

## HAMBLETON DISTRICT COUNCIL

**Report To:** Cabinet  
3 September 2019

**Subject:** 2019/20 Q1 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 June 2019.
- 1.2 The Quarter 1 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 12 February 2019 for 2019/20 at £9,085,870 in line with the approved Financial Strategy 2019/20 to 2028/29.
- 2.2 The breakdown of the budget in accordance with the Council themes when the budget was approved was as follows:

	£
Leisure & Environment	5,610,980
Economy & Planning	1,897,620
Finance	91,260
Law & Governance	1,358,090
Drainage Board levies	127,920
<b>Net Revenue Expenditure</b>	<b><u>9,085,870</u></b>

- 2.3 Subsequent to this, the restructure of the Council has increased the Council's portfolio themes and the current budget is split accordingly:

	£
Economy & Planning	1,655,740
Environment	3,980,770
Finance & Commercial	121,080
Law & Governance	1,351,890
Leisure & Communities	1,848,470
Drainage Board levies	127,920
<b>Net Revenue Expenditure</b>	<b><u>9,085,870</u></b>

### 3.0 BUDGET POSITION TO JUNE 2019:

3.1 Since the budget for 2019/20 was set in February 2019, 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 at Quarter 1 budget monitoring.

	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Budget Outlook approved at 12 February 2019	9,085,870	9,085,870	9,169,285	9,339,729
<b>Changes to Budget Outlook:</b>				
Inflation – salaries and contracts	-	260,238	276,983	281,075
Back funded pension (NYCC)	-	22,760	10,108	10,000
Insurance fund	-	24,902	25,000	27,000
Additional Costs	-	-	-	107,255
Fees & Charges	-	(126,182)	(128,706)	(131,280)
Additional Income	-	(98,303)	(12,941)	-
Savings Exercise	-	(28,760)	-	-
Corporate Costs Increases:-	80,890	28,760	-	-
Departmental Movements:-	5,270	-	-	-
Savings or additional income requirements in Quarters 2, 3 and 4	(86,160)	-	-	-
<b>Budget Outlook Q1</b>	9,085,870	9,169,285	9,339,729	9,633,779
<b>Financial Strategy 12 Feb 2019</b>	9,085,870	9,169,285	9,339,729	9,633,779
<b>Budget Outlook Q1 Surplus / (Shortfall)</b>	-	-	-	-

3.2 In 2019/20 the budget started at £9,085,870 as stated in the Financial Strategy and illustrated in the table above. At the end of Quarter 1, it is recognised that there is currently a shortfall of £86,160 however during the year it is anticipated that additional income or reduced expenditure will occur to cover this overspend. Therefore, at Quarter 1 it is requested Cabinet approves that there is no change to the budget of £9,085,870.

3.3 There are three main areas of changes to the 2019/20 budget at Quarter 1 totalling the £86,160 shortfall:

- (a) Corporate cost increases of £80,890
- (b) Departmental cost increases of £5,270
- (c) Department movements which have nil effect on the budget

3.4 The Corporate Costs movements in the budget are:

- (i) A Corporate review of Salary budgets has resulted in a requirement for an additional expenditure of £66,690 for the year in excess over salary saving identified.
- (ii) The annual Drainage Board Levies were higher than budgeted by £7,180, this is notified to the Council after the budget was set for 2019/20 and is not controllable by the Council.
- (iii) The Business Rate payable on the Council's own properties has been readjusted by an increase of £7,020 due to budget set on estimated cost.

3.5 Departmental movements create additional expenditure of £5,270 and are detailed as follows:-

- (i) Finance & Commercial – A saving of £2,730 relates to additional Investment Interest income of £15,160 due to higher than anticipated interest rates charged to the Local Housing Association in relation to the loans made. This is offset by interest expenditure of £12,430 due to a higher rate of interest charged for the borrowing made from the Public Works Loan Board (PWLB) in 2019/20.
- (ii) Economy & Planning – Additional expenditure of £8,000 is required for improvements to the Planning Enforcement software system.

3.6 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) A review of Leisure Centre Salaries has resulted in various budget movements, it is requested to allocate £109,890 across salary codes at the four centres.
- b) The 2019/20 grants reserve allocation has been collated and it is therefore requested to allocate £48,700 to the relevant grant codes.
- c) Changes in payment frequency of market traders income from weekly to monthly requires a £56,700 movement which is therefore requested between the Market income codes.
- d) The request to combine the budgets for pre-application and planning advice by transferring £38,240 from pre-application advice to planning advice.
- e) The funding from the Ministry of Housing, Communities and Local Government (MHCLG) relating to Discretionary Housing Benefits is lower than budgeted, therefore it is requested that £14,380 is reduced from both the payments and rebates.

3.7 The revised changes to the budget at Quarter 1 total an increase to the budget of £86,160. These are listed above, however, it is recognised that additional income or reduced expenditure will occur to cover this overspend during the year. Therefore, the budget for 2019/20 at Quarter 1 remains at £9,085,870. It should be noted that this Quarter 1 position will be monitored against the financial strategy over the rest of the year.

#### **CIL RESERVE**

4.1 The Community Infrastructure Levy (CIL) balance as at 30 June 2019 is £3,077,502. The Council is committed to using this reserve for priority schemes and to distribute to parishes. The movements in 2019/20 can be seen in the table below.

	<b>Amount</b>
<b>2019/20 Opening Balance</b>	<b>2,779,238</b>
Add in-year income	373,599
Less in-year payments to parishes	(75,335)
<b>2019/20 Closing Balance Quarter 1</b>	<b>3,077,502</b>

#### **OTHER MATTERS - GRANTS:**

5.1 The following grants and contributions have been allocated to the Council and paid into the One Off Fund Reserve since the budget was approved in February 2019.

Description	Amount £
Department of Works and Pensions (DWP) Housing Benefits grants	14,468
Ministry of Housing, Communities and Local Government (MHCLG), EU Exit Preparation and Homelessness grants	90,141
North & West Yorkshire Business Rates Pool contribution for Tour De Yorkshire and UCI events in 2019	225,000
<b>Total</b>	<b>329,609</b>

## 6.0 SENSITIVITY ANALYSIS

6.1 Further to the recommendations for changes to the budget in this Quarter 1 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 2 as at this time there is uncertainty surrounding these figures to include them as an adjustment to the budget. Annex 'A' attached details the sensitivity analysis.

## 7.0 RESERVE FUNDING

7.1 The table below shows the position on the revenue reserves at Quarter 1 if the recommendations are approved in this Cabinet report. Further information is also described below.

Reserve Fund	Balance at 1 April 2019 £	Q1 Movement (from) / to Reserves £	Balance at 30 June 2019 £
<b>General Fund</b>	2,000,000	-	2,000,000
<b>Council Taxpayers Reserve</b>	7,093,374	(509,102)	6,584,272
<b>Grants Fund</b>	143,134	(48,700)	94,434
<b>Economic Development Fund</b>	1,114,410	(476,172)	638,238
<b>One Off Fund</b>	1,366,543	(617,142)	749,401
<b>Computer Fund</b>	968,196	171,753	1,139,949
<b>Repairs &amp; Renewal Fund</b>	1,026,890	(50,000)	976,890
<b>Community Safety Partnership</b>	20,183	-	20,183
<b>Swimming Project Reserve</b>	2,026	-	2,026
<b>Local Plan Reserve</b>	93,753	11,865	105,618
<b>Make a Difference Fund</b>	7,053	122,541	129,594
<b>Community Housing Fund</b>	119,188	-	119,188
<b>Community Infrastructure Levy (CIL) 5% Admin Reserve</b>	19,312	-	19,312
<b>Income Generating Fund</b>	63,002	100,000	163,002
<b>Total Revenue Reserves</b>	<b>14,037,064</b>	<b>(1,294,957)</b>	<b>12,742,107</b>
<b><u>Capital Reserves</u></b>			
<b>Capital Grants Unapplied</b>	4,581,294	-	4,581,294
<b>General Capital Receipts</b>	2,107,716	-	2,107,716
<b>Total Capital Reserves</b>	<b>6,689,010</b>	<b>-</b>	<b>6,689,010</b>
<b>Total Reserves</b>	<b>20,726,074</b>	<b>(1,294,957)</b>	<b>19,431,117</b>

- 7.2 Economic Development Fund – In Quarter 1, the opening balance was £1,114,410 with the net movement of £476,172; split as £318,226 capital and £157,946 revenue.
- 7.3 The Economic Development Fund requests further expenditure of £4,650 and £1,030 of income to be allocated to the Networking Events and Promotion Scheme resulting in a net movement of the Economic Development Fund including capital, to be approved at Quarter 1 of £3,620.
- 7.4 The Economic Development fund has allocated a further £89,436 to future years' allocations; £12,500 for the Support for Business Networks, £6,686 for Networking Events and Promotions and £5,000 for Exploiting Regional Opportunities (LEP Growth Advisor post) for 2020/21. £65,250 is to be rolled forward at Quarter 1 in 2021/22 for the Central Northallerton scheme. This currently leaves £548,802 remaining for future projects.
- 7.5 Council Tax Payers Reserve – the contribution to reserves estimated when the 2019/20 budget was set was £742,402. In addition, there is further Business Rates funding estimated to be received of £258,496 due to the timing of the government settlement information which is preliminary during the budget setting process. The additional business rates' funding is then derived once the final settlement information has been received and any changes are reported at Quarter 1. The total amount to be transferred to the Council Tax Payers Reserve is therefore £1,000,898. Furthermore, the Financial Strategy, which was approved on 12 February 2019, agreed a transfer from the Council Tax Payers Reserve of £1,510,000 to the Computer Fund of £1,000,000, One Off Fund of £410,000 and Income Generating Fund of £100,000 to fund future expenditure.
- 7.6 One Off Fund - In Quarter 1, the initial balance is £1,366,543 with a transfer from the Council Tax Payers Reserve of £410,000 in line with the Financial Strategy. Additional income of £329,609 was received which can be seen in paragraph 5.1 above. £87,130 has been transferred from the revenue budget and £125,000 has been transferred to the Make a Difference reserve for 2019/20 and £2,459 returned from previous years Make a Difference reserve allocation. Expenditure that has been allocated from the One Off Fund in previous Cabinet reports rolled forward from 2018/19 totals £1,064,060 and further expenditure to be allocated from the One Off Fund is detailed in the table below at £257,280. The balance on the One Off Fund at Quarter 1 is £749,401.

<b>Expenditure in 2019/20 from the One Off Fund</b>	<b>Amount</b>
Planning Appeals	18,000
Revenues & Benefits – Northgate IT System upgrades	13,580
Estimated reduction in income for Green Waste recycling contracts	121,700
Development Management – Consultant	48,000
Estimated NNDR legal Fees for appeal	6,000
Communications – Consultant	40,000
Environment Health – Legal Costs	10,000
<b>Total expenditure recommended for approval at Q1</b>	<b>257,280</b>

- 7.7 At Quarter 1, is it recommended to Cabinet and Council that the allocation from the One Off Fund at £257,280 is approved.
- 7.8 Computer Fund – in accordance with the Financial Strategy approved by Council in February 2019, the reserve is being used to fund ICT projects to ensure technology is maintained to an acceptable standard in the current ICT market environment. Therefore, the Financial Strategy approved a transfer from the Council Tax Payers Reserve of £1,000,000 to the Computer Fund in 2019/20. The fund currently includes £40,000 of revenue expenditure, £343,650 of 2019/20 capital expenditure and a brought forward

amount of capital expenditure from 2018/19 of £236,597, a new capital scheme for procuring a new finance system of £215,000 and £7,000 within Telephony to be rolled forward to 2020/21.

- 7.9 Repairs & Renewal Fund – 1,026,890 has been brought forward from 2018/19 to fund Repairs and Renewal projects to ensure that the Council's assets are maintained to an acceptable standard. At outturn 2018/19, £50,000 was approved to be transferred from the reserve to support the revenue repairs budget in 2019/20.
- 7.10 Local Plan Reserve – £59,710 has been transferred from the income received from planning applications to the Local Plan. Expenditure allocated in Quarter 1 totals £47,845 leaving a balance of £105,618.
- 7.11 Make a Difference Fund – the opening balance in Quarter 1 of £7,053 relates to projects brought forward from the 2018/19 programme and will be expended by 30 June 2019. One grant of £2,000 was not claimed by the deadline and therefore is returned to the One Off Fund along with £459 of unspent allocated grants. The Cabinet report dated 12 February 2019 approved that £125,000 was transferred from the One-Off Fund in 2019/20 to fund the 2019/20 Making 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 31 March 2019.
- 7.12 Income Generating Fund: £63,002 has been brought forward from 2018/19 with a transfer from Council Tax Payers Reserve of £100,000 as approved in the Financial Strategy on 12 February 2019. The reserve is used to financially support projects in the initial stages of development which will generate revenue income to contribute to the future funding of the Council.
- 7.13 Other Reserves - There is a movement on the grants reserve to allocate funds of £48,700. The grant fund provides assistance to community groups to benefit the district as a whole.

## **8.0 WAIVER OF PROCUREMENT RULES**

- 8.1 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.
- 8.2 The Chief Executive has approved the following waiver, for which Single Quote/ Tender Waiver Forms have been completed as the cost for a three year contract is £10,368. The cost has been reduced as all Council's across North Yorkshire, excluding Harrogate, have signed up to utilise the "CFO Insights" online financial modelling tool to assist in improving efficiencies and outcomes across all Council services. It provides local authorities with a single database holding revenue outturn and budget data and compares that data against indices of relative performance of council services and socio-economic drivers for all UK councils. This makes it quick and easy for councils to find relevant examples of best practice, for example identifying areas where cost savings can be made or income can be increased.

## **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 Equality and Diversity Issues have been considered however there are no issues associated with this report.

**14.0 RECOMMENDATIONS:**

14.1 That Cabinet approves and recommends to Council:

- (1) the budget remains at £9,085,870 as detailed in paragraph 3.2;
- (2) the total movement of the Economic Development Fund of £3,620 at paragraph 7.3 to be allocated and to note that the Economic Development Fund remaining balance to be allocated at paragraph 7.4 is £548,802;
- (3) the allocation from the Council Tax Payers Reserve at paragraph 7.5 of £1,510,000;
- (4) the allocation from the One Off Fund at paragraph 7.6 of £257,280;
- (5) the allocation from the Repairs and Renewal Fund at paragraph 7.9 of £50,000; and
- (6) to note the waiver of procurement rules at paragraph 8.2.

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

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**Budget 2019/20 Qtr 1 Sensitivity Analysis – potential savings / costs**

<b>Council Directorates</b>	<b>Area of Sensitivity</b>	<b>Commentary</b>
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.
	Land Charges Income	It appears that private search companies are being used more and more instead of the Council for land searches. This will be monitored closely as reduced numbers of searches will result in reduced income.
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, this will be closely monitored throughout the year.
Finance & Commercial	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.
Leisure & Communities	Administrative Buildings - Room Hire Income	There is uncertainty relating to rental contracts at the Civic Centre as some contracts are due to expire in Quarter 3 2019/20. If the rooms are vacated and occupants not found, a shortfall to the budget will occur.
	Electricity contract	The electricity contract is due to expire in October 2019 and it is estimated that an increase is probable. However, due to more efficient lights the usage might be reduced and this will be monitored during the year.
	Winter Maintenance	Higher than budgeted costs paid in the previous year's therefore will closely monitor costs in 2019/20
	Casual Holiday Pay	Changes to holiday pay in regards to casual leisure center staff might affect the current budget. This will be closely monitored.