

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
4 December 2018

Subject: 2018/19 QUARTER 2 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 September 2018.
- 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 6 February 2018 for 2018/19 at £8,096,170 in line with the approved Financial Strategy 2018/19 to 2027/28.
- 2.2 At Cabinet on 4 September 2018, the Quarter 1 revenue monitoring report kept the budget at £8,096,170 but recognised that a £213,290 shortfall would be covered within the year from additional income or reduced expenditure. The approved budget at Quarter 1 in accordance with the Council portfolio themes is detailed below:

	£
Leisure and Environment	5,209,350
Economy and Planning	1,533,890
Finance	24,170
Law and Governance	1,208,080
Drainage Board levies	120,680
Net Revenue Expenditure	<u>8,096,170</u>

3.0 BUDGET POSITION TO SEPTEMBER 2018:

- 3.1 Since the budget for 2018/19 was set in February 2018, 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:

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Budget Outlook approved at Q1 4 th September 2018	8,096,170	8,096,170	8,025,612	8,449,416
Changes to budget outlook:				
Inflation – salaries and contracts	-	179,192	170,000	190,000
Back funded pension (NYCC)	-	-	21,900	25,000
Insurance fund	-	22,638	24,902	30,000
Increase in Net Investment Income	-	(74,400)	-	-
Fees and Charges	-	(117,592)	(120,000)	(125,000)
Savings Exercise	-	(55,000)	-	-
Route Optimisation	-	(105,461)	-	-
Quarter 1 Variances:				
Corporate Costs Increases	69,610	88,800	-	-
Departmental Movements	143,680	1,990	59,400	-
Quarter 2 Variances:				
Corporate Cost Saving	(40,000)	40,000	-	-
Budget Savings Exercise	(145,850)	145,850	-	-
Significant Departmental Movement	135,920	-	-	-
Additional Budget Responsibilities	-	-	267,602	170,251
Savings or additional income requirements in Quarters 3 and 4	(163,360)	(196,575)	-	-
Budget Outlook Q2	8,096,170	8,025,612	8,449,416	8,739,667
Financial Strategy 6 Feb 2018	8,096,170	8,025,612	8,453,726	8,739,834
Budget Outlook Q2 Surplus / (Shortfall)	-	-	4,310	167

3.2 In 2018/19 the budget started at £8,096,170 as stated in the Financial Strategy. At the end of Quarter 1, the budget remained at £8,096,170 but recognised that a £213,290 shortfall would be covered within the year from additional income or reduced expenditure. At Quarter 2 the table shows the budget again remaining at £8,096,170, however the Quarter 2 monitoring has highlighted various under and overspends totalling £49,930 of savings. This can be used to offset the reported shortfall at Quarter 1 of £213,290 resulting in £163,360 remaining to be covered from additional income or reduced expenditure in the second half of the year.

3.3 An explanation of the Quarter 2 variances to be approved in this Cabinet report are detailed below where there are four main areas of change to the 2018/19 budget at Quarter 2 totalling the £49,930 underspend:

- (a) Corporate Cost savings of £40,000
- (b) Budget Savings Exercise of £145,850
- (c) Significant Departmental Movement resulting in an overspend of £135,920
- (d) Department movements which have nil effect on the budget but exceed £20,000 and therefore require Cabinet approval as stated in the Council's financial regulations.

3.4 The Corporate Cost movements in the budget are:

- (i) a corporate Salary Savings exercise analysing vacant posts which has resulted in a £59,500 saving in Quarter 2 which added to the £94,780 savings identified in Quarter 1 results in a total to date in 2018/19 of £154,280.
- (ii) During Quarter 2 a number of office moves and improvements have occurred and additional work is planned in the remainder of the year. The estimated additional expenditure is £20,520.
- (iii) During the first half of the year £5,660 has been required for Health and Safety Improvements at a number of the Council's buildings.
- (iv) During 2018/19 new legislation regarding Environmental Licences comes into force where establishments may be able to acquire one, two or three year licences dependant on criteria being met. This will create an additional £6,680 of income in 2018/19.

3.5 As reported at Quarter 1 an exercise has been carried out to identify savings and efficiencies across the council, this has resulted in £145,850 of savings for 2018/19. The largest savings from the exercise are detailed as follows:

- (i) A review of the effects of the gym project at Northallerton Leisure Centre has resulted in increased income from new memberships and a reduction in the anticipated expenditure totalling a £36,250 underspend.
- (ii) The sale of waste bins to new properties in the district has increased income by £21,000 as a result of increased demand from new developments in the district.
- (iii) A delay in acquiring a new waste vehicle in 2018/19 has resulted in a saving of £36,000 for the year.
- (iv) The interest rate rise from 0.5% to 0.75% in August 2018 has resulted in higher interest rates available for the Council's surplus funds increasing the investment income by £12,000.
- (v) The increase of new housing developments in the District has created additional applications for street naming and numbering, this has the effect of a net estimated income of £5,170.
- (vi) The warm summer has resulted in an increased amount of requests to treat wasps nests this is estimated to increase the income by £5,600.
- (vii) Other smaller amounts identified during the detailed savings exercise totals £29,830 of savings.

3.6 Significant Departmental movements of £135,920 include the following:-

- (i) A reduction of the basket price available for the kerbside recycling and reduced tonnages collected within the contract has resulted in an estimated £135,920 overspend.

3.7 Departmental budget movements that have nil effect on the overall budget but exceed £20,000, as detailed in the Council's Financial Regulations require Cabinet approval as follows:

- a) The planning advice and pre-planning advice are currently identified separately within the budget, it is requested to combine the two advices together therefore transferring £37,490 from pre-application advice to planning advice.
- b) There has been detailed work to review all salaries at leisure centres to reflect the correct establishments in budgets and a transfer of £20,000 is requested between Northallerton Leisure Centre to Thirsk and Sowerby Leisure Centre in 2018/19.
- c) Within Homelessness Prevention it has been identified that payments are being made through the Rent Bond Scheme rather than Grants therefore a budget adjustment is required to move £13,610 from Grants to the Rent Bond Scheme.

3.8 The revised changes to the budget at Quarter 2 result in a saving of £49,930. These are listed above and can be offset with the £213,290 overspend in Quarter 1. The remaining £163,360 will be identified from additional income or reduced expenditure in the second half of the year. Therefore in the recommendations section of this report for approval by Cabinet and Council, the original budget set at £8,096,170 will remain.

4.0 OTHER MATTERS - GRANTS

4.1 There have not been any grants and contributions allocated to the Council and paid into the One-Off Fund Reserve since the Quarter 1 budget was approved in September 2018.

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.

Reserve Fund	Balance at 30 June 2018 £	Q2 Movement (from) / to Reserves £	Balance at 30 Sept 2018 £
General Fund	2,000,000	-	2,000,000
Council Taxpayers Reserve	5,195,759	-	5,195,759
Grants Fund	141,834	-	141,834
Economic Development Fund	724,089	148,500	872,589
One-Off Fund	864,227	(275,770)	588,457
Computer Fund	740,141	4,189	744,330
Repairs and Renewal Fund	973,029	-	973,029
Community Safety Partnership	27,536	-	27,536
Swimming Project Reserve	97,871	-	97,871
Local Plan Reserve	79,626	(35,250)	44,376

Make a Difference Fund	188,801	-	188,801
North Northallerton Bridge Reserve	2,365,779	-	2,365,779
Community Housing Fund	180,231	-	180,231
Income Generating Fund	100,000	-	100,000
Total	13,678,923	(158,331)	13,520,592

- 6.2 Economic Development Fund – In Quarter 2, the opening balance which has not yet been committed was £724,089. There is a roll forward of £150,000 for the Industrial Park Review capital scheme to 2019/20 and a nil effect movement of £3,000 from the Northallerton Market Town Investment Plan capital scheme to support the Northallerton Market Town Investment Plan revenue scheme.
- 6.3 The net movements of the Economic Development Fund to be approved at Quarter 2 total £1,500 for further work in relation to the Northallerton Connections project.
- 6.4 No further funding has been allocated to future years' beyond 2018/19 in Quarter 2, and so leaves £580,199 remaining available to be allocated for future projects.
- 6.5 Council Taxpayers Reserve – the balance of the Council Tax Payer Reserve has not changed in Quarter 2 and is available to support revenue spending.
- 6.6 One-Off Fund - In Quarter 2, the initial balance is £864,227 during Quarter 2 there was no additional income to add to the One-Off Fund. Expenditure that has been allocated from the One-Off Fund in previous Cabinet reports totals £240,000 this includes the UCI World Cycling Championships of £200,000 and £40,000 for legal costs for a planning appeal. Further expenditure to be allocated from the One-Off Fund is detailed in the table below at £35,770. The balance on the One-off Fund at year end is estimated at Quarter 2 to be £588,547.

Expenditure in 2018/19 from the One-Off Fund	Amount
District Election	10,010
Planning Appeals	20,000
Prison Archaeological Costs	5,760
Total expenditure recommended for approval at Q2	35,770

- 6.7 At Quarter 2, is it recommended to Cabinet and Council that the allocation from the One-Off Fund at £35,770 is approved.
- 6.8 Computer Fund – At Quarter 2, £18,989 is to be returned to the fund to support future requirements whilst £10,000 in regards to ICT improvements is to be rolled forward to 2019/20. £24,800 is requested at Quarter 2 for a new project to support and digitalise the Revenues and Benefits service. The net movement of the Computer fund at Quarter 2 is £4,189.
- 6.9 Make a Difference Fund – the opening balance in Quarter 1 of £63,801 relates to projects brought forward from the 2017/18 programme of which £1,066 remains to be claimed, this project will be completed by the end of November 2018. £125,000 has been allocated in 2018/19 to the Make a Difference Grant programme. Successful awards will invest in worthy local community projects which help improve life in neighbourhoods and which support the work of the voluntary sector and will be expended by March 2019.
- 6.10 Local Plan Reserve – Expenditure allocated in Quarter 2 totals £35,250 leaving a balance of £44,376.

6.11 Other Reserves – There has been no movement on other reserves held by the Council at Quarter 2 2018/19. These revenue reserves will be monitored on an ongoing basis and any charges will be reported at Quarter 3.

7.0 VAT PARTIAL EXEMPTION

7.1 Further to the recommendations of the October 2018 Cabinet report the council continues to monitor the VAT Partial Exemption position for 2018/19 and the calculation currently shows the Council to be below the 5% de-minimis limit.

7.2 Following further calculations the Council is now also below the 7 year average for the VAT partial exemption calculation for 2017/18, therefore the Council does not have to make a payment to HMRC.

8.0 LINK TO COUNCIL PRIORITIES:

8.1 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.

9.0 RISK ASSESSMENT:

9.1 There are no major risks associated with this report.

10.0 FINANCIAL IMPLICATIONS:

10.1 The financial implications are dealt with in the body of the report.

11.0 LEGAL IMPLICATIONS:

11.1 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.

12.0 EQUALITY/DIVERSITY ISSUES:

12.1 There are no specific equality implications to this report.

13.0 RECOMMENDATIONS:

13.1 That Cabinet approves and recommends to Council:

- (1) the budget remains at £8,096,170 as detailed in paragraph 3.2;
- (2) the allocation from the One-Off fund at paragraph 6.7 of £35,770; and
- (3) the allocation of £1,500 from the Economic Development Fund at paragraph 6.3 and to note the remaining balance at paragraph 6.4 is £580,199.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

Background papers: Budget Monitoring Q2 working papers

Author ref: SC

Contact: Saskia Calton – Finance Manager
Direct Line: 01609 767226

Budget 2018/19 Sensitivity Analysis – potential savings / costs

Portfolio Area	Area of Sensitivity	Commentary
Finance	Housing Benefit Payments	Whilst any increase in Housing Benefit payments will be partly offset by subsidy, the budget is so large that a small increase in percentage terms can lead to a large amount in monetary terms.
Economy and Planning	Planning Fees	This will continue to be closely monitored due to the estimated income being so high, it is currently estimated that the target will be reached.
	Workspace Management Income	A number of businesses have vacated Hambleton's workspaces for various reasons. This will continue to be closely monitored and reported at quarter 3 if there are empty units.
Leisure and Environment	Operational Services – Fuel Prices	This is being kept under review as prices are currently on the rise and any significant increase will require additional budget.
	Kerbside Recycling Contract	Basket price changes will affect the budget, the current basket price indicates an increase as reported this will continue to be closely monitored.
	Leisure Centres	Income at the leisure centres will continue to be closely monitored. Targets across the four centres are currently on target.