

Report to Accounts, Audit and Governance Committee

Date of meeting 28th June 2016

By the Head of Finance

INFORMATION REPORT

Not exempt



Horsham
District
Council

Outturn report for 2015/16

Executive Summary

This report summarises the Council's financial performance for 2015/16.

The Council achieved a £0.758m surplus in 2015/16 after allowing for budgets that will be carried forward to 2016/17 to cover essential expenditure which has been unavoidably delayed. The surplus is a combination of income in excess of budget and also efficiencies and net underspends during the year.

Capital expenditure amounted to £7.4m (£5.2m in 2014/15) for the period, which was only 25% of the £29.9m approved budget for the year.

Recommendations

Members are recommended to note:

- i) the financial position of the Council as outlined in the report.
- ii) the revenue budgets carried forwards as approved by the Director of Corporate Resources, as outlined in the report.
- iii) the transfers between the general reserves and the earmarked reserves as outlined in the report.
- iv) the transfer of £0.5m from the General Fund reserve to an earmarked transformation reserve.

Reasons for Recommendations

- i-iii) Monitoring of the Council's budget is essential, so that action can be taken to safeguard the Council's financial position if required.
- iv) To set up an earmarked transformation reserve for projects that will help transform the Council in the future; being effectively funded from the 2015/16 budget surplus.

Consultation: SLT

Wards affected: All

Contact: Gillian Bloomfield ext. 5450

Background Papers: Report to Cabinet on the 29th of January 2015 on the Budget 2015/16 and the Medium Term Financial Strategy.

Appendix A – Revenue summary of outturn

Appendix B – Revenue budget carried forward into 2016/17

Appendix C – Unaudited balance sheet at 31 March 2016

Appendix D – Capital programme outturn

Appendix E – Movement between GF and ear-marked reserves

Background Information

1. Introduction

- 1.1 This report analyses the actual budget outturn for the year ended 31 March 2016 and compares it with the original budget approved by the Council in February 2015. The report covers outturn against the revenue budget and capital budget. The report also covers the movement in the Council's reserves and budgets to be carried forward into the next financial year.

2. Background

- 2.1 The Council set its 2015/16 net operating budget in February 2015 at £13.0m and a capital budget of £29.9m which included £7.2m of unspent budgets carried forward from 2014/15.
- 2.2 The Council reports on the projected outturn against budget during the course of the financial year to Cabinet, Council and the Finance and Performance Working Group. The last report, at Quarter 3 was to the Finance and Performance Working Group on 17th February 2016.

3. Financial Performance

Revenue

- 3.1 The Council achieved income in excess of budget and also made efficiencies in the year, resulting in a £0.76m surplus at year-end. This has led to an increase in the Council's revenue reserves.
- 3.2 The revenue position on a service by service basis can be found in Appendix A. Income exceeded budget and ended £2.2m higher than budget at year-end. Despite some areas where income was lower than budgeted such as the rent reduction at Rookwood, key income areas performed well and income from planning fees and green waste for example ended well ahead of budgeted levels. Parking income also withstood the impact of the John Lewis / Waitrose car-park and was higher than budgeted for, albeit the budget had been reduced in anticipation of this effect. Our estimate of the Housing Benefit subsidy budget for 2015/16 was based a mid-year estimate of 2014/15 outturn at the point we set the budget which has also contributed to income being higher than budget, although this nets out as the expenditure budget was similarly under-estimated.
- 3.3 Efficiencies were generated by both officers and circumstances. Contributions to the surplus include £46k savings from the planned decommissioning of the reprographics department, a £35k reduction in Bed and Breakfast placements and £170k fuel cost savings due to the relative fall in the price of fuel since the budget was set.
- 3.4 Expenditure was monitored throughout the year and officers took prompt action to mitigate and reduce overspends where possible. The year-end surplus included some areas of overspend such as for example on vehicle repairs and parts £34k, and legacy repairs of the leisure centres £60k. Some costs such as those on higher consultancy costs for specific plans and to cover vacancies in planning and development of £420k were mitigated somewhat by higher planning fees income. Cumulative appeal costs paid in the year totalled £253k of which £59k were costs of appeals and £194k were adverse costs awarded.

- 3.5 In addition unspent revenue budgets totalling £390k, intended for projects in 2015/16, have been carried forward to 2016/17 under FR25 of the Constitution. Details of the carried forward budgets are shown in Appendix B.

Capital

- 3.6 The unaudited¹ balance sheet, provided at Appendix C, sets out a net asset position of £127m at 31 March 2016 (£111m at 31 March 2015). The main movements between the two years relate to a £5m increase in current assets (£10m short term investments less the £5m reduction of cash and cash equivalents) and a reduction in the pension liability of £11.5m due to the value of assets increasing and also reflecting an increase in the net discount rate during the year.
- 3.7 Expenditure on capital amounted to £7.4m. The detailed capital programme is provided at Appendix D. This compares to £5.2m spent in 2014/15. However, it is only 25% of the £29.9m full year planned capital programme which included unspent budgets of £7.2m from 2014/15. Schemes did not progress as far as expected in this financial year. In total, £22.5m will be re-profiled into 2016/17 and future years.
- 3.8 The significant schemes re-profiled into future years have been previously reported during the year and relate to the Hop Oast depot redevelopment £4.5m, Broadbridge Heath Leisure centre £12.3m, the building of temporary accommodation at the Bishopric £2.9m, the £7m loan for a third party housing association, not yet finding suitable assets in which to invest the remainder of the £5m commercial property investment fund and the postponement of some of the £1.4m vehicle replacements whilst a vehicle review was being carried out.

4. Reserves

- 4.1 The Council holds a number of ear marked reserves which may be used in year to fund associated expenditure. Where grants and contributions are received in year but not spent the unused portion may be transferred to ear marked reserves for use in future years. The Council can also chose to move funds from the general fund reserve to ear marked reserves to cover future costs.
- 4.2 The movements between the general fund and ear marked reserves are given in **Appendix E**. The level of general fund reserves at 31 March 2016 stood at £9.1m and earmarked reserves at £8.2m. The usable reserves total of £17.3m at 31 March 2016 compares to £16.2m at 31 March 2015.
- 4.3 The Council is currently forecasting budget deficits from 2017/18 through to 2019/20. A range of actions are being considered and, where appropriate, implemented to help reduce these future deficit forecasts, including further income generation, efficiency measures and commissioning. Closing these gaps completely though will require further investment in transformational projects.
- 4.4 The next phase of this transformation will focus on how we ensure that services are designed to meet customer's needs and done in the most efficient way. Projects to facilitate transformation include areas such as ICT to help unlock further digital change and enhancing the website to improve customer self-service, and

¹ Note that the balance sheet and outturn figures remain draft as the finance team finalises their work on closing the accounts for the year. The figures are yet to be audited by the external auditor.

potentially, investment under the wider “Future Horsham” business transformation project.

- 4.5 £0.5m will be transferred from the General Fund reserve balance to an earmarked transformation reserve for this purpose during 2016/17. This will help to set aside a balance to help transform the Council in the future; effectively being funded using the budget surplus from 2015/16. Expenditure from this transformation reserve will follow the normal financial authorisation and budget process procedures.
- 4.6 This ‘policy’ would be revisited each year should a surplus be made in future years.

5. Outcome of consultations

- 5.1 SLT have considered the review of Financial Monitoring for 2015/16.

6. Other courses of action considered but rejected

- 6.1 Not appropriate; Council needs to be seen to effectively monitor its performance.

7. Staffing consequences

- 7.1 There are no staffing consequences associated with this report.

8. Financial consequences

- 8.1 There are no direct financial consequences as a result of this report

Appendix 1

Consequences of the Proposed Action

What are the risks associated with the proposal? Risk Assessment attached Yes/No	None
How will the proposal help to reduce Crime and Disorder?	Managing finance and performance will help identify areas where the Council can provide better crime and disorder reduction initiatives
How will the proposal help to promote Human Rights?	Managing finance and performance will help identify areas where the Council can promote Human rights initiatives
What is the impact of the proposal on Equality and Diversity? Equalities Impact Assessment attached Yes/No/Not relevant	Service and performance improvements will ensure that our work reaches out to more local residents and meet the requirements as set out by the Equality Act 2010. No Equality Impact Assessment (EIAs) required at this level (EIAs will be carried out at more strategic opportunity)
How will the proposal help to promote Sustainability?	Performance against sustainability issues are reviewed regularly through Performance Management Working Group

Statutory and Policy Background

Statutory Background	'Best value' (Local Government Act 1999) is the statutory basis on which councils plan, review and manage their performance in order to meet the needs and expectations of their citizens who use their services. The aim is to deliver continuous improvement in all their services. The principles involve local accountability, breaking departmental and organisational boundaries, partnership, performance measurement and management, comparability and continuous improvement
Relevant Government policy	Duty of Best Value. 'Taking the Lead' and 'Sector Led Improvement'. The LGA is to maintain an overview of the performance of the sector in order to identify potential performance challenges and opportunities
Relevant Council policy	The Performance Management Framework, 'Performing to Win', supports how we will achieve this.