

Report To:	CABINET	Date:	19 TH OCTOBER 2017
Heading:	GENERAL FUND AND HRA BUDGET MONITORING TO AUGUST 2017		
Portfolio Holder:	CLLR JACKIE JAMES – CORPORATE RESOURCES AND FINANCE		
Ward/s:	ALL		
Key Decision:	YES		
Subject To Call-In:	YES		

Purpose of Report

This report sets out the details of income and expenditure incurred to August 2017 by the General Fund and Housing Revenue Account, compares it to the approved budgets and explains the significant variances.

The report also recommends amendments to the 2017/18 budget however all changes are fully funded from a specific reserve or are agreed savings.

Recommendation(s)

Members are requested:

- (i) Note the budget monitoring to August 2017.
- (ii) Approve the movements from earmarked reserves to fund specific projects as outlined in section 2.3. This has no impact on the position of the General Fund or Housing Revenue Account (HRA).
- (iii) Approve the virement required within the Housing Revenue Account (above the limit permitted within Financial Regulations) and recommend to Council in accordance with Financial Regulations.

Reasons For Recommendation(s)

To report to those charged with Governance the financial position to August 2017 and comply with the Council's Financial Regulations.

Alternative Options Considered (With Reasons Why Not Adopted)

The changes to the 2017/18 budget are required to facilitate the progression of specific

projects however these are funded from specific earmarked reserves designated for this purpose. Not to approve these changes would prevent some projects from progressing or require them to be financed from the General Fund balance which is not recommended.

Detailed Information

1. Budget Monitoring to August 2017

a. General Fund to August 2017

The table below shows the overall summary for the General Fund by Directorate, excluding capital financing costs and internal recharges.

	Actuals (£000)	Budget (£000)	Variance (£000)
Chief Executive Officer	292	200	(92)
Legal and Governance	637	652	15
Resources and Business Transformation	1,943	2,131	188
Place and Communities	4,916	4,866	(50)
Housing and Assets	1,037	1,117	80
Total	8,826	8,966	140

The table below shows a subjective analysis of the net expenditure for the General Fund, excluding capital financing costs and internal recharges.

	Actuals (£000)	Budget (£000)	Variance (£000)
Employee Expenditure	8,213	8,181	(32)
Premises Expenditure	785	781	(4)
Transport Related Expenditure	982	1,045	63
Supplies and Services	2,635	2,863	228
Transfer Payments	154	106	(49)
Income	(3,943)	(4,010)	(66)
Total	8,826	8,966	140

Net Expenditure to August 2017, excluding Capital and Internal Recharges, at £8.826m is £140k under spent. The key variances of note are detailed below, this does not include offsetting variances or those that are not material:

Employee Expenditure

Expenditure at £8.213m is £32k (0.39%) higher than budget.

Indirect Pay is £29k under spent and Direct Pay is £61k over budget to the end of August. Significant variances include:

- £103k greater than budget in the CEO Directorate which relates to savings expected from Service Reviews that have not yet been finalised and accounted for in individual service budgets. Savings have been identified from reviews but there has been some slippage in respect of implementation.
- £16k over spend in Planning due to £20k of Agency costs that relate to 2016/17 that were not accrued for.

- Underspends due to vacancies of £21k in Democratic Services, £18k in Community Protection and £25k in Selective Licensing.

Premises Expenditure

At £785k, premises expenditure is only £4k (0.43%) overspent, there are no material variances of note.

Transport Expenditure

Transport Related Expenditure, at £982k is £63k (6.01%) under budget. The main variance being an under spend for fuel due to reduced mileage to August.

Supplies and Services Expenditure

Supplies and Services at £2.635m are £228k (7.96%) less than budget. The main variances consist of the following:

- Place and Communities is £206k under spent with the main variances being:
 - £19k underspend for the Dog Control contract, due to the actual contract price for the tender being less than budgeted and there being fewer collections than expected in April to August. There has been a £25k saving proposed later in this report.
 - £41k underspend for the Regeneration Shared Service due to vacancies in the service to August. This is expected to continue in the near future.
 - £21k underspend for professional and consultancy fees in Planning of which £7k relates to planning application appeals and £14k for the Local Plan. There has not yet been a need for external advice for planning appeals and the Local Plan Inspection is now going to be in October.
 - The remaining under spend comprises several smaller variances across the services. There are also offsetting variances of reduced cost that result in reduction of reclaimed income.
- Resources and Business Transformation is only £4k under spent however there is a £15k over spend on telephones across the authority as a result of additional support being required following the end of telephony contract. There is also a requirement to spend a further £87.7k on an upgrade and a new contract for telephony (see separate report in this agenda). The Council will look to contain this cost as a result of current underspends and possible savings.
- Housing and Assets is £26k underspent, mainly relating to an under spend for the Homelessness Shared Service. There was an overcharge of £10k for 2016/17 which has been credited in 2017/18 as well as an under spend of £11k on the quarter one charge.

Transfer Payments

Transfer payments are the costs incurred from payment of rent allowances and rent rebates and the corresponding income received from Central Government, which reimburses a large proportion of these costs.

There has been a review of the expenditure and subsidy income budgets in August. This was based on updated information from the mid-term estimate HB Return submitted to DWP in August 2017. The revisions have had a net impact of nil to the General Fund.

The net cost of Transfer Payments, at £154k, is £49k over spent of which £46k relates to actual benefit expenditure being slightly higher than anticipated. This represents a variance of 0.35% on the total expenditure budget to August (£12.957m). Should this trend continue, additional subsidy income will be payable, therefore it is not expected to impact on the General Fund overall.

The remainder of the budget comprises Discretionary Housing Payments (DHP's) which are made to tenants across the whole rented sector in Ashfield who are suffering severe financial hardship. DHP's are funded by a grant from Central Government. Spend to August was on budget at £76k against a profiled budget of £73k.

Income

Income at £3.943m is £66k (1.65%) less than budgeted. The main variances are outlined, below:

- Place and Communities income is £281k less than budget, with the main variances being:
 - Trade Waste income is £74k down on budget. Challenging income targets were set for 2017/18 further to the introduction of the recycling Trade Waste scheme. Reductions in waste disposal are being achieved as part of this project. There is also competition from Nottingham City Council who are operating a Trade Waste service in Ashfield.
 - Licensing income is £26k greater than budget due to a greater number of licences being issued
 - Pest control commercial income is £19k less than budget.
 - Income from Selective Licensing is £27k less than budget. This is as a result of delays in processing difficult cases due to staffing levels.
 - Planning application fees are £95k down against the budget. The volume of planning applications being received has slightly increased however they are for smaller schemes and as a result overall income is less than budgeted. Larger developers may be awaiting the outcome of the forthcoming Local Plan. It should also be noted that the income budget was raised by £100k in 2016/17 and the outturn was £20k less than budgeted.
 - Sutton Indoor Market is £27k less than budget due to the refurbishment works having a bigger impact than forecast. It is expected that rental income will improve later in the year when this work is completed.
 - Commercial Property is £21k less than budget for Rent of Buildings, this was due to vacancies earlier in the year.
- Resources and Business Transformation income is £177k greater than budget. The main variances are as follows:
 - Revenues has additional grant income of £80k primarily to fund specific Revenues initiatives. Some will be utilised to cover future additional staff requirements as a result of government changes.
 - There is £76k of additional court costs raised in Council Tax, however some of this may not be collected and will be charged against the bad debt provision at the year end.

b. Housing Revenue Account to August 2017

Net income for the period to 31st August 2017, at £6.036m, is £284k higher than budget. The table below shows a subjective analysis of the net expenditure in the HRA, excluding capital financing costs and internal recharges, for the period April – August 2017:

	Actuals (£000)	Budget (£000)	Variance (£000)
Employee Expenses	2,254	2,398	144
Premises Expenses	2,355	2,445	90
Transport Related Expenses	183	221	38
Supplies & Services	1,642	1,634	(8)
Income	(12,470)	(12,450)	20
Total Net Budget	(6,036)	(5,752)	284

The reasons for the material variances in expenditure and income are given below.

Employee Expenses

Expenditure at £2.254m is £144k (6.02%) under budget. The main variances are outlined below:

- Housing Repairs – Depot Operative salaries are currently under spent by £93k, due to vacancies from April to August. The housing responsive repairs have continued to be completed with the use of subcontractors whose costs will come through the Supplies and Services line.
- Housing Repairs – There are various vacancies across the planned management, estates team and technical services support team amounting to £31k.

Premises Expenses

Expenditure at £2.355m is £90k (3.67%) under budget. The main variances are outlined below:

- Housing Repairs – The position of planned, responsive and void repairs works is showing £75k under budget against the profile. This is dependent on the timing of the job tickets coming through the system.

Transport Expenses

Expenditure at £183k is £38k (17.30%) under budget. There are no material variances of note.

Supplies and Services

Expenditure of £1.642m is £8k (0.53%) over budget. The main variances are outlined below:

- Housing Repairs – There is an over spend on subcontractor usage of £87k to cover the housing responsive repairs that have been completed due to the operative vacancies mentioned above.

Materials usage that so far is currently under spent by £22k, this can fluctuate throughout the year depending on the profile of the planned repairs programme. Also, Technical Services currently under spent by £8k over various budget headings that are expected to be used by year end.

- Housing Management – There are reduced running costs at the Brook Street Office of £20k. This underspend is earmarked towards the estimated costs of the Housing Repairs Review. The Tenancy and Lettings service departments are currently under spent by £19k over various budget headings that are expected to be used by year end. Housing management have reviewed some smaller budget headings and are expecting £6k not to be required at year end.

Income

Income at £12.470m is £20k (0.16%) more than budget. There are no major income variances to report.

Overall the Housing Revenue Account forecasts a saving against the 2017/2018 budget of £61k. Only known changes have been included in the forecasts at this point in the financial year.

2. Budget Update 2017/18

General Fund

- 2.1 Since the approval of the budget and the amendments report in July 2017, there have been further events that have required a revision to the budget. All of the proposed changes are funded either through a reallocation of existing budget or by creating a new budget but one which is funded through an earmarked reserve set up for that purpose.
- 2.2 The following amounts have been identified as potential savings and will be used to cover any further pressures as they arise or will be taken as savings during the Revised Budget process for 2017/18.

Description	Directorate	Effective Date	Value (£)
Revised Dog Control Contract (3 years)	Place & Communities	01/04/17	(25,000)
Correction of Nottinghamshire Pre Development Fund Income	Housing & Assets	01/04/17	(15,000)
		TOTAL	(40,000)

- 2.3 The following budget revisions are proposed however these shall be funded from the relevant earmarked reserve and will have no impact on the General Fund balance.

Purpose	Funded from Earmarked Reserve	Value (£)
Purchase of Cadline Software for GIS. Utilising Local Government Association Grant funding awarded for this purpose.	Revenue Grant Reserve	£8,000

Customer Services IT Strategy Review	Technology Investment Reserve	£15,000
Funding to cover costs of Neighbourhood Plan Referendums for Selston Parish and Teversal, Stanton Hill and Skegby (net income)	Revenue Grant Reserve	(£10,000)

Housing Revenue Account

- 2.4 It has been difficult to fill vacancies in the Depot Housing Repairs Operative team and the outstanding repairs to the housing stock are covered by subcontractors. This trend is likely to continue through the remainder of the financial year. To manage therefore the budgets more effectively a virement is requested to move budget of £150k from employee expenses to supplies and services.

Implications

Corporate Plan:

The Revenue budget reflects the priorities in the Corporate Plan.

Legal:

No adverse Legal implications could be identified. The report ensures compliance with Financial Regulations.

Finance:

This report is effective from 19/10/2017 and has the following financial implications:

Budget Area	Implication
General Fund – Revenue Budget	None of the changes proposed impact upon the net General Fund budget, although Earmarked Reserves will be utilised as outlined in the report
General Fund – Capital Programme	None
Housing Revenue Account – Revenue Budget	None of the changes proposed impact upon the net HRA budget.

Housing Revenue Account – Capital Programme	None
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Risk:

Risk	Mitigation
This report outlines the financial position against the budget. There are no risks associated with this report.	

Human Resources:

No adverse HR implications could be identified.

Equalities

No adverse Equality and Diversity implications could be identified.

Other Implications:

None

Reason(s) for Urgency (if applicable):

N/A

Exempt Report:

N/A

Background Papers

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