- 9.1 Members are requested to note the contents of this report.

**AMANDA FAHEY**  
**HEAD OF FINANCIAL SERVICES**

## GENERAL FUND REVENUE BUDGET SUMMARY

## APPENDIX A

	Original Estimate 2015/16 £000	Current Approved Estimate 2015/16 £000	Forecast Outturn 2015/16 £000
<b>PORTFOLIO EXPENDITURE</b>			
1 Corporate Services	986	1,030	957
2 Environment and Service Delivery	3,973	3,956	3,933
3 Concessions and Community	1,750	1,823	1,843
4 Health and Housing	1,677	1,748	1,757
5 Business, Safety and Regulation	2,690	2,729	2,839
6 Leisure & Youth	4,509	4,607	4,167
<b>7 PORTFOLIO NET EXPENDITURE</b>	<b>15,585</b>	<b>15,893</b>	<b>15,496</b>
8 Capital Accounting Charges - reversed	(2,588)	(2,588)	(2,588)
9 IAS 19 Pension costs - reversed	306	306	306
<b>16 NET EXPENDITURE AFTER ADJUSTMENTS</b>	<b>13,303</b>	<b>13,611</b>	<b>13,214</b>
11 Reductions in Service Costs/Income Generation	(500)	(500)	(387)
12 Vacancy Monitoring	(315)	(315)	(415)
<b>13 Corporate Income and Expenditure</b>	<b>(2,933)</b>	<b>(2,933)</b>	<b>(5,363)</b>
<b>14 Contributions to/(from) Reserves</b>	<b>2,358</b>	<b>2,036</b>	<b>5,053</b>
<b>15 Central Government Funding</b>	<b>(6,799)</b>	<b>(6,799)</b>	<b>(6,612)</b>
<b>16 NET TOTAL EXPENDITURE</b>	<b>5,114</b>	<b>5,100</b>	<b>5,490</b>
17 Contribution to/(from) balances	362	376	(14)
<b>18 COUNCIL TAX REQUIREMENT</b>	<b>5,476</b>	<b>5,476</b>	<b>5,476</b>
<b>REVENUE BALANCES</b>			
19 1 April	1,638	1,638	1,638
20 General Fund Transfer	362	376	(14)
<b>21 31 March</b>	<b>2,000</b>	<b>2,014</b>	<b>1,624</b>
<b>13 Corporate Income and Expenditure</b>			
Interest Receivable	(800)	(800)	(849)
Collection Fund (Surplus)/deficit - CTax	(150)	(150)	(150)
Collection Fund (Surplus)/deficit - NNDR	(1,983)	(1,983)	(4,354)
Other Corporate Income and Expenditure	0	0	(10)
<b>Total</b>	<b>(2,933)</b>	<b>(2,933)</b>	<b>(5,363)</b>
<b>14 Contributions to/(from) Reserve Accounts</b>			
Revenue Contributions to Capital Programme	550	550	959
Revenue Contributions to Improvement Grants	200	200	200
Transfer to CPE Surplus Account	201	201	153
Contributions to/(from) earmarked reserves/prior year grants	(170)	(492)	362
Transfer to/(from) Stability and Resilience Reserve	1,577	1,577	3,379
<b>Total</b>	<b>2,358</b>	<b>2,036</b>	<b>5,053</b>
<b>15 Central Government Funding</b>			
New Burdens Grant/Other non ring-fenced funding			(34)
New Homes Bonus	(1,696)	(1,696)	(1,696)
Council Tax Freeze Grant	(61)	(61)	(61)
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	848
S31 grants in relation to business rates	(692)	(692)	(471)
<b>Total</b>	<b>(6,799)</b>	<b>(6,799)</b>	<b>(6,612)</b>

Supplementary Estimates for Quarters 1 & 2 2015/16 are shown below:

<p><b>Corporate Services Portfolio</b></p> <p><b>Council Offices</b></p> <ul style="list-style-type: none"> <li>- Essential works to office facilities and staff café (mainly health and safety)</li> </ul> <p><b>Corporate Finance</b></p> <ul style="list-style-type: none"> <li>- Work required to website following change to Council's bank account.</li> <li>- Legal fees relating to the Royal Mail VAT claim.</li> </ul> <p><b>Audit Support</b></p> <ul style="list-style-type: none"> <li>- Costs of agency staff whilst Audit Manager is carrying out project work.</li> </ul> <p><b>Procurement</b></p> <ul style="list-style-type: none"> <li>- Fixed term Procurement Officer post to support the Council's Better Procurement Project.</li> </ul>	<p><b>£000</b></p> <p><b>8</b></p> <p><b>7</b></p> <p><b>5</b></p> <p><b>5</b></p> <p><b>8</b></p>
<p><b>Environment and Service Delivery Portfolio</b></p> <p><b>Farnborough Town Centre Regeneration</b></p> <ul style="list-style-type: none"> <li>- Review of Farnborough Town Centre development agreement and deed of variation – consultancy services</li> </ul> <p><b>Markets and Car Boot Sales</b></p> <ul style="list-style-type: none"> <li>- Revised market and car boot sale expenditure budgets following move to in-house provision</li> <li>- Revised market and car boot sale income budgets following move to in-house provision</li> <li>- Removal of previous income budget for profit share licences at the markets</li> <li>- Removal of previous car boot sale income from car parks budgets</li> </ul> <p><b>Planning Policy</b></p> <ul style="list-style-type: none"> <li>- Reduction in spend on consultancy costs as a result of in-house resourcing</li> </ul>	<p><b>£000</b></p> <p><b>8</b></p> <p><b>81</b></p> <p><b>(295)</b></p> <p><b>35</b></p> <p><b>13</b></p> <p><b>(10)</b></p>
<p><b>Concessions and Community Portfolio</b></p> <p><b>Grants to Voluntary Organisations</b></p> <ul style="list-style-type: none"> <li>- Grant to Source Café to cover rent following exit from 237 High Street</li> </ul>	<p><b>£000</b></p> <p><b>24</b></p>

**APPENDIX B**

<p><b><i>Health &amp; Housing Portfolio</i></b></p> <p><b>Housing Advice</b></p> <ul style="list-style-type: none"> <li>- Provision of support and advice to young homeless people from Step by Step</li> <li>- Extension of temporary Housing Officer post</li> <li>- Contribution towards Winter Night Shelter 15/16</li> <li>- Creation of a part time Housing Allocation Assistant</li> </ul>	<p><b>£000</b></p> <p><b>10</b></p> <p><b>34</b></p> <p><b>9</b></p> <p><b>4</b></p>
<p><b><i>Business, Safety &amp; Regulation Portfolio</i></b></p> <p><b>Development Management</b></p> <ul style="list-style-type: none"> <li>- Removal of income budget re s106 administration and monitoring costs as no longer levying charge due to recent legal challenge</li> </ul> <p><b>Community Patrol Team</b></p> <ul style="list-style-type: none"> <li>- Appointment of apprentice in the Community Patrol team</li> </ul>	<p><b>£000</b></p> <p><b>24</b></p> <p><b>6</b></p>
<p><b><i>Leisure and Youth Portfolio</i></b></p> <p><b>Aldershot Lido</b> Redecoration works</p>	<p><b>£000</b></p> <p><b>10</b></p>

The savings identified by services during the October 2015 budget monitoring exercise and amounting to a net overspend of approximately £28k are shown below:

<b>Corporate Services Portfolio</b>	<b>£000</b>
<p><b>Retirement Pension Costs</b></p> <ul style="list-style-type: none"> <li>- The budget assumed an increase in 2015/16 fixed superannuation pension contributions, which have not materialised. <span style="float: right;">(82)</span></li> </ul>	
<p><b>ICT and Facilities Services</b></p> <ul style="list-style-type: none"> <li>- Savings resulting from a new data centre maintenance contract, and lower forecast expenditure on network server and partnership support costs. <span style="float: right;">(16)</span></li> <li>- A reduction in expenditure, due to the lack of a requirement for GIS aerial data in 2015/16. <span style="float: right;">(10)</span></li> <li>- A forecast increase in costs due to network software costs associated with smarter/remote working. <span style="float: right;">10</span></li> </ul>	
<p><b>Legal Services</b></p> <ul style="list-style-type: none"> <li>- A forecast shortfall in rental income, as the budget contained assumptions regarding rent increases that did not materialise following rent reviews during 2014/15. <span style="float: right;">41</span></li> </ul>	
<p><b>Financial Services</b></p> <ul style="list-style-type: none"> <li>- Savings generated following the re-tender of the Council's insurances, together with a reduction in charges levied by the Council's bank. <span style="float: right;">(36)</span></li> </ul>	
<p><b>Democratic and Customer Services</b></p> <ul style="list-style-type: none"> <li>- Additional (volume related) postage costs. <span style="float: right;">13</span></li> </ul>	
<b>Environment and Service Delivery Portfolio</b>	<b>£000</b>
<p><b>Parking Charges</b></p> <ul style="list-style-type: none"> <li>- Forecast shortfall in on-street parking income primarily due to the decline in all-day ticket sales. <span style="float: right;">76</span></li> <li>- A reduction in Pay &amp; Display income resulting from the cessation of the agreement to manage the PC World car park in April 2015, combined with the decline in all day and multi day ticket sales at Union Street. <span style="float: right;">45</span></li> <li>- Forecast additional income generated from smartcards (based upon 3-year average income) and other income streams <span style="float: right;">(26)</span></li> <li>- A reduction in car parks expenditure following the cessation of the PC World management agreement (outlined above). <span style="float: right;">(19)</span></li> </ul>	

	<b>Parking Charges continued</b>	
-	A shortfall in income following the introduction of free overnight parking in the Aldershot Multi-storey car park and the 60p charge for all day Sunday parking in Aldershot car parks.	18
-	A one-off saving on licence fee expenditure resulting from the implementation of a new parking management system.	(17)
	<b>Fine Income</b>	
-	A shortfall in CCTV enforcement income generated as a result of changes in legislation with effect April 2015.	72
-	Anticipated additional income generated from penalty charge notices (PCN) on on-street parking.	(36)
-	Additional PCN fine income generated from parking charge notices issued in car parks.	(25)
	<b>Recycling</b>	
-	A shortfall in glass sales income based upon the price per tonnage decreasing on global markets for glass reprocessing.	13
-	Additional green waste income, partially due to some households switching from bags to bins.	(30)
	<b>Street Cleansing</b>	
-	Reduction in expenditure on payments to contractors, together with additional income generated as a result of the extension to March 2016 of the cleansing agreement with First Wessex for Prospect Estate.	(42)
	<b>Market and Car Boot Sales</b>	
-	A shortfall in income generated from car boot sales. There is a target for improvement across markets and car boot sales to address this adverse income variance.	59
-	Additional pitch fee income.	(41)
-	Additional expenditure on market rates, casual staffing and subscription costs.	26
	<b>Maintenance Team</b>	
-	Net additional income secured for Skilled Up Project costs, which will be used to fund salary costs.	(33)
	<b>Planning Policy</b>	
-	Forecast overspend due to Local Plan submission and examination costs.	10
	<b>Economic Development</b>	
-	Savings as technological advancements including the introduction of 4G mean Farnborough WIFI is unlikely to be required.	(15)

<p><b>Economic Development (continued)</b></p> <ul style="list-style-type: none"> <li>- Additional expenditure on LEP subscription and consultancy fees to support the economic development strategy 2015/16 and work on developing Business Improvement Districts.</li> </ul>	<p><b>£000</b> <b>13</b></p>
<p><b>Health and Housing Portfolio</b></p> <p><b>Housing Advice</b></p> <ul style="list-style-type: none"> <li>- Additional bed and breakfast expenditure due to a combination of an increased number of larger family units (which are difficult to accommodate), together with delays associated with Oak Housing becoming available.</li> <li>- An increase in Houses in Multiple Occupation licences due resulting from the identification of additional properties.</li> <li>-</li> </ul>	<p><b>£000</b></p> <p><b>18</b></p> <p><b>(9)</b></p>
<p><b>Business, Safety &amp; Regulation Portfolio</b></p> <p><b>Development Management</b></p> <ul style="list-style-type: none"> <li>- Forecast lower than anticipated planning application fee income resulting from fewer, large fee earning planning applications (based upon 6 months activity to 30/9/15).</li> </ul>	<p><b>£000</b></p> <p><b>100</b></p>
<p><b>Leisure and Youth Portfolio</b></p> <p><b>Parks and Recreation Grounds</b></p> <ul style="list-style-type: none"> <li>- Forecast additional income generated from concessions operating in parks and recreation grounds.</li> </ul> <p><b>Grounds Maintenance Contract</b></p> <ul style="list-style-type: none"> <li>- Lower than budget expenditure on grounds maintenance costs following the removal of two cricket tables.</li> </ul>	<p><b>£000</b></p> <p><b>(11)</b></p> <p><b>(15)</b></p>
<p><b>Other Portfolio Variances</b></p> <ul style="list-style-type: none"> <li>- Other reported variances individually below £10k, across a number of portfolios</li> </ul> <p><b>Total Non-Salary Portfolio Variances.</b></p>	<p><b>£000</b></p> <p><b>(23)</b></p> <hr/> <p><b>28</b></p>

<b><i>Other portfolio variances that will be offset by transfers to/from Reserves</i></b>	<b>£000</b>
<p><b>Parks and Recreation Grounds</b></p> <p>- Additional S106 Developer contributions received for the Southwood Woodlands and Rowhill Suitable Alternative Natural Green Spaces (SANGs). As the contributions will not be spent during 2015/16, the income will offset with a transfer to earmarked reserves, and will be used to maintain these areas in future years.</p>	<b>(406)</b>
<p><b>Public Health</b></p> <p>- Public Health Grant funded expenditure. The expenditure will be offset with a transfer from earmarked reserves.</p>	<b>20</b>
<p><b>Crematorium</b></p> <p>- Balance of mercury abatement levy, after payment is made to CAMEO. This amount will be transferred to an earmarked reserve in readiness to purchase replacement cremator.</p>	<b>(39)</b>