

**Name of meeting:** Cabinet  
**Date:** 8<sup>th</sup> March 2016

**Title of report:** Corporate Revenue Financial Monitoring Report, Quarter 3, 2015-16

<b>Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	Yes
<b>Is it in the <a href="#">Council's Forward Plan</a>?</b>	Yes
<b>Is it eligible for "call in" by <a href="#">Scrutiny</a>?</b>	Yes
<b>Date signed off by <u>Director</u> &amp; name</b>	David Smith, 9 February 2016
<b>Is it signed off by the Director of Resources?</b>	Yes
<b>Is it signed off by the Acting Assistant Director - Legal &amp; Governance?</b>	No legal implications
<b>Cabinet member <a href="#">portfolio</a></b>	Resources

**Electoral [wards](#) affected:** All  
**Ward councillors consulted:** None

**Public or private:** Public

## 1. Purpose of report

- 1.1 This report is the third in an agreed quarterly cycle of consolidated revenue budget monitoring statements to be presented to Cabinet during the course of the financial year.
- 1.2 This report, and the accompanying Appendices presents an overall forecast revenue outturn for 2015-16, as at Quarter 3, including commentary on emerging developments and risks.
- 1.3 The report also includes a summary update on Council reserves included at Appendix A.

## 2. Key points

### GENERAL FUND

- 2.1 The Council's general fund net controllable revenue budget for 2015-16 is **£314.1million (m)**, and includes a (net) budget reduction of £10m.
- 2.2 There is a reported Quarter 3 **forecast overspend of £7.1m or 2.8% at Directorate level** against a **£254.9m** net budget.
- 2.3 Headline Directorate pressures include demand led pressures on Adults at £2.7m, Children & Young People at £3.5m, and Waste Services at £0.8m.
- 2.4 The £2.7m demand led pressures in Adults are 'net' of £2.2m Better Care Funding applied in-year against Adult Social Care services; £0.9m Older People, £1m Learning Disabilities, £0.3m Contracts and Commissioning.
- 2.5 There is also a specific pressure on Public Health budgets of £1.6m, impacted on by the government clawback of Council public health grant allocations in-year.
- 2.6 Elsewhere, schools transport is reflecting a current overspend of £1.0m; this was also acknowledged as part of the formal budget approval process for 2015-18 to be a continuing area of budget risk.
- 2.7 The above pressures are mitigated in-year partly through Central (contingency) budget set aside to mitigate Directorate pressures, totalling £1.6m.
- 2.8 There is also a balance of £2.5m Central budget forecast underspend; mainly £1.8m Treasury Management, and this reflects the impact of previous Cabinet approvals to apply available capital receipt, grant and revenue funding to service debt.
- 2.9 Cabinet has previously approved the drawdown of "one-off" earmarked reserves, to mitigate in-year pressures; both the volume element of demand led pressures, and other service pressures. As at Quarter 3, in-year earmarked reserves drawdowns total £6.7m, and these are set out in more detail at Appendix D attached.
- 2.10 After taking into account mitigations as outlined in paras. 2.7 to 2.9 above, **there is an overall reported Quarter 3 forecast net underspend position of £4.2m or -1.3%**, against the **£314.1m** net controllable revenue budget, as summarised at Appendix A. This represents a favourable shift from the forecast position reported at Quarter 2, by £3.2m.
- 2.11 As previously set out in the Quarter 2 revenue monitoring report to Cabinet on 17 November 2015, the Chair of the New Council Programme Board (Director of Economy & Skills) has been given delegated overall budget management responsibility for approved budgets in scope as part of the economic resilience and early intervention and prevention theme work. This is referred to at Appendix A as Cross-Directorate Themes. Appendix B attached gives a more detailed breakdown of the budgeted activity in scope here.

- 2.12 At Quarter 3 there is a projected underspend of £383k or -50% on New Homes Bonus funded schemes against a budget of £766k. Commitments to date include £100k for the provision of a modular building for community activities at Bradley recreation ground, and £70k for improved security at 21 Council owned sites across the 4 wards in the Dewsbury district. Appendix C attached shows the full list of schemes that have been approved to date.
- 2.13 Appendix D to this report summarises key forecast variances across Directorate and Central budget activity, as at Quarter 3.

### **COLLECTION FUND**

- 2.14 The Collection Fund forecasts here are based on Council shares of Collection Fund income due. There is a forecast in-year surplus of £2.5m on Council tax; equivalent to 1.8% against budget income of £141m; mainly due to council tax income collection performance in excess of targeted.
- 2.15 There is a current £3.6m in year forecast deficit against business rates income of £51.4m. This is due to in year reduced rates income as a result of successful appeals and a review of outstanding backdated appeals currently with the Valuation Office. In addition there is an emerging risk in relation to appeals for Doctor's Surgeries and Virgin Media which if successful could result in a one off cost to Kirklees of £1.1m for backdated payments plus reduced rates income of £300k per annum going forward.

### **HOUSING REVENUE ACCOUNT (HRA)**

- 2.16 There is a forecast surplus of £5.9m against the ring-fenced HRA; equivalent to 6.1% against annual budgeted turnover (income) of £96m. The HRA is a statutory ring-fenced account, and this means that this forecast surplus would automatically transfer to HRA general reserves at year end.

The most significant variance is (£4.1m) relating to the following; repairs and maintenance, less than anticipated costs on empty homes (£1.1m), responsive repairs (£0.2m) and reduced volume of planned repairs (£0.8m). There is also an anticipated year end (£1.5m) re-allocation of building services forecast trading surplus to HRA. This is an accounting requirement for Council trading services; operating surpluses or deficits relating to internal customers (if material) are re-allocated to internal customers at each year end.

### **EMERGING DEVELOPMENTS / RISKS**

- 2.17 The Council Budget Report to full Council in on 17 February 2016 set out a range of emerging national government funding developments and the impact of these on Council budgets going forwards. The report makes reference to in-year financial performance as at Q2; in particular demand led budget risks and business rates backdated appeals volatility. While Q3 reflects an overall slightly improved position on both general fund &

HRA, underlying budget risks previously highlighted at Q2 remain as at Q3 monitoring.

## **NEW COUNCIL DEVELOPMENTS RESERVE**

2.18 As at Quarter 3, commitments against the £2.85m total an estimated £805k to date:

- £200k additional temporary senior management capacity within Commissioning, Adult & Public Health to backfill for existing senior management capacity supporting the cross-Directorate Early Intervention & Prevention theme work.
- Up to £605k Programme Management Resources within New Council Programme Management Office; Immediate recruitment of a Programme Manager and a Project Officer and recruitment of up to three further Project Managers and four Project Officers for allocation to specific New Council programmes or projects – e.g. aspects of ‘Early Intervention and Prevention’ and ‘Economic Resilience’

### **3. Implications for the Council**

- 3.1 The Council Budget Report 2016-19 to full Council on 17 February 2016 includes the use of £15.0m available Council general fund “one-off” balances and a further £2.5m earmarked reserves to achieve a balanced budget for 2016-17; £17.5m in total. There is a forecast underlying budget gap of £16m in 2017-18, increasing to £30m in 2018-19 and £38m in 2019-20, and this will need to be addressed through future budget rounds.
- 3.2 The use of available “one-off” balances is part of the medium term budget strategy and is intended to buy the Council time to be able to invest in change programmes and smooth budget reductions required over the 2016-19 period and beyond.
- 3.3 If the Council’s revenue outturn position for 2015-16 is an overall revenue overspend, the ‘overspend’ will reduce balances currently assumed available to support the Medium Term Financial Plan (MTFP) 2016-19.
- 3.4 The Quarter 3 forecast underspend 2015-16, has not been anticipated as available (all or part) to add to the £15.0m available “one-off” balances to support the 2016-19 MTFP budget plans approved at full Council on 17 February.
- 3.5 The updated reserves position of the Council, as at Quarter 3, 2015-16 is shown at Appendix A. The proposed drawdown of £6.7m earmarked reserves in-year to mitigate volume/service pressures reflects the Council’s continued approach to the management of budget risk in-year.
- 3.6 While the 2015-16 Council overall general fund position is a projected underspend, within the overall forecast position there are a number of significant in-year pressures being mitigated by a combination of one-off reserves, central contingency budgets and external funding contribution in conjunction with health partners through Better Care Funding (BCF); the Department of Communities and Local Government have recently

announced their continuing commitments to BCF in 2016-17 notwithstanding that the distribution formula and associated conditions will be subject to a forthcoming government consultation.

In order to ensure that the longer financial position is affordable, the council will need to deliver in line with the MTFP which means continuing to explore additional service redesign and transformation proposals to bridge the anticipated financial shortfall over the medium term, and address the longer term demographic and service volume pressures.

- 3.7 The forecast revenue outturn position as set out in this report will be subject to further review through the remainder of the financial year, and the actual outturn position and rollover options for the Council will be considered as part of the outturn and rollover report to full Council later in the year.

#### **4. Consultees and their opinions**

This report has been prepared by the Director of Resources in consultation with the Executive Team.

#### **5. Next steps**

Cabinet to consider officer recommendations below.

#### **6. Officer recommendations and reasons**

Members are asked to:-

- i) note the forecast position at Quarter 3 for the general fund, housing revenue account and collection fund,
- ii) note the approved drawdown of £6.7m from earmarked reserves for volume/service pressures,
- iii) note up to £805k commitments to date against the £2.85m New Council Developments Reserve.

#### **7. Cabinet portfolio holder recommendation**

The portfolio holders support the officer recommendations.

#### **8. Contact officer and relevant papers**

Eamonn Croston, Strategic Council Finance Manager  
01484 221000

#### **9. Director responsible**

David Smith, Director of Resources  
01484 221000

**CORPORATE REVENUE BUDGET MONITORING 2015/16 –  
MONTH 9/Q3**

**Appendix A**

Directorate	Net Controllable Budget £000s	Forecast Outturn £000s	Variance £000s	Pressures offset by Reserves £000s	Adjusted Forecast Outturn £000s	Adjusted Variance £000s	%	Movement from Q2 £000s
Children & Young People	57,941	62,018	4,077	(3,401)	58,617	676	1.2%	(146)
Commissioning, Public Health & Adults	84,229	88,640	4,411	(3,261)	85,379	1,150	1.4%	(1,056)
Place	34,289	35,493	1,204	0	35,493	1,204	3.5%	(726)
Resources	33,600	32,808	(792)	0	32,808	(792)	-2.4%	(415)
Communities, Transformation & Change	6,353	6,084	(269)	0	6,084	(269)	-4.2%	73
Cross-Directorate Themes	38,489	37,002	(1,487)	0	37,002	(1,487)	-3.9%	(764)
<b>Sub-total</b>	<b>254,901</b>	<b>262,045</b>	<b>7,144</b>	<b>(6,662)</b>	<b>255,383</b>	<b>482</b>	<b>0.2%</b>	<b>(3,034)</b>
Central Budgets - contingencies offsetting Directorate pressures	1,616	0	(1,616)	0	0	(1,616)		264
	<b>256,517</b>	<b>262,045</b>	<b>5,528</b>	<b>(6,662)</b>	<b>255,383</b>	<b>(1,134)</b>		<b>(2,770)</b>
Other Central Budgets	62,954	60,408	(2,546)	0	60,408	(2,546)	-4.0%	(64)
Public health grant contribution to MTFP	(6,403)	(6,403)	0	0	(6,403)	0	0.0%	0
<b>Sub-Total</b>	<b>313,068</b>	<b>316,050</b>	<b>2,982</b>	<b>(6,662)</b>	<b>309,388</b>	<b>(3,680)</b>	<b>-1.2%</b>	<b>(2,834)</b>
District Committee managed budgets	1,034	505	(529)	0	505	(529)	-51.2%	(383)
<b>General Fund Total</b>	<b>314,102</b>	<b>316,555</b>	<b>2,453</b>	<b>(6,662)</b>	<b>309,893</b>	<b>(4,209)</b>	<b>-1.3%</b>	<b>(3,217)</b>
Memo Item (HRA)	(9,740)	(15,666)	(5,926)	0	(15,666)	(5,926)	60.8%	(2,360)

Collection Fund forecast (Council Share)	Council Tax £000s	Bus. Rates £000s	Total £000s
Actual Opening balance 1 <sup>st</sup> April 2015	(4,342)	5,234	892
Planned contribution to/(from) General Fund 2015/16	1,200	(5,200)	(4,000)
In-year forecast	(2,500)	3,600	1,100
<b>Forecast Closing balance 31<sup>st</sup> March 16</b>	<b>(5,642)</b>	<b>3,634</b>	<b>(2,008)</b>

**UPDATED RESERVES POSITION***Appendix A / continued**GENERAL FUND*

	Reserves as at 1/4/15	Reserves commitments over MTFP period 15-18	Remaining reserves	Comments
	£m	£m	£m	
Statutory	(24.0)	-	(24.0)	Schools related reserves
Earmarked	(63.4)	56.0	(7.4)	Commitments include £6.3m drawdown against in-year pressures
Risk based	(10.0)	-	(10.0)	Contingency reserve
General Reserves (balances)	(38.0)	33.0*	(5.0)	Remaining reserves reflects minimum balances held
<b>Grand Total</b>	<b>(135.4)</b>	<b>89.0</b>	<b>(46.4)</b>	

*HOUSING REVENUE ACCOUNT*

	Reserves as at 1/4/2015	Reserves commitments over MTFP period 15-18	Remaining reserves	Comments
	£m	£m	£m	
General reserves (1)	(35.8)	34.3	(1.5)	See note (1)
Major Repairs reserve (2)	-			See note (2)
<b>Grand Total</b>	<b>(35.8)</b>	<b>34.3</b>	<b>(1.5)</b>	

Notes

- (1) includes £9m set aside to support strategic HRA Council priorities, £8.5m set aside for business income risks (welfare reforms – direct payments to tenants); £16.8m to support current & longer term HRA capital plan requirements; £1.5m working balance
- (2) opening balance of nil reflects the fact that there is an in-year contribution from HRA (annual depreciation charge - currently £15.6m) which is then fully committed in-year to support HRA capital plan and pay down HRA debt. Statutorily this reserve cannot be used for any other purpose.

	Net Controllable Budget £000s	Forecast Outturn £000s	Variance £000s	Movement from Q2 £000s
<b><u>Early Intervention and Prevention</u></b>				
Access to Services - CSC	1,292	1,145	(147)	0
Care Navigation	814	737	(77)	(13)
Child with Disability	580	583	3	4
Community Liaison	1,364	1,336	(28)	(8)
Early Intervention & Targeted Support	8,435	7,999	(436)	0
Early years SEN support	576	576	0	0
Engaging communities & building capacity	535	604	69	14
Gateway to care	51	51	0	0
Health Trainers	(7)	(9)	(2)	(2)
Healthwatch	435	331	(104)	(1)
international new arrivals	74	74	0	46
Sensory Services	204	206	2	(16)
Single Point of Access	471	434	(37)	(4)
Support for Carers	449	349	(100)	(3)
Supporting People	6,509	6,813	304	(186)
Voluntary Sector Support	246	229	(17)	1
Young People Service	4,277	4,119	(158)	(88)
<b>Total Early Intervention &amp; Prevention</b>	<b>26,305</b>	<b>25,577</b>	<b>(728)</b>	<b>(256)</b>
<b><u>Economic Resilience</u></b>				
Adult Learning	59	59	0	0
Allotments	35	35	0	0
CCTV	249	209	(40)	(20)
Comm Safety & ASB	386	353	(33)	1
Connexions	283	283	0	0
Creative Economy Support	463	462	(1)	0
Events & Concerts	196	196	0	0
Grant to KAL	2,307	2,382	75	75
Kirklees Advice Service	724	724	0	0
Kirklees Benefits Service	665	728	63	(15)
Lawrence Batley	267	267	0	0
Museums & Galleries	1,103	1,096	(7)	(7)
PCSO's	636	416	(220)	0
Physical Activity	0	0	0	0
School Crossing Patrols	349	259	(90)	(20)
Sport & Physical Activity	504	453	(51)	(29)
Strategic Regeneration	1,822	1,517	(305)	(493)
Uniformed staff	1,200	1,050	(150)	0
<b>Total Economic Resilience</b>	<b>11,248</b>	<b>10,489</b>	<b>(759)</b>	<b>(508)</b>
<b>Total EIP and ER</b>	<b>37,553</b>	<b>36,066</b>	<b>(1,487)</b>	<b>(764)</b>
<i>Memo Item</i>				
<i>EIP new offer (reshaped services)</i>	495	495	0	0
<i>ER new offer (reshaped services)</i>	441	441	0	0
<b>Themes Total</b>	<b>38,489</b>	<b>37,002</b>	<b>(1,487)</b>	<b>(764)</b>



**Appendix C**

**Breakdown of New Homes Bonus Funded Schemes Approved to Date**

<b>Scheme</b>	<b>Amount Approved £</b>
Install roof-mounted solar photovoltaic panels at Yorkshire Wildlife Trust premises at Stirley Community Farm	18,509
Provision of a modular building for community activities and events including provision of replacement changing facilities at Bradley Recreation Ground, Wilton Avenue	100,000
Improved security at 21 Council owned sites across the four wards in the Dewsbury district.	69,440
Funding granted to the Dewsbury Pioneers CIC towards the costs of the purchase and installation of lighting to the Arcade off Market Place, Dewsbury	1,700
Funding towards Hostingley Lane Zebra Crossing.	9,259
Funding to raise awareness of dementia and its impacts and to make Huddersfield District a dementia aware and friendly place	2,500
Funding for footpath development as a direct impact from all the new build, Weatherhill Road, Lindley	28,000
<b>TOTAL</b>	<b>229,408</b>

## Highlight Variances

Directorate	Activity	Highlight Variances (before BCF/reserves) £000	Earmarked Reserves applied £000	Additional comments on Highlight variances (before BCF/reserves applied)
<b>Children &amp; Young People</b>	Safeguarding & family support; demand led activity	+3,460	(3,281)*	+£1,149k fostering; +£1,578k external placements (includes £319k less Clinical Commissioning Groups income than expected)
	Disabled Children's Services	+324		Mainly +£269k Direct Payments, +£142k Short Breaks
	Child Sexual Exploitation Team	+120	(120)	Additional costs arising from CSE; to be met from reserves in 15/16
	Safeguarding & family support; Legal Costs	+550		Overspend on external Legal costs
	<b>Sub-total</b>	<b>+4,454</b>	<b>(3,401)</b>	
<b>Commissioning, Public Health &amp; Adults</b>	Placement equivalent demand	+2,739	(2,067)*	(£0.8m) Older People; +£0.3m Physical Disabilities; +£2.1m Learning Disabilities; +£1.1m mental health. BCF funding allocation not factored into budget plans
	(Older People) In-house residential	+490		Mainly agency costs re sickness/ vacancies
	Best Partnering	+197		Savings not realised
	Public health expenditure	+189		Includes £1,132k timing issue on sexual health and substance misuse new contracts, (£219k) Smoking and Tobacco reduced demand and (£223k) staff turnover and vacancies.
	Public Health Income	+1,645	(1,194)	In-year PH grant clawback; part offset by 'uncommitted' PH grant reserves (balance of £0.8m PH reserves committed)
	<b>Sub-total</b>	<b>+5,260</b>	<b>(3,261)</b>	
	<b>Place</b>	Waste Services	+815	
Cleansing		+755		Changes to working practices & employee reductions – slippage on MTFP savings
Seasonal Weather		(200)		Projected winter maintenance underspend due to current forecasting of fewer grits than budgeted
Parking		+250		Delayed to February 2016 - +£133k Residents Permits, +£218k moving Traffic Enforcement. Part offset by vacancy savings (£83k) and other operational savings.
Schools Transport		+990		Includes increased volumes +£617k and slippage on procurement savings
Schools Facilities Management		(747)		Mainly catering saving due to increased efficiency on labour and food costs of supplying Universal Free School Meals.
Building services		(200)		Improved income levels
<b>Sub-total</b>		<b>+1,663</b>	<b>-</b>	

Directorate	Activity	Variance (before reserves) £000	Earmarked Reserves applied £000	Additional comments on variances
<b>Resources</b>	Customer & Exchequer services	(243)		(£94k) Welfare & Exchequer includes some vacancy management and additional recovery of Housing benefit overpayments. (£150k) Kirklees Direct employee costs.
	Legal & Governance	(215)		(£314k) support for Council as democratic organisation; offset by +£99k Legal
	Corporate & Democratic Core	(237)		(£72k) DRM, (£165k) Corporate Management – including (£71k) External Audit Fee.
	Sub-total	(695)	-	
<b>CTC</b>	Support services	(520)		(£200k) Communications and Marketing additional income and staffing savings, (£320k) HR Professional vacancies held and additional income.
	Communities & Leisure	(147)		Includes (£105k) Organisational change service redesign - savings achieved early, (£104k) Healthwatch savings made ahead of likely grant reduction 16-17, £158k Engaging Communities & Building Capacity employees overspend.
	Sub-total	(667)	-	
<b>Cross-Directorate themes</b>	Economic resilience & early intervention & prevention	(1,487)		(£728k) EIP, (£759k) ER
	Sub-total	(1,349)	-	
	Central budget contingencies used to offset Directorate pressures	(1,616)		£1.2m Base budget set aside as part of approved MTFP to support Directorate pressures (balance of uncommitted Care Act new Burdens gov't grant) plus £618k supplementary revenue support grant allocation
<b>Central Budgets</b>	Treasury Management	(1,800)		Net effect of £10.5m capital receipt/revenue contribution/capital grant applied to service debt, plus underspend on capital plan.
	Joint committees	(753)		Mainly one-off refund from ITA (combined authority) re previous years contributions not used, plus joint services charge less than expected
	Sub-total	(4,169)	-	
<b>Ringfenced corporate budgets</b>	CTC Activity Budgets	(529)		Slippage into future years. Includes (£383k) on New Homes Bonus funded schemes.
	<b>Grand total (highlight variances)</b>	<b>3,968</b>	<b>(6,662)</b>	

\*reserves applied here to volumes element of demand led pressures

**Appendix D (Continued)**

<b>Directorate</b>	<b>Activity</b>	<b>Variance (before reserves) £000</b>	<b>Earmarked Reserves applied £000</b>	<b>Additional comments on variances</b>
<b>HRA</b>	Repairs & Maintenance	(4,054)		Includes (£0.8m) planned repairs reduction in volume of work, (£1.1m) empty homes, (£0.2m) responsive repairs, (£1.5m) Building Services year end internal trading surplus transfer to HRA.
	Housing Management	(1,228)		Includes (£622k) reduced projection in PFI in line with reductions in unitary charges, (£386k) temporary accommodation savings due to late implementation of Universal credit
	Other	(246)		Mainly (£280k) reduced bad debt provision due to delayed implementation of Welfare reform
	Income	(399)		(£235k) Lower voids and (£230k) leaseholder charges , part offset by District heating Income and other rents.
	<b>Total (highlight variances)</b>	<b>(5,927)</b>	<b>-</b>	