

Report to Cabinet

21 September 2017

By the Cabinet Member for Finance and Assets

DECISION REQUIRED



**Horsham
District
Council**

Not Exempt

Transformation fund - top up from the 2016/17 budget surplus

Executive Summary

The Council delivered a £776k revenue surplus in 2016/17 after allowing for budgets that will be carried over to 2017/18 to cover essential expenditure which has been unavoidably delayed.

The Council is currently forecasting a balanced budget from 2017/18 through to 2019/20. This relies on implementing a range of actions to help deliver further income generation and efficiency measures. This requires further investment in transformational projects.

Putting £0.5m in the transformation earmarked reserve will set aside this money to help transform the Council in the future, effectively funded from the 2016/17 budget surplus.

Recommendations

That the Cabinet is recommended to:

- i) Approve the transfer of £0.5m from the General Fund reserve to an earmarked transformation reserve.
- ii) Delegate to the Chief Executive in consultation with the Leader, the authority to use the transformation fund as appropriate.

Reasons for recommendations

- i) To top up of the earmarked transformation reserve for projects that will help transform the Council in the future; being effectively funded from the 2016/17 budget surplus.

Background papers: 2017/18 budget and MTFS papers from 26 January 2017 Cabinet meeting and 15 February 2017 Council meeting.

Wards affected: All

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Background Information

1 Introduction and background

- 1.1 The transformation earmarked reserve was set up in 2016/17 to help fund business transformation within the Council. £0.5m from the 2015/16 budget surplus was transferred to the earmarked reserve.
- 1.2 £0.39m of the £0.5m 2016/17 transformation reserve was spent in 2016/17 unlocking opportunities to enable future savings, as set out in Appendix A. £0.11m was unspent in 2016/17 and remains available in 2017/18.

2 Relevant Council policy

- 2.1 Efficiency: great value services. Continue development and delivery of Business Transformation and deliver a balanced budget over the medium term.

3 Details

- 3.1 The Council holds a number of ear marked reserves which may be used in year to fund associated expenditure. Where grants and contributions are received in year but not spent, the unused portion may be transferred to ear marked reserves for use in future years. The Council can also chose to move funds from the general fund reserve to ear marked reserves to cover future costs.
- 3.2 The movements between the general fund and ear marked reserves are given in Appendix A. The level of general fund reserves at 31 March 2017 stood at £9.5m and earmarked reserves at £10.5m. The usable reserves total of £20.0m at 31 March 2017 compares to £17.3m at 31 March 2016. This is largely as a result of New Homes Bonus receipts of £4.4m in 2016/17 of which only £1.17m was used to fund revenue.
- 3.3 The Council is currently forecasting a balanced budget from 2017/18 through to 2019/20. This relies on a range of actions being implemented to help deliver further income generation and efficiency measures. Delivery requires further investment in transformational projects.
- 3.4 The next phase of this transformation will focus on how we ensure that services are designed to meet customer's needs and done in the most efficient way. Projects to facilitate transformation include areas such as ICT to help unlock further digital change and enhancing the website to improve customer self-service. It also includes investment in the wider "Future Horsham" business transformation project which includes efficiency of processes, internal back office self-service areas, as well as in projects to deliver alternate weekly collection and the change in revenues and benefits provider.
- 3.5 £0.5m will be transferred from the General Fund reserve balance to the earmarked transformation reserve for this purpose in 2017/18. This will set aside a balance to help transform the Council in the future; effectively being funded using the budget surplus from 2016/17. The schemes upon which this earmarked transformation reserve will be spent will be authorised by the Chief Executive in consultation with the Leader and then follow normal financial authorisation and budget process procedures. A snapshot of the transformation fund at 31 March 2017 with anticipated estimated future expenditure is also available at Appendix A.

4 Next steps

- 4.1 Once approved, the Chief Executive in consultation with the Leader will consider the appropriate schemes and authorise expenditure from the transformation fund against these schemes as appropriate.

5 Views of the Policy Development Advisory Group and outcome of consultations

- 5.1 The proposal was considered by the Finance and Assets Policy Development Advisory Group on 10 July 2017. Their comments are incorporated in the scheme. The Group was supportive of the proposal.

6 Other courses of action considered but rejected

- 6.1 Not spending £0.5m would save the Council £0.5m in expenditure. But it would not unlock savings that are projected to deliver significant recurrent savings.
- 6.2 The £0.5m of surplus from 2016/17 would otherwise go into the general reserve and would be needed to fund the deficit that would occur if transformation does not take place at the required rate. This would not be sustainable.

7 Resource consequences

- 7.1 The transformation fund will be used to help deliver the efficiencies and income generation required to balance the budget over the medium term.

8 Legal consequences

- 8.1 There are no legal consequences as a result of this scheme.

9 Risk assessment

- 9.1 Corporate Risk CRR01: Failure to achieve the required level of savings and income in the MTFS to 2019/20

10 Other considerations

- 10.1 There are no consequences of the actions proposed in respect of Crime & Disorder; Human Rights; Equality & Diversity and Sustainability.

Appendix A: Earmarked Reserves and the Transformation Fund

Earmarked reserves at 31 March 2017

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

Useable Revenue Reserves	Balance at 31.03.15 £000	Income / Expenditure 2015/16 £000	Transfer to / from other reserves 2015/16 £000	Balance at 31.03.16 £000	Income / Expenditure 2016/17 £000	Transfer to / from other reserves 2016/17 £000	Balance at 31.03.17 £000
General Fund Balance	(9,311)	(1,271)	1,491	(9,091)	(3,630)	3,241	(9,480)
New Homes Reserve	(1,924)	0	(1,777)	(3,701)	0	(1,232)	(4,933)
NHB - BBH Leisure Centre	0	0	0	0	617	(2,000)	(1,383)
Health and Wellbeing	(256)	0	58	(198)	0	21	(177)
Council tax localism	(259)	0	(19)	(278)	0	(15)	(293)
Neighbourhood Planning Grant	(318)	0	0	(318)	0	40	(278)
s106 Reserves	(1,502)	109	0	(1,393)	209	0	(1,184)
NNDR Provision	(1,435)	0	0	(1,435)	0	0	(1,435)
Transformation fund	0	0	0	0	0	(113)	(113)
Other	(1,173)	7	247	(919)	143	58	(718)
Other Earmarked Reserves	(6,867)	116	(1,491)	(8,242)	969	(3,241)	(10,514)
Total Useable Revenue Reserves	(16,178)			(17,333)			(19,994)

Transformational Reserve

Actual spend in 2016/17 and indicative areas of spend in 2017/18 and 2018/19.

	2016/17		2017/18*		2018/19*		
	0	balance brought forward	113,110	balance brought forward	610	balance brought forward	
	500,000	In year addition	500,000	In year addition	500,000	In year addition	
	500,000		613,110		500,610		Anticipated annual savings / payback when implemented
Area							
ICT	-43,600	Unlocking the ICT strategy	-16,800	Unlocking the ICT strategy			£100k
Finance	-68,945	Implementation of new Financial Management System	-180,100	Implementation of new Financial Management System			£100k
Waste and Recycling			-200,000	Alternate weekly collection 80%	-50,000	Alternate weekly collection 20%	£1m
HR	-2,500	Solace income generation training Feb 2017	-10,000	Future Horsham Manager			n/a
HR	-1,100	E-learning pool system and online appraisal function	-15,600	E-learning pool system and online appraisal function			n/a
Future Horsham / shared services	-37,625	Future Horsham (Ignite) and other shared services costs.	-5,000	Feasibility study for income generation opportunity			n/a
Revs and Bens			-100,000	Revs and Bens costs of transfer	-100,000	Revs and Bens costs of transfer	no loss of subsidy
Staff efficiencies	-233,120	Staff redundancy and termination costs	-85,000	Staff redundancy and termination costs	-150,000	Staff redundancy and termination costs	Payback around 12 months
	-386,890	Total expenditure in year	-612,500	Anticipated expenditure* in year	-300,000	Anticipated expenditure* in year	
	113,110	Outturn balance to be carried forward	610	Balance carried forward	200,610	Balance carried forward	
* 2017/18 and 2018/19 costs indicative estimates only. Appropriate additional items will be added as required via Chief Exec approval							