

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 11 July 2016

Portfolio:	Policy and Resources
Subject:	General Fund and Housing Revenue Account Outturn 2015/16
Report of:	Director of Finance and Resources
Strategy/Policy:	Finance Strategy
Corporate Objective:	A dynamic, prudent and progressive Council

Purpose:

This report provides the Executive with details of the actual revenue expenditure for 2015/16 for the General Fund and Housing Revenue and Repairs Account and seeks approval for the completion, in 2016/17, of the 2015/16 expenditure programmes set out in the briefing paper contained in the report.

Executive summary:

The General Fund actual revenue expenditure for 2015/16 totals £9,107,305 which represents an overall saving of £67,295 when compared to the revised budget.

However, it has not been possible to complete a number of expenditure programmes in 2015/16 and approval is sought to complete these programmes totalling £260,700 during 2016/17. When the use of the saving in 2015/16 to complete these programmes is taken into account, along with financing adjustments, the net underspend for the year is £13,790.

The final figures for 2015/16 show that, overall, there was a surplus of £2,912,000 on the Housing Revenue and Repairs Account (HRA). This was less than expected in the revised budget, so £1,163,000 of the general HRA reserve has been used, on top of the in-year surplus, to put aside earmarked reserves to fund the building of new homes and repay the debt we took on in 2012.

Recommendation/Recommended Option:

That the Executive:

- (a) approve to carry forward £260,700 to fund the completion of the General Fund expenditure programmes in 2016/17, as contained in this report;
- (b) approve that £2,367,000 from the HRA Capital account is carried forward to fund the outstanding balances from the 2015/16 programme in 2016/17; and
- (c) note the contents of the report.

Reason:

To enable the completion of the General Fund expenditure programme for 2015/16 and to ensure that the balances on the Housing Revenue and Repairs Accounts at 31 March 2016 will be available in future years and that 2016/17 budgets are sufficient to meet the level of work programmed.

Cost of proposals:

There are no additional costs relating to the recommendations.

Appendices: **A: General Fund Service Details for 2015/16**

Background papers: None

Reference papers:

Report to the Executive 2 February 2015 Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2015/16

Report to the Executive 11 January 2016 Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2016/17

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	11 July 2016
Subject:	General Fund and Housing Revenue Account Outturn 2015/16
Briefing by:	Director of Finance and Resources
Portfolio:	Policy and Resources

INTRODUCTION

1. This report brings together the outturn position for the General Fund along with the Housing Revenue and Repairs Accounts for the financial year 2015/16. The report compares the actual spend against the budgets that were approved by the Executive in February 2016.

EMPLOYEE EXPENDITURE 2015/16

2. The approved 'cost of employment' budget for 2015/16 was £16,080,300. The actual expenditure for 2015/16 was £15,934,229 giving an underspend for the year of £146,071 or 0.9% compared to the final budget.
3. The underspend from salaries and associated costs (£738,288) has arisen from vacancies that have occurred during the year. These have been offset by an increase in agency payments (£558,889) and recruitment costs (£33,328) that have been made during the year.

THE GENERAL FUND

4. The General Fund actual revenue expenditure for 2015/16 totals £10,441,606 and this represents an overall saving of £736,794, compared with the revised budget approved by the Executive in February. Accounting adjustments and non-service budgets will bring this underspend down to £274,490.
5. Later paragraphs of this report also set out details of a number of expenditure programmes that were not completed in 2015/16 and approval is sought for these programmes to be completed in the current year. If these proposals are approved along with the financing adjustment, this will mean that the final position for the financial year will show an underspend of £13,790 which will be added to reserves.

6. The following table summarises the position:-

	Actual 2014/15 £	Revised Budget £	Actual 2015/16 £	Variation £
Committees				
Planning	762,633	688,700	537,739	-150,961
Licensing & Regulatory Affairs	475,008	561,700	377,575	-184,125
Executive - Portfolio				
- Leisure and Community	1,287,723	1,569,100	1,517,643	-51,457
- Health and Housing	1,150,776	1,273,800	1,110,457	-163,343
- Planning and Environment	-887,597	-766,100	-630,915	135,185
- Policy and Resources	1,042,323	2,013,200	1,586,353	-426,847
- Public Protection	1,847,132	1,962,100	1,860,683	-101,417
- Streetscene	3,821,706	3,875,900	4,082,072	206,172
Total Service Budgets	9,499,704	11,178,400	10,441,606	-736,794
Less Accounting Adjustments	5,954,844	2,233,600	502,313	-1,731,287
Other Budgets	-6,579,639	-4,237,400	-1,836,614	2,400,786
Net Budget	8,874,910	9,174,600	9,107,305	-67,295
Financing	-9,546,782	-9,174,600	-9,381,795	-207,195
Net Total	-671,872	0	-274,490	-274,490
Adjust for:				
Carry Forwards	427,300	0	0	260,700
Final Position	-244,572			-13,790

7. The detailed position on each service is set out in [Appendix A](#). The main reasons for the variations for key council services are set out in the following paragraphs of this report.

THE KEY COUNCIL SERVICES

8. The Council has a number of services that would be considered as major or demand led services as they have a large impact on the council tax and any major variation in these budgets could lead to unacceptable rises in council tax. The details are shown in the following table:-

Service	Actual 2014/15 £	Budget 2015/16 £	Actual 2015/16 £	Variation £	
Income Budgets					
Local Land Charges	-184,697	-170,200	-266,749	-96,549	😊
Commercial Estates	-2,001,091	-1,841,100	-1,930,197	-89,097	😊
Housing Benefit Payments	-127,679	-77,300	-110,726	-33,426	😊
Interest On Balances	-710,760	-699,900	-703,260	-3,360	😊
Parking Services	-1,366,901	-1,286,900	-1,286,229	671	😐
Trade Waste	-104,842	-89,700	-49,043	40,657	😞
Expenditure Budgets					
Processing Applications	253,221	284,000	165,379	-118,621	😊
Homelessness	260,819	401,600	311,882	-89,718	😊
Local Tax Collection	762,387	851,300	856,907	5,607	😐
Street Cleansing	924,270	848,900	878,638	29,738	😞
Community Parks and Open Spaces	1,151,071	947,300	986,144	38,844	😞
Ferneham Hall	402,895	301,900	358,688	56,788	😞
Waste & Recycling Total	1,962,963	1,691,700	1,816,542	124,842	😞
Local Plan	998,997	1,022,000	1,165,883	143,883	😞

9. The main variations in the key services are detailed as follows:-

- (a) Local Land Charges is showing an underspend for the year due to an increase in income during the year as the demand for the service has increased.
- (b) Rents derived from Commercial Estates are more than anticipated mainly due to the Innovation Centre at Daedalus being filled more quickly. There has been an overspend on the use of consultants who have been working on major projects on the Daedalus site. This has been partially offset by a saving on premises costs.
- (c) Housing benefits payments are showing as £33,000 under the budget for the year. The amount paid out in benefits was less than anticipated but there was also more income than in the budget for grants received including a small amount due for prior year adjustments. There was also additional income from money owed due to overpaid benefits which was reduced by an increase in the bad debt position.
- (d) Parking Services is showing a very minor change against the budget for the







financial year. There was reduced income from users of the Council's car parks during the year against budget but this was offset by use of the Tesco bond. However, this is the last year that the bond will be utilised as the drop in income over the last few years has seen the bond used up more quickly than was anticipated. There has also been an increase in income from penalty charge notices particularly for on-street parking.

- (e) Trade Waste is showing an increase in the income budget for the year which is a result of taking on more customers during the year which has offset the increase in tipping charges although this increase is expected to continue. There has also been increased spend on vehicle repairs and additional employee costs including additional use of agency staff resulting in the overall picture showing the service to be overspent.
- (f) Processing of (planning) applications is showing a reduction against the budget mainly as a result of a large fee being received towards the end of the financial year. Other areas have shown an overspend in the use of consultants who have been working on specialist areas on major applications but this has been offset by vacant posts.
- (g) The Homelessness service is showing an underspend mainly as a result of increased income through leased properties although some of this has been offset by payment of additional rents. There was also a saving in the supplies & services budget due to a reduction in the bad debt provision.
- (h) Street Cleansing is showing an overspend for the year which is mainly due to increased spend on employee costs and an increase to the cost of repairing vehicles.
- (i) Community Parks and Open Spaces is showing an overspend mainly due to an increase in the number and cost of tree works that have been undertaken during the year.
- (j) Ferneham Hall has seen an increased spend on consultants for feasibility work undertaken with the Hampshire Cultural Trust. There were also additional promoter costs which have been partially offset by additional promotions income but there has been a drop in the hiring income.
- (k) Waste and Recycling Services is showing an overspend for the year which is mainly due to increased spend on employee budgets mainly due to increased agency costs, an increase to the cost of repairing vehicles and also there has been a drop in recycling income mainly due to the market value of recyclables which has been on the decline recently.
- (l) The Local Plan has seen additional costs on the use of consultants as the Welborne project enters the next phase of work. Much of the cost is funded from external money including Housing Planning Delivery Grant but this funding stream has now all been used up. There has also been additional spend for the regeneration work that will be continuing over the next few years.

THE COUNCIL'S FUNDAMENTAL PARTNERSHIPS

10. The table below shows the end of financial year performance relating to the Council's

element of each of the fundamental partnerships:-

Service	Actual 2014/15 £	Budget 2015/16 £	Actual 2015/16 £	Variation £	
Project Integra	20,461	23,000	20,438	-2,562	
Community Safety Partnership	135,845	259,300	215,010	-44,290	
Fareham & Gosport CCTV Partnership	154,769	126,000	101,171	-24,829	
Portchester Crematorium Joint Committee	-150,000	-125,000	-125,000	0	
Environmental Health Partnership	1,463,551	1,551,100	1,552,054	954	
Building Control Partnership	190,025	227,100	162,332	-64,768	

11. There are no particular causes for concern within the Council's fundamental partnerships with all showing an underspend or breakeven for the financial year.

OTHER BUDGETS

12. These budgets are used where spend or income cannot be shown against a specific service. Most are accounting entries that ensure that items such as depreciation or other capital charges do not have an impact on the council tax or where a service is provided and is funded from reserves.

PROVISION FOR EXPENDITURE FUNDED FROM 2015/16 UNDERSPENDINGS

13. A proportion of the savings in 2015/16 have accrued because it was not possible to complete certain expenditure programmes last year.
14. In order to minimise the financial burden of this work on the budget for the current year, it is proposed that an equivalent sum from the 2015/16 underspend is brought forward into 2016/17 to allow for their completion.

Description of Service	Cost £	Justification
Daedalus Communication Strategy	37,700	Branding, graphic design, advertising boards slipped into 2016/17
Community Grants	66,200	Slippage for projects into new financial year
Works to Other Land and Property	51,500	Slippage from planned work programme in respect of 42-44 West Street due to weather issues
Microfiche Planning Applications	50,000	Delay in transferring images from microfiche to computer imagery
Individual Electoral Registration	25,800	Funds received and not used in 2015/16 towards ongoing IER costs
Cemeteries	29,500	2015/16 underspend carried forward for path works being undertaken by building services
TOTAL CARRY FORWARDS	£260,700	

15. Taking account the carry forward proposals above this will result in a final underspend for the year of £13,790.
16. The Council faces a number of financial challenges over the next few years, and given the scale of these, it is proposed that the any unallocated underspend in 2015/16 is added to the General Fund balance pending the overall review of the Council's finance strategy later in the year.

HOUSING REVENUE AND REPAIRS ACCOUNT

Revenue

17. On 8 February 2016, the Executive considered the revised budgets for the Housing Revenue and Repairs Account (HRA). At this time, the estimated surplus for the HRA was £4,329,000 which would, after the planned transfers to reserves (to fund the building of homes and future debt repayment), have resulted in a balance that could be used to top up the HRA reserve.
18. However, the final figures for 2015/16, in the table below, show that actually the surplus wasn't sufficient to cover the planned transfers to reserves on its own and instead we needed to use some of the HRA reserve.

	Actual 2014/15 £'000	Revised Budget 2015/16 £'000	Actual 2015/16 £'000	Variation to Budget £'000
Income	-12,214	-12,314	-12,309	5
Management and financing costs	4,352	4,449	4,430	-19
Revenue Repairs Expenditure	2,889	2,922	3,938	1,016
Capital expenditure funded by revenue	1,515	614	1,029	415
HRA Surplus	-3,458	-4,329	-2,912	1,417
Planned transfers to reserves	3,506	3,988	4,075	87
Transfer to(-) or from(+) the HRA Reserve	48	-341	1,163	1,504

19. The HRA surplus was £2,912,000 against a revised budget of £4,329,000. The main reasons are summarised below:
 - a) Income from rents was £11,197,000 against a revised budget of £11,200,000.
 - b) The cost of maintaining HRA dwellings was £3,938,000 against a revised budget of £2,922,000. This is the first full year since the Housing Responsive Repairs service was brought in-house. The main reasons for the increase in costs are due to an increase in the demand for responsive repairs and the use of external contractors where works cannot be dealt with in-house.
 - c) The contribution from the HRA to fund capital expenditure was £1,029,000 against a revised budget of £614,000. The reason for this is due to an increase in the cost of capital improvements and the purchase of additional vehicles.

20. £4,075,000 was transferred to reserves against a revised budget of £3,988,000. The reason for this is due to a slightly higher depreciation charge which is transferred from the revenue account to the Major Repairs Reserve.

Capital

21. In addition to revenue contributions to capital expenditure, there is capital expenditure through the Capital Programme. The total spent on HRA capital expenditure was £6,986,000 against a revised budget of £10,355,000. The following is a summary of the expenditure including those unspent budgets which are requested to be carried forward:

Scheme	Revised Budget £'000	Actual £'000	Carry Forward £'000	Reason
Construction of New Accommodation				
Sylvan Court	3,375	1,533	1,842	Rescheduling of stage payments
Stevenson Court	1,431	976	455	Delay in works programme
Collingwood Court	782	909	0	
Allotment Road	956	895	0	
Total construction	6,544	4,313	2,297	
Improvement to Existing Stock				
Improvements completed	2,650	2,468	0	
Off Road Car Parking	50	0	50	Delay in works programme
Mobility Scooter Storage	20	0	20	Delay in works programme
Total Improvements	2,720	2,468	70	
Purchases				
Property Acquisitions	1,020	125	0	
Vehicles	40	49	0	
Garages	31	31	0	
Total Purchases	1,091	205	0	
TOTAL CAPITAL SPEND	10,355	6,986	2,367	

HRA Reserves

22. A summary of reserves held by the HRA at the end of the year is set out below.

Reserve	Purpose of Reserve	2014/15 Closing Balance £'000	2015/16 Transfers In £'000	2015/16 Transfers Out £'000	2015/16 Closing Balance £'000
HRA Reserve	To fund unexpected operating costs	4,871		-1,163	3,708
Repairs Reserve	To fund any exceptional demands upon expenditure	1,000	500		1,500
Major Repairs Reserve	To fund capital expenditure on HRA assets	82	1,408	-1,490	0

Reserve	Purpose of Reserve	2014/15 Closing Balance £'000	2015/16 Transfers In £'000	2015/16 Transfers Out £'000	2015/16 Closing Balance £'000
Capital Development Fund	To repay debt and/or fund new developments	6,136	2,164	-3,400	4,900
Leaseholder Reserve	To fund major repairs on blocks containing leasehold properties	200	3		203
Total Revenue Reserves		12,289	4,075	-6053	10,311
1:4:1 Receipts	To fund 30% of costs of new acquisitions	291	464	-38	717
TOTAL RESERVES		12,580	4,539	-6,091	11,028

RISK ASSESSMENT

23. An assessment of the risks and opportunities associated with this decision has been carried out and it is considered that there are no significant risks associated with this report.

CONCLUSION

24. This report outlines the financial position during 2015/16 for the General Fund and the Housing Revenue and Repairs Account.
25. The General Fund is showing a saving of £274,490 against the revised budget. Taking into account the proposed spending items to be funded from this underspend and the changes to financing the revenue budget, the contribution to the General Fund balance reduces to £13,790.
26. The combined balance on all Housing Revenue Account reserves is £11,028,000.
27. Members are asked to note the contents of the report and approve the carry forward balance and budgets in order that the agreed work can be completed in the current financial year.

Enquiries:

For further information on this report please contact Neil Wood. (Ext 4506)

APPENDIX A

ACTUAL REVENUE EXPENDITURE TO 31 MARCH 2016

	Actual 2014/15 £	Budget 2015/16 £	Actual 2015/16 £	Variation £
Planning Committee				
Processing Applications	249,465	284,000	165,379	-118,621
Planning Advice	270,106	229,200	234,031	4,831
Enforcement of Planning control	141,058	125,200	114,566	-10,634
Appeals	102,004	50,300	23,763	-26,537
	762,633	688,700	537,739	-150,961
Accounting Adjustments in service	7,364	0	47,266	47,266
	769,997	688,700	585,005	-103,695
Licensing & Regulatory Affairs Committee				
Hackney Carriage and Private Hire Vehicles	-9,791	5,300	-9,017	-14,317
Licensing	15,642	-10,700	-19,272	-8,572
Health and Safety	196,006	154,200	154,241	41
Election Services	273,150	412,900	251,622	-161,278
	475,008	561,700	377,575	-184,125
Accounting Adjustments in service	1,341	0	10,137	10,137
	476,349	561,700	387,712	-173,988
Leisure and Community	292,066			
Community Grants	37,110	427,200	365,527	-61,673
Community Development	146,802	260,000	181,970	-78,030
Outdoor Sport and Recreation	307,852	319,000	342,752	23,752
Countryside Management	161,710	153,200	137,330	-15,870
Ferneham Hall	277,087	301,900	358,688	56,788
Fareham Leisure Centre	-62,102	-117,100	-118,911	-1,811
Community Centres	56,684	143,100	172,895	29,795
Westbury Manor Museum	70,513	81,800	77,391	-4,409
	1,287,723	1,569,100	1,517,643	-51,457
Accounting Adjustments in service	-825,286	1,240,200	1,298,880	58,680
	462,437	2,809,300	2,816,523	7,223

	Actual 2014/15 £	Budget 2015/16 £	Actual 2015/16 £	Variation £
Health and Housing				
Housing Grants and Home Improvements	394,482	340,200	298,887	-41,313
Housing Options	70,029	82,400	74,609	-7,791
Homelessness	258,543	401,600	311,882	-89,718
Housing Advice	265,638	294,400	299,860	5,460
Housing Strategy	89,601	67,600	64,430	-3,170
Home Energy Conservation	18,329	22,600	16,311	-6,289
Registered Providers	54,154	65,000	44,476	-20,524
	<u>1,150,776</u>	<u>1,273,800</u>	<u>1,110,457</u>	<u>-163,343</u>
Accounting Adjustments in service	-504,381	24,400	72,235	47,835
	<u>646,395</u>	<u>1,298,200</u>	<u>1,182,692</u>	<u>-115,508</u>
Planning and Development				
Parking Strategy	-2,325,628	-2,258,300	-2,232,219	26,081
Flooding and Coastal Management	82,881	114,400	132,457	18,057
Public Transport	43,812	46,900	44,571	-2,329
Transportation Liaison	-39,471	-27,400	-18,769	8,631
Building Control	190,025	227,100	162,332	-64,768
Environmental Improvement Schemes	28,124	6,100	8,605	2,505
Tree Management	45,414	38,100	38,127	27
Sustainability	40,317	36,500	33,309	-3,191
Conservation & Listed Building Policy	47,933	28,500	34,790	6,290
Local Plan	998,997	1,022,000	1,165,883	143,883
	<u>-887,597</u>	<u>-766,100</u>	<u>-630,915</u>	<u>135,185</u>
Accounting Adjustments in service	42,498	35,800	-342,277	-378,077
	<u>-845,099</u>	<u>-730,300</u>	<u>-973,192</u>	<u>-242,892</u>

	Actual 2014/15 £	Budget 2015/16 £	Actual 2015/16 £	Variation £
Policy and Resources				
Housing Benefit Payments	-127,679	-77,300	-110,726	-33,426
Housing Benefit Administration	358,133	435,500	424,092	-11,408
Democratic Representation and Management	967,230	1,078,400	1,075,628	-2,772
Commercial Estates	-2,001,239	-1,841,100	-1,930,197	-89,097
Henry Cort	14,009	32,500	20,973	-11,527
Neighbourhood Working	119,023	99,800	102,700	2,900
Public Relations and Consultation	238,537	352,600	309,841	-42,759
Unapportionable Central Overheads	3	322,500	279,293	-43,207
Corporate Management	683,379	832,300	721,567	-110,733
Economic Development	220,749	96,900	103,024	6,124
Local Land Charges	-185,002	-170,200	-266,749	-96,549
Local Tax Collection	755,180	851,300	856,907	5,607
	1,042,323	2,013,200	1,586,353	-426,847
Accounting Adjustments in service	7,104,465	240,700	-768,857	-1,009,557
	8,146,788	2,253,900	817,496	-1,436,404
Public Protection				
Pest Control	47,744	54,300	58,062	3,762
Dog Control	24,540	22,400	25,065	2,665
Food Safety	164,583	141,100	143,977	2,877
Air Quality and Pollution	185,945	200,000	208,760	8,760
Community Safety	254,754	377,000	297,509	-79,491
Emergency Planning	47,386	58,300	50,152	-8,148
Clean Borough Enforcement	99,052	91,100	93,003	1,903
On-Street Parking	13,745	-800	-38,902	-38,102
Off-Street Parking	957,081	972,200	984,892	12,692
Traffic Management	52,302	46,500	38,163	-8,337
	1,847,132	1,962,100	1,860,683	-101,417
Accounting Adjustments in service	41,522	127,600	-78,012	-205,612
	1,888,654	2,089,700	1,782,671	-307,029

	Actual 2014/15 £	Budget 2015/16 £	Actual 2015/16 £	Variation £
Streetscene				
Cemeteries & Closed Churchyards	204,464	218,300	183,625	-34,675
Community Parks and Open Spaces	984,650	947,300	986,144	38,844
Allotments	29,387	22,600	23,961	1,361
Street Cleansing	849,749	848,900	878,638	29,738
Public Conveniences	163,015	174,200	180,274	6,074
Household Waste Collection	766,587	799,900	804,416	4,516
Trade Refuse	-106,665	-89,700	-49,043	40,657
Recycling	482,097	567,600	612,639	45,039
Garden Waste Collection	359,138	324,200	399,488	75,288
Street Furniture	89,283	62,600	61,930	-670
	<u>3,821,706</u>	<u>3,875,900</u>	<u>4,082,072</u>	<u>206,172</u>
Accounting Adjustments in service	87,321	564,900	262,940	-301,960
	<u>3,909,027</u>	<u>4,440,800</u>	<u>4,345,012</u>	<u>-95,788</u>
TOTAL - Before adjustments	9,499,704	11,178,400	10,441,606	-736,794
Total Adjustments	5,954,844	2,233,600	502,313	-1,731,287
TOTAL - After adjustments	<u>15,454,548</u>	<u>13,412,000</u>	<u>10,943,919</u>	<u>-2,468,081</u>