

Hambleton District Council

Report To: Cabinet

Date: 9 February 2021

Subject: **2020/2021 Q3 Revenue Monitoring Report**

Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson

Wards Affected: All Wards

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 2020.
- 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 11 February 2020 for 2020/21 at £9,269,670 in line with the approved Financial Strategy 2020/21 to 2029/30.
- 2.2 At Cabinet on 1 December 2020, the Quarter 2 revenue monitoring report kept the budget at £9,269,670 but recognised that a £197,790 shortfall would be covered within the year from additional income or reduced expenditure. The losses of income resulting from the COVID-19 pandemic will be monitored separately and funded by reserves if necessary. The approved budget at Quarter 2 in accordance with the Council portfolio themes is detailed below:

	£
Economy and Planning	1,807,250
Environment	4,057,730
Finance & Commercial	201,360
Leisure & Communities	1,739,630
Law and Governance	1,337,370
Drainage Board Levies	<u>126,330</u>
Net Revenue Expenditure	<u>9,269,670</u>

2.3 The Quarter 2 revenue monitoring report also estimated a potential increase to the budget of £1,689,510 as a result of COVID-19 and a further updated position is included within this report.

3.0 Budget Position to December 2020

3.1 Since the budget for 2020/21 was set in February 2020, 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:

3.2 Table 1 shows the latest 2020/21 budget information only as future years forecast and the 2021/22 budget are included on other items on the agenda.

	2020/21 £
Budget Outlook approved at 11 February 2020	9,269,670
Quarter 1 Variances:	
Corporate Costs Increase	48,030
Departmental Increases	78,300
Unrealised Salary Savings	115,000
Quarter 2 Variances:	
Salary savings now realised	(123,450)
Corporate Costs	87,770
Departmental Savings	(7,860)
Quarter 3 Variance	
Corporate Costs	(112,130)
Departmental Savings	(44,790)
Shortfall – savings or additional income requirements in Quarter 4	(40,870)
Budget Outlook Q3	9,269,670
Financial Strategy 9 Feb 2021	9,269,670
COVID-19 Costs	1,885,130

Table 1 Quarter 3 Budget

3.3 In 2020/21 the budget started at £9,269,670 as stated in the Financial Strategy and illustrated in the table above. At the end of Quarter 2, the budget remained at £9,269,670 but recognised that a £197,790 shortfall would be covered within the year from additional income or reduced expenditure. At Quarter 3 monitoring the table shows the budget remaining at £9,269,670, numerous underspends and overspends for the quarter have been identified totalling an underspend of £156,920 which has reduced the shortfall to £40,870. The expected shortfall excludes any effects of COVID-19. It is recommended that the budget remains at £9,269,670 as Table 1 above shows. It will be closely monitored during Quarter 4 for reduced expenditure or additional income of £40,870.

3.4 In addition to the shortfall in paragraph 3.3, there has been additional expenditure and loss of income estimated as a result of COVID-19 of £5,476,663. The Council has been allocated grants from the Government of £3,591,533 to support it during the pandemic resulting at Quarter 3 in an increased budget of £1,885,130. This is to be monitored during the remaining quarter and if no further funding is received then the Council's reserves will be used.

- 3.5 An explanation of the Quarter 3 variances to be approved in this Cabinet report are detailed below where there are three main areas of change to the 2020/21 budget at Quarter 3, excluding COVID-19 costs, totalling an underspend of £156,920:
- (a) Corporate Cost savings of £112,130.
 - (b) Significant Departmental Movement resulting in an underspend of £44,790.
 - (c) 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.
- 3.6 The Corporate Cost movements in the budget are:
- (i) A Corporate Salary Savings exercise analysing vacant posts has resulted in a £234,900 saving, however related expenditure has been identified of £122,770 resulting in a Quarter 3 saving of £112,130.
- 3.7 Significant Departmental Movement savings of £44,790 include the following:-
- (i) Economy & Planning – An underspend of £14,000 is estimated due to additional income from the increased applications relating to Street Naming & Numbering.
 - (ii) Environment – An underspend of £10,380 is estimated. This is in relation to additional Pest Control income identified of £10,460 to be received during 2020/21. Furthermore, Green Waste income from licenses and increases in recycling credits of £11,340 partly offsets increased disposal costs of £11,420.
 - (iii) Finance & Commercial – A total overspend of £85,950 relates to £111,180 of expenditure within Housing Benefits relating to an increase in benefit payments and reduced income from repayments of overpaid benefits. A saving of £25,230 has been identified for the budgeted Minimum Revenue Provision (MRP). This is related to the charge the Council should set aside for repaying external borrowing and is not required in 2020/21.
 - (iv) Leisure & Communities – A total underspend of £79,160 relates to a number of areas. COVID-19 has reduced the income received at the Council's Leisure Centres. Thirsk Leisure Centre is run as a charity and the reduced overall income results in a decrease in unrecoverable VAT payable. This creates a saving of £65,860 to the Council. Thirsk Leisure Centre is due to be closed from February 2021 to undergo capital improvement works. The closure is estimated to cost £26,200 of lost income in 2020/21. There has been a delay in the commencement of the repayment of the LED Salix loan which results in a £35,000 saving in 2020/21. An underspend of £4,500 has been identified from reduced promotion of Northallerton Market during the year.

- (v) Law & Governance – An underspend of £27,200 relates to a number of areas. A £10,000 saving is as a result of reduced cover being required in the legal section. The Corporate Training programme has been affected by reduced uptake on courses due to COVID-19 and has created a £15,000 saving. Personnel consultants have also not been required saving £8,290. The addition of a new Cabinet member requires an additional £6,090 for members allowances.

3.8 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) Additional management resources have been required within Planning Policy and a temporary transfer has been made from Development Management requiring salary budgets of £35,830 to be transferred between the two departments.
- b) Homelessness Prevention Support – a change in the source of funding requires a budget movement of £79,720 between NYCC and Selby District Council.
- c) Homelessness Prevention – A £20,000 underspend on Rents offsets a £15,000 overspend on Hostel rents and £5,000 for consultancy relating to the Housing Services review.
- d) Waste and Street Scene Services – a review of the transport budgets has resulted in £45,950 to be realigned between the Street Scene, Waste Collection and Kerbside transport costs.
- e) Waste and Street Scene Services a review of the Salary budgets has resulted in £132,520 to be realigned between the Street Scene, Waste Collection, Kerbside and Operational Services salary costs.

3.9 The identified changes to the budget at Quarter 3 listed above result in a £156,920 saving in the 2020/21 Budget. This can partially offset the shortfall of £197,790 reported at Quarter 2. Therefore, in the recommendations section of this report for approval by Cabinet and Council, the original budget set at £9,269,670 will remain and the shortfall of £40,870, excluding COVID-19 costs, will be closely monitored during Quarter 4 for any additional income or reduced expenditure.

4.0 COVID-19

4.1 The current COVID-19 pandemic has had a huge effect on the Council's finances where additional expenditure and loss of income has occurred. Government measures have assisted the Council as well as the Hambleton residents and businesses via various grants and reliefs.

4.2 The Council has had a wide range of increased expenditure as a result of COVID-19; this includes IT costs so that members of staff are able to work from home, adjustments to Leisure Centres and Offices to comply with social distancing advice, Personal Protective Equipment for the staff, increased staffing in areas where it is required and increased vehicles costs to support waste and recycling collections .

The total cost is estimated to be £1,160,688 at the end of the financial year and COVID-19 support grant has been provided from Government in 4 allocations in 2020/21. It has been assumed to date that all this funding will be used; at Quarter 4, any funding remaining is recommended to be carried forward to support potential continuing COVID-19 costs in 2021/22.

- 4.3 Further expenditure has been incurred relating to the administration of business grants, self-isolation payments, re-opening of high streets, work done in Environmental Health for contained outbreak management and planning is underway for compliance and enforcement. In future costs will also be incurred for capital developments in housing accommodation.
- 4.4 The Council has received the following grant allocations from the Government in relation to COVID-19 at Quarter 3, where some grants have been received, some grants will be claimed in relation to expenditure and some grants will be distributed from North Yorkshire County Council:

COVID-19 GRANTS	AMOUNTS
COVID-19 Support Grant	1,160,688
Admin Support for Business Grants	246,500
Admin Support for Self-Isolation Payments	24,166
Re-opening High Streets	80,700
Contain Outbreak Management	62,600
Compliance & Enforcement	34,157
Next Steps Accommodation	186,714
Admin Support for Business Rates and Council Tax	20,008
TOTAL	1,815,533

- 4.5 As part of the Governments Small Business Grants and the Retail, Hospitality and Leisure Grant Scheme, the Council received £30,866,000. The Council has awarded grants of £10,000 and £25,000 to businesses across Hambleton since 1 April 2020. The scheme completed on 30 September 2020 £29,280,000 was paid out to 2,542 businesses in Hambleton which is 93% of those eligible.
- 4.6 The Discretionary Grants scheme was set up to accommodate certain small businesses previously outside the scope of the Small Business Grants and the Retail, Hospitality and Leisure Grant Schemes. The scheme ran twice with the second scheme closing on 12 July 2020 and businesses receiving grants on 24 July 2020. In total, 188 organisations received funding from the money provided by Government at £1,420,000. Grants were awarded to market traders, shared flexible workspace businesses, charities, Bed & Breakfast establishments, micro and other small businesses. Of the £30,866,000 provided by Government for the Business Grants Scheme the reconciliation shows that £166,000 is due to be returned.
- 4.7 The further business grants that the Council is administrating for the second and third lockdowns as well as the Tier 2 and Tier 3 grants available to North Yorkshire has resulted in payments to the middle of January 2021 of £7,098,097.

- 4.8 COVID-19 has affected the ability for the Council to maintain its budgeted level of income. At Quarter 3 loss in Fees and Charges received is estimated to be £3,661,130; the main areas are the four Leisure Centres with the closure and reduced capacity resulting in an estimated loss of £2,673,680 for the year. Free parking and reduced visitors has resulted in an estimated £525,010 loss of Car Parking income for the year.
- 4.9 The Governments Loss of Income Scheme will provide some support for certain income streams where the Council is experiencing a loss. At Quarter 3, the Council is predicting that it will be able to reclaim £1,776,000 of the estimated total loss of income of £3,661,130 for the full year. The £1,885,130 shortfall will be monitored and it is recommended that this is funded by reserves if required. The shortfall has increased since that reported at quarter 2 due to the two National lockdown periods in November 2020 and January to the middle of February 2021
- 4.10 In addition, in 2021/22 there will be a further cost to the Council from COVID-19 in relation to the estimated loss of funding from a reduction in receipts from council tax and business rates. There has been an increase in the use of the local council tax support scheme so by reducing council tax funding by 0.5%. For both council tax and business rates analysis shows that much of this funding is being paid with estimated non collection being about 1% lower than usual. The government is providing support for this reduction through the Local Tax Guarantee Scheme which provides 75% compensation to authorities for irrecoverable losses. For business rates this covers losses arising from lower collection rates but not for council tax where the scheme supports reduction in relation to the tax base.

5.0 Financial Implications

- 5.1 The Community Infrastructure Levy (CIL) balance as at 31 December 2020 is £3,254,411. The Council is committed to using this reserve for priority schemes and to distribute to parishes. The movements in 2020/21 can be seen in the table below.

	Amount
2020/21 Opening Balance	4,301,881
Add in-year income	329,574
Less in-year payments to parishes	(170,083)
Less in-year transfers to the Capital Programme	(1,206,961)
2020/21 Closing Balance Quarter 3	3,254,411

Table 2: CIL Reserve

6.0 Other Matters - Grants

- 6.1 There were no Grants paid to the Council and paid into the One-Off Fund Reserve during Quarter 3 of 2020/21.

7.0 Sensitivity Analysis

7.1 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 uncertainty surrounding these figures to include them as an adjustment to the budget. Annex 'A' attached details the sensitivity analysis.

8.0 Reserve Funding

8.1 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 2020 £	Q3 Movement (from) / to Reserves £	Balance at 31 Dec 2020 £
General Fund	2,000,000	-	2,000,000
Council Taxpayers Reserve	5,860,693	600,000	6,460,693
Grants Fund	45,734	-	45,734
Economic Development Fund	591,566	465,914	1,057,480
One Off Fund	534,115	(1,184)	532,931
Computer Fund	809,827	64,760	874,587
Repairs & Renewal Fund	947,066	-	947,066
Community Safety Partnership	12,544	-	12,544
Local Plan Reserve	59,864	(53,544)	6,320
Make a Difference Fund	131,000	-	131,000
Community Housing Fund	97,830	(1,092)	96,738
Community Infrastructure Levy (CIL)	38,026	-	38,026
5% Admin Reserve	169,178	-	169,178
Income Generating Fund	169,178	-	169,178
Total Revenue Reserves	11,297,443	1,074,854	12,372,297

8.2 Economic Development Fund – In Quarter 3, the opening balance was £591,566 with the net movement of £465,914; split as £208,538 reduced capital expenditure and £57,376 reduced revenue expenditure. Capital receipt of £1,400,000 from the former prison site is expected in 2020/21 of which £1,200,000 is to be transferred to the Council Tax Payers Reserve.

8.3 The Economic Development Fund rolls forward funds to 2021/22 totalling £221,041 and returns £60,000 to the fund. This comprises revenue schemes totalling £66,431 and capital schemes £154,610 The individual revenue roll forwards comprise of: £25,431 for the Support of Business Networks and £41,000 for the Skills Development scheme in relation to the Skills Village project. The capital roll forwards are £84,000 for the Skills Village project and £70,160 for the Employment Land scheme. £60,000 of budgeted capital is returned to the Economic Development Fund - £30,000 each for the Leeming and Dalton industrial Park reviews.

- 8.4 The Economic Development fund requests additional expenditure of £15,127 relating to £6,072 capital for the Northallerton Market Town Investments Plan and £9,055 revenue comprising of £5,000 for Business Engagement Activity, £765 for Networking Events and Promotion and £3,290 for Identifying & Securing Investment.
- 8.5 The Economic Development fund has previously allocated funds to future years' allocations of £110,250, at Quarter 3 allocates £221,041 from funds rolled forward from 2020/21 and requests new allocations to be made of £500,551:
Future years' allocation requests:

Project	Amount requested
Revenue	
Business Engagement Activity	£15,000
Networking Events & Promotion	£25,000
Federation of Small Business Subscriptions	£551
Market Town Invest Plans 5x £15,000	£75,000
Identifying & Securing investment	£30,000
Specialist consultancy Support	£40,000
Capital	
Employment Land	£50,000
Skills Village	£15,000
Market Town investment plans 5x £50,000	£250,000
Total	£500,551

The result from changes in Quarter 3 currently leaves £225,638 remaining for future projects.

- 8.6 Council Tax Payers Reserve – £1,200,000 is to be transferred to the Council Tax Payers reserve from the Economic Development Fund as per paragraph 8.2.
- 8.7 One Off Fund - In Quarter 3, the initial balance is £534,115. Expenditure to be allocated from the One Off Fund is detailed in the table below at £101,150. An allocation of £80,364 for Future High Streets Fund and £19,602 for Holiday Pay Additional Hours for 19/20 Legal Requirement are returned to fund as no longer required. The balance on the One Off Fund at Quarter 3 is £532,931.

Expenditure in 2020/21 from the One Off Fund	Amount
Additional Legal Support	25,950
Apprentice Schemes/Graduate Schemes	70,000
Operation Black Panther – Additional Expenditure	5,200
Total expenditure recommended for approval at Q3	101,150

- 8.8 At Quarter 3, is it recommended to Cabinet and Council that the allocation from the One Off Fund at £101,150 is approved.
- 8.9 Computer Fund – In Quarter 3, the opening balance was £809,827 with a reduction of £64,760. This is due to roll forwards of two capital schemes to 2021/22. These include £44,760 for the ICON cash receipting upgrade and £20,000 for the Housing Benefits digitisation project.

- 8.10 Repairs & Renewal Fund – £947,066 has been brought forward from 2019/20 to fund Repairs and Renewal projects to ensure that the Council's assets are maintained to an acceptable standard.
- 8.11 Local Plan Reserve – There have been no allocations to or from the Local Plan Reserve in Quarter 3, however this position is being monitored and at Quarter 4 further funding will be provided to support the local plan.
- 8.12 Make a Difference Fund – 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 2021.
- 8.13 Income Generating Fund: 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.
- 8.14 Other Reserves – There has been no movement on other reserves held by the Council at Quarter 3 2020/21.

10.0 VAT Partial Exemption

- 10.1 Further to the recommendations of the 28 July 2020 Cabinet report the Council continues to monitor the VAT Partial Exemption position for 2020/21 and the calculation currently shows the Council to be below the 5% de-minimis limit.

11.0 Link to Council Priorities:

- 11.1 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.

12.0 Risk Assessment

- 12.1 There are no major risks associated with this report.

13.0 Financial Implications

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

14.0 Legal Implications

- 14.1 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

15.0 Equality/Diversity Issues

- 15.1 Equality and Diversity issues have been considered however there are no issues associated with this report

16.0 Recommendations

16.1 That Cabinet approves and recommends to Council:-

- (1) that the budget remains at £9,269,670 as detailed in paragraph 3.2 of the report;
- (2) that any COVID-19 funding received from Government to support expenditure that is not used in 2020/21 is carried forward into 2021/22 as detailed in paragraph 4.2 of the report;
- (3) that reserves will be used to cover the loss of income created by the COVID-19 pandemic if sufficient funds are not received from Government at the year-end as detailed in paragraph 4.9 of the report;
- (4) the total movement of the Economic Development Fund of £465,914 at paragraph 8.2 and to note that the Economic Development Fund remaining balance to be allocated at paragraph 8.5 of the report is £225,638;
- (5) the transfer of funds detailed in paragraph 8.2 of the report from the Economic Development Fund of £1,200,000 to the Council Tax-Payers Reserve in paragraph 8.6 of the report; and
- (6) the allocation from the One-Off Fund at paragraph 8.7 of the report of £101,150.

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Background papers: Budget Monitoring Q3 working papers

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Budget 2020/21 Qtr 3 Sensitivity Analysis – potential savings / costs

Council Directorates	Area of Sensitivity	Commentary
Economy and Planning	Planning Fees	This will continue to be closely monitored due to the estimated income being so high and the effects of COVID-19 being unknown.
	Workspace Management Income	This will continue to be closely monitored and the effects of any tenants leaving sites will be reported at Outturn.
Environment	Operational Services – Fuel Prices	This is being kept under review and any significant changes will be reported at Outturn.
	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.
	Borrowing Interest	Any additional borrowing made by the council will be an increase to the budget, any new borrowing costs will be reported at Outturn.
Leisure & Communities	Bedale Leisure Centre	Due to improvement works, starting before March 2021, the Leisure Centre will have reduced capacity and parts may need to be closed. The effects on the budget will be estimated and reported at Outturn.
Council Wide	COVID-19	The effects of COVID-19 is widespread throughout the Council however the full effects are unknown but are closely monitored and monthly returns are completed to the Ministry of Housing, Communities and Local Government.