

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
1 September 2015

Subject: 2015/16 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 2015.
- 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) 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 10 February 2015 for 2015/16 at £6,918,280 in line with the approved Financial Strategy 2015/16 to 2024/25.
- 2.2 The breakdown of the budget in accordance with the Council themes when the budget was approved was as follows:

	£
Customer & Leisure Services	1,618,760
Environmental Services	4,301,520
Support Services	888,170
Drainage Board levies	<u>109,830</u>
Net Revenue Expenditure	<u>6,918,280</u>

3.0 BUDGET POSITION TO JUNE 2015:

- 3.1 Since the budget for 2015/16 was set in February 2015, adjustments to the budget outlook have occurred. The table below details the changes that have been identified during quarter 1 and are recommended to cabinet for approval:

	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Budget Outlook approved 10 February 2015	6,918,280	7,503,340	6,953,287	7,100,649
Changes to budget outlook:				
Salary increase 1%	-	194,243	196,186	198,147
Contracts increased by inflation	-	39,340	40,126	40,929
National Insurance Opt Out	-	150,000	-	-
Parking Enforcements costs	-	28,000	-	-
Insurance cost increase	-	22,585	24,844	-
Fees & Charges 2% increase	-	(111,563)	(113,794)	(116,070)
Interest from Broadacres and surplus funds	550,180	(904,830)	-	-
Restructure costs increase	119,430	(130,160)	-	-
Summons court costs reduction in income	84,080	-	-	-
CCTV cost increase	16,370	-	-	-
Planning income increase	(160,000)	160,000	-	-
Savings exercise - £180,000	(25,000)	2,332	-	-
Budget Outlook Q1	7,503,340	6,953,287	7,100,649	7,223,655
Financial Strategy 10 Feb 2015	6,918,280	7,056,646	7,197,779	7,041,734
Budget Outlook Q1 Surplus / (Shortfall)	(585,060)	103,359	97,130	(181,921)

3.2 In 2015/16 the budget started at £6,918,280 and at the end of quarter 1 has increased by £585,060, to £7,503,340. The future three years show increases due to salary rises at 1%, increases in contracts, insurance premium rises stated in the chancellors budget in July 2015 and employer rises in national insurance as detailed in the chancellors budget in March 2014. An explanation of the movement in the 2015/16 budget, to be approved in this cabinet report, are detailed below.

3.3 During quarter 1, a savings exercise has been initiated to reduce budgets or generate income to the amount of £180,000. This is as a result of the increase to the overall Council budget and is based on the savings that resulted in 2014/15 outturn. At quarter 1, £25,000 savings had been identified which are detailed below and the savings exercise will be further reported at quarter 2.

3.4 There are three main areas of change to the 2015/16 budget:

- (a) Corporate movement, a cost of £669,610
- (b) Department movements, a saving of £84,550
- (c) Department movements which have nil affect on the budget but exceed £20,000 and therefore require cabinet approval as stated in the council's financial regulations.

3.5 There are two corporate movements in the budget:

- (i) A decrease in interest income to be received of £550,180. There has been a delay in the Council's surplus funds being loaned to Broadacres housing association and interest rates are lower than estimated, therefore there is a reduction in the income to be received. Although this will impact upon the in-year financial position the overall interest generated from the Broadacres loan agreement will remain the same. Therefore there is no impact on the Council's overall financial position.
- (ii) The costs relating to the restructuring exercise amount to £119,430.

- 3.6 The changes at quarter 1 in relation to the service areas show an overall decrease in the budget of £84,550. This is represented by an increase in Support Services budget of £59,080, a decrease in Environmental Services budget of £160,000 and an increase to Customer & Leisure Services budget of £16,370.
- 3.7 Support Services – the over spend on the budget is a reduction of income of £84,080 on Court costs for summons and liability orders. A court case in May 2015 resulted in all Council's reviewing their court costs and substantiating them in detail to the court. Hambleton District Council's court costs have been revised down and are in line with other North Yorkshire Councils. There was a saving of £25,000 underspend on the budget as part of the savings exercise described above. £15,000 is one-off savings in 2015/16 from a restructure in Corporate Finance and £10,000 is from the reduction in the number of Members.
- 3.8 Environmental Services – the increase in income is from increased planning applications. Additional costs of £90,000 have reduced the increase in income of £250,000. This is to support £15,000 appeals cost, £50,000 for a dedicated North Northallerton resource and £25,000 to support planning applications.
- 3.9 Customer & Leisure Services - the over spend is increased cost of £16,370 for CCTV where revenue savings were not generated due to the capital project being expanded and now to be completed during 2015/16.
- 3.10 Department budget movements that have nil affect on the overall budget but exceed £20,000, as detailed in the Council's financial regulations, require Cabinet approval at £262,430. There are five budget areas that require approval:
- (a) In the four leisure centres budget movements amount to £51,930 to enable budget monitoring to be more affective and increase control.
 - (b) In the area of community leisure, grants that had been earmarked in reserves at year end 2014/15 have been utilised in 2015/16 at £65,700.
 - (c) Street Cleansing has a budget movement of £45,960 where the one-off fund reserve was used to support the purchase of vehicles in 2014/15 and these costs will be paid back to the reserve over five years.
 - (d) An additional post in Design & Maintenance section at £27,840 has been funded from increased car parking income not original estimated in the budget
 - (e) Community Infrastructure Levy income at £20,000 will be generated in 2015/16 and in future years. To support this there are increased ICT costs and resource costs of £10,000 each.
 - (f) Applegarth car park income of £51,000 is adjusted to take into account the free 1 hour parking allowance.
- 3.11 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 and contributions have been allocated to the Council and paid into the One-Off Fund Reserve since the budget was approved in February 2015:

Description	Amount £
Transfer from Council Tax payers Reserve to One-Off Fund	1,000,000
Second year payment from Street Scene budget for Street Scene Vehicles	45,050
Individual Electoral Registration	20,396
New Burdens Admin Funding (Department for Work and Pensions)	12,677
Right to Move (Department for Communities and Local Government)	3,044
Northgate – Local Authority Data Share Programme	225
Total	1,081,392

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 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 2015 £	Movement (from) / to Reserve Q1 £	Balance at 30 June 2015 £
General Fund	2,000,000	-	2,000,000
Council Taxpayers Reserve	3,842,928	307,861	4,150,789
Grants Fund	448,762	(65,700)	383,062
Economic Development Fund	4,924,780	(2,289,171)	2,635,609
One Off Fund	1,156,161	325,893	1,482,054
Computer Fund	1,436,103	-	1,436,103
Repairs & Renewal Fund	3,563,295	-	3,563,295
Community Safety Partnership	69,568	-	69,568
Strategic Forum Reserve	10,046	-	10,046
Arts Grants Reserve	5,187	-	5,187
Make a Difference Fund	125,000	-	125,000
Take That Step	21,139	-	21,139
Winter Weather Campaign	3,330	-	3,330
Total	17,606,299	(1,721,117)	15,885,182

- 6.2 Council Taxpayers reserve - £1,000,000 has been transferred to support the one-off fund and £1,307,861 new homes bonus grant received from the Government will be allocated to this reserve New homes bonus grant is in relation to empty properties being brought back into use and newly built homes.
- 6.3 Economic Development Fund – In quarter 1, the opening balance was £4,924,780 with budget allocations of £2,289,171 split between capital and revenue. The balance of the Economic Development Fund at year end is estimated at quarter 1 to be £2,635,609.
- 6.4 One Off Fund - In quarter 1, the initial balance was £1,156,161 and income of £1,081,392 was received which can be seen in paragraph 4.1 above. Expenditure that has been allocated from the one off fund in previous cabinet reports totals £711,230 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 £1,482,054.

Expenditure in 2015/16 from the One-Off Fund	Amount
Northgate - Autumn Statement 2014 Licence for upgrade for Legislative Changes	650
Supporting Housing Delivery - Walker Morris (Work Loan Facility)	12,499
Allocation of Individual Electoral Registration Grant back out to Elections	20,396
Licensing Appeal	2,750
Allocation of Right to Move Grant back out to Homelessness	3,044
Members Regalia	4,930
Total expenditure recommended for approval at Q1	44,269

- 6.5 At quarter 1, is it recommended to Cabinet and Council that the allocation from the one-off fund at £44,269 is approved.
- 6.6 Other Reserves
There has been no movement on the other reserves held by the Council at quarter 1 2015/16 however, these revenue reserves will be monitored on an ongoing basis and any changes will be reported at the next available opportunity – quarter 2.

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:

12.1 That Cabinet approves and recommends to Council:

- (1) the budget increase at paragraph 3.2 by £585,060 to £7,503,340;
- (2) the budget movements at paragraph 3.10 of £262,430 which overall have nil affect on the budget which are in accordance with the Council's financial regulations; and
- (3) the allocation from the one-off fund at paragraph 6.5 of £44,269.

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Background papers: Budget Monitoring Q1 working papers

BUDGET 2015/16 SENSITIVITY ANALYSIS – POTENTIAL SAVINGS / COSTS

Portfolio Area	Area of Sensitivity	Commentary
Support Services	Housing Benefit - civil penalty income not achieved	£40,000 income is expected to be received from claimants who do not notify the Council of a change in their circumstances. This income is being closely monitored.
	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.
	Revenues & Benefits salaries	Fraud Investigation Team was transferred to DWP, therefore restructure in this area and replacement of fraud investigation service may lead to possible savings – to be reported at Quarter 2.
	Insurance Premium Tax increase by 3.5% to 9.5%	All insurance premiums across the Council will increase by 3.5% from 01/11/2015 as detailed in the Chancellor's Budget on 08/07/2105. Further information will be reported at Quarter 2.
	Reprographics	The reprographics Service Level Agreement with Richmondshire District Council will end on 30/09/2015, the budget will be monitored to recognise additional savings and cost pressures that may result.
	Market Income	Market income is down weekly at Thirsk and Northallerton. Promotion work will be revisited during Quarter 2 to generate further income.
Environmental Services	Pest Control Income	There is a potential fall in Pest Control income due to staff sickness. This are will be monitored and further information reported in due course.