

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
1 December 2015

**Subject:** 2015/16 QUARTER 2 REVENUE MONITORING REPORT

**All Wards**  
**Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson**

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### **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 September 2015.
- 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) 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 At Cabinet on 1 September 2015, the Quarter 1 revenue monitoring report revised the budget to £7,503,340. The approved budget at Quarter 1 in accordance with the Council portfolio themes is detailed below:
- 2.3

	<b>£</b>
Customer & Leisure Services	1,647,160
Environmental Services	4,138,350
Support Services	1,608,000
Drainage Board levies	109,830
<b>Net Revenue Expenditure</b>	<b><u>7,503,340</u></b>

### **3.0 BUDGET POSITION TO SEPTEMBER 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 approved through separate reports to Cabinet and also those that have been identified and are recommended to this Cabinet for approval at budget monitoring Quarter 2:

	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Budget Outlook approved at Q1 01 Sept 2015	7,503,340	6,953,287	7,100,649	7,223,655
<b>Changes to budget outlook:</b>				
Savings exercise - target £180,000	(212,540)			
Grant income received from DCLG	(65,910)			
Income received from Broadacres Housing Association	(50,180)			
Increase in Corporate Improvement Budget	56,300			
Increase in pension liability - Exit for LG Yorkshire & Humber	23,790			
Legal & Information Services	11,570			
Increased bank Charges - regulation change	11,900			
Reduced Car Park income	36,000			
Reduced Market income	24,520			
Reduced Pest Control Service income	36,000			
Increase in LEP funding contribution	11,750			
<b>Budget Outlook Q2</b>	7,386,540	6,953,287	7,100,649	7,223,655
<b>Financial Strategy 10 Feb 2015</b>	6,918,280	7,056,646	7,197,779	7,041,734
<b>Budget Outlook Q2 Surplus / (Shortfall)</b>	(468,260)	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 had increased by £585,060, to £7,503,340. At Quarter 2, the table shows the budget at £7,386,540 which is a decrease compared to the Quarter 1 position by £116,800 but the Quarter 2 budget is still an increase of £468,260 compared to the original 2015/16 budget and Financial Strategy position.
- 3.3 The recommended changes to the 2015/16 budget in Quarter 2 total a decrease of £116,800 and an explanation of this movement, to be approved in this Cabinet report, are detailed below.
- 3.4 There are five main areas of changes to the 2015/16 budget at quarter 2 totalling £116,800:
- Savings exercise across the Council, £212,540
  - Additional income received, £116,090
  - Corporate cost increase of £80,090
  - Department movements, an increase of £131,740
  - 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 During Quarter 1, a savings exercise was initiated to reduce budgets or generate income to the amount of £180,000. In Quarter 1 £25,000 of savings were recognised and in Quarter 2 an additional £212,540 of savings have been found. It should be noted that £180,000 of these savings are ongoing in future years.
- 3.6 In addition, other income has been received into the Council which was previously not budgeted for. A grant was received from the DCLG (Department for Communities & Local Government) of £65,910 and £50,180 was received from Broadacres Housing Association in connection with the costs associated with the Council's investment in Broadacres to support the building of new homes.
- 3.7 The corporate cost increase of £80,090 relates to two additional budgets. £23,790 relates to the Council's contribution, along with other North Yorkshire Councils, to the pension exit strategy with the disbandment of the Local Government Yorkshire & Humber organisation and £56,300 increase to the corporate improvement budget.

- 3.8 The changes at Quarter 2 in relation to the service areas show an overall increase in the budget of £131,740. This is represented by an increase in Support Services budget of £83,990, an increase in Environmental Services budget of £36,000 and an increase to Customer & Leisure Services budget of £11,750.
- 3.9 Support Services – the over spend on the budget of £83,990 is a decrease in legal service staffing costs of £7,400 due to a restructure, a cost of £18,970 associated with Human Resources Section as a result of the final repatriation from Richmondshire District Council, £11,900 in Corporate Finance for increased bank charges as debit card legislation in March 2015 has changed resulting in receipt of debit card payments by the Council incurring costs. Finally, markets income has fallen by £24,520 and car park income by £36,000 due to less people using these facilities. It should be noted that these costs are not ongoing into future years as the way car parks and markets are charged has been reviewed.
- 3.10 Environmental Services – the increase in the budget of £36,000 is in relation to a reduction in income received from the Pest Control Service. This is as a result of the repatriation from Richmondshire District Council and also staff sickness. This decrease in income is ongoing and has been recognised in future year's budgets.
- 3.11 Customer & Leisure Services - the increase of £11,750 is the agreed additional funding to be supplied to the Local Enterprise Partnership.
- 3.12 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 £71,570. There are two budget areas that require approval:
- (a) In two of the leisure centres located at Bedale and Thirsk there has been a budget adjustment to correctly realign the salary budgets of £43,480.
- (b) In the area of car parks, the budgets of £28,080 have been adjusted to clearly show the income that is received from Scarborough Borough Council and North Yorkshire County Council in relation to the relevant contracts.
- 3.13 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. It should be noted that it is anticipated that the shortfall will be financed at year end by either underspends in the Council's overall budget, transfer from the reserves or income received from an increase in business rates.

#### **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 quarter 1 budget was approved in September 2015

Description	Amount £
Department for Works & Pensions (DWP) Single Fraud Investigation Service	1,977
Department for Works & Pensions (DWP) Housing Benefit Non Subsidy	237
<b>Total</b>	<b>2,214</b>

## 5.0 SENSITIVITY ANALYSIS:

- 5.1 Further to the recommendations for changes to the budget in this Quarter 2 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 3 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 reserves at Quarter 2 if the recommendations are approved in this Cabinet report. Further information is also described below.

<b>Reserve Fund</b>	<b>Balance at 30 June 2015 £</b>	<b>Q2 Movement (from) / to Reserves £</b>	<b>Balance at 30 Sept 2015 £</b>
<b>General Fund</b>	2,000,000	0	2,000,000
<b>Council Taxpayers Reserve</b>	4,150,789	0	4,150,789
<b>Grants Fund</b>	383,062	0	383,062
<b>Economic Development Fund</b>	2,635,609	(1,619,348)	1,016,261
<b>One Off Fund</b>	1,482,054	(105,979)	1,376,075
<b>Computer Fund</b>	1,436,103	(425,640)	1,010,463
<b>Repairs &amp; Renewal Fund</b>	3,563,295	(789,237)	2,774,058
<b>Community Safety Partnership</b>	69,568	0	69,568
<b>Strategic Forum Reserve</b>	10,046	0	10,046
<b>Arts Grants Reserve</b>	5,187	0	5,187
<b>Make a Difference Fund</b>	125,000	(125,000)	0
<b>Take That Step</b>	21,139	0	21,139
<b>Winter Weather Campaign</b>	3,330	0	3,330
<b>Total</b>	<b>15,885,182</b>	<b>(3,065,204)</b>	<b>12,819,978</b>

- 6.2 Economic Development Fund – In Quarter 2, the opening balance was £2,635,609 with budget allocations of £1,619,348 split between capital and revenue. The balance of the Economic Development Fund at year end is estimated at Quarter 2 to be £1,016,261.
- 6.3 One Off Fund - In Quarter 2, the initial balance is £1,156,161 and additional income of £2,214 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 £863,691 and further expenditure to be allocated from the One-off Fund is detailed in the table below at £108,194. The balance on the One-off Fund at year end is estimated at Quarter 2 to be £1,376,075.

<b>Expenditure in 2015/16 from the One-Off Fund</b>	<b>Amount</b>
Land At Galtres Centre - Cabinet 01/09/15 – transfer of asset to the Parish Council	75,000
Printing "Change of Circumstance" Leaflet - Housing Benefits	477
Costs for Supporting Housing Delivery through facilitating loan to Broadacres Housing	3,293
Empty Homes Review	17,017
Retirement pension charges	12,407
<b>Total expenditure recommended for approval at Q2</b>	<b>108,194</b>

6.4 At Quarter 2, is it recommended to Cabinet and Council that the allocation from the One-off Fund at £108, is approved.

6.5 Computer Fund – in accordance with the Financial Strategy approved by Council in February 2015, the reserve is being used to fund ICT projects to ensure technology is maintained to an acceptable standard in the current ICT market environment.

6.6 Repairs & Renewal Fund – in accordance with the Financial Strategy approved by Council in February 2015, the funds have been allocated from the Repairs & Renewals for general revenue maintenance repairs at £425,000, with the remainder being allocated to capital schemes. An additional £13,000 is requested for approval at Quarter 2 to support the condition surveys required to monitor the state of the Council's buildings. In 2014/15 £13,000 of the allocation awarded from this fund for repairs & renewals was returned to the fund in anticipation it may be required in 2015/16. Information regarding repairs & renewals capital schemes is included in the Capital Q2 monitoring report.

6.7 Make A Difference Fund – the Cabinet report on 7 July 2015 was approved to grant £25,000 to 5 community areas in Bedale, Easingwold, Northallerton, Stokesley and Thirsk. The fund has therefore been allocated in full to £125,000.

6.8 Other Reserves - There has been no movement on the other reserves held by the Council at Quarter 2 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 3.

## **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 £468,260 to £7,386,540;
- (2) the budget movements at paragraph 3.10 of £71,570 which overall have nil affect on the budget which are in accordance with the Council's Financial Regulations.
- (3) the allocation from the One-off Fund at paragraph 6.3 of £108,194
- (4) the allocation from the Repairs and Renewal Fund at paragraph 6.6 of £13,000
- (5) the allocation from the Economic Development Fund at paragraph 6.2 of £1,619,348

JUSTIN IVES

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

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**Budget 2015/16 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	£40,000 income is expected to be received from claimants who do not notify the Council of a change in their circumstances. Claimants have become more efficient in contacting the Council and therefore this income stream continues to be closely monitored.
	Housing benefit payments are greater than the budget	The position at quarter 3, when a mini review is undertaken, will clarify whether more people are claiming benefit that was estimated in the budget
	Reprographics	The reprographics Service Level Agreement with Richmondshire District Council ended on 30/09/2015. The budget position will be clarified at quarter 3 to recognise additional savings and cost pressures that may result.
	Investment Income	The investment agreement with Broadacres Housing association has now been confirmed and a further review of investment interest will be addressed at quarter 3.
Environmental Services	10- Year Waste Strategy	The contract is to be signed in January 2016 when the market price for waste will be reviewed and the impact on quarter 3 budgets calculated.
	Operation Services	Due to sickness absence there maybe pressure on the salary budget, this will be further assessed and reported at quarter 3.