

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
6 September 2016

Subject: 2016/17 QUARTER 1 REVENUE MONITORING REPORT

All Wards
Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of this report is to update Members on the revenue budget position of the Council and the reserve funds at the end of June 2016.
- 1.2 The Quarter 1 monitoring for the Capital Programme and Treasury Management position is contained in a separate report on this Cabinet agenda.
- 1.3 This report focuses on three key areas:-
 - (a) Changes to the revenue budget
 - (b) Additional grant income received
 - (c) Reserve funds

2.0 REVENUE BUDGET:

- 2.1 The Council set its budget on 9 February 2016 for 2016/17 at £7,811,370 in line with the approved Financial Strategy 2016/17 to 2025/26.
- 2.1 The breakdown of the budget in accordance with the Council themes when the budget was approved was as follows:

	£
Customer & Leisure Services	1,679,690
Environmental Services	4,835,750
Support Services	1,186,100
Drainage Board levies	109,830
Net Revenue Expenditure	<u>7,811,370</u>

3.0 BUDGET POSITION TO JUNE 2016:

- 3.1 Since the budget for 2016/17 was set in February 2016, adjustments to the budget outlook have occurred. The table below details the changes that have been approved through separate reports to Cabinet and also those that have been identified and are recommended to this Cabinet for approval at budget monitoring Quarter 1:

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Budget Outlook approved at 09 February 2016	7,811,370	7,571,130	6,556,081	6,600,305
Changes to budget outlook:				
Inflation – salaries and contracts	0	110,083	111,083	112,083
Pension Scheme Opt Out	0	45,000	0	0
Back funded pension (NYCC)	0	20,300	21,100	21,900
Parking enforcement	0	28,000	0	0
Insurance fund	0	24,844	27,328	30,061
Fees & Charges	0	(113,026)	(115,287)	(117,592)
Efficiency target	0	(1,000,000)	0	0
Income from loan to local Housing Association	(186,320)	(165,000)	0	0
Buy out of Partnership Arrangements at commercial sites	(50,140)	0	0	0
Apprenticeship Levy begins 2017-18	(34,750)	34,750	0	0
Leasing adjustment from previous years	(25,880)	0	0	0
New electricity contract	(14,120)	0	0	0
Drainage Board Levy	(2,340)	0	0	0
NNDR Savings on Council owned properties	(4,060)	0	0	0
Support Services employee costs	29,220	0	0	0
Environmental Services Employee Costs	23,350	0	0	0
New Occupational Health Contract	18,000	0	0	0
Reduction in waste Income	6,800	0	0	0
Budget Outlook Q1	7,571,130	6,556,081	6,600,305	6,646,757
Financial Strategy 9 Feb 2016	7,811,370	6,767,597	6,602,949	6,735,008
Budget Outlook Q1 Surplus / (Shortfall)	240,240	211,516	2,644	88,251

- 3.2 In 2016/17 the budget started at £7,811,370 as stated in the Financial Strategy and illustrated in the table above. At the end of Quarter 1, the budget has reduced by £240,240 to £7,571,130. An explanation of the movement in the 2016/17 budget, to be approved in this Cabinet report, is detailed below.
- 3.3 There are three main areas of changes to the 2016/17 budget at Quarter 1 totalling £240,240:
- (a) Corporate cost decreases of £253,350
 - (b) Department movements - an increase of £13,110
 - (c) Department movements which have nil effect on the budget but exceed £20,000 and therefore require Cabinet approval as stated in the Council's Financial Regulations.
- 3.4 The corporate movements in the budget are:
- (i) During Quarter 1 the local Housing Association gave notice earlier than expected that they would like to borrow a further £10,000,000. This results in increased net movement of £186,320. It is additional income from the Housing Association of £219,580, however, this will reduce the Council's own investment balances therefore reducing the amount of interest earned by £51,330. This will be closely monitored as interest rates fall during 2016/17. The Council is expecting not to require any external borrowing until February 2017 to fund the loan to the Housing Association meaning a reduction in interest expenditure of £18,070.

- (ii) The new apprenticeship levy was budgeted for in 2016/17, however, it is not to be introduced until 2017/18 creating a one off saving in the current year of £34,750.
- (iii) A previous year adjustment to the Council's leases has resulted in additional income of £25,880.
- (iv) The Drainage Board Levies were lower than budgeted by £2,340.
- (v) The NNDR charges on the various Council owned properties was £4,060 lower than expected.

3.5 The changes at Quarter 1 in relation to the service areas show an overall increase in the budget £13,110. This is represented by an increase in Support Services budget of £33,100, an increase in Environmental Services budget of £30,150 and a reduction to Customer & Leisure Services budget of £50,140.

3.6 Support Services – the over spend on the budget of £33,100 is due to a combination of factors. The £29,220 is for salary employee related costs. £10,000 is due to a requirement to use agency staff for sickness cover of a Legal Officer. In Quarter 1 this is estimated to be £10,000, however, a return date has not been set so this area will be monitored. £3,920 is for increased staffing requirements in Electoral Services as a result of the high workload due to the Police & Crime Commissioner's Election, the EU Referendum and a number of local elections. £15,300 is for changes to the Members' Allowance Scheme. A new and improved Occupational Health service has been agreed with a new provider, this will cost £18,000 in 2016/17 and £25,000 for a full year in 2017/18. These are partly offset by a saving of £14,120 due to a new electricity contract affecting footway lighting and off street parking.

3.7 Environmental Services – the increase in the budget of £30,150 is due to employee related costs increasing by £23,350. This is £10,000 for maternity cover in the GIS & Addressing service, £7,290 due to a review of staff in Licensing, and staffing issues in the Pest Control area will result in an additional requirement of £6,060. A reduction in waste income for schedule 2 contracts from schools and charities results in a £6,800 shortfall of income.

3.8 Customer & Leisure Services - the reduced budget of £50,140 relates to the buy-out of the funding agreements at Bedale Craft Yard Units, Leeming Bar FEC and Evolution resulting in no partnership payments in the year.

3.9 Departmental budget movements that have nil effect on the overall budget but exceed £20,000, as detailed in the Council's Financial Regulations require Cabinet approval as follows:

- a) The Council Tax Administration Grant requires a budget movement to show the income of £65,910 within the Council Tax area and not strategic management.
- b) Savings produced as a result of a management restructure of £125,380 is to fund 'improvement to services' throughout 2016/17 therefore requires the budget to be moved.
- c) Various income streams at all four leisure centres require their income budgets aligning to reflect the income streams set up in 2016/17.
- d) Market stall traders are now able to pay monthly, therefore the income budgets need to be re-profiled to reflect this which moves £113,100 to the monthly income area.

- e) Other budget adjustments required are within Environmental Health for additional salary costs to cover the departments which savings have been made, civil penalties budget needs to be moved from Benefits to Council Tax and Discretionary Housing Payments and income budgets require increases of the same amount. Income of £8,320 also needs realigning between wheeled bins and commercial bins. These are smaller amounts under £20,000 that also require approval.

- 3.10 The revised changes to the budget at Quarter 1 total a saving of £240,240. These are listed above and detailed in the Recommendations Section of this report for approval by Cabinet and Council. It should be noted that the Quarter 1 underspend against the Financial Strategy will be monitored over the rest of the year and will assist the council's financial position throughout the year.

4.0 OTHER MATTERS – GRANTS:

- 4.1 The following grants and contributions have been allocated to the Council and paid into the One-Off Fund Reserve since the budget was approved in February 2016

Description	Amount £
New Burdens to meet the costs of implementing the Welfare Reform	12,645
Department for Works & Pension (DWP) – Real Time Information Bulk Data Matching	1,266
DWP - Single Fraud Investigation Service Project	1,215
DWP – New Burdens – Pensions Credit Assessed Income Period Reform	586
DWP – Local Authority Data Sharing (LADS)	11,671
DWP – Local Authority Data Sharing (LADS)	717
Total	28,100

5.0 SENSITIVITY ANALYSIS:

- 5.1 Further to the recommendations for changes to the budget in this Quarter 1 monitoring report, this report also highlights where there are areas of budget uncertainty. This can give Members early warning of possible issues in the future. All areas will be monitored closely and an update provided for Quarter 2 as at this time there is too much uncertainty surrounding these figures to include them as an adjustment to the budget. Annex 'A' attached details the sensitivity analysis.

6.0 RESERVE FUNDING:

- 6.1 The table below shows the position on the revenue reserves at Quarter 1 if the recommendations are approved in this Cabinet report. Further information is also described below.

Reserve Fund	Balance at 31 March 2016 £	Q1 Movement (from) / to Reserves £	Balance at 30 June 2016 £
General Fund	2,000,000	0	2,000,000
Council Taxpayers Reserve	3,165,355	0	3,165,355
Grants Fund	364,012	(114,710)	249,302
Economic Development Fund	3,237,979	(3,012,260)	225,719
One Off Fund	1,383,167	(896,051)	487,116
Computer Fund	1,198,017	(617,646)	1,198,017
Repairs & Renewal Fund	2,980,511	(430,880)	2,549,631
Community Safety Partnership	53,041	0	53,041
Strategic Forum Reserve	10,046	0	10,046
Arts Grants Reserve	7,089	(7,089)	0
Take That Step	6,180	(6,180)	0
Winter Weather Campaign	9,191	(9,191)	0
Local Plan Reserve	407,539	(22,640)	384,899
Make a Difference Fund	5,555	(119,445)	125,000
Total	14,827,682	5,236,092	10,448,126

- 6.2 Economic Development Fund – In Quarter 1, the opening balance was £3,237,979 with the net movement of £3,012,260; split as £2,652,007 capital and £360,253 revenue. In line with the Capital Programme budget further approval is required at Quarter 1 for capital expenditure and this is detailed in a separate report on the agenda. Therefore to balance the Economic Development Fund overall a transfer of funds is required from revenue to capital of £149,340. Included in the net movement is the expenditure that has been allocated from the Economic Development Fund in previous Cabinet reports, totalling £108,220. The balance of the Economic Development Fund at year end is estimated at Quarter 1 to be £225,719.

Expenditure in 2016/17 from the Economic Development Fund	Amount
Revenue -Vibrant Market Towns – Salary expenditure six months	30,220
Federation of Small Business Subscriptions	3,000
Apprentice Scheme	50,000
Preparation of legal agreements - Dalton Bridge	25,000
Total expenditure already approved at Q1	108,220

- 6.3 The following table shows that in addition to the £5,000,000 allocated from the Economic Development Fund, external income (Section 106 and Local Enterprise Partnership grant funding) and income from the One-off Fund are used to support Economic Development Fund projects.

	External Funding	One-Off Fund	Total
Balance brought forward	95,896	276,332	372,228
2016/17 schemes-			
Apprentice Support Grant		50,627	
Delivery Vehicle		5,182	
Dalton Bridge	20,000		
North Northallerton Road and Bridge	2,290		
Industrial Estates	25,000		103,099
Total income received for EDF projects	143,186	332,141	475,327

- 6.4 The Economic Development Fund has allocated a further £151,100 to the Vibrant Market Towns scheme to support salary expenditure for future years in 2017/18, 2018/19 and 2019/20 as well as £800 to the Identifying & Securing Investment scheme to also support salary expenditure for 2017/18. This currently leaves £73,819 remaining for future projects. In future, funds will be returned to the Economic Development Fund from two schemes - Dalton Bridge project and also the Northallerton Prison Site Development project – which will enable further funds to be distributed for economic development purposes in the district.
- 6.5 One Off Fund - In Quarter 1, the initial balance is £1,383,167 and additional income of £28,100 was received which can be seen in paragraph 4.1 above. Expenditure that has been allocated from the One-off Fund in previous Cabinet reports totals £842,400 and further expenditure to be allocated from the One-off Fund is detailed in the table below at £81,751. The balance on the One-off Fund at year end is estimated at Quarter 1 to be £487,116.

Expenditure in 2016/17 from the One-Off Fund	Amount
Fraud & Error Reduction Incentive Scheme (FERIS) IT Costs (Benefits)	8,000
Empty Homes Review	18,581
Planning Monitors - Software	10,770
Northgate Business Improvement District (BID) Software	13,400
Development Management – Specialist Fees for Appeals	21,000
Welcome 2 Yorkshire	10,000
Total expenditure recommended for approval at Q1	81,751

- 6.6 At Quarter 1, is it recommended to Cabinet and Council that the allocation from the One-off Fund at £81,751 is approved.
- 6.7 Computer Fund – in accordance with the Financial Strategy approved by Council in February 2016, the reserve is being used to fund ICT projects to ensure technology is maintained to an acceptable standard in the current ICT market environment. This includes £63,000 of revenue expenditure, £199,330 of 2016/17 capital expenditure and a brought forward amount of capital expenditure from 2015/16 of £355,316.
- 6.8 Repairs & Renewal Fund – in accordance with the Financial Strategy approved by Council in February 2016, funds have been allocated from the Repairs & Renewals Fund for general revenue maintenance repairs at £421,000, £9,880 has been brought forward from underspends in 2015/16 totalling £430,880 expenditure from the reserve in 2016/17.

6.9 Make a Difference Fund – the Cabinet report dated 7 June 2016 approved that £125,000 was transferred from the One-Off Fund to invest in worthy local community projects which help improve life in neighbourhoods and which support the work of the voluntary sector. £5,555 also needs to be allocated in 2016/17 as the funding was brought forward from 2015/16.

6.10 Other Reserves - There is a movement on the grants reserve to allocate funds of £114,170. The grant fund provides assistance to community groups to benefit the district as a whole. Approval was given to provide these grants to the community during 2014/15. Movement to allocate funds from the Arts Grants Reserve, Take That Step and the Winter Weather Campaign is also required. These reserves relate to funding received in 2015/16 and expenditure covers two financial years.

7.0 LINK TO COUNCIL PRIORITIES:

7.1 The monitoring of the financial budget throughout the year and reporting the financial year end position assists in ensuring the Council's service requirements are met and contributes to the achievement of the priorities set out in the Council Plan.

8.0 RISK ASSESSMENT:

8.1 There are no major risks associated with this report.

9.0 FINANCIAL IMPLICATIONS:

9.1 The financial implications are dealt with in the body of the report.

10.0 LEGAL IMPLICATIONS:

10.1 It is a legal requirement under s25 of the Local Government Act 2003 to set a balanced budget and monitor the financial position throughout the year.

11.0 EQUALITY/DIVERSITY ISSUES:

11.1 There are no specific equality implications to this report.

12.0 RECOMMENDATIONS:

12.1 That Cabinet approves and recommends to Council:

- (1) the budget decrease at paragraph 3.2 in Quarter 1 of £240,240 which results in a budget of £7,571,130;
- (2) the allocation from the One-off Fund at paragraph 6.6 of £81,751;
- (3) to note that the Economic Development Fund remaining balance to be allocated at paragraph 6.4 is £73,819.

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Background papers:	Budget Monitoring Q1 working papers
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BUDGET 2016/17 SENSITIVITY ANALYSIS – POTENTIAL SAVINGS / COSTS

Portfolio Area	Area of Sensitivity	Commentary
Support Services	Provision for Bad debt	The Council makes a provision every year for debts that will potentially not be paid. The overall level of debt is currently reducing but an increased provision may be necessary for older aged debts.
	Housing Benefit Payments	Whilst any increase in Housing Benefit payments will be partly offset by subsidy, the budget is so large that a small increase in percentage terms can lead to a large amount in monetary terms.
	Investment Interest	Following the EU Referendum, interest rates are expected to fall. If the Council's investment counterparties reduce their rates the income earned by the Council's balances will reduce.
Environmental Health & Planning	Planning Fees	Income for Quarter 1 is lower than anticipated and is closely monitored weekly. It is currently too early in the year to report a variance but will be reviewed for Quarter 2.
	Development Management - Staffing	Agency is currently being used to cover sickness and vacant posts, this will be reviewed during Quarter 2.
	Operational Services – Fuel Prices	This is being kept under review as prices are currently on the increase and any significant increase will have an increase on the budget.
	Operational Services – Agency	Currently experiencing high levels of sickness, therefore agency staff are being utilised to run the service.
	Operational Services – Route optimisation for kerbside recycling rounds	Route optimisation linked to Phase 2 of the kerbside recycling rounds is delayed and will not be implemented in September 2016 as budgeted. Costs will be calculated when the implementation date is known.
	Recycling Contract	The market has improved since the initial basket price was calculated. This is being monitored closely as it changes each quarter. The tonnage collected is also being monitored as it is too early to make an estimate for the year.