

**REVENUE BUDGET MONITORING & FORECASTING 2015/16
POSITION AT MARCH 2016**

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 March 2016.

2. BACKGROUND

- 2.1 During March, budget officers carry 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 revised budget for 2015/16 as approved by Council on 25 February 2016 plus any subsequently approved supplementary estimates and virements.
- 2.2 Two supplementary estimates totalling £14,000 have been incorporated into the current approved budget following approval at Directors' Management Board (contaminated land survey and grant to TechStart). A limited number of virements have been actioned, largely to transfer budgets for staffing costs where temporary staff have been used to cover vacancies.
- 2.3 A salary monitoring exercise is carried out in order to identify any salary variances. The level of government grants and interest receivable from the Council's investments are reviewed and updated where necessary.
- 2.4 The original budget for 2015/16 identified the need for £500,000 of savings, in addition to £300,000 of expected staff turnover savings. While substantial savings were achieved during the first half of the year, and incorporated into the revised budgets, £387,000 remained outstanding. The latest monitoring exercise indicates that the Council will more than achieve this target.
- 2.5 The above information is consolidated to produce an updated forecast of the revenue position at the end of 2015/16, at Appendix A.

3. CURRENT POSITION

- 3.1 While budget officers have identified a net underspend of approximately £218,000 against their non-salary budgets, a significant proportion of this variance is due to changes in income that are either ring-fenced for use outside of the general fund or have been received in advance for future years' funding. These amounts are not available for spending on general activities and will be transferred to various reserves as follows:

- £34,000 additional income in respect of s106 developers' contributions for Suitable Alternative Natural Green Space (SANGS) which is ring-fenced

- for spending on SANGS provision and maintenance
 - £68,000 income in respect of changes to amounts drawn from prior year grants
 - A reduction of £14,000 in income required to be ring-fenced as part of the Civil Parking Enforcement (CPE) surplus
- 3.2 After taking account of these transfers to and from reserves of £88,000 the net non-salary underspend on portfolios is £130,000.
- 3.3 This variance, as set out in Appendix B, has largely come from the following areas:
- Small variations across many budget headings; 102 variances under £5,000 have been reported, with a further 45 variances between £5,000 and £10,000. (Some of these variances have been collated in Appendix B where they relate to the same service or activity)
 - Variations in income due to volume of receipts including parking, parking enforcement, land charges, rents, recycling income, car boot sales and sales at Princes Hall.
 - A number of other large variances including refunds of local land charges to be met by New Burdens grant, additional costs for housing support, increased demand for handyman service with associated costs of materials.
- 3.4 In addition, interest receipts have again outperformed the revised estimate due to active management of the portfolio and improved rates attained by use of covered bonds, over money market funds.
- 3.5 The staff monitoring exercise has identified a net projected underspend of £350,000 from salary savings, above the turnover savings already identified and built into the revised budget. While turnover remains low, savings have occurred as individual service reviews are progressed following the organisational review carried out earlier in the year, other general turnover savings and some staffing costs being met from capital projects giving rise to revenue savings.
- 3.6 An additional £9,000 of New Burdens funding has been received from central government to support new responsibilities such as the transparency agenda.
- 3.7 As a result of the variations referred to above, the general fund forecast shows a projected year-end balance of £1.6 million, which is within the current approved range of balances of £1.0 - £2.0 million and around £114,000 above the balance forecast at revised budget setting. A summary of the movement is set out in the following table:

	£000	£000
Forecast balances at revised budget setting		1,492
	Less:	Plus:
Supplementary Estimates	14	
Non-salary variances identified by services		218
Changes to transfers to/from reserves	88	
Interest receipts		25
Additional grant funding		9
Salary savings		350
Offset against savings requirement	387	
Current forecast balances for end of 2015/16		1,606

3.8 Included in the figures above are a number of underspent budget headings where works that have not been concluded in the current year, but will still be required during 2016/17. It is therefore likely that a carry-forward request will be made for these items. Carry-forwards will however be kept to a minimum due to the pressures on spending over the medium-term. The current estimate for carry-forwards to be met from general fund reserves is just £28,400, which would have only a marginal effect on total balances.

4 RISKS AND RESERVES

4.1 Due to the level of known financial risk, flexibility has been built into the Medium Term Financial Forecast by setting aside reserves to be used to manage fluctuations in expenditure or income, to mitigate against other known risks and to support key projects such as invest-to-save schemes, which underpin the Council's 8-point plan for a sustainable organisation.

4.2 At this time, there is no evidence to suggest any new risks that will affect the current year's financial position or that would necessitate changes to the reserves we already have in place.

4.3 The major risks facing us over the medium term continue to be the operation of, and any potential further changes to, the Business Rates Retention Scheme, the uncertainty around central government funding such as New Homes Bonus, and service demand issues arising from demographic change and welfare reform. It is expected that the Chancellor's budget due on 16 March 2016, will provide some indication of the outcomes of the recent business rates review.

4.4 The Service Improvement Fund continues to be used to support invest-to-save schemes, major corporate projects and service reviews. The revised budget includes £307,000 of expenditure supported by this fund. The latest projections for use of the Fund in 2015/16 amount to £410,000 as follows:

- £27,000 support to Systems Thinking/Process Reviews
- £74,000 Better procurement and data transparency projects
- £179,000 service reviews (e.g. property and estates, transfer of land charges, major direct contracts)
- £63,000 support to Channel Shift programme

- £19,000 organisational development framework
- £33,000 restructuring costs
- £15,000 support to other 8-point plan projects (feasibility studies etc)

The main changes since revised estimate are around restructuring costs and support for elements of the 8-point plan as more initiatives are progressed.

- 4.5 The increased usage of the Service Improvement Fund (SIF) has no effect on the general fund balance (as additional expenditure in the general fund is offset by a transfer from the SIF). However, increased usage does mean that the total level of working reserves will fall more quickly than previously estimated. The latest estimates for SIF will see the balance on the fund at £477,000 by the close of the year. Adding this to the projected balance on the Stability & Resilience Fund of £3,379,000 and the projected general fund balance of £1,606,000 provides a total for working reserves of £5,462,000. This figure is around 6.5% of the Council's gross expenditure, and exceeds the minimum balance set in the Medium Term Financial Strategy for 2016/17 of 5% of gross expenditure.
- 4.6 In order to maintain the Service Improvement Fund in the future, and to continue to support the Council's aim of financial sustainability via its 8 point plan, the Council plans to make use of the new flexibilities for use of capital receipts announced alongside the local government finance settlement. A policy will be taken to Council for approval, as set out in the statutory guidance issued in March 2016.

5 CONCLUSIONS

- 5.1 The Council is maintaining a sound financial position with the current projection showing balances of £1.6 million at the end of 2015/16.
- 5.2 We anticipate further underspends are likely at year-end if the trend in previous years continues.
- 5.3 The increased awareness and focus on financial sustainability, provided by the 8-point plan, has seen changes both to the budget setting process and to the on-going monitoring, improving financial control and delivering a common message of financial responsibility throughout the organisation.
- 5.4 However, variation from the current approved estimates can be a small proportion of the gross annual turnover of the Council while having a large impact on the level of balances. For example, a variation against budgets of £1,000,000 would be less than 1% of gross turnover but could change our general fund balance by around 60%. This highlights the need to provide against sudden fluctuations in expenditure or income streams by holding appropriate reserves, as well as the level of variation that can occur from one monitoring period to the next in an organisation that provides such a large range of services.
- 5.5 The end of year final accounts process is now underway and the provisional revenue outturn position will be reported to Cabinet in May 2016. The level of reserves and balances will again be reviewed in light of the position at that time.

6 RECOMMENDATIONS

6.1 Members are requested to;

- a) note the contents of this report and
- b) approve the updated estimates of the use of the Service Improvement Fund during 2015/16

**AMANDA FAHEY
HEAD OF FINANCIAL SERVICES**

GENERAL FUND REVENUE BUDGET SUMMARY

APPENDIX A

	Revised Estimate 2015/16 £000	Current Approved Estimate 2015/16 £000	Forecast Outturn 2015/16 £000
PORTFOLIO EXPENDITURE			
1 Corporate Services	1,159	1,159	1,097
2 Environment and Service Delivery	3,903	3,925	4,150
3 Concessions and Community	1,903	1,903	1,865
4 Health and Housing	2,170	2,177	2,177
5 Business, Safety and Regulation	2,828	2,813	2,647
6 Leisure & Youth	4,175	4,175	3,998
7 PORTFOLIO NET EXPENDITURE	16,138	16,152	15,934
8 Capital Accounting Charges - reversed	(3,137)	(3,137)	(3,137)
9 IAS 19 Pension costs - reversed	225	225	225
16 NET EXPENDITURE AFTER ADJUSTMENTS	13,226	13,240	13,022
11 Reductions in Service Costs/Income Generation	(387)	(387)	
12 Vacancy Monitoring	-	-	(350)
13 Corporate Income and Expenditure	(5,353)	(5,353)	(5,378)
14 Contributions to/(from) Reserves	4,748	4,748	4,835
15 Central Government Funding	(6,612)	(6,612)	(6,621)
16 NET TOTAL EXPENDITURE	5,622	5,636	5,508
17 Contribution to/(from) balances	(146)	(160)	(32)
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)	(160)	(32)
21 31 March	1,492	1,478	1,606
13 Corporate Income and Expenditure			
Interest Receivable	(849)	(849)	(874)
Collection Fund (Surplus)/deficit - CTax	(150)	(150)	(150)
Collection Fund (Surplus)/deficit - NNDR	(4,354)	(4,354)	(4,354)
Total	(5,353)	(5,353)	(5,378)
14 Contributions to/(from) Reserve Accounts			
Revenue Contributions to Capital Programme	959	959	959
Revenue Contributions to Improvement Grants	200	200	200
Transfer to CPE Surplus Account	162	162	148
Contributions to/(from) earmarked reserves/prior yr grants	355	355	456
Transfer to/(from) Service Improvement Fund	(307)	(307)	(307)
Transfer to/(from) Stability and Resilience Reserve	3,379	3,379	3,379
Total	4,748	4,748	4,835
15 Central Government Funding			
New Burdens Grant and other non-ringfenced grants	(34)	(34)	(43)
New Homes Bonus	(1,696)	(1,696)	(1,696)
Council Tax Freeze Grants	(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	(471)	(471)	(471)
Total	(6,612)	(6,612)	(6,621)

The savings identified by services during the March budget monitoring exercise and amounting to a net underspend of approximately £130k are shown below:

<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 and tree maintenance.	(18)
- An overspend on Technical Support costs, particularly Data Centre maintenance due to exceptional charges following the power surge in January.	23
Democratic & Customer Services Unit	
- Lower than budget spend across a number of Democratic & Customer Services headings including travel, transport hire, conferences & seminars and stationery.	(14)
Legal Services	
- Increase in Local Land Searches income.	(12)
- Belle Vue Enterprise Centre - increase in spend for one-off inspections and issue of electrical safety certificates, required for legal compliance.	13
- Belle Vue Enterprise Centre – rent receipts are above budget.	(11)
- Rental income above budget in Town Centres and 35/39 High Street, Aldershot.	(12)
- Reduction in spend on Counsels fees.	(15)
- Increased spend on books, publications and licences.	15
- Increase in income to Legal Services, including S106 agreements, recharging of valuation work and other chargeable work.	(20)
Strategy Engagement & Organisational Development	
- Reduction in spend on citizens consultation and engagement due to use of in-house staff as alternative to external suppliers.	(24)

<u>Corporate Services Portfolio (cont)</u>	£000
Financial Services	
- Council Tax collection - reduction in supplies and services costs including magistrate court fees, bankruptcy fees, stationery and software costs.	(10)
- Council Tax collection - reduction in costs recovered.	16
- Increase in spend on temporary staff following Service restructure, covering vacant posts, maternity leave and long term sickness.	31
Other variances within the portfolio, individually below £10k	(24)
<i>Total Corporate Services Portfolio variances</i>	(62)
<u>Environment and Service Delivery Portfolio</u>	£000
Community Services	
Car Parks & Parking Management	
- Shortfall in smartcard sales mainly relating to a reduction in smartcard purchases by one company.	129
- Shortfall in Pay and Display income across various car parks, primarily due to specific store closures (eg M&S in Aldershot), problems with rough sleepers and the impact of building works.	92
- 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 (these posts have now been filled).	71
- Additional notional income for the value of free parking permits to organisations.	(17)
- Savings against budget across various car park repairs and maintenance categories, including lighting, machines and signs.	(18)
- Savings against budget for other supplies and services.	(16)
Recycling	
- Shortfall in income mainly due to the continued decline in the value of glass.	15

<u>Environment and Service Delivery Portfolio (cont)</u>	£000
<p>Maintenance Team</p> <ul style="list-style-type: none"> - Overspend on expenditure on handyman materials, primarily due to additional clean-up costs required at the depot and increased workload of the maintenance teams. 	20
<p>Markets and Car Boot Sales</p> <ul style="list-style-type: none"> - Shortfall in car boot sales income as the Aldershot car boot is not performing as well as predicted. 	42
<p>Planning Services</p> <p>Planning Policy</p> <ul style="list-style-type: none"> - Budget included £80.8k for inspection of the new Local Plan once ready. The Plan is not yet at this stage but funds will be needed next year so a carry forward will be requested. £65.5k of this is PDG funds in Earmarked Reserves. 	(81)
<p>Other variances within the portfolio, individually below £10k</p>	(12)
<i>Total Environment and Service Delivery Portfolio variances</i>	225
<u>Concessions and Community Portfolio</u>	£000
<p>Community Services</p> <ul style="list-style-type: none"> - Grants to major organisations - additional notional cost for the value of free parking permits to organisations. 	23
<p>Financial Services</p> <ul style="list-style-type: none"> - Rent Allowances team – savings across various areas of spend, including contractors, conferences, subscriptions and stationery. 	(10)
<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. 	(14)
<p>Legal Services</p> <ul style="list-style-type: none"> - Sustainability Initiatives – increased cost recovery from recharging staff time to Hart DC. 	(20)
<p>Other variances within the portfolio, individually below £10k</p>	(17)
<i>Total Concessions and Community Portfolio variances</i>	(38)

<u>Health and Housing Portfolio</u>	£000
Environmental Health & Housing Services	
- Savings against budget due to a reduction in homeless applications in Bed and Breakfast, shorter time spent by applicants in Bed and Breakfast, and the associated storage for their possessions.	(10)
- 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.	17
- 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.	12
- Additional licence income for new Houses in Multiple Occupation during the year.	(10)
Other variances within the portfolio, individually below £10k	(9)
<i>Total Health and Housing Portfolio variances</i>	0
<u>Business, Safety & Regulation Portfolio</u>	£000
Planning Services	
Development Control	
- 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.	(57)
- Increase in planning application fee income following an upturn in the second half of the year.	(15)
Building Control	
- Increase in Building Control fee income.	(10)

<u>Business, Safety & Regulation Portfolio (cont)</u>	£000
- Anticipated cost recovery from Hart DC following the launch this year of a shared Building Control service. This is offset in part by a £22k adverse variance in salaries in Building Control as a result of the new arrangements.	(55)
Other variances within the portfolio, individually below £10k	(29)
Total Business, Safety & Regulation Portfolio variances	(166)
<u>Leisure and Youth Portfolio</u>	£000
Community Services	
Parks and Recreation Grounds	(16)
- Net savings across a range of premises and supplies and services areas, including tree survey works and maintenance, playground apparatus and utilities.	(34)
- Additional developer income for Southwood Woodlands SANG. The SANG receipts will be transferred to the SANG Earmarked Reserve from the General Fund.	
Leisure Facilities	
- Reduction in spend on the contractual energy payment at various leisure facilities, including Aldershot Indoor Pool, the Lido, the All Weather Pitches, and Farnborough Leisure Centre.	(15)
- Additional spend relating to RBC's share of the lido season loss.	14
Princes Hall	
- Additional sales income from the pantomime and other shows.	(86)
- 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.	(10)
- Reduction in spend on utilities.	(17)

<u>Leisure and Youth Portfolio (cont)</u>	£000
Special Events - Increase in expenditure due to cancellation costs for the firework event.	11
Other variances within the portfolio, individually below £10k	(4)
Total Leisure and Youth Portfolio variances	(177)
Total Non-Salary Portfolio Variances	(218)
Transfers to/from Earmarked Reserves	88
Total Reported Variances	(130)