

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
9 February 2016

Subject: 2015/16 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 2015.
- 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) 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.
- 2.1 At Cabinet on 1 December 2015, the Quarter 2 revenue monitoring report revised the budget to £7,386,540. The approved budget at Quarter 2 in accordance with the Council portfolio themes is detailed below:

	£
Customer & Leisure Services	1,610,990
Environmental Services	4,120,790
Support Services	1,549,380
Drainage Board levies	105,380
Net Revenue Expenditure	<u>7,386,540</u>

3.0 BUDGET POSITION TO DECEMBER 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 3:

	2015/16 £	2016/17 £	2017/18 £	2018/19 £
Budget Outlook approved at Q2 01 December 2015	7,386,540	6,953,287	7,100,649	7,223,655
Changes to budget outlook:				
Interest from Broadacres and surplus funds	301,780			
10 year waste strategy - fall in global prices	101,720			
Court costs and civil penalties charges reduced	41,840			
Thirsk Leisure Centre Capital works – loss in Income	37,770			
Communal bin sales and increased leasing costs	24,460			
Reprographics finalisation of Service Level Agreement	17,500			
Insurance	4,470			
Planning fees - net of costs	(59,550)			
Street naming income	(20,980)			
Electricity saving from Part night lighting	(10,280)			
Staff Vacancies –overall net movement	(920)			
Budget Outlook Q3	7,824,350	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 Q3 Surplus / (Shortfall)	(906,070)	103,359	97,130	(181,921)

- 3.2 In 2015/16 the budget started at £6,918,280 as stated in the Financial Strategy and illustrated in the table above. At Quarter 2, the budget was £7,386,540 and had increased by £468,260 where the changes were detailed at Cabinet on 1 December 2015. At Quarter 3, the budget has increased by a further £437,810, resulting in a total increase of £906,070 to £7,824,350 compared to the original 2015/16 budget and financial strategy position.
- 3.3 The recommended changes to the 2015/16 budget in Quarter 3 total an increase of £437,810 and an explanation of this movement, to be approved in this Cabinet report, are detailed below.
- 3.4 There are two main areas of changes to the 2015/16 budget at Quarter 3 totalling £437,810:
- (a) Corporate cost increase of £306,250
 - (b) Department movements - an increase of £131,560
- 3.5 There are two corporate movements in the budget:
- (i) A decrease in interest income to be received of £301,780. There has been a delay in the Council's surplus funds being loaned to Broadacres Housing Association and interest rates are lower - net movement 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 insurance cover for the Council has increased by £4,470.
- 3.6 The changes at Quarter 3 in relation to the service areas show an overall increase in the budget £131,560. This is represented by an increase in Support Services budget of £44,670, an increase in Environmental Services budget of £49,120 and an increase to Customer & Leisure Services budget of £37,770.

- 3.7 Support Services – the over spend on the budget of £44,670 is due to a combination of factors. There has been a reduction in the budget from staff vacancies in Revenues & Benefits of £10,000 and ICT of £10,000, also a reduction in the electricity budget from the part night lighting scheme of £10,280. However, budgets have increased due to a loss of income from a reduced number of ratepayers being taken to court by £20,000, less people have paid civil penalty charges of £21,840 as more people are complying with the Housing Benefit notification requirements, the finalisation of the reprographics service level agreement with Richmondshire District Council at a cost of £17,500 and there are increased agency costs of £15,610 due to long term staff sickness in legal services.
- 3.8 Environmental Services – the increase in the budget of £49,120 is mainly due to the introduction of the new 10 year Waste Strategy and the effect of global falling market prices on waste at £101,720. Other increases to the budget include £10,000 for staffing costs in environmental health to complete food safety inspections, £18,980 for a reduction in income for the sale of communal bins and an increased cost of £5,480 for revised leasing arrangement for some vehicles. These costs are partially off-set by increased planning fees to be received in 2015/16 at £59,550 net of associated costs, increase of £20,980 from street naming income due to additional developments in the district and a reduction of £6,530 from staffing costs in planning and housing services.
- 3.9 Customer & Leisure Services - the increased budget of £37,770 relates to the closure of Thirsk Leisure Centre for 4 weeks and is as a result of lost income. The capital improvement works were originally scheduled to be completed in 2016/17 but are being completed in March 2015 to minimise the loss in income.
- 3.10 The revised changes to the budget at Quarter 3 of £437,810 are listed above and detailed in the recommendations section of this report for approval by Cabinet and Council. The budget increase affects 2015/16 and no further revisions are required to the 2016/17 budget. 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, a transfer from reserves or income received from increased 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 3 budget was approved in December 2015

Description	Amount £
Department for Works & Pensions (DWP) Local Authority Data Share IT	1,582
City of York -contribution to private sector additional hours 15/16 & 16/17	5,000
Total	6,582

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 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 3 if the recommendations are approved in this Cabinet report. Further information is also described below.

Reserve Fund	Balance at 30 Sept 2015 £	Q3 Movement (from) / to Reserves £	Balance at 31 Dec 2015 £
General Fund	2,000,000	0	2,000,000
Council Taxpayers Reserve	4,150,789	0	4,150,789
Grants Fund	383,062	(21,050)	362,012
Economic Development Fund	1,016,261	(100,360)	915,901
One Off Fund	1,376,075	(83,563)	1,292,512
Computer Fund	1,010,463	57,560	1,068,023
Repairs & Renewal Fund	2,774,058	182,727	2,956,785
Community Safety Partnership	69,568	0	69,568
Strategic Forum Reserve	10,046	0	10,046
Arts Grants Reserve	5,187	0	5,187
Take That Step	21,139	0	21,139
Winter Weather Campaign	3,330	0	3,330
Total	12,819,978	35,314	12,855,292

6.2 Economic Development Fund – In Quarter 3, the opening balance was £1,016,261 with the net movement of £100,360 split between capital and revenue. Income has been received for S106 funding £55,036 from North Yorkshire County Council in regards to Dalton Bridge and £25,000 for Employment Land which is part of the Local Development Framework. Expenditure that has been allocated from the Economic Development Fund in previous Cabinet reports totals £180,360. The balance of the Economic Development Fund at year end is estimated at Quarter 3 to be £915,901.

Expenditure in 2015/16 from the Economic Development Fund	Amount
Design work by Cleveland Steel for the Dalton Bridge project	102,960
Legal advice in regards to Dalton Bridge	11,000
S106 Funding from NYCC in regards to Dalton Bridge – expenditure	55,036
Develop potential of Wensleydale Railway - Phase II	11,400
Total expenditure already approved at Q3	180,360

6.3 The Economic Development Fund has allocated £4,084,099 to projects in the district leaving £915,901 for future projects. It is worth noting that £1,901,118 of the allocated spend for capital schemes has been roll forward to be spent in 2016/17, as detailed in the Quarter 3 Capital report also included on this Cabinet agenda. .

- 6.4 One Off Fund - In Quarter 3, the initial balance is £1,376,075 and additional income of £6,582 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 £863,692 and further expenditure to be allocated from the One-off Fund is detailed in the table below at £90,145. The balance on the One-off Fund at year end is estimated at Quarter 3 to be £1,292,512.

Expenditure in 2015/16 from the One-Off Fund	Amount
Empty Homes Review	5,067
Members Regalia	78
City of York -contribution to private sector additional hours 15/16 & 16/17	5,000
Asbestos works at the Depot	50,000
Tour De Yorkshire contribution 2016	30,000
Total expenditure recommended for approval at Q3	90,145

- 6.5 At Quarter 3, is it recommended to Cabinet and Council that the allocation from the One-off Fund at £90,145 is approved.
- 6.6 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.
- 6.7 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. During Quarter 3 capital schemes have be re-profiled into future years - detailed in the Quarter 3 Capital report also included on this agenda – and therefore funding for Repairs and Renewals fund has increased.
- 6.8 Other Reserves - There is a movement on the grants reserve to allocate funds of £21,050. The grant fund provides assistance to community groups to benefit the district as a whole. Approval was given to provide these grants to the community during 2014/15. There was no further movement on any of the other 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:

12.1 That Cabinet approves and recommends to Council:

(1) the budget increase at paragraph 3.2 in quarter 3 of £437,810 which results in a budget of £7,824,350

(2) the allocation from the one-off fund at paragraph 6.5 of £90,145

JUSTIN IVES

Background papers: Budget Monitoring Q3 working papers

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Budget 2015/16 Sensitivity Analysis – potential savings / costs

Portfolio Area	Area of Sensitivity	Commentary
Support Services	Provision for Bad debt	The Council makes a provision every year for debts that will potentially not be paid. The overall level of debt is currently reducing but an increase provision may be necessary for older aged debts.
Customer & Leisure Services	Workspace Management – ‘buy out’ of partnerships payments agreement	The council has been contacted by Homes and Communities Agency (HCA) to potentially buy out from the partnership payments agreement for Leeming Bar, Evolution and Bedale Craft yard. If the terms are agreed by both parties, Hambleton will make a one off revenue payment to HCA, however any future partnership payments for these three units will no longer occur. Currently a three year payback period is estimated.

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