

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
12 February 2019

Subject: 2018/19 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 2018.
- 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 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 December 2018, the Quarter 2 revenue monitoring report kept the budget at £8,096,170 but recognised that a £163,360 shortfall would be covered within the year from additional income or reduced expenditure. The approved budget at Quarter 2 in accordance with the Council Directorates is detailed below:

	£
Leisure & Environment	5,230,910
Economy & Planning	1,523,000
Finance	29,860
Law & Governance	1,191,720
Drainage Board Levies	120,680
Net Revenue Expenditure	<u>8,096,170</u>

3.0 BUDGET POSITION TO DECEMBER 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 in 2018/19 and also those that have been identified and are recommended to this Cabinet for approval at budget monitoring Quarter 3.

- 3.2 Table 1 below shows the latest 2018/19 budget information only as future years forecast and the 2019/20 budget are included on other items on the agenda.

	2018/19
	£
Budget Outlook approved at Q2 4 ^h December 2018	8,096,170
Changes to budget outlook:	
Quarter 3 - Corporate Movements	(132,710)
Quarter 3 – Other Departmental Movements	(116,400)
Savings or additional income required	163,360
Budget Outlook Q3	8,010,420
Financial Strategy 6 Feb 2018	8,096,170
Budget Outlook Q3 Surplus / (Shortfall)	85,750

Table 1: Budget 2018/19 Qtr 3

- 3.3 In 2018/19 the budget started at £8,096,170 as stated in the Financial Strategy. At Quarter 2, the budget remained at £8,096,170 but recognised that a £163,360 shortfall would be covered within the year from additional income or reduced expenditure. At Quarter 3, the table shows the budget at £8,010,420 which is a decrease of £85,750. This means that there has been £249,110 of reduced expenditure or additional income that can be used to cover the £163,360 which results in this estimated of £85,750. An explanation of the movement in the 2018/19 budget, to be approved in this Cabinet report, is detailed below.
- 3.4 The budget monitoring process has also highlighted two other areas that are predicted to create an additional surplus. The income received from planning applications continues to reflect a strong position and with one quarter of the year remaining, it is anticipated that the budget will be exceeded. Furthermore, the budgeted Housing Benefit payments and its related subsidy can have a small percentage change which can lead to a large amount in monetary terms which would result in a further surplus.
- 3.5 Further to the forecasted surplus on the budget, there may also be increased funding from Business Rates; this will contribute to increased available funding at year end. This is consistent with previous years however it is very difficult to forecast the amount of Business Rates that will be received due to different businesses claiming different mandatory and discretionary reliefs during the year; it is useful to note this volatility at Quarter 3.
- 3.6 Due to the expected surplus, it is predicted that £110,070 will be transferred to Local Plan reserve and £30,000 to support the Repairs and Renewal budget, however, if the expected surplus does not occur the funding will be provided from Council Tax Payers Reserve at Quarter 4 instead.
- 3.7 There are four main areas of changes to the 2018/19 budget at Quarter 3 totalling £85,750:
- (a) Corporate cost decreases of £132,710
 - (b) Significant Departmental movements Budget requirements brought forward from quarter 2 of £163,360.
 - (c) Other Departmental movements – a decrease of £116,400.
 - (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.

- 3.8 The corporate movements in the budget are:
- (i) A reduction of courses relating to the Corporate Training Programme results in a £16,350 saving.
 - (ii) The annual insurance charge for the council was £9,060 under the estimated budget.
 - (iii) There has not been a requirement for the Council to borrow money during the year to date therefore the budget relating to Interest payable is estimated to be £19,370 below the budget.
 - (iv) The corporate Salary Savings exercise analysing vacant posts has continued in quarter 3 and has resulted in a saving of £87,930 for the quarter and a total to date in 2018/19 of £242,210.
- 3.9 The significant Departmental movement of £163,360 relates to the budget shortfall identified at Quarter 2 that would be covered in year from additional income or reduced expenditure. During Quarter 3 £249,110 has been found to cover the £163,360.
- 3.10 The changes at Quarter 3 in relation to the service areas show an overall decrease in the budget of £116,400. This is represented by a decrease in Leisure & Environment budgets of £37,430, a decrease in Economy & Planning budgets of £41,180, a decrease in Finance of £26,640 and a decrease in Law & Governance of £11,150.
- 3.11 Leisure & Environment – the under spend on the budget of £37,430 is due to a combination of factors. An increased take up of the Green Waste licences has resulted in £10,850 of additional income, increased tonnages collected during the year has resulted in increased recycling credits of £54,690 and disposal costs of £39,900 resulting in £14,790 of savings. An additional £11,400 of income is anticipated from Pest Control services due to increased demand and new commercial contracts being obtained. The income across the four leisure centres has been reviewed, this has shown that in total an additional £23,070 is estimated at Northallerton Leisure Centre which is predominantly due to an increased number of people joining the Health and Fitness membership than was anticipated. Increased swimming instructions have also resulted in additional income at Bedale of £4,910 and Thirsk of £7,080. Stokesley Leisure Centre is estimating a shortfall of income of £34,670, this is due to a general downturn in a number of income streams as a result of losing customers to other centres in neighbouring districts.
- 3.12 Economy & Planning – the decrease in the budget of £41,180 is due to a number of factors. Workspace Management reflects an underspend of £29,140 due to a variety of reasons including vacant units being let earlier than anticipated, increased room hire at Springboard and higher than anticipated income at Leeming Bar Food Enterprise Centre. Additional Income of £15,000 is also estimated through the Street Naming and numbering function due to the number of new developments in the District. A review of the car parks usage has shown an increase which results in estimated additional income of £23,490 across all the car parks. £3,000 of income is estimated within the Business & Economy section due to staff being seconded to the Local Enterprise Partnership. The Development Management section requires agency to the value of £13,250 to cover vacant posts until the end of 2018/19. The section also requires £7,750 for training a member of staff on a postgraduate course in Town and Regional Planning and member of staff on Conservation Studies (Historic Buildings).

- 3.13 Finance – an underspend of £26,640 relates to a number of areas including £12,370 of additional grant received from the Ministry of Housing, Communities and Local Government in relation to the number of family annexes in the district. An additional £10,500 of income received from historic overpayments of Council Tax benefit that is being recovered by the council. There has been a reduction in charges for Liability Orders which results in an underspend of £2,500. The Council has also received additional funding of £1,270 relating to Universal Credits from the Ministry of Housing, Communities and Local Government.
- 3.14 Law & Governance – increased income of £12,370 from the sale of more than anticipated Premises Licences is offset by £1,350 due to a reduction of Other Licences within the section resulting in a total underspend of £11,150.
- 3.15 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 associated transport costs relating to the waste vehicles have been reviewed and it is requested to allocate £46,000 within household waste to street cleansing £36,000 and kerbside £10,000.
- 3.16 The revised changes to the budget at quarter 3 totals an under spend of £249,110 compared to the latest estimate at quarter 2. This underspend can offset the £163,360 shortfall that was reported at quarter 2 resulting in an estimated underspend of £85,750 at Quarter 3. These are listed above and 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 in Quarter 3.

Description	Amount £
Department for Work and Pensions – Various Grants	13,842
Total	13,842

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. 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 2018 £	Q3 Movement (from) / to Reserves £	Balance at 31 Dec 2018 £
General Fund	2,000,000	-	2,000,000
Council Taxpayers Reserve	5,195,759	-	5,195,759
Grants Fund	141,834	(47,500)	94,334
Economic Development Fund	872,589	210,643	1,083,232
One-Off Fund	588,457	(5,188)	583,269
Computer Fund	744,330	47,485	791,815
Repairs & Renewal Fund	973,029	-	973,029
Community Safety Partnership	27,536	-	27,536
Swimming Project Reserve	97,871	-	97,871
Local Plan Reserve	44,376	(62,907)	(18,531)
Make a Difference Fund	188,801	(68,392)	120,409
North Northallerton Bridge Reserve	2,365,779	-	2,365,779
Community Housing Fund	180,231	(42,500)	137,731
Income Generating Fund	100,000	(100,000)	-
Total	13,520,592	(68,359)	13,452,233

- 6.2 Economic Development Fund – In Quarter 3, the opening balance which has not yet been committed was £872,589. A movement of £210,643 is split between a roll forward of £127,887 capital allocation that requires approval at Quarter 3 and is detailed in the separate Capital Monitoring Report and £82,756 of revenue. This comprises of £1,964 of additional revenue expenditure for the Business Networking and events, including the Business Awards, £1,964 of income from a third parties including Business Awards sponsorship, and a roll forward of revenue allocation of £82,756. The balance of the Economic Development Fund at year end is estimated at Quarter 3 to be £1,083,232.
- 6.3 In addition the Economic Development Fund has allocated a further £3,000 to the Federation of Small Business Subscriptions scheme in 2019/20 and £21,390 for the Identifying & Securing Investment scheme. A roll forward of capital as detailed in previous Capital Monitoring Report to 2019/20 totalling £215,250 along with the revenue roll forwards at Quarter 1 of £52,750, leaves £580,199 remaining for future projects.
- 6.4 Council Tax Payers Reserve – There has been no movement at Quarter 3.
- 6.5 One-Off Fund - In Quarter 3, the initial balance is £588,457 and additional income of £13,842 was received which can be seen in paragraph 4.1 above. Expenditure that has been allocated from the One-Off Fund is detailed in the table below at £19,030. The balance on the One-Off Fund at year end is estimated at Quarter 3 to be £583,269.

Expenditure in 2018/19 from the One-Off Fund	Amount
Revenues & Benefits – Northgate System costs	12,260
Former Prison – Archaeological expenditures	6,770
Total expenditure recommended for approval at Q3	19,030

- 6.6 At Quarter 3, is it recommended to Cabinet and Council that the allocation from the One-Off Fund at £19,030 is approved.
- 6.7 Computer Fund – At Quarter 3, a total of £47,485 of capital expenditure is to be rolled forward to 2019/20. This is split between several projects that requires approval at Quarter 3 and is detailed in the separate Capital Monitoring Report.
- 6.8 Make a Difference Fund – The balance brought forward from the 2017/18 programme of £63,801 has now all been claimed. The 2018/19 programme is currently progressing well however two schemes have encountered a number of delays and the organisations think they may possibly not be in a position to claim the funding before 31 March 2019, therefore it is requested to roll the £3,591 relating to 1st Easingwold Scout Group and £1,000 relating to Easingwold Tourist Information Centre into 2019/20.
- 6.9 Local Plan Reserve – In Quarter 3 expenditure has been allocated that totals £62,907. As per paragraph 3.6, £110,070 will be transferred to cover expenditure that is forecast to be spent in 2019/20.
- 6.10 Income Generating Fund – In Quarter 3, the initial balance of the fund was £100,000. There has been expenditure allocated from the Income Generating Fund of £60,000 leaving a balance of £40,000 which is requested to be rolled forward to 2019/20.
- 6.11 Other Reserves - £47,500 has been allocated in 2018/19 from the Grants Fund in line with the grants programme and £42,500 from the Community Housing Fund. There have been no other movements on other reserves held by the Council at Quarter 3.

7.0 WAIVER OF PROCURMENT RULES

- 7.1 It is the Council's policy to obtain competitive quotations or tenders for the purchase of products, work that is to be undertaken or for services to be provided. However, a waiver may be agreed by Cabinet (or the Chief Executive in an emergency) if they are satisfied, after considering a written report that the waiver is justified.
- 7.2 The Cabinet is currently exploring the feasibility of a commercial project. This requires the procurement of external expert feasibility advice. The estimated value of this advice is approximately £20,000. The Council's Procurement Procedure Rules normally requires three quotes to be sought for contracts of this value. However, Cabinet has the authority to waive the procurement rules in certain circumstances. In this case cabinet is asked to waive the Council's procurement rules on the grounds that (having explored the market) it has become apparent that there are very few consultancies that provide the required services in this area, and indeed only one consultancy with the necessary numbers of staff, resilience and range of skills in advising local authorities to deliver the feasibility project.

8.0 VAT PARTIAL EXEMPTION

- 8.1 The Council continues to monitor the 2018/19 VAT Partial Exemption position and at Quarter 2 it was previously explained to Members that the Council were within the 7 year average and therefore no payment was required to HMRC; however the calculation, at Quarter 3, currently shows the Council is very close to the 5% de-minimus limit. Members should be aware that this position is being closely monitored and if the Council does breach the limit in 2018/19 then due to the 7 year average position being breached this will also result in the 2017/18 partial exemption being breached. The cost to the Council currently for 2017/18 would be £116,580 and for 2018/19 £80,737 if the breach in 2018/19 would occur which would have to be paid to HMRC.

9.0 LINK TO COUNCIL PRIORITIES:

9.1 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.

10.0 RISK ASSESSMENT:

10.1 There are no major risks associated with this report.

11.0 FINANCIAL IMPLICATIONS:

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

12.0 LEGAL IMPLICATIONS:

12.1 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.

13.0 EQUALITY/DIVERSITY ISSUES:

13.1 There are no specific equality implications to this report.

14.0 RECOMMENDATIONS:

14.1 That Cabinet approves and recommends to Council:

- (1) the budget decrease at paragraph 3.3 in Quarter 3 of £85,750 which results in a budget of £8,010,420;
- (2) The transfer of funds detailed in paragraph 3.6 to the Local Plan Reserve of £110,070 and Repairs and Renewal budget of £30,000 at Quarter 4 from the expected surplus or Council Tax Payers Reserve;
- (3) to approve the total amount of new expenditure of £1,964 in the Economic Development Fund at paragraph 6.2 and to note that Economic Development fund remaining balance at paragraph 6.3 is £580,199;
- (4) to approve the allocation from the One-Off fund at paragraph 6.5 of £19,030;
- (5) to approve the roll forward to 2019/20 of £4,591 from the Make a Difference Fund at paragraph 6.8;
- (6) to approve the £60,000 allocation and roll forward of £40,000 to 2019/20 from the Income Generating Fund at paragraph 6.10;
- (7) to approve the allocation of £47,500 from the Grants Reserve and £42,500 from the Community Housing Fund as per paragraph 6.11;
- (8) to approve the waiver as detailed in paragraph 7.2.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

Background papers: Budget Monitoring Q3 working papers

Author ref: LBW / SC

Contact: Saskia Calton, Corporate Finance Manager, Direct Line: 01609 767226