

Agenda Item No: 6

Report To: **Cabinet**

Date: 9th June 2016

Report Title: Financial Outturn 2015/16

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Portfolio Holder Cllr Shorter - Portfolio Holder for Finance & Budget, Resource Management and Procurement



Summary:

This report presents the outturn revenue position for the General Fund and the Housing Revenue Account.

It also presents the Capital Outturn for the authority and how capital works have been financed.

In February, Cabinet received the forecast based on the third quarter's position when it was reported that the General Fund outturn would be within budget with quarter three reporting a predicted outturn of £52,000 below budget. The actual outturn position is almost a balanced position reporting a small overspend of £27,000.

The Housing Revenue Account has resulted in a surplus of £2,143,000 against a budgeted deficit of £370,000. The reason for this variance is detailed in the report.

Key Decision: No

Affected Wards: All

Recommendations:

- 1. Note the financial outturn for 2015/16**
- 2. Approve transfers to and from earmarked and general reserves, paragraphs 22-25**
- 3. Approve carried forward New Homes Bonus in-year underspends.**

Policy Overview: Upholding a strong focus on managing the Council's resources in line with the Council's Corporate Plan and the Medium Term Financial Plan is a top priority for the Council. This is exercised through our regular monitoring procedures and the responsibilities that managers have for the stewardship of budgets.

Financial Implications: The General Fund outturn was £27,000 over budget for the financial year 2015/16. It is proposed that this is funded by General Fund reserves.

The Housing Revenue Account produced a surplus of

£2,143,000, it is proposed this is transferred to reserves to fund future capital commitments.

Various transfers to and from reserves reflect the approved 2015/16 budget strategy and statutory requirements. The level of earmarked reserves (which includes developer contributions) at 31 March 2016 was an increase of £213,000 compared to the start of the year.

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Report Title: 2015/16 Outturn Report

Purpose of the Report

1. Following the closure of the 2015/16 service accounts this report provides Members with the outturn results for the General Fund (GF) and the Housing Revenue Account (HRA) for 2015/16. It also covers General Fund outturn of capital spending.
2. The statutory deadline for closing and the Section 151 Officer (Head of Finance) signing off the accounts for presentation to our external auditors is the end of June, however the Council has agreed to bring forward this deadline to the end of May. The Audited accounts will be presented to the July (previously September) Audit Committee for approval and adoption on behalf of the Council. This effectively shortens the year end process by 2 full months. At the time of writing this report a complete set of accounts have been sent to the Auditors so set to meet the target overall.

Issue to be Decided

3. Members are being asked to note the outturn results, approve the recommendations for movements to and from reserves, and to note the Focus 2013-15, New Homes Bonus, capital outturn and the financing for capital spending during 2015/16.

2015/16 General Fund Outturn Position

4. Overall the final outturn position is £27,000 over the current approved budget, therefore an almost balanced position which reflects a number of positive achievements during the year. There are however a number of service movements within the overall outturn, the most significant of which are explained below.
 - a. There have been a number of unspent New Homes Bonus budgets that have been carried forward to 2016/17, see paragraphs 7-9 and **Appendix B**.
 - b. Major planning application income outperformed budget this year, however, there has been increased expenditure on Counsel Fees due to Local Plan preparations and appeals.
 - c. Parking income outperformed budget. The 2016/17 budget does not reflect this increase due the Commercial Quarter development, with this increase negating some of the reduction in income levels expected.
 - d. There has been a transfer to reserves for the future Edinburgh Road car park lift renewal, the lifts are coming to the end of their useful life, and are regularly breaking down, it is therefore expected that replacement is likely over the next couple of years.
 - e. The provision for bad debts for Housing Benefits overpayments has been reduced following analysis of the aged debt profile and the actual level of recovery of debt resulting in an underspend.

- f. Civic Centre works to the 2nd floor has caused an over spend to the 2015/16 budget, however this spend is to secure the tenant, Chapel Down, from 2016/17 which will generate income in future years.
- g. Consultancy for the new Grounds Maintenance in-house service has been included in the service expenditure this year which will facilitate the in-house service becoming operational from October 2016.
- h. Following the purchase of Park Mall and Wilko's it was approved (Cabinet, September 2015) to transfer unbudgeted income to the Repairs and Renewals reserve to fund future maintenance commitments. This resulted in a transfer of £270,000 to reserves.

Table 1 – General Fund Budget Outturn

Service	Current Net Budget 2015/16	Outturn 2015/16	Variance
	A £'000	B £'000	(B-A) £'000
Corporate, Strategy & Personnel	1,799	1,648	(151)
Culture & the Environment	3,888	4,133	245
Finance	2,179	1,906	(273)
Communications & Technology	316	427	111
Legal & Democratic	1,302	1,365	63
Planning & Development	1,938	2,049	111
Corporate Property & Projects	(991)	(934)	57
Housing Services	881	782	(99)
Environmental & Customer Services	3,580	3,406	(174)
Health, Parking & Community Safety	871	690	(181)
Recharge Adjustment	0	(82)	(82)
Net Service Expenditure	15,763	15,390	(373)
Capital Charges and net interest	(2,106)	(2,779)	(673)
Capital Financing	0	728	728
Levies, Grants and Precepts	281	281	0
Contribution to reserves	622	1,355	733
Budget Requirement	14,560	14,975	415
Financing:			
Revenue Support Grant	(2,107)	(2,115)	(8)
N.N.D.R.	(2,628)	(2,527)	101
NNDR S31 Grant	(554)	(934)	(380)
Council Tax	(6,163)	(6,263)	(100)
CTS Payment For Parish Council	42	41	(1)
New Homes Bonus	(3,150)	(3,150)	0
	0	27	27

Vacancy Management

- 5. The General Fund budget includes a number of savings targets, to be delivered by managing vacancies, the original forecast saving was £108,130, during 2015/16 savings of £132,190 were achieved.

Focus 2013-2015 Corporate Plan Update

6. At the October 2013 Cabinet, Members approved to deploy £1,000,000 of reserves over a three year period to support the delivery of the Corporate Plan with a further £360,000 invested in ICT infrastructure. A summary of the expenditure incurred to date and the remaining amounts to be carried forward into 2016/17 are detailed in **Appendix A**.

New Homes Bonus

7. New Homes Bonus was introduced in April 2011 and the calculation of this grant is based on housing growth within the Borough. An amount is paid per additional dwelling; originally this payment was to continue for a six year period, although this is likely to be reduced to 4 years and is currently being considered by Government, following consultation. 50% of this funding is used to fund the Council's base revenue budget; the remaining amount is used to fund business plan projects in accordance with corporate priorities.
8. Appendix B is a summary of New Homes Bonus with recommended carry forward budgets into 2016/17. During the year there has been expenditure on a number of areas including:
 - a. T-CAT, working to enhance the aesthetics of the Town Centre and surrounding areas
 - b. Town Management Team, working to regenerate the town including the development of the Love Ashford website
9. The allocation of New Homes Bonus has been allocated following bids made to Management Team, however, with the exception of existing commitments future allocations will be more closely linked to the new Corporate Plan and awarded as projects are identified thus creating a more flexible funding source.

Collection Fund Outturn

10. The Collection Fund is the statutory mechanism by which income gathered by a billing authority (in this case, Ashford Borough Council) from Council Tax and Business Rates is distributed to Government and precepting authorities (KCC, Fire, Police and Parishes).
11. Overall the collection rates for both Council Tax and Business Rates have been high and this signals the underlying strength of the economy of the Borough.

Council Tax

12. The year end position for Council Tax shows a surplus of £1,172,000; this surplus will be divided between the major precepting authorities, with the Councils share being 12%. This surplus is partly as a result of an increase in new properties, compared to the estimate, and partly because the amount paid out in Council Tax Support is lower than anticipated.
13. The in year collection rates were 98.34% for 2015/16.

Business Rates

14. Business Rate income is lower than anticipated, resulting in an overall deficit of £2,860,000.

15. Net income from ratepayers is £2,038,000 less than forecast, this is largely due to successful appeals by ratepayers to decrease their rateable values, and this is much higher than originally anticipated due to Government's commitment to clear the appeals backlog.
16. The decrease in income is partially offset by a reduction in the Council's appeals provision, which has been set £600,000 lower than in previous years, as the Government have restricted how far back an appellant can claim, therefore reducing the liability on the Collection Fund.
17. The in year collection rates were 99.49% for 2015/16.
18. The table below shows the current Business Rates forecast position:

Table 2 – Business Rates Forecast

	Original Budget	Outturn	Variance
	£'000	£'000	£'000
Income from NNDR less discounts and exemptions	(47,725)	(45,687)	2,038
Contribution towards previous year (deficit)/surplus	46,528	46,528	0
Payments to Precepting authorities	(590)	(590)	0
Provision for bad debts and appeals	(1,015)	(338)	677
Other amounts payable	182	699	517
	(2,620)	612	3,232
Opening Deficit on the Collection Fund		2,248	
Closing Deficit on the Collection Fund (to be recovered from future years surpluses)		2,860	

19. During 2015/16 the Council joined the Kent Business Rates Pool, the benefit of the Pool is that the levy paid to Government is significantly lower (£7,000) than if we had acted individually (£330,000), resulting in a net benefit of £323,000. Under the pooling agreement Ashford Borough Council retains 30% (£97,000) of this benefit, a further 30% goes to Kent County Council, 30% is put into a 'Growth Fund' for Economic Development within Ashford, with the remaining 10% (£525,000) being used as a Safety Net Reserve to mitigate risk.
20. One consequence of being in the Pool is that any member authority in 'Safety Net'; i.e. their retained business rates income received was less than the Safety Net Threshold, as an individual authority this difference would be paid by Government; however as a pool member the loss is paid by the pool. In 2015/16 Tonbridge and Malling were in a Safety Net position, which resulted in a Pool payment of £461,000 to Tonbridge and Malling, this was paid out of the Safety Net Reserve, leaving a balance in the reserve of £64,000, which is retained by the Pool.

Transfers to/from Reserves

21. Earmarked reserves are balances held for specific purposes, at the end of the year transfers are made to and from earmarked reserves, transfers this year included:
 - a. The New Initiatives Reserve has been used to purchase major acquisition during the year including Park Mall and Wilko's.
 - b. Transfers to New Homes Bonus reserve, the reserve is used to fund future expenditure including the projects listed in Appendix B.
 - c. Transfers to the Business Rate reserve will cushion the Council's General Fund for future fluctuations in Business Rate income.
22. During the budget setting process for 2016/17 it was approved that the minimum requirement of General Fund Reserves (non-earmarked) should increase from 7% of net budget requirement to 15% (Cabinet held on 11 February 2016, agenda item 7).
23. The current General Fund Reserve balance in £1.9m however the policy requires them to be a minimum of £2.3m.
24. It is therefore recommended that Cabinet approves the following earmarked reserves to be transferred to the General Fund reserve:
 - a. Elections reserve currently stands at £260,000. Future commitments are £60,000, along with future annual transfers of £60,000 to the reserve. It is therefore proposed **£200,000** is transferred.
 - b. Insurance reserve **£215,000**, held for risk which the 15% now takes account of.
25. These two transfers will ensure the current policy is met.

Table 3: Summary of Earmarked Reserves

	Balance at 31st March 2015 £'000	2015/16 Transfers £'000	Balance at 31st March 2016 £'000
Fund future expenditure	(5,931)	(1,278)	(7,209)
Provide for purchase/maintenance of assets	(3,950)	2,755	(1,195)
Required by statute reserves	(223)	(75)	(298)
Developer Section 106 contributions	(5,500)	(1,615)	(7,115)
Earmarked Reserves	(15,604)	(213)	(15,817)

Income Generation

26. As part of the Council's financial strategy a borrowing and acquisitions policy was introduced to identify areas where assets could be purchased that would generate income to support the budget. The financial plan has a target to achieve £750,000 income per annum by 2019/20.
27. The section below updates members on the progress that has been made to date.

International House Outturn

28. International House was acquired in April 2014. The Council achieved its planned refurbishment of the first floor, reconfiguring the space to achieve an additional £60,000 per annum rental income in 2015/16.
29. The outturn for International House for 2015/16 was a net surplus of £720,000, before financing costs. Financing costs for International House amounted to £155,000 for 2015/16, however these could increase for next year if external borrowing was taken out during the financial year 2016/17.
30. After financing costs the net surplus for International House was a surplus of £565,000.

Park Mall

31. In 2015/16 the Council acquired the head lease on Park Mall shopping centre. The property was acquired as part of a long term strategy for the redevelopment of this part of the town centre. The Council's strategy has been successful in stabilising the decline in this part of the town centre, with Park Mall reaching a breakeven point in 2015/16. Footfall figures for the centre show a 7% increase like for like, which is markedly higher than other similar towns in Kent.
32. The project has generated national media interest which has praised the Council for its progressive and innovative approach to the national issue of the decline of high street shopping. This commitment to economic regeneration has allowed several small businesses to test the market with their products by offering incubator space on flexible licences and at realistic rents.

Wilko

33. In 2015/16 the Council also acquired the long term lease for Wilko's retail unit, adjacent to Park Mall shopping centre. This was acquired to support the overall strategy for redevelopment of the area. In 2015/16 a net surplus of £254,000 was generated. As a result of the increased footfall in this area, this retailer is reporting 600 additional paying customers per week. This is a significant number of customers which undoubtedly will be having a positive impact on the wider town centre high street retailers.

2015/16 Housing Revenue Outturn Position

34. The outturn on the HRA is £2,143,000, this is an underspend of £2,513,000, compared to the current budget. This variance is the result of:
35. Income is £342,000 more than forecast, this is as a result of a reduction in void properties and improved collection rates which also helped reduce the bad debt provision by £278,000.
36. Repairs and maintenance have experienced savings of £275,000, on various underspends
37. New build rent income is £90,000 higher than anticipated, largely due to Farrow Court being completed earlier than anticipated. The Oak Tree Road insurance claim was successful, resulting in £75,000 that will be invested in reinstating the damaged properties.
38. Other savings include:
 - a. £522,000 on depreciation, which was lower than anticipated.
 - b. £228,000 saving on the PFI contract due to a lower than anticipated increase in RPIX.
 - c. £86,000 saving on interest with interest rates lower than forecast.
 - d. £537,000 lower contribution to capital, due to savings on capital expenditure, which were as a result of a number of factors, including some work originally programmed for 2015/16 was in fact carried out in the latter part of 2014/15.
39. Accountancy are reviewing the underspend and the reason this went unreported during the year. The Senior Accountant will be working closely with the team to put measures in place to ensure variances are reported as soon as they are known.

Table 4 - 2015/16 Housing Revenue Account Outturn Position

Budget Page	Current Budget 2015/16 A £'000	Outturn 2015/16 B £'000	Variance (B-A) £'000
Income	(23,901)	(24,244)	(343)
Supervision and Management	4,693	4,678	(15)
Repairs and Maintenance	3,548	3,274	(274)
New Build	(46)	(257)	(211)
Other	16,076	14,428	(1,648)
Net Revenue Expenditure	370	(2,121)	(2,491)
Capital Works - Decent Homes	5,589	4,862	(727)
<i>Capital Works financed by:</i>			
Major Repairs Allowance (from Self Financing Determination)	(5,192)	(4,816)	376
Contribution to/(from) Major Repairs Reserve	(397)	0	397
Revenue funding of Capital Expenditure		(46)	(46)
Total Net Expenditure	370	(2,121)	(2,491)

Capital Outturn

40. Besides the Revenue Budget the Council continued to operate a Capital Programme.
41. As part of the closing process the capital spending for the year is assigned to various assets, and the funding source identified. Details of capital spend and financing are contained in Table 5 below.
42. The Council uses many sources of funding for projects including Section 106 Developer Contributions and Homes & Community Agency Grants, as well as other grants and the Council's own capital receipts, revenue reserves and prudential borrowing.
43. Major projects during 2015/16 included:
 - The Park Mall shopping Centre plus the Wilko store was purchased during the year. Strategies to regenerate the centre are underway.
 - 21 new development properties at Charing were purchased, at a total cost of £3.1m; eight of these properties are part buy part share.
 - £3.8m was spent on the Farrow Court Sheltered Housing redevelopment. Phase one is now complete and phase two has now started. This redevelopment is ongoing with a total budget of £15.4m, with an expected completion date in 2017/18.
 - £4.9m was spent on the existing housing stock to ensure Decent Home Standards are maintained.

Table 5 – Summary of Capital Spending and Financing

	£'000
General Fund Capital Expenditure	7,539
HRA Capital Expenditure	12,051
Total Expenditure	19,590
Funding	
Capital Receipts	298
1-4-1 Capital Receipts (ring fenced for affordable housing)	982
Repairs and Renewals reserve	146
Earmarked Reserves	542
External Grants and Contributions	1,830
Developer Contributions	551
GF Revenue Contributions	378
New Initiatives Reserve	3,006
HRA Revenue Contribution	3,427
Major Repairs Reserve	4,816
Prudential Borrowing	3,614
Total Funding	19,590

Table 6 – Capital Receipts

	£'000	Total Received £'000
Right to Buy Sales Receipts		2,997
<u>Less</u>		
Admin Costs	(3)	
Government share (Pooling liability)	(494)	(497)
Other HRA Capital Receipts		1,309
Less costs		(57)
General Fund Capital Receipts		136
Less costs		(19)
Total Capital Receipts		3,869
Housing Revenue Account Receipts		
<i>Unringfenced receipts</i>	2,308	
<i>1-4-1 capital receipts for affordable housing</i>	1,211	
Total HRA Receipts		3,520
General Fund Receipts		349
		3,869

Risk Assessment

44. The figures in the Accounts may change if the audit identifies a need, this may lead to a change in outturn.
45. As part of routine budget monitoring all budget holders are consulted about their outturn estimates and this forms the basis of the outturn forecasts. Services have been consulted for explanations of variances.

Portfolio Holder's Views

46. To be given at the meeting

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Focus 2013-2015

Project	Resourcing	Focus Allocation		Previous Spend	2015/16 Spend	Allocation Remaining
		Staff	Bought in resources			
Elwick Place Leisure/retail offer/Conningbrook/Victoria Way	Need a Commercial Negotiator/Valuer expertise fund	0	50,000	16,608	16,670	16,722
Town Centre (DOV, Elwick Place, Victoria Way etc.)	Additional Senior Solicitor	183,000	0	51,500	61,000	70,500
Junction 10a, town centre development	Transport consultant pot to flexibly work on this and other Transport related issues	0	50,000	0	16,670	33,330
Strategic Sites Team capacity	One additional planner greater caseload support	138,000	0	28,858	46,000	63,142
Strategic Sites Team capacity	Graduate Trainee Planner	66,000	0	23,558	22,000	20,442
Smaller property/land related projects that can yield income	Project Manager with technical construction/building skills to get projects delivered (recently appointed)	162,000	0	40,931	54,000	67,069
Capacity building to handle welfare reform and greater demand from back office	1 FTE Additional CSA	46,000	0	21,143	23,000	1,857
Systems development capacity	1 experienced systems developer	86,000	0	31,317	43,000	11,683
Support Personnel	Additional support to HR Team	60,000	0	0	10,000	50,000
Total Focus 2013-2015 Allocation		741,000	100,000	213,915	292,340	334,745

IT Infrastructure Allocation

IT Infrastructure	Investment in IT Infrastructure following comments from St. Marys workshop	0	360000	150,825	40,715	168,460
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NEW HOMES BONUS**Appendix B**

Project Theme	Outline	2015/16 Budget	2015/16 Outturn	2016/17 Carry Forward Request
Support for town centre	Town Manager & Economic Development	110,000	110,000	0
Town Centre Action Team	T-CAT: High profile Team to look after Ashford town centre and town entrances	120,000	120,000	0
Direct Ward Benefit	To enable an increase in ward member grants	22,000	22,000	0
Community Support (for Single Grants Gateway)	Continued commitment to underpin voluntary sector	100,000	100,000	0
Major Community Projects Fund	New fund specifically targeted on infrastructure projects for Ashford's local communities: first year's allocation for St Mary's Willesborough	100,000	100,000	0
Create Festival	To support the create festival	20,000	20,000	0
St Mary's Arts Trust	Commitment to invest in Trust, final payment of 15k was made in 15/16	15,000	15,000	0
Tourism & Business in Rural Areas	Support for rural business and aim to increase tourism in the rural areas	20,000	13,000	7,000
Marketing	To promote growth and encourage inward investment	6,750	6,750	0
Hothfield Regeneration (Café)	Look at options to develop Hothfield Café, this project has now been cancelled.	332,535	13,170	0
Tourism and Gateway (Relocation)	Subject to a future presentation from the Portfolio Holder	85,000	76,000	0
Tourism Symposium	To support Tourism Symposium as being based in Ashford in 2015/16	15,000	0	0

Space Science Destination	Initial feasibility work	52,660	14,000	38,660
Environmental Enhancements (Town/Gateways)	Support for street scene for environmental enhancements	300,000	240,240	59,760
Support to deliver Major Projects	To incorporate specialist planning advice	62,500	62,500	0
Support to deliver Major Projects	To incorporate specialist planning advice	62,500	0	62,500
Tourism Projects	Tourism and Gateway (Relocation) Tourism Symposium Rural Areas - Trails	10,000	0	0
Town Centre Projects	Various projects to improve the image and prosperity of the Town Centre.	250,000	75,000	175,000
Park Mall	To promote and improve the centre, and for preliminary work on a development brief.	250,000	105,000	145,000
Town Centre Regeneration Board		100,000	0	100,000
Marketing	Increase contract with Edwards Harvey for an additional 6 Months	13,500	13,500	0
Support Corporate Plan Priorities		100,000	0	100,000
Spear Point Pavilion		102,890	79,210	23,680
	Total	2,250,335	1,185,370	711,600