

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
10 February 2015

Subject: 2014/15 QUARTER 3 REVENUE MONITORING REPORT

All Wards
Portfolio Holder for Economic Development and Finance: 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 and the Reserve Funds at the end of December 2014.
- 1.2 The Quarter 3 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 2013.
- 2.2 At Cabinet on 2 December 2014, the Quarter 2 revenue monitoring report revised the budget to £7,236,169. The approved budget at Quarter 2 in accordance with the Council portfolio themes is detailed below:

	£
Customer & Leisure Services	1,394,530
Environmental Services	4,132,349
Support Services	1,609,460
Drainage Board levies	<u>99,830</u>
Net Revenue Expenditure	<u>7,236,169</u>

3.0 BUDGET POSITION TO SEPTEMBER 2014:

- 3.1 Since the budget for 2014/15 was set in February 2014, adjustments to the budget outlook have occurred in the Revised Financial Strategy approved at Cabinet on 10 June 2014. At Quarter 1, in September 2014, the budget approved at Cabinet decreased from £7,463,150 to £7,237,347 – a saving of £227,821. At Quarter 2, in December 2014, the budget approved at Cabinet increased by £840 to £7,236,169 but remained below the Financial Strategy target of £7,237,347 – a small saving of £1,178. The table below details the changes that have been identified during Quarter 3 and are recommended to this Cabinet for approval:

	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Budget Outlook approved at Q2 2 Dec 2014	7,236,169	7,121,389	7,383,665	7,476,429	7,571,047
Changes to be approved by this Cabinet:					
Transfer of funding from Service Improvement Budget	-40,000	-	-	-	-
Support Services	28,390	-	-	-	-
Environmental Services	-29,240	-	-	-	-
Customer & Leisure Services	40,671	-	-	-	-
Budget Outlook Q3	7,235,990	7,121,389	7,383,665	7,476,429	7,571,047
Financial Strategy 10 June 2014	7,237,347	7,344,080	7,567,682	7,606,872	7,647,046
Budget Outlook Q3 Surplus / (Shortfall)	1,357	222,691	184,017	130,443	75,999

- 3.2 The recommended changes to the 2014/15 budget in Quarter 3 total a small decrease to the budget of £179. Compared to the revised Financial Strategy approved in June 2014 there is a small surplus at Quarter 3 of £1,357.
- 3.3 The changes to the budget in this quarter relate to one corporate change and also changes in the three service areas. For the corporate change, there has been an increase in the Council's energy contract cost which is outside the control of the Council. Therefore, part of the Service Improvement budget has been transferred to offset this increased cost. The following paragraphs provide more detail of the budget changes in each portfolio theme.
- 3.4 **Support Services** – The overspend of £28,390 relates to £20,650 increased energy contract cost and £7,740 costs relating to Housing Benefit. This is mainly attributable to the costs associated with the proceeds of crime case which generated income of £50,000 and has already been included in Quarter 2.
- 3.5 Further income has been lost at Q3 of £49,050 from reduced investment interest to be earned in the year but this has been offset by a reduction of the transfer to reserves. Also a £16,560 cost will be incurred for additional Direct Computer Costs within ICT, which is offset by a salary savings in ICT. These adjustments, in the region of +/- £20,000, are reported for approval at Q3 in accordance with the Financial Regulations.
- 3.5 **Environmental & Planning Services** – There is an overall underspend in the budget of £29,240 due to a higher than anticipated receipt of £45,340 being received from NYCC in relation to the Waste Incentive Scheme dating from 2011/12 and 2012/13. This is offset by a decline in income of £16,100 due to £2,800 fewer Street Cleansing Fixed Penalty Notices being issued, £7,900 of Council Street Cleansing Sweeping Service not being required from Broadacres and £5,400 not being realised for communal recycling bins.
- 3.6 **Customer & Leisure Services** – The overspend of £40,671 is mainly due to the shortage of income generated from the Leisure Centres at £32,930. Hambleton Leisure Centre has a reduction of £35,330, Bedale Leisure Centre is £8,100 down, however this is partly offset by Thirsk which shows a £10,500 increase. Leisure Centre income continues to be challenging, with Hambleton and Bedale showing the greatest areas of risk. Bedale Leisure Centre has reduced numbers across a number of products and Hambleton is experiencing a major downturn in Health and Fitness memberships. Increased competition is a major contributing factor. An appropriate action plan is in place, it is clear that an extended and improved gym, as included in the Capital Programme, is central to future Development needs.

- 3.7 Also in Customer & Leisure Services, additional income is expected from commercial buildings at £12,749 for increased room bookings and refreshment sales. However, net costs of £4,150 are incurred mainly from increased grant paid to the LEP (Local Enterprise Partnership) to reflect the additional resource the LEP needs to deal with extra money being invested, of which Hambleton District Council have been offered £6m for new infrastructure in Northallerton. Increased energy contract costs are also incurred at £16,340, as further described in paragraph 3.3 and 3.4 above.
- 3.8 The revised changes to the budget at Quarter 3 listed above show a surplus of £1,357 which is stated 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 Quarter 3 Revenue Monitoring report was approved in December 2014:

Description	Amount £
Local Authority Data Share Programme – DWP	8,685
Single Fraud Investigation Scheme – New Burdens Assessment	562
Neighbourhood Planning Grant - Easingwold	5,000
Total	14,247

5.0 SENSITIVITY ANALYSIS:

- 5.1 Further to the recommendations for changes to the budget in this Quarter 3 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 continue to be monitored closely and the final position will be reported at Outturn. Annex 'A' attached details the sensitivity analysis.

6.0 RESERVE FUNDING:

- 6.1 The table below shows the Revenue Reserve position at 31 December 2014, Quarter 3, if the recommendations are approved in this Cabinet report. Only One-Off Fund reserve has changed during the quarter. Further detail is provided below.

Reserve Fund	Balance at 30 Sept 2014 Q2 £	Movement (from) / to Reserve Q3 £	Balance at 31 Dec 2014 Q3 £
General Fund	2,000,000	-	2,000,000
Council Taxpayers Reserve	2,773,475	-	2,773,475
Grants Fund	517,508	-	517,508
Economic Development Fund	4,905,360	-255,200	4,650,160
One Off Fund	483,322	-115,753	367,569
Computer Fund	1,698,000	-	1,698,000
Repairs & Renewal Fund	4,082,986	-	4,082,986
Community Safety Partnership	74,327	-	74,327
Strategic Forum Reserve	14,399	-	14,399
Arts Grants Reserve	5,949	-	5,949
Total	16,555,326	-370,953	16,184,373

6.2 Grant Fund –

6.3 Economic Development Fund – On 2 September 2014, Cabinet approved that the first hour at Applegarth Car Park would be free, with the funding implication of £94,640 being supported from the Economic Development Fund, resulting in a balance of £4,905,360. The movement in this reserve at Q3 is £255,200, which is split between projects that have already been approved by Cabinet during the quarter and those that require approval in this report. The table below details the projects between the five economic development Council themes:

Expenditure in Q3 2014/15 from the Economic Development Fund	Schemes already approved by Cabinet	Schemes to be approved at Q3	Total £
Business Support			
• Graduate Scheme		50,000	50,000
• Networking Events and Promotion	-	7,200	7,200
Inward Investment			
• Develop Hambleton a place to grow brand	-	3,000	3,000
Drive Growth			
• Improve Infrastructure Dalton Bridge	100,000		100,000
• Improve Infrastructure Dalton Bridge	65,000		65,000
• Improve Infrastructure Central Northallerton	25,000		25,000
Vibrant Market Towns			
• WiFi in Market Towns		5,000	5,000
Supporting Activities	-	-	-
Total expenditure recommended for approval at Q3	190,000	65,200	255,200

6.4 One Off Fund – the initial balance at the beginning of the 2014/15 was £2,092,419, with movement of £1,609,097 being explained in the Quarter 1 and 2 2014/15 Cabinet reports. At Quarter 3, the movement in the reserve was net expenditure of £115,753. This is due to total income of £14,247 being received, seen in paragraph 4.1 above and £5,000 being allocated to neighbourhood planning - Easingwold in lieu of the grant received. In addition, in 2 December 2014 cabinet, £125,000 was transfer from the One-Off reserve to the Make a Difference reserve. The expenditure to be allocated from the One-off Fund is detailed in the table below. The balance of the One-off Fund at year end is estimated at Quarter 3 to be £367,569.

Expenditure in Q3 2014/15 from the One-Off Fund	Amount
Neighbour Hood Planning Grant	5,000
Total expenditure recommended for approval at Q3	5,000

6.5 At Quarter 3, is it recommended to Cabinet and Council that the total allocation from the One-off Fund of £5,000 is approved.

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 balanced 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 That Cabinet approves and recommends to Council:

- (1) the budget surplus of £1,357 at paragraph 3.2
- (2) the use of funds from the one-off fund at paragraph 6.4 of £5,000
- (3) the use of funds from the Economic Development fund at paragraph 6.3 of £65,200

JUSTIN IVES

Background papers: Budget Monitoring Q3 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

Portfolio Area	Area of Sensitivity	Commentary
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. This is being continually monitored.
	Housing Benefit - payments overspend	There is a potential overspend of Housing Benefit where more people are claiming benefit that was estimated in the budget and the provision for bad debt is being closely monitored.
Environmental & Planning Services	Fuel prices increase / decrease	Any fluctuation in fuel prices will affect the budget in Waste and Street Scene.
	Waste & Street Scene salary costs	Currently budgets for waste and recycling services are on track, however if any additional sicknesses occurs or agency employees are required the budget may need to be increased.
	Planning Fee income not achieved	This is a large income stream for the Council and it will continue to be monitored.
Customer & Leisure Services	Leisure Centre income streams	Hambleton Leisure Centre is experiencing a downturn in Health & Fitness and Bedale Leisure Centre has reduced numbers across a number of products. All four leisure centres income streams are continually being reviewed with the specific action plan in place