

**HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
3 December 2013

**Subject:** 2013/14 QUARTER 2 REVENUE MONITORING REPORT

**All Wards**  
**Portfolio Holder for Support Services and**  
**Economic Development: 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 (revenue and reserve funds) at quarter 2, the end of September 2013.
- 1.2 The quarter 2 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) The changes to the revenue budget
  - (b) Additional grant income received
  - (c) Reserve funds position

**2.0 REVENUE BUDGET:**

- 2.1 The Council set its budget on 12 February 2013 for 2013/14 at £7,691,460 in line with the approved Financial Strategy. At Cabinet on 3 September 2013, the quarter 1 revenue monitoring report revised the budget to £7,432,820. This was as a result of changes approved by cabinet and the savings review of £244,110.
- 2.2 The approved budget at quarter 1 in accordance with the Council portfolio themes is detailed below:

	<b>£</b>
Customer services & Asset Management	1,549,460
Housing, Planning & Waste Management	3,711,850
Leisure & Health	1,136,890
Support Services & Economic Development	957,760
Drainage Board levies	76,860
<b>Net Revenue Expenditure</b>	<b>7,432,820</b>

**3.0 BUDGET POSITION TO SEPTEMBER 2013:**

- 3.1 Since Quarter 1, the budget outlook – which details the budget in future years – has changed as part of the financial strategy report that went to Cabinet on 5 November 2013. Members approved the Financial Strategy which adjusted the budget outlook for 2014/15 and the following years.

- 3.2 The table below sets out the impact of the financial recommendations at quarter 2 for 2013/14 budget and also compares the Budget Outlook at quarter 2 with the Financial Strategy. The changes to the 2013/14 budget are subject to Cabinet approval in this report.

	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
<b>Budget Outlook – Financial Strategy approved by Cabinet 5 November 2013:</b>					
	7,432,820	7,721,147	7,463,147	7,567,756	7,795,992
2014/15 Budget Savings	-	-258,000	-	-	-
Reduction in Members	-	-	-66,693	-12,698	-
Fees & Charges	-	-	-55,234	-111,573	-170,707
Inflation	-	-	198,536	202,507	206,557
Parking Enforcement	-	-	28,000	-	-
National Insurance changes for opted out scheme			-	150,000	-
<b>Changes to be approved by this Cabinet:</b>					
Customer services & Asset Management	-2,230	-	-	-	-
Housing, Planning & Waste Management	-13,750	-	-	-	-
Leisure & Health	46,150	-	-	-	-
Support Services & Economic Development	16,670	-	-	-	-
Drainage Boards	12,730	-	-	-	-
<b>Budget Outlook Q2</b>	<b>7,492,390</b>	<b>7,463,147</b>	<b>7,567,756</b>	<b>7,795,992</b>	<b>7,831,842</b>
Financial Strategy Target	7,492,390	7,463,147	7,399,725	7,334,718	7,268,086
<b>(Surplus) / Shortfall</b>	-	-	168,031	461,274	563,756

- 3.3 The Budget Outlook at quarter 2 compared to the financial strategy shows a greater shortfall in future years than was reported in the Financial Strategy 2014/15 to 2013/14 report because the financial Strategy Budget Outlook includes a £250,000 efficiency saving each year that is yet to be included, therefore there is a greater deficit position here.
- 3.4 The recommended changes to the 2013/14 budget in quarter 2 total an increase to the budget of £59,570. These budget changes are one off and effect 2013/14 financial year only. The following paragraphs provide more detail of the budget changes in each portfolio theme.
- 3.5 **Customer Services & Asset Management** – the savings of £2,230 is represented by a total saving of £17,430 in supplies and services and £2,300 in transport cost. This is offset by an increase in cost of £17,500 for increased lighting costs due to an error made by the energy suppliers relating to wattage of Street lights being previously under charged. The key savings in supplies and services which contribute to the £17,430 include a reduction in Members allowances of £8,000, a decrease in vending expenditure of £1,500, a reduction in consultancy budget of £5,100 and a reduction in stationary of £2,830.

- 3.6 **Housing, Planning & Waste Management** – the savings of £13,750 have resulted from increased income of £10,000 for street naming from the new housing developments in 2013/14 - Sowerby Gateway and York Trailers. In addition, £10,000 was saved from reduced transport costs due to the purchase of new waste vehicles and the resultant reduction in related vehicle costs. These savings were reduced however by an increase in costs of £6,250 due to the restructure in Development Management agreed by management team part way through 2013/14.

It should also be noted that £31,000 additional income was received in relation to costs awarded to Hambleton District Council from a challenge to the local plan: Barker -v- Hambleton District Council. This income was transferred to the one-off due to the related costs being incurred in previous years.

- 3.7 **Leisure & Health** – Increased budget requirement of £46,150 relates to a forecast loss of income in the Leisure centres of £53,150. This is off set by new income of £5,000 for Scrap Metal Licences detailed in the report to Cabinet on 1 October 2013 and also a fall in Leisure expenditure budgets of £2,000.
- 3.8 The loss of income in the leisure centres relates to £34,010 at Stokesley Leisure Centre, £11,650 at Bedale Leisure Centre, £12,110 at Hambleton Leisure Centre and a small increase at Thirsk Leisure Centre of £1,620 and £3,000 for the All Weather Pitch. The loss of income is due to the national decline of swimming participation in the last 4 years – unfortunately each of Hambleton District Council's Leisure Centres have followed this trend. At Stokesley Leisure Centre this trend has been compounded by more competitively priced competition from Leisure Operators in Teesside, along with changing room and plant maintenance issues. In addition the '1 to 1 Swimming Lesson Scheme' at Stokesley Leisure Centre has contributed to the loss of income as Swim Instructors that deliver the scheme have left the organisation and not been able to be replaced.
- 3.9 On a positive note Stokesley Leisure Centre, Bedale Leisure Centre and Thirsk Leisure Centre will undergo improvement works in December 2013 this year as part of significant capital funded works. Also Stokesley Leisure Centre is currently offering a 'reduced price' promotion during certain programmed times to hopefully improve usage and income.
- 3.10 In relation to all the Leisure Centres, income is down which is a reflection on the economic situation in relation to employment and salaries within the District. This is unlikely to improve in the medium term and this is directly linked to attendance at Leisure Centres and despite vigorous campaigns the outlook on income is unlikely to improve. This will be closely monitored over the coming months.
- 3.11 To deal with the shortfall in income the Leisure Centre pricing is being fundamentally reviewed over the coming months for the launch of a new pricing strategy in April 2014. The review will be based on demand analysis and competition/industry assessment. In addition, a further exercise is currently underway to review expenditure, in particular salaries and wages.
- 3.12 **Support Services and Economic Development** – Increased budget requirement of £16,670 is due to increased salary related costs of £6,670 and Supplies and Services of £10,000. Revenues & Benefits Service has salaries under spent by £54,560 due to vacancies which has partially been utilised by a £44,560 payment to Northgate Ltd to assist in the number of benefit claims being processed. Management Team also approved a restructure in Business & Community where for 5 months of this year salaries will increase by £16,670. Supplies & Service costs in Revenues & Benefits Service have risen due to increased postage costs.

- 3.13 Income to be received from treasury management and the investment of the Council's surplus funds has also fallen by £155,000. This is as a result of revised lower interest rate forecasts due to the economy beginning to show signs of growth and therefore lower investment rates being available. This is off-set by a reduction in the transfer of income to the Council tax payers' reserve. The budget in 2013/14 is not affected but the reserves position of the council will be lower than estimated.
- 3.14 The revised changes to the budget at quarter 2 listed above are detailed in the recommendations section of this report for approval by Cabinet and Council.

#### **4.0 SENSITIVITY ANALYSIS:**

- 4.1 Further to the recommended changes to the budget in this quarter 2 monitoring report, this report also highlights where there are areas of budget uncertainty. Annex A attached details this sensitivity analysis. At this time there is too much uncertainty surrounding these figures to include them as an adjustment to the budget but this information can give members early warning of possible issues that may arise in the future. All areas will continue to be monitored closely and an update provided at Monitor 3.

#### **5.0 OTHER MATTERS – GRANTS:**

- 5.1 The following grants and contributions have been allocated to the Council since the Quarter 1 Revenue Monitoring report and have been paid into the One Off Fund reserve:

Description	Amount £
Department for Works & Pension Local Authority IT Payment	950
Efficiency Support for Services in Sparse Areas	62,150
Transfer from the Hambleton Strategic Partnership reserve	5,430
<b>Total</b>	<b>68,530</b>

#### **6.0 RESERVE FUNDING:**

- 6.1 The position of the reserves fund programme at quarter 2 for 2013/14 is detailed below.
- 6.2 One Off Fund  
The balance on the one off fund at the beginning of 2013/14 was £2,258,241. In quarter 1 the net movement (after contributions were received and allocations were approved) was £101,434, increasing the one off fund to £2,359,674. In previous years, approvals from the one –off fund of £906,920 have been allocated to schemes. In Quarter 2, to September 2013, income of £68,530 was received into the one-off fund and can be seen in paragraph 4.1 above. Further movements have occurred where funds have been returned to the One Off fund as they are no longer required totalling £12,100 and where expenditure is required to be allocated from the One Off Fund at £125,297. These movements are detailed in the table below are recommended for approval at the end of this report.

<b>Movement 2013/14 to / from One-Off Fund</b>	<b>Amount</b>	<b>Cabinet Approval</b>
ADD: Funds returned to the One Off Fund		
GIS Maternity Cover no longer required	4,500	To Be Approved
Climate change project complete	280	To Be Approved
Development at Leeming Bar	1,630	To Be Approved
Panning Appeal – Care Home	5,690	To Be Approved
	<b>12,100</b>	
LESS: Funds allocated from the One Off Fund		
Planning Appeal - White House Farm, Stokesley	4,890	To Be Approved
Town Team Partner – Grant received 2012/13	9,980	To Be Approved
Council Tax Atlas Grant received 13/14	17,980	To Be Approved
Housing Benefits software	8,000	To Be Approved
Strategic management – additional support	6,360	To Be Approved
Darlington Road Depot CCTV –contribution 2012/13	6,390	To Be Approved
Income counted twice – Homelessness Prevention	71,697	To Be Approved
	<b>125,297</b>	

6.3 If cabinet approves the recommended movements in this report the balance on the One Off fund will be £1,408,087.

6.4 Council Tax Payers Reserve

The movement on the Council tax payers reserve in 2013/14 will be an increase of £63,000, to £8,509,927. This is lower than originally anticipated by £155,000, as detailed in paragraph 3.10 of this report, due to the fall in investment interest to be received this year.

6.5 Revenue Grants Fund

The balance at the beginning of 2013/14 was £412,575 and £46,690 has been committed to date. It is anticipated that further grants will be distributed which is in line with the report to Cabinet in July 2012 which detailed expenditure of £116,520 in 2013/14.

6.6 Hambleton Strategic Partnership Reserve and Strategic Forum Reserve

The Hambleton Strategic Partnership Reserve stands at £8,000 and the Strategic Forum Reserve at £11,974. The two reserves have a similar purpose which is to provide grants to the community, therefore it is recommended that the reserves are merged together. A total of £14,544 has currently been allocated in grants to the Community, leaving a balance of £5,430. It is recommended that this balance of £5,430 is transferred to the One Off fund, subject to approval by Cabinet.

6.7 Other Reserves

There has been no movement on the other reserves held by the Council at quarter 2 2013/14 and the balances are as follows: Community Safety reserve £71,499, New Home Bonus £743,884 and the Capital Fund £3,865,178.

**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 Risk in not approving the recommendation

<b>Risk</b>	<b>Implication</b>	<b>Prob*</b>	<b>Imp*</b>	<b>Total</b>	<b>Preventative action</b>
The Council spends significantly above the financial strategy	The ability of the Council to continue to provide and improve services is seriously affected	4	5	20	Undertake a review of budgets and report back to Cabinet with proposals
Budgets are not updated	The Council is unable to control its spend or redirect resources to priority areas.	3	4	12	Continue with regular budget and efficiency monitoring with regular reports to Chief Officers Management Team and Members

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

8.2 There are no risks associated with approving this report. However the risks associated with not receiving regular monitoring reports are potentially quite serious.

## 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 It is recommended that Council approve:

- (1) the budget adjustments at paragraph 3.2 which total a budget increase of £59,570, to £7,492,390 in 2013/14;
- (2) £12,100 be returned to the one-off as detailed in paragraph 6.2;
- (3) £125,297 be allocated from the one off fund as detailed in paragraph 6.2;
- (4) Hambleton Strategic Partnership Reserve and Strategic Forum Reserve are merged together and the balance of £5,430 be transferred to the One Off fund, as detailed in paragraph 6.6;
- (5) all movements in the other reserves be noted as detailed in paragraphs 6.3 to 6.6.

JUSTIN IVES

**Author ref:**

LBW

**Contact:**

Louise Branford-White  
Corporate Finance Manager  
Direct Line No: 01609 767024

**Background papers:** Budget Monitoring Q2 working papers

031213 201314 Q2 Revenue Monitoring+AnnexA

## Budget 2013/14 Sensitivity Analysis – potential savings / costs

Portfolio Area	Area of Sensitivity	Commentary
Support Services & Economic Development	Housing Benefits	There continues to be an increase in the number of new or changed claims being received resulting in increased benefit payments. Whilst most of this additional cost will be met from increased benefit subsidy, the budget is so large that a small increase in percentage terms can lead to a large amount in monetary terms.
	ICT	Potential salary under spend due to difficulties in appointing vacancies
Leisure & Health	Stokesley, Bedale and Thirsk Leisure Centres	A further loss of income at quarter 3 will be incurred at Stokesley, Bedale and Thirsk Leisure Centres due to the closedown of these facilities as part of planned capital funded works. The loss is estimated at £70,000 and has been allowed for in the budget outlook / financial strategy.
Customer Services & Asset Management	None currently to report	
Housing, Planning & Waste Management	Waste Collection	Additional budget income streams for charging new properties for Wheeled bins have not been achieved to date.
	Recycling	Additional budget income streams for charging for Commercial Recycling Bins has resulted in no income being received to date.
	Waste & Street Scene	Re-grade of employees from grade 4 to grade 6 backdated to September 2012 will be processed in December payroll, full salary impact not yet fully known.
	Planning Fees	There is a potential shortfall in planning fees received which will be closely monitored - current budget predictions are ok.
	Building Control	Potential increase in the contribution to the Building Control Partnership – lead authority Ryedale District Council.