

Enquiries to:
Kelly Hallett

Direct Dial: 024 7637 6204

Direct Email:
kelly.hallett@nuneatonandbedworth.gov.uk

Date: 5th September, 2016

Dear Sir/Madam,

Cabinet - 7th September, 2016

I refer to the meeting of Cabinet on Wednesday 7th September, 2016 and attach the report - General Fund and Housing Revenue Account Quarterly Budget Monitoring Report 2016/17 which was marked "to follow" on the agenda.

Yours faithfully,

ALAN FRANKS

Managing Director

To: Members of Cabinet

Councillor D. Harvey	(Finance and Civic Affairs (Leader))
Councillor J.A. Jackson	(Housing (Deputy Leader))
Councillor D. Aldington	(Planning and Development)
Councillor I.K. Lloyd	(Arts and Leisure)
Councillor G.D. Pomfrett	(Central Services)
Councillor B.J. Longden	(Health and Environment)

CABINET

Report Summary Sheet

Date: 7th September 2016

Subject: General Fund and Housing Revenue Account Quarterly budget monitoring report - Qtr 1 2016/17 Update

Portfolio: Finance and Civic Affairs (Councillor D Harvey)

From: Director of Finance & Procurement

Summary: The report details the forecast outturn position for 2016/17 as at the end of June 2016 for the General Fund and Housing Revenue Account budgets.

Recommendations:

That the forecast outturn position for 2016/17 for the General Fund and HRA be noted, with regard to the key variances.

That option 2 regarding the trade refuse service shown at section 5.3 to 5.5 be approved to transfer the administrative function to Coventry City Council, to reduce the spend pressure of the trade refuse service in 2016/17 onwards.

That approval be granted to create additional expenditure and income budgets in the General Fund equivalent to the external funding from Warwickshire County Council and the Home Office as shown at section 8.

That approval be granted to create additional expenditure budgets within the HRA financed from the earmarked reserve to meet the housing system implementation costs anticipated in 2016/17 as included at section 8.

That it be recommended to Council that the updated General Fund and HRA budgets for 2016/17 as attached at Appendix C be approved.

Reasons: The Council must achieve a balanced budget each year

Options: To accept the report or request further information on the forecast outturn position.

Subject to call-in: Yes

Forward plan: Yes

Corporate priorities: Aim 4

Relevant statutes or policy: The Local Government Finance Act 1992 requires a balanced budget to be achieved each year.

Equal opportunity implications: None

Human resources implications: None

Financial implications: Included throughout the report

Health Inequalities Implications: None

Section 17 - Crime and Disorder Implications: None

Risk management implications:

The Council takes a risk based approach to setting its budget and the appropriate level of reserves held to fund projects.

Environmental implications:

None

Legal implications:

The authority must achieve a balanced budget each year

Contact details:

Sara Ansell
Financial Planning Manager
02476 376281

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: Cabinet - 7th September 2016

From: Director – Finance and Procurement

Subject: General Fund and Housing Revenue Account Quarterly budget monitoring report 2016/17

Portfolio: Finance and Civic Affairs (Councillor D Harvey)

1. Purpose of Report

- 1.1 To present the 2016/17 forecast outturn position as at 30th June 2016 for the General Fund and Housing Revenue Account budgets

2. Recommendations

- 2.1 That the forecast outturn position for 2016/17 for the General Fund and HRA be noted, with regard to the key variances.
- 2.2 That option 2 regarding the trade refuse service shown at section 5.3 to 5.5 be approved to transfer the administrative function to Coventry City Council, to reduce the spend pressure of the trade refuse service in 2016/17 onwards.
- 2.3 That approval be granted to create additional expenditure and income budgets in the General Fund equivalent to the external funding from Warwickshire County Council and the Home Office as shown at section 8.
- 2.4 That approval be granted to create additional expenditure budgets within the HRA financed from the earmarked reserve to meet the housing system implementation costs anticipated in 2016/17 as included at section 8.
- 2.5 That it be recommended to Council that the updated General Fund and HRA budgets for 2016/17 as attached at Appendix C be approved.

3. Overview of the forecast outturn for 2016/17

- 3.1 Both the General Fund and Housing Revenue Account capital programmes were approved by the Cabinet and full Council on 17th February 2016. This report aims to update Cabinet on how the council is

performing financially for both the General Fund and the HRA.

- 3.2 The key questions identified below are used as indicators of financial performance:

Revenue Monitoring:

- Are we on track to achieve the overall budget within a tolerance of between £0 - £150k for GF and between £0 and £250k for the HRA?
- What spend pressures are emerging?
- Are key income generators on track?
- Are we achieving any key savings?

4. Overall General Fund/HRA position – are we on track to achieve the budget?

- 4.1 The table shown at Appendix A sets out the Councils overall General Fund forecast outturn as at 30th June 2016. The original approved budget estimated a contribution to reserves of £23k. The forecast outturn for 16/17 at the end of the first quarter is an increased contribution to reserves of £64k, a variance of £41k.
- 4.2 There are several significant under and overspends across Portfolio budgets that account for the vast majority of this increased contribution to reserves. However, during the year budgets are monitored closely and any savings that are identified are vired away from service budgets to the Central Provisions budget. A review of underspends, as part of the challenge meetings process for budget setting for 2017/18 is currently underway and there may be additional savings for 2016/17 as a result of this.
- 4.3 Business rates are becoming an increasingly important source of funding since the introduction of Business Rates Retention in 2014/15, as Local Authorities keep a share of their growth. Nuneaton and Bedworth keeps 40% of the NNDR it collects, and continues to operate within the Coventry and Warwickshire pool. £2.9m is estimated to be received in business rates to support the budget in 2016/17. Due to the complex accounting treatment and timing of payments to central Government, it is expected that any shortfall against this budget due to appeals will be offset by a corresponding contribution from the volatility reserve so that the impact of such adjustments is not detrimental during the course of the year. There have already been some significant appeals which have reduced the RV in 2016/17, but these adjustments can be dealt with within the volatility reserve and appeals provision.
- 4.4 The table shown at Appendix B sets out the Housing Revenue Account forecast outturn as at 30th June 2016. The original approved budget estimated a surplus of £2,797k. The forecast outturn for 16/17 at the

end of the first quarter is an increased surplus of £3,004k, a variance of £207k. Some significant changes are anticipated to impact on the HRA but the timing of some of the planned changes as a result of the Housing and Planning Act are still unclear, although these could still impact in the current financial year. At the time of writing still very little information is known about the pay to stay initiative and the impact of high value voids, and nothing is included in the forecast outturn as a result. Clearly, this situation will be monitored over the coming months as more information is due to be released by central Government, so that the financial implications on the HRA can be better understood.

5. What key spend pressures are emerging?

- 5.1 The forecast outturn summary shown at Appendix A outlines under spending across the portfolios of £180k. However, a number of key spend pressures are already emerging which will need careful monitoring during the course of the year to manage, these are largely contained within the Health and Environment portfolio at this relatively early stage of the financial year
- 5.2 Health and Environment – There are a number of significant spend pressures within this portfolio for the refuse and recycling service. Increased salary costs are being incurred in refuse largely due to sickness and vacancies being covered by agency staff. A review of the budget and staffing arrangements has been undertaken and it is anticipated that the costs in the remainder of the year should reduce as a result, which will help to mitigate this overspending, as vacancies are being permanently recruited to. Any other underspending areas within the street cleansing, refuse and recycling services will be vired to offset this cost during the course of the year.
- 5.3 A further spend pressure is emerging in respect of trade refuse. The operational side of the service is currently undertaken by Coventry City Council, who make a charge to NBBC on a per lift basis for each bin. The service is operating well through this shared service arrangement, and since its inception it has generated significant levels of net income for NBBC, which is currently budgeted to be £82k in 2016/17. However, Coventry have notified us that they cannot continue with the current pricing and cost increases will have to be passed on to us in 2016/17 in respect of waste disposal 'gate fees' at the Coventry waste to energy plant. Coventry have absorbed these increases up until now, but have indicated that this is not possible any longer and that cost increases will be passed on to us. A number of options have been assessed in respect of this notified change. The details and impact on the General Fund are outlined in the table below:

Details of option	Expenditure	Income	Net position	Net budget pressure
Current budget 2016	260,290	(342,300)	(82,010)	
Option 1 – absorb the increased costs from CCC ie collection only service	351,370	(342,300)	9,070	91,080
Option 2 – transfer the administrative function for trade refuse to CCC to mitigate the impact of the increased costs. ie full collection and administrative service	58,920	(80,050)	(21,130)	60,880
Option 3 – Revert to full in house service	355,080	(316,650)	38,430	120,440

- 5.4 None of the spend pressure options have been included in the current forecast outturn, included at appendix A, and dependent on which option is adopted this will reduce the underspend forecast on the General Fund and could move it into a deficit position if options 1 or 3 were adopted, based on the available information as at the end of the first quarter.
- 5.5 Clearly option 2 creates the lowest annual spend pressure for the General Fund and it is recommended that this is the course of action that is followed. Costs may vary slightly however, dependent on the timing of the transfer of the administrative function. Currently there are no emerging savings that could offset this £61k spend pressure within the Health and Environment portfolio specifically, however, other salary related underspends within the General Fund, should mean that the spend pressure can be accommodated within the totality of the General Fund, although this will require careful monitoring during the course of the year, and any identified savings will need to be used to finance this spend pressure, if they emerge.

5.6 Returns on investment income are likely to be considerably less than originally budgeted, based on the latest interest rate forecasts from capita and the Treasury. Since the Brexit vote, interest rates have been lowered by the Bank of England and the forecast for future increases, indicates that these will possibly not now begin to increase until 2018/19. Our 2016/17 investment income budget had been based on interest rates beginning to recover in the latter half of 2016/17, but this will not now be the case and has resulted in a significant spend pressure for the General Fund in 2016/17 of £139k, shown at Appendix A.

6. Are key income generators on track?

6.1 Even at this relatively early stage of the financial year income streams are showing mixed trends – some doing very much better against budget, whilst others are already showing some signs of deterioration. All income is shown within the Portfolio budgets at Appendix A but the main income generators are shown below along with key variances:

Income description	Approved Budget £	Q1 forecast £	Variance £
Market stall rental income	(360,970)	(342,170)	18,000
Council Promotions income (net) – Civic Hall	(53,280)	(34,780)	18,500
Private Show hire – Civic Hall	(125,000)	(135,000)	(10,000)
Catering & bar income – Civic Hall	(168,500)	(168,500)	0
Land Charges	(104,950)	(105,495)	(545)
Licensing	(328,380)	(328,380)	0
Commercial Property rents	(1,261,640)	(1,244,340)	17,300
Recycling Credits income	(421,190)	(421,190)	0
Building Control fee income	(265,830)	(285,620)	(19,790)
Planning Fee income	(433,670)	(508,670)	(75,000)
Car Parking metered income	(2,169,670)	(2,144,770)	24,900
Car Parking season ticket income	(228,890)	(223,560)	5,330
Cemeteries income	(207,110)	(189,610)	17,500

6.2 Arts and Leisure – Income for private show hire continues to be strong, although the net position of the council promoted show income is also currently slightly down on budget. The income is offset by reduced payments to artists, based on levels of ticket sales for most shows. The pantomime is the main council promoted show, and its ticket sales in the coming months will have a significant impact on the outturn. To offset the income, running costs at the Civic Hall are being carefully managed and the latest indications are that these may be lower than budget by the end of the year.

- 6.3 Central Services – slightly increased income is anticipated from land charges based on current trends, partly due to increased demand for searches during the early part of the year.
- 6.4 Health and Environment –Recycling credit income is received from WCC based on the tonnages of recycled material we collect. Detailed work is currently underway to understand the effect of increased contamination in bins which does not attract recycling credit income. It is anticipated that this income may show a downturn but until this work is complete and discussions with WCC have been finalised, the forecast outturn cannot be identified with any certainty.
- 6.5 Planning and Development – Building control income improved during 2015/16 and this trend appears to be continuing in 2016/17. There have been recent improvements to the way the section operates and the net increased income from fees is currently approximately £20k. Planning fee income levels are looking very positive and are forecast to exceed the budget by about £75k at year end based on income to date. Car parks metered and season ticket income received to date is slightly down (£25k) at the end of the first quarter compared to the profiled budget.
- 6.6 HRA - Rental income is anticipated to be lower than originally budgeted by £47k. This reduction in income is partly due to higher voids, and increased right to buys over the first quarter, but further analysis of rental income to understand any other discrepancies will also be undertaken. As more relets are undertaken during the year at target rents it is anticipated that rental income should improve. Voids are being actively managed to ensure that turnaround times are reduced where possible which should help to boost income streams.

7. Are we achieving any key savings?

- 7.1 A number of key savings are currently being achieved across all portfolios. Net salary savings are forecast of £65k due to vacancies across Revenues and Benefits. It has proved challenging to fill these vacancies with suitable staff either on a temporary or permanent basis, but this has now been largely overcome. There are also some staff vacancy savings anticipated in 2016/17 due to the current vacancy for the Head of Town Centres and Marketing, which is being recruited to. £39k of salary savings are also anticipated from vacancy savings within Planning Policy. These salary savings are being utilised to help achieve the 1.5% vacancy savings target, to offset savings through natural staff turnover which are included in the budgets.
- 7.2 The net position on the recovery of benefit overpayments against required levels of bad debt provision is also anticipated to deliver savings based on current activity levels. This will be closely monitored

over the coming months to understand if this trend will continue throughout the remainder of the year.

- 7.3 The HRA is also realising savings in housing management salary costs due to vacancies anticipated to be around £62k and in repairs management of a further £59k, Significant savings are currently being forecast from repairs and maintenance - £18k savings are anticipated from asbestos survey related work, but this may decrease if access to more properties is achieved to undertake surveys, along with savings from the gas servicing contract (£84k), and lower electrical and drainage costs. It is still very early in the year and all of these contracts and costs will be monitored closely to understand whether the current trends will continue.

8. Earmarked Reserves and additional financing

- 8.1 Earmarked reserves are held for specific purposes and a number of earmarked reserves have been budgeted for and are being utilised in year to finance expenditure on specific schemes or work.
- 8.2 The Communities Team have successfully applied for £10,000 of additional funding from Warwickshire County Council Healthier Communities to match fund our own 2016/17 budget to extend our public health work in the Borough. The team have also been successful in securing an additional £10,000 from the Home Office for furthering our work under the Prevent Agenda. Whilst these are within the virement limits and will be fully funded schemes, they do represent additional financing and Cabinet are asked to approve an extra expenditure and income budget accordingly. Appendix C shows the GF summary, including these additions, although there is no identifiable change in the summary report, the additional income and expenditure items are included within the detailed General Fund budgets.
- 8.3 The housing service is in the process of implementing a new housing management system. A budget for the purchase of the system is included within the capital budget. However, there will be some significant implementation costs as part of this project and work to refine the system requirements and processes needs to occur. A specific earmarked reserve of £350k was created in 2015/16 to finance these costs. £125k of this earmarked reserve will need to be utilised in 2016/17 to further this work and Cabinet are therefore asked to approve extra expenditure and income budgets of £125k within the HRA to approve this additional spending. The summary at Appendix C shows the necessary changes to the HRA budget in 2016/17.

9. Conclusion

- 9.1 The forecast outturn position for the General Fund as at 30th June shows a favourable position with an increased contribution to reserves.

However, there are some key services and cost drivers that will need to be closely monitored over the next quarter and mitigating actions identified where necessary. Key income streams are showing a mixed picture, some areas performing very highly, whilst others less so, it is hoped that this trend can be reversed over the coming months.

- 9.2 The HRA is currently forecasting an increased surplus as at 30th June and this is largely due to salary savings. The HRA Business Plan needs updating to reflect some of the changes included within the Housing and Planning Act, but little detailed information is available to enable this piece of work to be undertaken. It is hoped that further information will be released very soon.

GENERAL FUND REVENUE SUMMARY 2016/17

PORTFOLIO ANALYSIS	ORIGINAL BUDGET 2016/17 £'000	FORECAST OUTTURN 2016/17 £'000	VARIANCE 2016/17 £'000
Arts & Leisure	5,591	5,627	36
Central Services	1,253	1,235	(18)
Finance and Civic Affairs	1,716	1,544	(172)
Health & Environment	4,418	4,514	96
Housing	764	766	2
Planning & Development	640	516	(124)
Support Services	0	0	0
Total Portfolio net expenditure	14,382	14,202	(180)
Central Provisions	375	375	0
Interest and Investment Income	(385)	(246)	139
External Interest Paid (GF Only)	444	444	0
Depreciation and Impairment (inc Gov grants & developers contribs)	(2,986)	(2,986)	0
Minimum Revenue Provision	464	464	0
PWLB Premiums and Discounts (GF Only)	21	21	0
Financing of Capital Expenditure	3,483	3,483	0
Transfers to/from Reserves	(1,495)	(1,495)	0
Total below the line/other items	(79)	60	139
2016/17 Total Council Net Expenditure	14,303	14,262	(41)
<u>Financed by:</u>			
NBBC precept	(7,687)	(7,687)	0
RSG Entitlement	(1,577)	(1,577)	0
New Home Bonus	(2,033)	(2,033)	0
NBBC share of surplus	(100)	(100)	0
Business Rates retention	(2,929)	(2,929)	0
2016/17 Total Financing available	(14,326)	(14,326)	0
2016/17 Transfer From/(To) General Fund Reserves	(23)	(64)	(41)

APPENDIX B

HRA SUMMARY REPORT 2016/17

	Current Budgets 2016/17	Forecast Outturn 2016/17	Forecast Variance 2016/17
<u>Expenditure</u>			
General Expenses	4,114	4,034	(80)
Special Expenses	3,667	3,657	(10)
Repairs and maintenance	5,920	5,708	(212)
Depreciation	6,128	6,128	0
Capital Expenditure funded by HRA	722	722	0
Interest Payable	2,151	2,151	0
Central Support Services	0	0	0
	22,702	22,400	(302)
<u>Income:</u>			
General Income - H.R.A.	(23,868)	(23,821)	47
Non-Dwelling rents	(589)	(580)	9
Other income – services and facilities	(1,842)	(1,803)	39
Interest receivable	(35)	(35)	0
	(26,334)	(26,239)	95
<u>Adjustments:</u>			
Premiums and Discounts	(2)	(2)	0
Major repairs reserve contribution	837	837	0
	(2,797)	(3,004)	(207)

GF REVENUE SUMMARY 2016/17

PORTFOLIO ANALYSIS	CURRENT BUDGET 2016/17 £'000
Arts & Leisure	5,591
Central Services	1,253
Finance and Civic Affairs	1,716
Health & Environment	4,418
Housing	764
Planning & Development	640
Support Services	0
Total Portfolio net expenditure	14,382
Central Provisions	375
Interest and Investment Income	(385)
External Interest Paid (GF Only)	444
Depreciation and Impairment (inc Gov grants & developers contribs)	(2,986)
Minimum Revenue Provision	464
PWLB Premiums and Discounts (GF Only)	21
Financing of Capital Expenditure	3,483
Transfers to/from Reserves	(1,495)
Total below the line/other items	(79)
2016/17 Total Council Net Expenditure	14,303
<u>Financed by:</u>	
NBBC precept	(7,687)
RSG Entitlement	(1,577)
New Home Bonus	(2,033)
NBBC share of surplus	(100)
Business Rates retention	(2,929)
2016/17 Total Financing available	(14,326)
	(23)
2016/17 Transfer From/(To) General Fund Reserves	

APPENDIX C CONT'D

HRA SUMMARY 2016/17

**Current Budget
2016/17 £'000**

Expenditure

General Expenses	4,239
Special Expenses	3,667
Repairs and maintenance	5,920
Depreciation	6,128
Capital Expenditure funded by HRA	722
Interest Payable	2,151
Central Support Services	0
	<hr/>
	22,827

Income:

General Income - H.R.A.	(23,868)
Non-Dwelling rents	(589)
Other income – services and facilities	(1,842)
Interest receivable	(35)
	<hr/>
	(26,334)

Adjustments:

Premiums and Discounts	(2)
Transfer from reserves	(125)
Major repairs reserve contribution	837
	<hr/>
	(2,797)