

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
5 September 2017

Subject: 2017/18 QUARTER 1 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 June 2017.
- 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 7 February 2017 for 2017/18 at £7,210,600 in line with the approved Financial Strategy 2017/18 to 2026/27.
- 2.2 The breakdown of the budget in accordance with the Council themes when the budget was approved was as follows:

	£
Leisure & Environment	4,758,820
Economy & Planning	1,183,990
Finance	39,190
Law & Governance	1,118,960
Drainage Board levies	109,640
Net Revenue Expenditure	<u>7,210,600</u>

3.0 BUDGET POSITION TO JUNE 2017:

- 3.1 Since the budget for 2017/18 was set in February 2017, 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 budget monitoring Quarter 1:

	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Budget Outlook approved at 07 February 2017	7,210,600	7,241,070	6,542,356	6,510,718
Changes to budget outlook:				
Inflation – salaries and contracts	0	111,984	113,893	115,803
Back funded pension (NYCC)	0	0	0	21,900
Parking enforcement	0	28,000	0	0
Insurance fund	0	27,328	30,061	33,067
Waste & Street Scene – Additional Overtime in 2017/18	0	(8,190)	0	0
HLC – Loss of Income in 17/18 only	0	(55,000)	0	0
HLC Improvements – Additional Expenditure	0	130,730	500	0
HLC Improvements – Surplus to transfer to One-off Fund	0	25,001	56,020	20,000
HLC Improvements – Additional Income	0	(161,840)	(56,520)	(20,000)
Fees & Charges	0	(115,287)	(117,592)	(119,898)
Efficiency target	0	(400,000)	0	0
Efficiency Target – Green Waste	0	(312,610)	(58,000)	0
Corporate Costs Increases	7,620	0	0	0
Significant Departmental Movements:-	0	0	0	0
Route Optimisation	110,550	0	0	0
Additional Green Waste License Income	(94,470)	0	0	0
Other Departmental Movements	6,770	31,170	0	0
Budget Outlook Q1	7,241,070	6,542,356	6,510,718	6,561,590
Financial Strategy 7 Feb 2017	7,210,600	6,611,098	6,629,299	6,741,877
Budget Outlook Q1 Surplus / (Shortfall)	(30,470)	68,742	118,581	180,287

- 3.2 In 2017/18 the budget started at £7,210,600 as stated in the Financial Strategy and illustrated in the table above. At the end of Quarter 1, the budget in the table has increased by £30,470 to £7,241,070. An explanation of the movement in the 2017/18 budget is detailed below.
- 3.3 The shortfall of £30,470 is recognised in the table above, however, during the year it is expected 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 £7,210,600.
- 3.4 There are four main areas of changes to the 2017/18 budget at Quarter 1 totalling the £30,470 shortfall:
- (a) Corporate cost increases of £7,620
 - (b) Significant Departmental movements of £16,080
 - (c) Other Departmental movements - an increase of £6,770
 - (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.
- 3.5 The Corporate Costs movements in the budget are:
- (i) Following the Valuation Office rateable valuation review for properties in 2017/18, there are a number of adjustments to the Council's properties totalling an increase of £2,400.

- (ii) The introduction of the Northallerton Business Improvement District has meant the Council has to pay a levy on Applegarth and Crosby Road Car Parks and on Northallerton Market totalling £2,570.
 - (iii) The annual Drainage Board Levies were higher than budgeted by £2,650.
- 3.6 The changes at Quarter 1 in relation to the significant departmental areas show an overall increase in the budget of £16,080. This is represented by an increase in the Leisure & Environment budgets. This is due to savings expected through the Route Optimisation of waste and recycling rounds not materialising at £110,550 but being offset by higher than anticipated income generated from green waste licencing of at least £94,470. External consultants estimated £110,550 savings would be possible by route optimisation by streamlining routes however due to a number of factors including the increased number of houses in the district and increased waste collected significantly impacting the vehicle capacities, the savings have not been possible.
- 3.7 Other Departmental movements of £6,770 are detailed as follows:-

Finance – the over spend on the budget of £4,770 is due to £500 increase in bank charges relating to an increase in the number of green waste licence payments and £4,270 salary related costs. Customer Services have experienced vacancies and a reduction of staff working hours resulting with a £15,000 saving. The Information Technology section has undertaken a restructure that increases costs for a part year in 2017/18 by £19,270. The full year cost that will be reflected in 2018/19 is £35,440.
- 3.8 Leisure & Environment – the increase in the budget of £10,000 reflects the fact the district is experiencing high levels of fly tipping of waste and asbestos since charging has been introduced at the waste sites. To date, the cost to the Council is £10,000 in disposal costs. This will continue to be monitored throughout the year.
- 3.9 Economy & Planning – increased planning work due to the new developments in the district results in additional income of £50,000 however additional agency and salary resources of £42,000 are required to carry out the work resulting in £8,000 of additional income.
- 3.10 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 are as follows:
 - (a) A local housing association has borrowed £26,200,000 from the Council to date. It was budgeted that they would borrow a further £8,800,000 during 2017/18. There has been a delay in the housing association requesting the additional loans, therefore the Council has reduced income from the interest earned on the loans. Low interest rates earned by the Council's investments also contributes to a reduction in investment income of £235,800. This, however, can be offset by the reduced borrowing costs the Council has to pay.
 - (b) Discretionary Housing Payments have increased by £29,750; this can be financed through additional Discretionary Housing Payments subsidy received from the Department for Works and Pensions.
 - (c) The Revenues and Benefits section are in the process of a restructure and have a number of vacant posts, however the service requires additional support to maintain their service to the public therefore £30,000 is required for agency staff and £27,500 is required for Veritau to provide fraud services.

- (d) Various income streams at the leisure centres require their income budgets aligning to reflect the income streams in 2017/18. The adjustments total £33,120.
- (e) Various Leisure Grants require budgets to be established to reflect the income and expenditure; this includes General Promotions, Lifestyles, Rural Transport, Community Planning and Community Grants. The total of the grants is £68,700.
- (f) A reallocation of budgets within Kerbside Recycling and Waste Collection is required to reflect the additional income from new property wheeled bins offsetting reduced sales of kerbside lids totalling £27,890.
- (g) Lighting savings due to a capital project to replace street lights with LED bulbs are to be returned to the Capital reserve totalling £13,500.

3.11 The revised changes to the budget at Quarter 1 total an increase to the budget of £30,470. These are listed above, however, it is recognised that additional income or reduced expenditure will occur to cover this overspend and therefore in the recommendations section of this report for approval by Cabinet and Council, the original budget set of £7,210,600 will remain. It should be noted that the Quarter 1 overspend against the financial strategy will be monitored over the rest of the year.

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 since the budget was approved in February 2017

Description	Amount £
Flexible Homelessness Support Grants	45,377
Fraud and Error Reduction Incentive Scheme (FERIS)	8,071
Department for Works & Pension (DWP) – Benefit Cap	5,453
Department for Work & Pensions (DWP) – Assessed Income Period	507
Department for Work & Pensions (DWP) – Migrant Access to Benefits	411
Department for Work & Pensions (DWP) – Discretionary Housing Payments Admin & Welfare Reform	10,500
Department for Work & Pensions (DWP) – Reduced Temporary Absence	410
Department for Work & Pensions (DWP) – Single Fraud Investigation Service	835
Department for Work & Pensions (DWP) – Right Benefit Initiative	15,271
Local Authority Data Sharing (LADS) – Employment Support Allowance Work Related Activity Component Changes	749
Local Authority Data Sharing (LADS) 2 – Child Policy Changes	580
Local Authority Data Sharing (LADS) – Employment Support Allowance Work Related Activity Component Changes	629
Local Authority Data Sharing (LADS) – Pension Credit Savings Credit Upating Changes	287
Local Authority Data Sharing (LADS) – Housing Benefit Stop Changes	429
Local Authority Data Sharing (LADS) – Optional Real Time Initiatives Changes	909
Local Authority Data Sharing (LADS) – Risk Review Changes	300
Total	90,718

5.0 **SENSITIVITY ANALYSIS**

- 5.1 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 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 1 if the recommendations are approved in this Cabinet report. Further information is also described below.

Reserve Fund	Balance at 1 April 2017 £	Q1 Movement (from) / to Reserves £	Balance at 30 June 2017 £
General Fund	2,000,000	-	2,000,000
Council Taxpayers Reserve	4,902,597	-	4,902,597
Grants Fund	260,948	(68,700)	192,248
Economic Development Fund	2,179,059	(1,178,270)	1,000,789
One-off Fund	435,916	(26,753)	409,163
Computer Fund	1,009,899	(100,184)	909,715
Repairs & Renewal Fund	2,449,874	(239,000)	2,210,874
Community Safety Partnership	38,164	-	38,164
Strategic Forum Reserve	10,046	-	10,046
Arts Grants Reserve	6,037	(6,037)	-
Take That Step	3,436	(3,436)	-
Local Plan Reserve	98,731	(48,286)	50,445
Make a Difference Fund	52,030	100,000	152,030
North Northallerton Bridge Reserve	-	3,861,003	3,861,003
Community Housing Fund	195,268	(35,858)	159,410
Total	13,642,005	2,254,479	15,896,484

- 6.2 Economic Development Fund – In Quarter 1, the opening balance was £2,179,059 with the net movement of £1,178,270; split as £825,189 capital and £353,081 revenue. In line with the capital programme budget further approval is required at Q1 for capital expenditure and this is detailed in a separate report on the agenda. Included in the net movement is the expenditure that has been allocated from the Economic Development Fund in previous Cabinet reports, totalling £82,276. The balance of the Economic Development Fund at year end is estimated at Quarter 1 to be £1,000,789.

Expenditure in 2017/18 from the Economic Development Fund	Amount
Apprentice Scheme	50,000
Networking Events & Promotion	9,000
Federation of Small Business Subscriptions	3,000
Identifying & Securing Investment – Salary related costs	20,276
Total expenditure already approved at Q1	82,276

- 6.3 The Economic Development Fund requests a further £5,000 to the Improve Infrastructure – Central Northallerton (revenue) scheme to support the final utility costs of the prison. A roll forward of £96,610 is requested for the Vibrant Market Town scheme was originally allocated £167,053 of which £96,610 is no longer required in 2017/18 and is to be moved forward into 2018/19 to support future years' salary. The Economic Development Fund will receive third party funding of £10,000 from the Northallerton BID. The net movements of the Economic Development Fund, including capital, to be approved at Quarter 1 total £75,368.
- 6.4 The Economic Development fund has allocated a further £169,357 to future years' allocations; £9,000 for the 18/19 Networking Events & Promotion scheme, £96,610 for the Vibrant Market Town officers for 2018/19, 2019/21 and 2020/21 and £63,747 for the Identifying & Securing Investment scheme to support salary expenditure in 2018/19 and 2019/20. This currently leaves £831,432 remaining for future projects.
- 6.5 Council Tax Payers Reserve – additional Section 31 grants relating to National Non Domestic Rates are anticipated to be received in 2017/18. £836,915 is to be paid into the Council Tax Payers Reserve. £400,000 is to be transferred to the Computer Fund to fund investments in the Councils IT and £436,915 is to be transferred to the One-off Fund to cover additional revenue in accordance with the 10-year Financial Strategy.
- 6.6 One-off Fund - In Quarter 1, the initial balance is £435,916 and additional income of £90,718 was received which can be seen in paragraph 4.1 above. Funds were replaced from the North Northallerton Bridge reserve of £182,997 and a transfer from Street Cleansing to repay the One-off fund of £45,502 for previous years expenditure. £436,915 has been transferred from the Council Tax payers reserve to fund expenditure in 2017/18.

Expenditure that has been allocated from the One-off Fund in previous Cabinet reports totals £668,116 and further expenditure to be allocated from the One-off Fund is detailed in the table below at £114,769. The balance on the One-off Fund at year end is estimated at Quarter 1 to be £409,163.

Expenditure in 2017/18 from the One-off Fund	Amount
Northallerton Prison Public Art Installation	6,240
Development Management Staffing Costs	17,920
Barrister Costs in relation to Environmental Health	3,000
Revenues & Benefits IT Costs	11,200
Revenues & Benefits Right Benefit Initiative Salary	15,271
Tour de Yorkshire	7,288
Planning Appeal Hire of Room during Elections	1,130
Due diligence report	14,050
Planning Appeals	38,670
Total expenditure recommended for approval at Q1	114,769

- 6.7 At Quarter 1, is it recommended to Cabinet and Council that the allocation from the One-off Fund at £114,769 is approved.
- 6.8 Computer Fund – in accordance with the Financial Strategy approved by Council in February 2017, the reserve is being used to fund ICT projects to ensure technology is maintained to an acceptable standard in the current ICT market environment. This includes £63,000 of revenue expenditure, £184,270 of 2017/18 capital expenditure and a brought forward amount of capital expenditure from 2016/17 of £252,914. £400,000 is being transferred from the Council Tax Payers reserve to fund revenue expenditure in line with the 10-year Financial Strategy.
- 6.9 Repairs & Renewal Fund – in accordance with the Financial Strategy approved by Council in February 2017, £239,000 of funds have been allocated from the Repairs & Renewals fund for general revenue maintenance repairs. Revenue savings are supporting the 2017/18 Repairs and Renewals so the total budget is £421,000.
- 6.10 Make a Difference Fund – the Cabinet report dated 4 July 2017 approved that £125,000 was transferred from the One-off Fund in 2017/18. £100,000 was to invest in worthy local community projects which help improve life in neighbourhoods and which support the work of the voluntary sector. A further £5,000 was to be awarded to each community library in Bedale, Easingwold, Great Ayton, Stokesley and Thirsk. £52,030 also needs to be allocated in 2017/18 as the funding was brought forward from 2016/17.
- 6.11 North Northallerton Bridge Reserve – Funding of £4,044,000 has been received in 2017/18 in relation to the LEP Funding for North Northallerton Bridge. Expenditure above the grant was made from the One-off Fund during 2016/17 of £182,997, therefore the One-off fund requires to be replenished for the amount in 2017/18. This totals £3,861,003 to be allocated to the project in 2017/18.
- 6.12 Other Reserves - There is a movement on the grants reserve to allocate funds of £68,700. The grant fund provides assistance to community groups to benefit the district as a whole. Movement to allocate funds from the Arts Grants Reserve and Take That Step is also required. These reserves relate to funding received in 2016/17 and expenditure covers two financial years. £35,858 has also been allocated in Quarter 1 relating to the Community Housing Fund. £48,286 has been spent in Quarter 1 from the Local Plan Reserve.

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 There are no major risks associated with this report.

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

12.0 RECOMMENDATIONS:

- 12.1 That Cabinet approves and recommends to Council:
- (1) That the budget remains at £7,210,600 as detailed in paragraph 3.3.
 - (2) the allocation from the One-off Fund at paragraph 6.7 of £114,769; and
 - (3) to approve the total amount of £75,368 at paragraph 6.3 and to note that the Economic Development Fund remaining balance to be allocated at paragraph 6.4 is £831,432.

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Background papers: Budget Monitoring Q1 working papers

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Annex A**Budget 2017/18 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.
	Investment Interest	A delay in the Local Housing Association requesting to borrow money from the Council results in reduced interest income. Currently it is unknown when the loans will take place.
	Credit Card Charges	Surcharges will be prohibited from 13 January 2018. This means that it will be illegal for any organisation to charge customers for paying with a debit or credit card. The Council currently has an annual budget of £3,600 to recover credit card charges.
Economy & Planning	Planning Fees	Income for Quarter 1 is higher than anticipated and has been reported in section 3.8, this will continue to be closely monitored. .
	Pre-application Planning Advice	Reduced availability of planning staff due to the Local Plan work is resulting in a reduced service and therefore a potential loss of income. This will be closely monitored
	Car Parking – Cash Collection Service	Issues with the Council's cash collection provider has resulted in Car Parking income not being collected or allocated due to a poor service. This has meant that no car parking income monitoring has been able to be carried out during quarter 1. Correspondence to resolve the situation is ongoing.
Leisure & 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.
	Operational Services – Agency	Currently experiencing vacant posts, therefore agency staff are being utilised to run the service.

Portfolio Area	Area of Sensitivity	Commentary
	Recycling Contract	Issues with the recycling contract relating to how the basket price is calculated have been raised by the contractor. A number of meetings have taken place with no resolution. Therefore until the prices are agreed no financial variation can be reported
	Hambleton Leisure Centre – Gym extension	Possible additional loss of income due to the closure of the sports hall and the swimming pool during the capital work.
	Fly tipping	As reported in Section 3.7 the District is experiencing increased fly tipping which encounters disposal costs. This will continue to be monitored.
Law & Governance	Election – Restructure	Restructure of the Electoral section is taking place - the team leader has increased hours and 2 vacant posts have been regraded, this should be in place for quarter 2.
	Personnel – Occupational Health	New Occupational Health provider and the implementation of the policies including substance and alcohol abuse may lead to increased costs