

NON EXEMPT

HAVANT BOROUGH COUNCIL

CABINET

7 October 2015

Financial Outturn Report 2014-15 Report by Simon Little, Service Manager (Finance)

FOR DECISION

Portfolio and Cabinet Lead: Leader and Finance – Cllr Mike Cheshire

1.0 Purpose of Report

- 1.1 This report is to brief Cabinet of the provisional outturn position for the 2014-15 financial year.

2.0 Recommendation

- 2.1 That Cabinet note the outturn position.
- 2.2 That the surplus be committed to fund transformational projects in 2015/16 and beyond.

3.0 Summary

- 3.1 The revenue outturn position is a favourable variance of £12,000. This amounts to a surplus of £553,000 against a budgeted surplus of £541,000. The Council's tax and grant income exceeded expenditure plans in 2014/15 and consequently, a budget surplus was approved. This surplus will provide funding for future organisation change and to manage spending reductions in line with significant reductions in funding expected in future years.
- 3.2 Service costs across the clusters currently show a favourable variance of £1.5m. This includes Community Infrastructure Levy income of £861,000, which has been transferred to the Balance Sheet. The remaining favourable variance is partially offset by levy payment and movements in Section 31 grant on business rates, as outlined in section 4.1.1.

4.0 Subject of Report

- 4.1 The main variances to budget can be categorised as follows :

Retained Business Rates

- 4.1.1 Performance to date on Business Rates retention¹ is shown in Appendix D. The income to Havant Borough Council in 2014/15 was £1.742m,

¹ The Business Rates Retention scheme allows the Council to retain a share of the business rates it collects. The income due to Havant Borough Council is set at the beginning of the year and is subject to a tariff. The tariff is paid

equivalent to 5.9% of business rates collected. For 2014/15, the overall surplus on the collection fund is £2.257m, in line with Q3 forecast.

- 4.1.2 Havant Borough Council's share of the collection fund surplus is 40%, or £902,000. £880,000 will be redistributed in 2015/16 as per the budget estimates, and the remaining £22,000 will be redistributed in 2016/17.
- 4.1.3 The business rates income share and tariff for 2014/15 revenue outturn are both fixed, but the levy and section 31 grant received must be accounted for in the year to which they relate, and will vary from budget depending on the performance of the collection fund.²
- 4.1.4 As the reduction in appeals provision is significantly higher than anticipated at Q3, the levy payment is accordingly higher than forecast at £619,000. The variance is taken to the general fund and offset by the redistribution of surplus in 2015/16.
- 4.1.5 The Council is receiving compensation grant of £615,000 for the extension to the Small Business Rates Relief scheme, the 2% cap on Business Rate increases, and empty property reliefs, all measures included in the Chancellor's Autumn Statement.

Income Streams

- 4.1.6 Planning & Built Environment – The Council was in receipt of £861,000 in respect of Community Infrastructure Levy in 2014/15. The largest contributions are £404,000 for the development site west of Glebe Park Avenue, Portsdown Hill, and £195,000 in respect of Havant Retail Park. CIL contributions will be used to support infrastructure projects in future years and therefore have been transferred to usable reserves until the cash is required.
- 4.1.7 Planning & Built Environment – Building Control, Land Charges and Development Management have all experienced increased demand for services, and fee income is £105,000 higher than originally budgeted. The greater number of applications is related to higher than expected housing market activity.
- 4.1.8 Economy & Communities – Resurfacing works at various car parks have resulted in closures, reducing metered income. Also, the introduction of revised parking charges has resulted in a small reduction in demand. These factors combine to an adverse variance of £40,000.
- 4.1.9 Environment & Neighbourhood Quality – Income from Materials Recovery Facilities is less than budgeted, contributing to an adverse variance of £47,000 in Domestic Refuse and Recycling. This is due to an external waste recovery company used by Havant Borough Council via Hampshire

to government and is used to create a national safety net to ensure authorities do not receive less than a baseline income. Business rates income above a certain baseline will be subject to a levy of 50p per pound. If business rates income exceeds expectation, the surplus is redistributed in the following financial year.

² The Government has introduced a number of reliefs to businesses to encourage economic growth. These measures have a detrimental effect on the Council's Business Rates income. Section 31 grant is being paid to the Council to compensate for the reduction in Business Rates income.

County Council going into administration and income due to be received from them subsequently not materialising.

4.1.10 Environment & Neighbourhood Quality – There is a £31,000 favourable variance for cemeteries mainly due to additional memorial income that was not built into the original 2014/15 budget. This has now been rectified for the 2015/16 budget.

4.1.11 Governance & Logistics – Facilities - extra income was received from the hire of meeting rooms at the Civic Offices, mainly by Hampshire County Council, which amounted to a favourable variance of £44,000.

Expenditure Variances

4.1.12 Across all clusters, staffing budgets were £259,000 underspent. This was due to ongoing organisational change, including resource reviews and restructuring across the authority, and savings generated from normal staff turnover.

4.1.13 Environment & Neighbourhood Quality - There has been an upgrade of cleaning vehicles with the fitting of reversing sensors and on board weighing systems during the year. The upgrade was to enable vehicles to comply with the T1 Safety & Street Works code of practice, which fulfil the legal requirements to sign, light and guard works. This has contributed towards an adverse variance of £61,000 for Street Cleaning & Grounds Maintenance.

4.1.14 Governance & Logistics – Approval was given from the Joint Executive Board to appoint specialist temporary staff to cover vacancies and long term sickness in the Transactional and Corporate Finance teams. There has also been staff recruitment costs incurred. This has led to an adverse variance of £187,000.

4.1.15 Governance & Logistics – Legal – proactive use of cheaper sources of information has reduced the amount of consultancy work required. There has also been a reduction in caseload. These factors have created a favourable variance of £90,000. The budget for 2015/16 has been reduced to reflect this.

4.1.16 Governance & Logistics – Revenues & Benefits Contract Management – There has been a reduction in contract fee following transfer of fraud staff to DWP in October 2014. In addition the RPI uplift was lower than budgeted, leading to a favourable variance of £156,000

4.1.17 Governance & Logistics – Facilities expenditure relating to repairs and maintenance at the Civic offices has been less than originally budgeted which has resulted in a favourable variance of £47,000.

4.2 The capital budget for 2014-15 is shown in Appendix B. The main variations in the capital programme are:

4.2.1 *Investment Property purchases*: The Council committed to buy two investment properties in late 2013/14. These properties completed in early 2014/15 at a cost of £1.2m. The cash to purchase these properties was set aside in the Asset Acquisition Reserve. The annual net rental income of these properties is £78,280 per annum, equating to 6.5% of purchase price.

4.2.2 *Disabled Facilities Grants*: Expenditure on Disabled Facilities grants is demand led and therefore difficult to accurately predict. However the outturn is £886,000, against an original budget of £1.1m. Central Government grant funding for this expenditure was £621,000, with the remaining £265,000 funded by Havant Borough Council.

4.2.3 *Operational Land & Buildings*: Expenditure on operational land and buildings relates entirely to externally funded works on projects.

4.3 To pay for the cost of providing services the Council uses both in year income and funding via the General Fund and specific reserves. Reserves are also used to fund capital expenditure. Analysis of the movement in reserves is included in Appendix C.

5.0 Treasury Management

5.1 Overall interest earnings had an adverse variance of £13,000 at the year end. This is primarily because the interest payable figure has been adjusted to reflect the Plaza loan being amortised over 25 years rather than the cash repayments over 30 years.³

5.2 Interest rates are not expected to increase in the short term. This is partly due to the Bank of England's Funding for Lending scheme, which has increased the availability of cash to banks and building societies and thus reducing the rates available down compared to previous years. Additionally, inflation has remained low throughout 2014/15, reducing the pressure on the Bank of England to increase the base rate.

5.3 All treasury activity is conducted according to the Treasury Management Strategy set in February 2014 and limits defined in the Prudential Indicators section of that report. A review has been conducted, and no activity has taken place contrary to the strategy and no limits have been exceeded.

6.0 Carry forwards taken into 2015-16

6.1 **Major Buildings Repairs** – A budget carry forward of £101,000 into the 2015/16 financial year was approved as part of the Q3 forecast process. The breakdown of the carry forward budget requirement is as follows :

- £45,000 - Leisure centre works
- £14,000 - External consultants to deliver projects
- £42,000 – Smaller works part of planned maintenance programme

³ The Council's loan is accounted for over 25 years to align to the occupancy agreement with Hampshire County Council, and their contribution to the Plaza refurbishment. The loan is being repaid to the PWLB over 30 years and therefore an adjustment between the cash basis and accounting basis has been included in the outturn.

7.0 Implications

7.1 **Resources:** All resource implications are highlighted in the main body of the report.

7.2 **Legal:** N/A

7.3 **Strategy:** The outturn shows our performance against the budget, which provides the financial framework for delivering the corporate strategy.

7.4 **Risks:** N/A

7.5 **Communications:** N/A

7.6 **For the Community:** N/A

7.7 **The Integrated Impact Assessment (IIA) has been completed and concluded the following: None**

8.0 **Consultation** Joint Executive Board have been consulted.

Appendices:

Appendix A – Summary to outturn analysed by type of expenditure and by Cluster

Appendix B – Capital outturn 2014/15

Appendix C – Analysis of reserve balances Q3 2014/15

Appendix D – Retained Business Rates Analysis

Agreed and signed off by:

Legal Services: Shirley Shaw (18/6/15)

Executive Head of Governance & Logistics: Jane Eaton 16/6/15

Relevant Executive Head: Jane Eaton (16/6/15)

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