

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
7 February 2017

Subject: 2016/17 QUARTER 3 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 December 2016.
- 1.2 The Quarter 3 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 At Cabinet on 6 December 2016, the Quarter 2 revenue monitoring report revised the budget to £7,604,990. The approved budget at Quarter 2 in accordance with the Council portfolio themes is detailed below:

	£
Customer & Leisure Services	1,600,380
Environmental Services & Planning Services	4,924,690
Support Services	972,430
Drainage Board Levies	107,490
Net Revenue Expenditure	<u>7,604,990</u>

- 2.2 Following the Management Restructure it is recommended for approval to this Cabinet that the budgets are re-aligned to reflect the new structure. Therefore the approved budget at quarter 2 in accordance with the new themes is detailed below:-

	£
Leisure & Environment	5,274,700
Economy & Planning	1,157,290
Finance	(75,550)
Law & Governance	1,141,060
Drainage Board Levies	107,490
Net Revenue Expenditure	<u>7,604,990</u>

3.0 **BUDGET POSITION TO DECEMBER 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 3:

	2016/17	2017/18	2018/19	2019/20
	£	£	£	£
Budget Outlook approved at Q2 06 Dec 2016	7,604,990	7,652,400	6,929,121	6,923,705
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	2,750	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	39,130	(466,200)	(312,610)	(58,000)
Income from loan to local Housing Association	(11,000)	(154,000)	0	0
Qtr 2 – Reversal of One off Adjustments	0	17,850	0	0
Senior Management Restructure	(41,820)	(24,560)	0	0
Revenue effects of the Sale of Momentum	(11,470)	11,470	0	0
Leisure & Environment employee costs	9,980	(9,980)	0	0
Pest Control – Reduced Income	24,280	(24,280)	0	0
Waste & Recycling Transport Costs	(40,670)	40,670	0	0
Various Environmental Under & Overspends	(19,270)	19,270	0	0
Housing Benefit Subsidy	65,000	(65,000)	0	0
Finance employee costs	8,000	(8,000)	0	0
Homelessness Voids	22,500	(22,500)	0	0
Budget Outlook Q3	7,652,400	6,929,121	6,661,636	6,913,967
Financial Strategy 6 Sept 2016	7,811,370	7,210,597	6,923,705	7,006,158
Budget Outlook Q1 Surplus / (Shortfall)	158,970	281,476	262,069	92,191

- 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 Quarter 2, the budget was £7,604,990 a reduction of £206,380. At Quarter 3, the table shows the budget at £7,652,400 which is an increase of £47,410 compared to Quarter 2 but a saving of £158,970 for the year compared to the Financial Strategy. 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 3 totalling £47,410:
- (a) Corporate cost decreases of £61,540
 - (b) Department movements - an increase of £108,950
 - (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 3 a Senior Management restructure took place which created a saving of £41,820 in 2016/17.
- (ii) The local Housing Association gave notice earlier than expected that they would like to borrow additional tranches to the value of £1,200,000 of their agreed loan. This creates an additional £11,000 of interest.
- (iii) In December 2016 the Council sold Momentum resulting in a revenue saving for the rest of 2016/17 of £11,470.
- (iv) The Insurance costs for the Council was higher than budgeted by £2,750.

3.5 The changes at Quarter 3 in relation to the service areas show an overall increase in the budget £108,950. This is represented by an increase in Leisure & Environment budgets of £13,450, an increase in Finance budgets of £73,000 and an increase in Economy and Planning of £22,500.

3.6 Leisure & Environment – the over spend on the budget of £13,450 is due to a combination of factors. £39,130 is required for upfront costs relating to the Green Waste Scheme which begins to charge in April 2017. £9,980 relates to additional salaries required. The Waste and Recycling service have experienced high levels of sickness which has resulted in the requirement to use agency staff to ensure that a full service can be offered to the public, this is estimated to cost an additional £24,260. This is partially offset by vacant posts in Operational Services which has a saving of £5,190 and the effects of the Environmental Health restructure which saves £9,090 in 2016/17. A £24,280 loss of income within Pest Control is due to reduced commercial rodent contracts. Reduced fuel and maintenance costs within Waste and Street Scene results in a £40,670 underspend. The Environmental section carried out an exercise to identify any further savings to offset the overspends detailed above, this resulted in various under and overspends totalling a saving of £19,270.

3.7 Finance – the increase in the budget of £73,000 is due to a number of factors. A reduced Housing Benefit Subsidy as a result of the new Universal Credit system means that the council will receive £65,000 less than budgeted. An additional £8,000 is required for employee costs due to £15,000 for maternity cover for 2 people within communications, which is offset by £7,000 of savings due to vacant posts within customer services.

3.8 Economy and Planning – An overspend of £22,500 relates to void periods of temporary accommodation units available to homeless clients within the district.

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) Reduced income of overpaid housing benefit of £55,000 is offset by a reduction in the amount of a bad debt provision for the invoices raised in relation to the overpaid housing benefit, this is an effect of the new Universal Credit System and new methods of working.

- b) There have been a number of vacancies within the benefits section throughout the year that have not been filled. To be able to carry out the benefit function a number of agency and specialist staff have been used. There have been no additional costs, however budgets of £75,500 need to be moved from salary codes to agency and specialist staff codes.
- c) Agency staff have also been required to cover the additional planning application work within Development Management. £84,740 is covered by the additional income generated by the additional fees.
- d) A £25,500 grant has been received from North Yorkshire sport to fund research into swimming, therefore budgets are required for the income and expenditure.
- e) £10,000 expenditure for maternity cover within GIS has previously been approved in Quarter 1, the cover spans two financial years and £6,570 will be required in 2017/18, therefore the budget will be transferred to the One Off Fund to be used in 2017/18.

3.10 The revised changes to the budget at quarter 3 totals an overspend of £47,410 compared to the latest estimate at quarter 2. 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 3 underspend against the financial strategy will be monitored over the rest of the year and will assist the council's financial position at year end.

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 £
Department for Work and Pensions - Fraud & Error Reduction Incentive	3,551
Transfer from Street Scene budget	45,275
Department for Work and Pensions - Transparency Set Up	8,103
Department for Work and Pensions - Local Authority Data Sharing (LADS) IT Costs	6,970
Department for Work and Pensions - Housing Benefit Review Scheme	473
Section 31 - Business Rates Revaluation	160
Total	64,532

5.0 SENSITIVITY ANALYSIS

5.1 Further to the recommendations for changes to the budget in this Quarter 3 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. 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 3 if the recommendations are approved in this Cabinet report. Further information is also described below.

Reserve Fund	Balance at 30 Sept 2016 £	Q3 Movement (from) / to Reserves £	Balance at 31 Dec 2016 £
General Fund	2,000,000	0	2,000,000
Council Taxpayers Reserve	3,165,355	(100,000)	3,065,355
Grants Fund	249,302	0	249,302
Economic Development Fund	339,381	1,549,710	1,889,091
One Off Fund	116,748	(112,980)	3,768
Computer Fund	683,471	127,413	810,884
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	9,676,874	1,46,143	11,141,017

- 6.2 Economic Development Fund – In quarter 3, the opening balance which has not yet been committed was £339,381. £1,549,710 is no longer required in 2016/17 this is split £1,398,170 Capital and £151,540 Revenue. The capital programme budget requires approval at Quarter 3 and is detailed in a separate Capital Monitoring Report on the agenda. The £151,540 relates to a number of areas where £161,540 needs to be returned to the fund in 2016/17 and £10,000 of new expenditure has been identified:- £45,000 from the Business Support scheme, £31,000 from the Inward investment scheme, £27,000 from the Driving Growth scheme and £10,000 from the Vibrant Market Towns is to be rolled forward for expenditure in 2017/18. £8,000 is being returned to the Economic Development Fund following identification of budget within the General Fund revenue budget and projects with a value of £40,540 are being postponed to support increased capital expenditure required for the Dalton Bridge Project and the Central Northallerton site with a view to re-establishing these projects once the Dalton BID income can be accounted for. The new expenditure of £10,000 relates to the new Northallerton BID to support set-up costs which will be returned to the EDF in 2017/18. £10,000 is to be moved from the Graduate scheme to support higher demand on the Apprentice scheme. The balance of the Economic Development Fund at year end is estimated at Quarter 3 to be £1,889,091.
- 6.3 In addition the Economic Development Fund has allocated a further £62,000 to the Business Support schemes in 2017/18 plus a further £9,000 for 2018/19. The Identifying & Securing Investment scheme is to be extended for a further 2 years with £19,476 allocated for 2017/18, £42,357 for 2018/19 and £21,390 for 2019/20. This currently leaves £1,219,597 remaining for future projects. The increase of the balance is due to the financing of the capital programme changing as external borrowing will be utilised rather than reserves. In future, additional funds will be returned to the Economic Development Fund from the Central Northallerton site which will enable further funds to be distributed for economic development purposes in the district.

- 6.4 One Off Fund - In Quarter 3, the initial balance is £116,748 and additional income of £64,532 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 since quarter 2 totals £123,792 and further expenditure to be allocated from the One-off Fund is detailed in the table below at £153,720. It is recommended that £100,000 is transferred to the One Off Fund from the Council Tax Payers Reserve to increase the balance of the One Off Fund. This will result an estimated year end balance on the One-off Fund at Quarter 3 to be £3,768. If all allocated expenditure occurs in the year, then a further 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 the 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
Northallerton Business Improvement District	705
Land at Galtres Centre - overspend	2,901
Legal Costs – Finance & Resources	684
Staff Costs – Finance & Resources	20,480
Staff & Legal Costs – Law & Governance	62,450
IT Consultancy – Development Management	20,000
Additional Cost of the Central Northallerton Site	46,500
Total expenditure recommended for approval at Q3	153,720

- 6.5 At Quarter 3, is it recommended to Cabinet and Council that the allocation from the One-off Fund at £153,720 is approved and that £100,000 is transferred to the One Off fund from the Council Tax Payers Reserve.
- 6.6 Computer Fund – At Quarter 3 a total £18,518 of capital funding has been identified to be returned to the reserve to support future requirements. This comprises of £2,032 from the GIS upgrade; and £16,486 from the ICT improvements. A further £40,000 has been identified in ICT improvements and £68,895 in Leisure Improvements to roll forward into 2017/18.
- 6.7 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.
- 6.8 Make a Difference Fund –£125,000 has been allocated to the Make a Difference Fund to invest in worthy local community projects which help improve life in neighbourhoods and which support the work of the voluntary sector. A report in October 2016 approved to grant £25,000 to the 5 community areas of Bedale, Easingwold, Northallerton, Stokesley and Thirsk. The fund has therefore been allocated in full.
- 6.9 Other Reserves - There has been no movement on other reserves held by the Council at Quarter 3, 2016/17.

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 balance 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 increase at paragraph 3.2 in quarter 3 of £47,410 which results in a budget of £7,652,400;
- (2) the allocation from the one-off fund at paragraph 6.5 of £153,720; and a transfer of £100,000 is made from the Council Tax Payers Reserve to the One Off Fund.

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Background papers: Budget Monitoring Q3 working papers

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Annex A**Budget 2016/17 Sensitivity Analysis – potential savings / costs**

Portfolio Area	Area of Sensitivity	Commentary
Finance	Investment Interest	The country is currently experiencing very low interest rates. If the council's investment counterparties reduce their rates the income earned by the council's balances will reduce.
Leisure & Environment	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. Also any contamination could negate any improvement in prices.
	Operational Services – Fuel Prices	This is being closely monitored as prices seem to be on the increase and any significant increase will have an increase on the budget
Economy & Planning	Land Charges	Land Charge income is being monitored as it appears clients are using Private Search Companies rather than the Council