

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
2 September 2014

**Subject:** 2014/15 QUARTER 1 REVENUE MONITORING REPORT

**All Wards**  
**Portfolio Holder for Support Services: Councillor N A Knapton**

---

### **1.0 PURPOSE AND BACKGROUND:**

- 1.1 The purpose of this report is to update Members on the revenue budget position of the Council and the reserve funds at the end of June 2014.
- 1.2 The quarter 1 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

### **2.0 REVENUE BUDGET**

- 2.1 The Council set its budget on 11 February 2014 for 2014/15 at £7,463,150 in line with the approved Financial Strategy on 5 November 2014.
- 2.2 The breakdown of the budget in accordance with the Council themes when the budget was approved was as follows:

	£
Customer Services & Asset Management	1,191,980
Housing, Planning & Waste Management	3,641,650
Leisure & Health	1,232,120
Support Services & Economic Development	1,307,810
Drainage Board levies	89,590
<b>Net Revenue Expenditure</b>	<b><u>7,463,150</u></b>

- 2.4 Subsequent to this, the restructure of the Council has reduced the Council portfolio themes and the current budget is split accordingly:

	£
Customer & Leisure Services	1,248,580
Environmental Services	4,283,560
Support Services	1,841,420
Drainage Board levies	89,950
<b>Net Revenue Expenditure</b>	<b><u>7,463,150</u></b>

### 3.0 **BUDGET POSITION TO JUNE 2014:**

3.1 Since the budget for 2014/15 was set in February 2015, adjustments to the budget outlook have occurred in the Revised Financial Strategy approved on 10 June 2014. Specifically in 2014/15 the budget decreased from £7,463,150 to £7,237,347 – a saving of £225,803. The table details the changes that have been approved through separate reports to cabinet and also those that have been identified and are recommended to this cabinet for approval:

	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Budget Outlook approved 5 November 2013	7,463,150	7,428,911	7,155,389	7,383,666	7,476,429
<b>Changes approved to date at Cabinet:</b>					
Salary & Wage Inflation	-	198,536	202,507	206,557	210,688
National Insurance Charges for Opted Out Scheme	-	-	150,000	-	-
Parking Enforcement	-	28,000	-	-	-
Fees & Charges	-	0	-111,563	-113,794	-116,070
Reduction In Members	-	-66,693	-12,668	-	-
Contribution from taxpayers reserve	-193,582	-	-	-	-
<b>Changes to be approved by this Cabinet:</b>					
Reduction in budget salaries 1%	-85,500	-99,268	-	-	-
Reduction in Pension Scheme Costs	-23,440	-	-	-	-
Restructure Savings	-177,770	-334,097	-	-	-
Increase in Drainage Board Costs	10,240	-	-	-	-
Introduction of the Living wage costs	102,000	-	-	-	-
Customer & Leisure Services	174,540	-	-	-	-
Environmental Services	14,800	-	-	-	-
Support Services	-49,109	-	-	-	-
<b>Budget Outlook Q1</b>	7,235,329	7,155,389	7,383,666	7,476,429	7,571,048
<b>Financial Strategy 10 June 2014</b>	7,237,347	7,344,080	7,567,682	7,606,872	7,647,046
<b>Budget Outlook Q1 Surplus / (Shortfall)</b>	2,018	188,691	184,016	130,443	75,998

3.2 In 2014/15 the budget started at £7,463,150 and at the end of Quarter 1 has decreased by £227,821 to £7,235,329. Compared to the revised Financial Strategy approved in June 2014 there is a small surplus of £2,018. An explanation of the movement in the budget is detailed below.

3.3 The changes to the budget to be approved by Cabinet in this report include five corporate changes and three specific service changes.

3.3 The five corporate budget changes total an under spend of £174,470 and include:

- (i) A saving of £85,500 which is the reduction in salary budgets of 1%. This decrease in salaries is as a result of the national pay award currently indicating that the pay rise in the public sector will be 1%, where as previously 2% had been estimated.
- (ii) Also, pension scheme costs are not as high as anticipated at £23,440 due to not as many employees opting into the pension scheme when the legislation changed from 1 April 2014.
- (iii) The £177,770 restructure saving is as a result of the restructure being introduced across the Council and this figure will increase as the saving becomes clearer at Quarter 2.

- (iv) There was an increase in the Drainage Board costs £10,240, which is notified to the Council after the budget was set in 2014/15 and is not controllable by the Council
  - (v) The introduction of paying all employees the living wage of £102,000
- 3.4 The significant changes at Quarter 1 specifically in relation to the service areas show an overall increase in the budget of £140,231. This is represented by a decrease in Support Services budget of £49,109, an increase in Environmental Services budget of £14,800 and an increase to Customer & Leisure Services budget of £174,540.
- 3.5 Support Services – The underspend on the budget of £49,109 is an increased cost of £35,960 for electricity as the supplier incorrectly calculated the original price, a £20,370 reduction of employee costs as a result of the service level agreement with North Yorkshire County Council for Health & Safety and a contribution of £64,699 from Localising Council Tax New Burdens grant to support the transition of the change in the council tax scheme. This is received to and transferred from the one-off fund at Quarter 1.
- 3.6 Environmental Services – the anticipated shortfall in income £14,800 is in Waste and Street Scene where there is reduced income from Schedule 2 collections. This is a result of customers reducing bin sizes as a consequence of more recycling by the private sector which has reduced the amount of waste for the Council to collect.
- 3.7 Customer & Leisure Services - the over spend of £174,540 is mainly due to the forecast loss of income from the four Leisure Centres – Bedale, Hambleton, Stokesley and Thirsk – at £180,780. There has also been an increase in cost from Customer Services of £11,850 in relation to staff costs due to the high level of demand and in Stokesley Leisure Centre an increase of £9,000 due to sickness cover. These costs have been offset by increased income of £27,090 by lettings on a number of the workspaces.
- 3.8 The Leisure Centres have under achieved their challenging income targets against budget at Quarter 1 by £180,780.
- 3.9 A comprehensive action plan is being put into place to tackle this income challenge and address the income downfall. Further information will be available at Quarter 2.
- 3.10 The revised changes to the budget at quarter 1 listed above are detailed in the recommendations section of this report for approval by Cabinet and Council.

#### **4.0 OTHER MATTERS - GRANTS**

- 4.1 The following grants have been allocated to the Council and paid into the One-Off Fund Reserve since the budget was approved in February 2014:

Description	Amount £
Community Rights to Challenge - New Burdens Grant	8,547
Assets of Community Value - New Burdens Grant	7,855
Individual Electoral Registration S31 Grant	26,170
New Burdens Admin Funding (DWP)	11,518
Localising Council Tax New Burdens	64,699
Rural Services Support Grant Top Up	15,527
<b>Total</b>	<b>134,316</b>

## 5.0 SENSITIVITY ANALYSIS

5.1 Further to the recommendations for changes to the budget in this quarter 1 monitoring report, this report also highlights where there are areas of budget uncertainty. This can give members early warning of possible issues in the future. All areas will be monitored closely and an update provided for quarter 2 as at this time there is too much uncertainty surrounding these figures to include them as an adjustment to the budget. Annex A attached details the sensitivity analysis.

## 6.0 RESERVE FUNDING

6.1 The movement on revenue reserve funding at Q1 has changed significantly due to the creation of the Economic Development Fund at £5,000,000 which has resulted in the transfer of funding from other reserves. This was included in the revised Financial Strategy 2014/15 to 2023/24 report that was presented to Cabinet in June 2014. Other funds have been allocated to or from the reserves in line with the 2014/15 budget and 2014/15 capital programme which have been approved by Council prior to the beginning of the financial year. There are movements in the One-Off fund reserve which require approval in this report and are detailed in paragraph 6.6.

6.2 The table below shows the position on the revenue reserve funds at quarter 1 if the recommendations are approved in this cabinet report. Further information is also described below.

Reserve Fund	Balance at 31 March 2014 £	Economic Development Fund Transfer £	Movement (from) / to Reserve Q1 £	Balance at 30 June 2014 £
General Fund	2,000,000	-	-	2,000,000
Council Taxpayers Reserve	3,773,475	(1,000,000)	-	2,773,475
Grants Fund	520,508	-	-	520,508
Economic Development Fund	0	5,000,000	-	5,000,000
One Off Fund	2,092,419	-	(1,604,737)	487,682
Computer Fund	3,698,000	(2,000,000)	-	1,698,000
Repairs & Renewal Fund	6,082,986	(2,000,000)	-	4,082,986
Community Safety Partnership	74,327	-	-	74,327
Strategic Forum Reserve	14,399	-	-	14,399
Arts Grants Reserve	5,949	-	-	5,949
<b>Total</b>	<b>18,262,063</b>	<b>0</b>	<b>(1,604,737)</b>	<b>16,657,326</b>

6.3 Council Taxpayers reserve - £1,000,000 has been transferred to support the economic development fund and new homes bonus grant received from the Government has been allocated to this reserve and along with other surplus income received during the year. New homes bonus grant is in relation to empty properties being brought back into use.

6.4 Grants Fund – It is schedule to issue £100,000 of revenue grants to the community during 2014/15, in line with the financial strategy that was approved in June 2014.

6.5 Economic Development Fund – at £5,000,000 this was approved at Cabinet in June 2014 as part of the Economic Development strategy

- 6.6 One Off Fund - In Quarter 1, the initial balance was £2,092,419 and income of £134,316 was received which can be seen in paragraph 4.1 above. Income that has been allocated from the one off fund in previous cabinet reports totals £1,436,924 and further expenditure to be allocated from the one off fund is detailed in the table below. The balance on the one-off fund at year end is estimated at Quarter 1 to be £487,682.

<b>Expenditure in 2014/15 from the One-Off Fund</b>	<b>Amount</b>
Planning Appeals - consultancy costs	47,780
Individual Electoral Registration – allocation of grant received at quarter 1	26,170
Central Northallerton Master Plan – allocation of income received in 2013/14	20,000
Town Team Partner Project – allocation of specific income raised	340
Community & Development Officer – Cabinet report 11 February 2011 allocated three year funding from reserves – this is year 3	48,500
Free 1 hour parking Applegarth short stay – Report on this 2 September 2014 Cabinet contains further detail	94,640
Localising Council Tax – allocation of grant received at quarter 1	64,699
<b>Total expenditure recommended for approval at Q1</b>	<b>302,129</b>

- 6.7 At Quarter 1, is it recommended to Cabinet and Council that the allocation from the One-Off fund at £302,129 is approved.
- 6.8 Computer Fund - £2,000,000 has been transferred to support the Economic Development fund in line with the 10 year financial strategy and £475,000 has been allocated to support ICT expenditure in the capital programme.
- 6.9 Repairs and Renewal Fund - £2,000,000 has been transferred to support the economic development fund in line with the 10 year financial strategy and £511,350 is allocated to support repairs and maintenance as well as a number of capital schemes.
- 6.10 Other Reserves - There has been no movement on the other reserves held by the Council at quarter 1 2014/15 – Community Safety Partnership, Strategic Forum and Arts Grant reserves - but it is expected that these revenue reserves will be utilised during 2014/15 as they are specific earmarked reserves.

## **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 There are no major risks associated with this report.

## **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:**

10.1 That Cabinet approves and recommends to Council:

- (1) the budget decrease at paragraph 3.2 by £227,821 to £7,241,329
- (2) the allocation from the one-off fund at paragraph 6.6 of £302,129

JUSTIN IVES

**Background papers:** Budget Monitoring Q1 working papers

**Author ref:** LBW

**Contact:** Louise Branford-White  
Head of Resources  
Direct Line No: 01609 767024

**Budget 2014/15 Sensitivity Analysis – potential savings / costs**

<b>Portfolio Area</b>	<b>Area of Sensitivity</b>	<b>Commentary</b>
Support Services	Housing Benefit - civil penalty income not achieved	£65,000 income is expected to be received from claimants who do not notify the Council of a change in their circumstances
	Housing benefit payments are greater than the budget	The position at quarter 2 will be clearer to estimate whether more people are claiming benefit that was estimated in the budget
Environmental Services	Fuel Prices increase	Any fluctuations in fuel prices will affect the budget in waste and Street Scene.
	Planning fee income not achieved	This is currently on budget for receipt of £700,000. At Q1 £185,400 (26.5%) had been received. This is a large income stream for the council, so it will continue to be closely monitored.
	Waste & Street Scene increase salary budget potential	Disciplinary and long term sickness issues may result in the requirement for increased budget due to agency staff cover. It will continue to be monitored.
Customer & Leisure Services	Workspace Management – unpaid rent on 2 units at Lumley close	The tenant is in the process of selling his business to pay off the arrears but if this is unsuccessful the debt will need to be written off at £16,320.
	Workspace Management – Units at Momentum Business Centre not rented	Increasing number of units at Momentum Business centre are not let. This will continue to be monitored closely.