

ITEM 13

Revenue Outturn 2015/16

Report of the Economic Portfolio Holder

Recommended:

1. That the Council's Revenue outturn for 2015/16, as shown in Annex 1 to the report, be noted.
2. That the reasons for the budget variances, as shown in paragraph 3 of the report, be noted.
3. That the items shown in paragraph 3.12 of the report, totalling £101,000, be approved for carry forward into the 2016/17 revenue budget.
4. That the transfers to reserves, as identified in paragraph 4 of the report be approved.

SUMMARY:

- The Council's Revenue outturn for the year ended 31 March 2016 shows net General Fund expenditure of £8.183M (Annex 2 to the report).
- Following the completion of the revenue outturn work there is a positive variance to be allocated. Details of how this arose are discussed in more detail in section 3. The utilisation of the variance is considered in paragraph 4.

1 Introduction

- 1.1 The General Fund covers all areas of the Council's revenue activities. This report summarises the total revenue expenditure for Services in 2015/16 which is summarised in Annex 1.
- 1.2 The summary in Annex 1 includes notional charges applied to the revenue account in respect of capital financing transactions and transfers to the pension reserve. Annex 2 shows the same information as Annex 1 with these charges stripped out. Throughout this report any comparisons between budget and actual expenditure will refer to the figures contained in Annex 2.
- 1.3 Where there have been significant variances from the original estimate to the final outturn figures, these are explained in paragraph 3.
- 1.4 The information in this report forms the basis of the Comprehensive Income and Expenditure Statement in the Council's Annual Statement of Accounts which is due to be audited in the coming months by Ernst & Young.

2 Background

- 2.1 The original revenue estimates for 2015/16 were approved by Council in February 2015. This report shows how the final figures compare to those approved in the original estimates and explains the reasons for significant variances.
- 2.2 It is pleasing to report that the Council's Revenue outturn for 2015/16 shows a positive variance of £846,900 compared with the original estimate. This represents a 7.2% favourable variance on the Council's Net Cost of Services of £11.715M and details of the variance are explained in paragraph 3.
- 2.3 Annex 1 shows the full cost of Services which includes depreciation charges, charges to revenue for capital expenditure that does not generate new assets and notional adjustments in respect of the pension fund. Whilst it is important that these costs are known and included, they are also highly changeable and make comparisons with budgets very difficult.
- 2.4 Annex 2 strips out these charges to provide Councillors with a more understandable comparison of budget figures.

3 2015/16 Revenue Outturn

- 3.1 Annexes 1 and 2 show the revenue account outturn for 2015/16. They show a positive variance of £846,900 when compared with the original estimate.
- 3.2 The table below provides a summary of the main reasons for the variance with more detailed explanations in paragraphs 3.3 to 3.10:

	£'000
a) Vacancy management (see paragraph 3.3)	181
b) Diesel and energy (see paragraph 3.4)	127
c) Additional income (see paragraph 3.5)	422
d) Planning appeals and income (see paragraph 3.6)	(510)
e) Asset Management & Maintenance (see paragraph 3.7)	407
f) Benefits overpayment recovery (see paragraph 3.8)	129
g) Contingency provision (see paragraph 3.9)	247
h) Investment income (see paragraph 3.10)	160
i) Net other variances	(17)
j) Asset Management Reserve adjustment (see paragraph 3.7)	(299)
Total surplus	847

- 3.3 The vacancy management provision for 2015/16 was set at 3% of the gross salary budget equating to £385,000. The actual outturn has exceeded the provision by 1.4%, or £181,000. There have been recruitment challenges across the authority ranging from vehicle technician and HGV drivers to IT staff, with particular pressures on property related posts (planners, surveyors and lawyers).
- 3.4 Diesel and energy costs have remained depressed throughout the year, resulting in a saving of £127,000 within the Environmental and Estates Services.
- 3.5 Additional income has been received from a variety of sources:
- The Chantry Centre pays its rental accounts on a standardised instalment basis with an adjustment made at the end of the year to take account of voids. The revenue outturn currently includes the amount received in the year with no adjustment yet made. The accounts will be amended to reflect the final adjustment once it is received.
 - Car parking income including season tickets was £90,600 more than budgeted. A one-off VAT saving of £18,800 was obtained, and the extended closure of Lidl's car park is estimated to have produced an additional £12,000 in 2015/16. The major factor for additional season ticket income of £16,400 was staff and students at Andover College buying permits during the building works.
 - The Council received an unexpected one-off Government grant of £81,000 in respect of claims for fees for personal searches of the local land charges register, interest on those claims and legal costs.
- 3.6 In 2015/16 there was a significant increase in appeals against refusal of planning permission on major planning applications as applicants wished to challenge the Council's decisions in light of a shortfall in housing land supply and because the emerging Local Plan had not been adopted. The appeals were heard by way of Public Inquiry which required external consultants to act as expert witnesses to provide evidence. In addition legal representation was also required to lead the case on behalf of the Council. Unforeseen appeal costs of £395,100 were a direct result of these Public Inquiries. In addition, income from planning application fees also fell short of the target by £114,900.
- 3.7 A combination of slippage and savings on completed projects within the Asset Management Plan and unused reactive maintenance budgets has contributed £407,000 to the surplus. £299,000 of this will be retained in the Asset Management Reserve and will be available for projects in 2016/17.
- 3.8 Identification and recovery of Benefits overpayments was £129,000 more than estimated, but this is a relatively small variance on a £31.5M gross budget.

- 3.9 The majority of additional expenditure during the year was managed within existing resources with only £122,000 used from contingencies, leaving an unspent balance of £247,000.
- 3.10 Income received on the Council's cash balances was higher than forecast due to slippage in the Capital Programme and Asset Management Plan, Business Rates income exceeding expectations, and the receipt of additional government grants (eg. Small Business Rates Relief), leading to a favourable variance of £160,000.
- 3.11 Transactions through the General Fund in relation to Business rates income are difficult to predict and extremely volatile. In 2014/15, the Council had to cope with a deficit of £1.5M. In 2015/16, the Council has made a surplus and has to pay an immediate NDR Surplus Levy to Government of £1.5M. These transactions have been managed through the Collection Fund Equalisation Reserve, which after taking into account the receipt of Small Business Rate Relief and other Government Grants in 2015/16, has been reduced from a balance of £1.7M to £nil at the end of the year.
- 3.12 Four items have been identified where a budget was included in the 2015/16 estimate but was not spent by the end of the year. This budget is recommended to be carried forward into 2016/17 and is summarised in the table below.

	£'000
Planning application fee (approved by Cabinet on 25/11/15)	68
Business Improvement District feasibility study	14
Andover Vision	8
Purchase of 2 items of grounds maintenance equipment	11
Total	101

4 Transfer to / from Reserves

General Reserves

- 4.1 The recommended prudential minimum level for unallocated general reserves is £2M. This represents the Council's working balance to help cushion the impact of uneven cashflows and minimise unnecessary temporary borrowing.
- 4.2 The balance at the start of the year was £2M and this remains unchanged at 31 March 2016.

Earmarked Reserves

- 4.3 The amount available to allocate to earmarked reserves as a result of the surplus in 2015/16 is £846,900.

- 4.4 There are a large number of ways in which the Council could utilise this sum. It is considered that the most appropriate use is to split it three ways as detailed in the following table:

	£'000
Special Projects Reserve	178
Capacity Building Reserve	43
Asset Management Plan Reserve	626
Total transfer to Reserves	847

- 4.5 The Special Projects Reserve was established by Cabinet in June 2010 to provide funding for any new, one-off projects. Originally the reserve had £100,000 allocated to it. Taking into account known commitments, the balance is estimated to be fully depleted by 31 March 2017. A transfer of £178,000 will reflate the balance to £150,000.
- 4.6 The Capacity Building Reserve was established by Cabinet in October 2009 to explore and implement “spend to save” initiatives. Originally, this reserve had £250,000 allocated to it. Taking into account known commitments, the balance is estimated to be £57,000 by 31 March 2017. A transfer of £43,000 will reflate the balance to £100,000.
- 4.7 The Asset Management reserve is estimated to be £379,000 by 31 March 2017. The recommended transfer to reserves will increase the balance carried forward to £1M, which, when added to the annual budgeted contribution to the reserve of £1.1M, will leave a total of £2.1M to meet the costs of the 2017/18 programme of works.
- 4.8 If the amount available to allocate to earmarked reserves reduces when the final adjustment in respect of the Chantry Centre income is received, it is recommended that there is a compensatory reduction to the transfer to the Asset Management Plan Reserve.

5 Resource Implications

- 5.1 This report shows that the Council had a budget surplus in 2015/16 of £846,900. This amount will be transferred to reserves to be used in future years.
- 5.2 As discussed above the General Fund balance is to remain at £2M; a level which is prudent in the current economic climate.
- 5.3 Some of the variances that have been identified throughout this report have already been taken into account in setting the 2016/17 budget, others will be considered as part of the Corporate Challenge process for 2017/18 to determine whether there are any on-going savings, or additional income that could help reduce the Council’s budget gap.

6 Risk Management

- 6.1 An evaluation of the risks associated with the matters in this report indicate that further risk assessment is not needed because the issues covered do not represent significant risks.

7 Equality Issues

- 7.1 An EQIA screening has been completed in accordance with the Council's EQIA methodology and no potential for unlawful discrimination and/or low level or minor negative impact have been identified, therefore a full EQIA has not been carried out.

8 Conclusion and reasons for recommendation

- 8.1 This report shows that actual net General Fund expenditure in 2015/16 was £846,900 less than the Original Estimate and explains the significant causes of this variance. The report recommends that the variance is transferred to the special projects reserve to fund future one-off projects, the capacity building reserve to fund future initiatives and the asset management reserve for future maintenance and replacement of Council assets.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	2	File Ref:	
(Portfolio: Economic) Councillor Giddings			
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