

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
11 February 2014

Subject: 2013/14 QUARTER 3 REVENUE MONITORING REPORT

**All Wards
Portfolio Holder for Support Services and
Economic Development: 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 (revenue and reserve funds) at quarter 3, the end of December 2013.
- 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 position

2.0 REVENUE BUDGET:

- 2.1 The Council set its budget on 12 February 2013 for 2013/14 at £7,691,460 in line with the approved Financial Strategy. At Cabinet on 3 September 2013, the quarter 1 revenue monitoring report revised the budget to £7,432,820. This was as a result of changes approved by cabinet and the savings review of £244,110.
- 2.2 At quarter 2, the changes of £59,570 revised the 2013/14 position only and increased the budget to £7,492,390. The approved budget at quarter 2 in accordance with the Council portfolio themes is detailed below:

Quarter 2	£
Customer services & Asset Management	1,547,230
Housing, Planning & Waste Management	3,698,100
Leisure & Health	1,183,040
Support Services & Economic Development	974,430
Drainage Board levies	89,590
Net Revenue Expenditure	7,492,390

3.0 BUDGET POSITION TO December 2013:

- 3.1 The table below sets out the impact of the financial recommendations at quarter 3 for 2013/14 budget and also compares the Budget Outlook at quarter 3 with the Financial Strategy. The changes to the 2013/14 budget are subject to Cabinet approval in this report.

	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Budget Outlook – Financial Strategy approved by Cabinet 5 November 2013:					
	7,492,390	7,721,147	7,279,347	6,893,613	7,022,379
2014/15 Budget Savings	-	-258,000	-	-	-
Reduction in Members	-	-	-66,693	-12,668	-
Fees & Charges	-	-	-110,477	-168,473	-170,707
Inflation	-	-	198,536	202,507	206,557
Parking Enforcement	-	-	28,000	-	-
National Insurance changes for opted out scheme	-	-	-	150,000	-
Management Review	-	-33,800	-186,600	-42,600	-
New Homes Bonus - Top slice reduction	-	-	-248,500	-	-
Business Rate Pooling	-	-150,000	-	-	-
Changes to be approved by this Cabinet:					
Customer services & Asset Management	27,750	-	-	-	-
Housing, Planning & Waste Management	62,330	-	-	-	-
Leisure & Health	85,570	-	-	-	-
Support Services & Economic Development	-48,410	-	-	-	-
Budget Outlook Quarter 3	7,619,630	7,279,347	6,893,613	7,022,379	7,058,229
Financial Strategy Target	7,691,460	7,463,147	7,399,725	7,334,718	7,268,086
(Surplus) / Shortfall	(71,830)	(183,800)	(506,112)	(312,339)	(209,587)

- 3.2 The recommended changes to the 2013/14 budget in quarter 3 total an increase to the budget of £127,240. The main increases are seen in Leisure Services at £69,680 in relation to the capital improvement works resulting in reduced income during this period and also £39,790 in relation to a reduction in planning fees income received. These budget changes are one off and effect 2013/14 financial year only. The following paragraphs provide more detail of the budget changes in each portfolio theme.
- 3.3 **Customer Services & Asset Management** – the increase of £27,250 is mainly due to changes in the income forecast for off-street car parking. Lower than anticipated income at car parks is a reduction of £14,000 and a decrease in the number of car parking permits sold is a reduction of £12,000.
- 3.4 **Housing, Planning & Waste Management** – the increase of £62,330 is due to changes to the budget forecast in operational services, planning, vehicle transport costs, homelessness prevention and the building control partnership.
- 3.5 In operation services, waste collection, recycling and street scene contribute to a fall in income of £34,040. Also in operational services increased budget of £12,000 is required for new protective clothing under Health & Safety Legislation.

- 3.6 In planning, reduced planning fee income of £60,000 is estimated but this is offset by increased income charges received relating to S106 funds and consultancy fees recovered from planning applications, resulting in an increase of £39,790.
- 3.7 Vehicle transport costs have decreased by £30,000 as new vehicles have been purchased later in the financial year than originally anticipated.
- 3.8 In homelessness prevention there is a small reduction of £3,500 as a grant to Key House will not occur in 2013/14.
- 3.9 The building control partnership is funded by five district council where Hambleton District Council is one of those five members. The partnership is budgeted for on an annual basis and continues as a going concern. When the partnership does not break even, each of the Councils contributes additional funding. In 2013/14, this additional contribution is estimated at £10,000.
- 3.10 **Leisure & Health** – the increased budget requirement of £85,570 relates to a £69,680 forecast loss of income in the Leisure Centres – Stokesley, Thirsk and Bedale – whilst the capital improvement works are being completed and £15,890 in Hambleton Leisure Centre for a loss of income due to reduced membership and lower swimming numbers.
- 3.11 The capital improvement works were carried out in December 2013, when the Leisure Centres are forecast to be used less frequently, to reduce the potential loss of income as much as possible. It is calculated that the capital improvement works made to the three Leisure Centres valued at £562,729 will enhance the use of the Leisure Centres in the coming years. It is estimated that this loss in income will be recouped over 2 year period. This has already been taken into account when forecasting the budget for 2014/15 and beyond.
- 3.12 The further loss of income from Hambleton Leisure Centre of £15,890 is due to the continued lack of use of the leisure Centre for both membership and swimming. As explained at quarter 2 monitoring there is a national decline of swimming participation where the impact is greater at Hambleton Leisure Centre than first anticipated. In addition membership has fallen in connection with the local economic environment and the closure of 2 major local employers in the area– Rural Payments Agency and Northallerton Prison.
- 3.13 **Support Services and Economic Development** – the reduction in the budget of £48,410 is largely due to three main factors. An increase in income received of £15,330 from letting out a larger number of the Workspaces than originally forecast and therefore a reduction to the budget of £11,580 as increased occupancy at the Workspaces results in less vacant property costs being the responsibility of the Council. The Capital scheme to develop further car parking at Evolution site is still under negotiation and therefore £8,000 rent cost has not been incurred. In addition, salary savings of £12,070 in Business & Community and £3,000 in legal also contribute to the budget decrease.
- 3.14 The revised changes to the budget at quarter 3 are in the recommendations section of this report for approval by Cabinet and Council.

4.0 SENSITIVITY ANALYSIS:

- 4.1 Further to the recommended changes to the budget in this quarter 3 monitoring report, this report also highlights where there are areas of budget uncertainty. Annex A attached details this sensitivity analysis. At this time there is too much uncertainty surrounding these figures to included them as an adjustment to the budget but this information can give members early warning of possible issues that may arise in the future. All areas will continue to be monitored closely and an update provided at Outturn.

5.0 OTHER MATTERS – GRANTS:

- 5.1 The following grants and contributions have been received by the Council since the Quarter 2 Revenue Monitoring report and have been paid into the One Off Fund reserve:

Description	Amount £
Planning income from S106 Case – Barker-v-Hambleton District Council	31,000
Total Income at Quarter 3	31,000

6.0 RESERVE FUNDING:

- 6.1 The position of the reserves fund programme at quarter 3 for 2013/14 is detailed below.

6.2 One Off Fund

The balance on the one off fund at the beginning of quarter 3 is £1,408,653. In Quarter 3, to December 2013, income of £31,000 was received into the one-off fund and can be seen in paragraph 5.1 above. Income to be removed from the one off fund totalled £71,636 mainly due to homelessness Government grant not being received separately from Government support grant. Further movements on the one off fund have already been approved in specific Cabinet reports. The one off fund movements are detailed in the table below.

Movement 2013/14 to / from One-Off Fund	Amount	Cabinet Approval
Balance Brought Forward on One Off Fund	1,408,653	
ADD: Income from S106 case	31,000	
LESS: Income to be removed from the One Off Fund		
Homelessness Grant no longer received from Government	71,067	To Be Approved
Adjustment to transfer in quarter 2 from Strategic Partnership reserve	570	To Be Approved
LESS: Funds approved in previous Cabinet reports	657,407	
Balance Carried Forward on the One Off Fund	710,609	

- 6.3 If cabinet approves the recommended movements in this report the balance on the One Off fund will be £710,609.

6.4 Council Tax Payers Reserve

The movement on the Council tax payers reserve in 2013/14 will be an increase of £63,000, to £8,509,927. This is lower than originally anticipated by £155,000 due to the fall in investment income earned this year as explained at quarter 2.

6.5 Revenue Grants Fund

The balance at the beginning of 2013/14 was £412,575, at quarter 3 £83,036 of funding has been committed, where £45,700 has been committed on an ongoing basis and £37,336 has been allocated for 2013/14 only. Originally £46,690 was allocated on an ongoing basis but £1,240 has been returned to the Grants Fund as Welcome to Yorkshire is now being funded through revenue. It is anticipated that further grants will be distributed during quarter 4 2013/14 up to £100,000 in line with the Financial Strategy 2014/15 approved at Cabinet 5 November 2013.

6.6 Strategic Forum Reserve

The Hambleton Strategic Partnership Reserve was merged with the Strategic Forum Reserve at quarter 2 with a balance of £14,544. The total reserve has been allocated to grants for the Community.

6.7 New Homes Bonus Reserve

The balance brought forward at the beginning of 2013/14 on the new homes bonus reserve was £743,884. During quarter 3, £83,000 has been allocated to the review relating to Empty Properties. This is beneficial to the Council as it will increase the new homes bonus allocation in future years, well in excess of this cost.

6.8 Other Reserves

There has been no movement on the other reserves held by the Council at quarter 3 2013/14 and the balances are as follows: Community Safety Reserve £71,499 and the Capital Fund £3,865,178.

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 Risk in not approving the recommendation

Risk	Implication	Prob*	Imp*	Total	Preventative action
The Council spends significantly above the financial strategy	The ability of the Council to continue to provide and improve services is seriously affected	4	5	20	Undertake a review of budgets and report back to Cabinet with proposals
Budgets are not updated	The Council is unable to control its spend or redirect resources to priority areas.	3	5	15	Continue with regular budget and efficiency monitoring with regular reports to Chief Officers Management Team and Members

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

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 It is recommended that Council approve:

- (1) the budget adjustments at paragraph 3.2 which total a budget increase of £127,240, to £7,619,630 in 2013/14;
- (2) income of £71,637 to be removed from the one-off in relation to the homelessness grant no longer received as detailed in paragraph 6.2;
- (3) allocation of £83,000 from the new homes bonus reserve for the empty properties review as detailed in paragraph 6.7
- (4) all movements in the reserves be noted as detailed in paragraphs 6.2 to 6.6.

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Background papers: Budget Monitoring Q3 working papers

ANNEX A

Budget 2013/14 Sensitivity Analysis – potential savings / costs

Portfolio Area	Area of Sensitivity	Commentary
Housing, Planning & Waste Management	Vehicle charges	An increase in the fluctuation of fuel prices will impact on the budget.
	Planning Fees	There is potential a further shortfall in planning fees to be received, this will be closely monitored. At quarter 3 planning fees have been reported as a £60,000 shortfall.
Support Services & Economic Development	Revenues & benefits	Possible under spend due to the repatriation of the service on 1 January 2014. Definitive figure will be known when costs have been finalised and re-allocated.
	Housing Benefits	There continues to be an increase in the number of new or changed claims being received resulting in increased benefit payments. Whilst most of this additional cost will be met from increased benefit subsidy, the budget is so large that a small increase in percentage terms can lead to a large amount in monetary terms.
	Council Tax Benefits	Potential Net Overspend due to the changes in the Council Tax benefit scheme. Position will be finalised at year end on completion of the collection fund.