

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
6 December 2016

Subject: 2016/17 QUARTER 2 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 September 2016.
- 1.2 The Quarter 2 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.
- 2.2 At Cabinet on 6 September 2016, the Quarter 1 revenue monitoring report revised the budget to £7,571,130. The approved budget at Quarter 1 in accordance with the Council portfolio themes is detailed below:

	£
Customer & Leisure Services	1,671,220
Environmental Services	4,865,900
Support Services	926,520
Drainage Board levies	107,490
Net Revenue Expenditure	<u>7,571,130</u>

3.0 BUDGET POSITION TO SEPTEMBER 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 2:

	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
Budget Outlook approved at Q1 01 Sept 2016	7,571,130	7,604,990	6,943,651	6,676,166
Changes to budget outlook:				
Inflation – salaries and contracts	0	110,083	111,984	113,893
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	(163,190)	0	0
Green Waste Scheme	0	(466,200)	(312,610)	(58,000)
Income from loan to local Housing Association	0	(165,000)	0	0
Apprenticeship Levy begins 2017-18	0	34,750	0	0
Leasing adjustment from previous years	0	25,880	0	0
New Occupational Health Contract	0	5,000	0	0
Support Services employee costs	15,410	(29,330)	0	0
Delay in Route Optimisation	58,790	(58,790)	0	0
Additional Income from Leisure Centres	(40,340)	40,340	0	0
Budget Outlook Q2	7,604,990	6,943,651	6,676,166	6,666,428
Financial Strategy 6 Sept 2016	7,811,370	7,210,597	6,923,705	7,006,158
Budget Outlook Q1 Surplus / (Shortfall)	206,380	266,946	247,539	339,730

- 3.2 In 2016/17 the budget started at £7,811,370 as stated in the Financial Strategy. At the end of Quarter 1, the budget had reduced by £240,240 to £7,571,130. At Quarter 2 the table shows the budget at £7,604,990 which is an increase of £33,860. An explanation of the movement in the 2016/17 budget, to be approved in this Cabinet report, is detailed below.
- 3.3 The changes to the 2016/17 budget at Quarter 2 totalling £33,860 are:
- (a) Department movements - an increase of £33,860
 - (b) 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 changes at Quarter 2 in relation to the service areas show an overall increase in the budget £33,860. This is represented by an increase in Support Services budget of £15,410, an increase in Environmental Services budget of £58,790 and a reduction to Customer & Leisure Services budget of £40,340.
- 3.5 Support Services – the over spend on the budget of £15,410 is due to a combination of factors; £10,240 is due to a further requirement to use agency staff for cover of a legal officer who is on a phased return to work, which was reported at Quarter 1 as an area to monitor; £5,170 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, a number of local elections and the annual canvass.
- 3.6 Environmental Services – the increase in the budget of £58,790 is due to a delay with Route Optimisation for the waste and recycling rounds which was due to be implemented on 01/09/16. A revised date of 20/02/17 has now been set.

- 3.7 Customer & Leisure Services - the reduced budget of £40,340 relates to increased usage at the Leisure Centres resulting in additional income for the Council.
- 3.8 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) Leisure Centre salaries at £28,100 need to reflect the staff establishments at each centre; there are a number of adjustments required between the four centres with no resulting effect on the budget.
 - b) Community Infrastructure Levy of £22,520 is to be reflected in the budget where staff are employed to oversee the function which is funded by the income received from the 5% administrative charge that the council can retain from the developers.
 - c) A budget movement of £34,080 is required to move the cost for the Information Governance Service from the Internal Audit Partnership Function to Corporate Management, to reflect the requirements in the Accounting Code of Practice.
 - d) Off Street Parking budgets at £26,090 need to be adjusted to reflect income & expenditure for the administration of the service by Scarborough Borough Council. There is resulting effect on the budget.
- 3.9 The revised changes to the budget at Quarter 2 total a cost of £33,860. 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 2 cumulative 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 Quarter 1 budget was approved in September 2016

Description	Amount £
City of York – Private Rented Sector Contribution	3,169
Department of Works & Pension– New Burdens Benefit Cap Changes	8,303
Electoral Commission – Individual Electoral Registration (IER)	11,263
Electoral Commission - IER Extension of Referendum Deadline	1,778
Department of Works & Pension – Removal of Temporary Accommodation Management Fee	884
Total	25,397

5.0 SENSITIVITY ANALYSIS

- 5.1 Further to the recommendations for changes to the budget in this Quarter 2 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 2 if the recommendations are approved in this Cabinet report. Further information is also described below.

Reserve Fund	Balance at 30 June 2016 £	Q2 Movement (from) / to Reserves £	Balance at 30 Sept 2016 £
General Fund	2,000,000	0	2,000,000
Council Taxpayers Reserve	3,165,355	0	3,165,355
Grants Fund	249,302	0	249,302
Economic Development Fund	225,719	113,662	339,381
One Off Fund	487,116	(370,368)	116,748
Computer Fund	580,371	103,100	683,471
Repairs & Renewal Fund	2,549,631	0	2,549,631
Community Safety Partnership	53,041	0	53,041
Strategic Forum Reserve	10,046	0	10,046
Local Plan Reserve	384,899	0	384,899
Make a Difference Fund	125,000	0	125,000
Total	9,830,480	(153,606)	9,676,874

6.2 Economic Development Fund – In Quarter 2 the opening balance which has not yet been committed was £225,719. £113,662 is no longer required for certain projects and therefore returned to the Economic Development Fund; split as £100,000 capital and £13,662 revenue. The capital programme budget requires approval at Quarter 2 and is detailed in a separate Capital Monitoring Report on the Agenda. The Revenue balance of £13,662 is due to a combination of factors. £21,662 is to be rolled forward to the Identifying & Securing Investment Scheme to support salary expenditure for 2017/18. A further £8,000 is required from the fund in 2016/17 to deliver the Vibrant Market Towns Scheme consisting of £5,000 for data collection and £3,000 to support the salary posts including advertising costs and car allowances. The balance of the Economic Development Fund at year end is estimated at Quarter 2 to be £339,381.

6.3 One Off Fund - In Quarter 2, the initial balance is £487,116 and additional income of £25,397 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 £349,910 and further expenditure to be allocated from the One-off Fund is detailed in the table below at £45,855. The balance on the One-off Fund at year end is estimated at Quarter 2 to be £116,748. If all allocated expenditure occurs in the year, then a transfer to the One-Off fund will be made during 2016/17 to increase the balance to a minimum of £200,000 in accordance with policy on Balances and Reserves that was approved in the Council Tax 2016/17 report in February 2016.

Expenditure in 2016/17 from the One-Off Fund	Amount
Northgate - Payment Deduction Programme & Local Council Tax Reduction	11,671
Northgate – Removal of Family Premium	717
Fraud & Error Reduction Incentive Scheme Staff Costs	2,257
Northallerton BID	5,000
Electoral Commission – Individual Electoral Registration	13,041
Neighbourhood Planning Grant – Ingleby Arncliffe	5,000
Neighbourhood Planning Grant – Stokesley	5,000
City of York – Private Rented Sector Contribution	3,169
Total expenditure recommended for approval at Q2	45,855

- 6.4 At Quarter 2, is it recommended to Cabinet and Council that the allocation from the One Off Fund at £45,855 is approved.
- 6.5 Computer Fund – At Quarter 2 £27,500 of capital funding has been identified to be returned to the reserve to support future requirements and £75,600 is to be adjusted for a project that is now to be funded by Capital Receipts in the year. Further detail is provided in the Quarter v2 Capital Monitoring Report on the agenda.
- 6.6 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.
- 6.7 Make a Difference Fund – £125,000 has been allocated to the Make a Difference Fund. A further report in October 2016 approved to grant £25,000 to 5 community areas in Bedale, Easingwold, Northallerton, Stokesley and Thirsk. The fund has therefore been allocated in full.
- 6.8 Other Reserves – There has been no movement on other reserves held by the Council at Quarter 2 2016/17. These revenue reserves will be monitored on an ongoing basis and any charges will be reported at Quarter 3.
- 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 that:-

- (1) the budget increase at paragraph 3.2 in Quarter 2 of £33,860 which results in a Budget of £7,604,990; and
- (2) the allocation from the one-off fund at paragraph 6.6 of £45,855.

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Background papers: Budget Monitoring Q2 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 increase 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	The Budget for Planning Fees is very large and is reliant on receiving planning applications; this area will continue to be closely monitored weekly. It is currently too early in the year to report a variance but will be reviewed for Quarter 3.
	Development Management - Staffing	Agency is currently being used to cover sickness and vacant posts, this will be reviewed during Quarter 3.
	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.
	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.