

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
5 December 2017

Subject: 2017/18 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 2017.
- 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 7 February 2017 for 2017/18 at £7,210,600 in line with the approved Financial Strategy 2017/18 to 2026/27.
- 2.2 At Cabinet on 5 September 2017, the Quarter 1 revenue monitoring report kept the budget at £7,210,600 but recognised that a £30,470 shortfall would be covered within the year from additional income or reduced expenditure. The approved budget at Quarter 1 in accordance with the Council Directorates is detailed below:

	£
Leisure & Environment	4,762,580
Economy & Planning	1,197,370
Finance	12,900
Law & Governance	1,125,460
Drainage Board levies	112,290
Net Revenue Expenditure	<u>7,210,600</u>

3.0 BUDGET POSITION TO SEPTEMBER 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 and are recommended to this Cabinet for approval at budget monitoring Quarter 2:

	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Budget Outlook approved at Q1 05 th September 2017	7,241,070	7,210,600	6,496,186	6,464,548
Changes to budget outlook:				
Inflation – salaries (1%) 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	0	(8,190)	0	0
HLC – Loss of Income in 17/18 only	0	(55,000)		
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
Significant Departmental Movements:-				
Reduced Capital Interest	101,600	(101,600)	0	0
Reduced External Borrowing	(47,270)	47,270	0	0
Quarter 2 - Other Departmental Movements	(77,190)	62,190	0	0
Quarter 3 & 4 additional income / reduced expenditure	(7,610)	7,610	0	0
Budget Outlook Q2	7,210,600	6,496,186	6,464,548	6,515,420
Financial Strategy 7 Feb 2017	7,210,600	6,611,098	6,629,299	6,741,877
Budget Outlook Q2 Surplus / (Shortfall)	-	114,912	164,751	226,457

- 3.2 In 2017/18 the budget started at £7,210,600 as stated in the Financial Strategy. At the end of Quarter 1, the budget remained at £7,210,600 but recognised that a £30,470 shortfall would be covered within the year from additional income or reduced expenditure. At Quarter 2 the table shows the budget again remaining at £7,210,600, however the Quarter 2 monitoring has highlighted various under and overspends totalling £22,860 of savings. This can be used to offset the reported shortfall at Quarter 1 of £30,470 resulting in £7,610 remaining to be covered from additional income or reduced expenditure in the second half of the year. £15,000 of the savings comes from Green Waste licence fees and is on-going and will therefore continue into future years. This is in addition to the £94,470 of Green Waste licences already reported at Quarter 1.
- 3.3 An explanation of the Quarter 2 variances to be approved in this Cabinet report are detailed below:-
- 3.4 There are three main areas of change to the 2017/18 budget at Quarter 2 totalling the £22,860 underspend:
- Significant Departmental movements of £54,330 overspend
 - Other Departmental movements £77,190 underspend
 - 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 changes at Quarter 2 in relation to the Significant Departmental areas show an overall increase in the budget of £54,330. This represents a loss of capital investment income of £101,600 due to the local housing association advising that it will not be borrowing further funds until March 2019. This is offset by £47,270 of reduced finance costs as the Council will have a lower capital financing requirement and therefore decreased need to borrow.

3.6 Other Departmental movements of £77,190 are detailed as follows:-

Leisure & Environment – the £23,590 decrease in the budget is due to a higher than anticipated take up of the green waste scheme, as an additional £15,000 of income is anticipated in 2017/18 and this will be on-going in future years. There have also been a number of Environmental Health cases taken to court for prosecution. The court has awarded costs of £2,690 in Commercial Cases and £6,630 in Residential Cases. Furthermore, an additional £1,770 of income is expected from Mobile Home Licences. These savings will cover additional expenditure required for the section, such as stab vests totalling £2,500.

3.7 Economy & Planning – the decrease in the budget of £19,000 is due to a number of items. Staffing issues within Development Management has had an effect on time available for Pre Application advice which in turn has resulted in an expected £16,750 loss of income, this is partly offset by £9,000 of additional S106 Agreement income that is available to the revenue budget in 2017/18 only. Increased Street Naming and Numbering activity results in £14,830 additional income for the function. Various underspends and overspends identified following a review of all the Workspaces totals an underspend of £11,920.

3.8 Finance – a decrease in the budget of £34,600 can be explained for the following reasons. The Revenues and Benefits section are in the process of a restructure and have a number of vacant posts resulting in an underspend of £15,000. Business Support and Information Communications Technology have also made changes to the establishment and each has made an in year saving of £8,000 totalling £16,000. The budget for an IT module within Payroll is no longer required which makes a £3,600 saving.

3.9 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) Leisure Centre salaries require a £29,000 movement from Hambleton Leisure Centre to Thirsk & Sowerby Leisure Centre. An evolving programme and facility development at Thirsk & Sowerby Leisure Centre has meant staffing requirements have increased, this is reflected in additional income. An exercise is underway to review baseline salary budgets at each leisure centre and align within the overall salaries budget.
- b) The Reprographics section has made a change in the establishment by adding an additional post for a year, this will offer cover for staff and will be funded by additional income from the services it provides, in 2017/18 the part year effect will be £5,210.

3.10 The revised changes to the budget at Quarter 2 result in a saving of £22,860. These are listed above and can be offset with the £30,470 overspend in Quarter 1. The remaining £7,610 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 £7,210,600 will remain.

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 Quarter 2 budget was approved in September 2017.

Description	Amount £
Department for Works & Pensions (DWP) – Real Time Information Bulk Data Matching	1,196
Department for Works & Pensions (DWP) – Wider Use Real Time Information	510
Quarter 1 GFA Allocation for ADS & OPDS	4,418
Department for Works & Pensions (DWP) - Limiting Support to Children	618
Department for Works & Pensions (DWP) - Bereavement Support	231
Department for Works & Pensions (DWP) – Removal of Spare Room Subsidy	889
Department for Works & Pension (DWP) – Refund Payment meant for Debt Management	167
Fraud and Error Reduction Incentive Scheme (FERIS) – Q4 16-17	1,270
Department for Communities and Local Government (DCLG) – Business Rates Relief New Burden	12,000
Cabinet Office – Individual Electoral Registration	12,389
Total	33,688

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 2017 £	Q2 Movement (from) / to Reserves £	Balance at 30 Sept 2017 £
General Fund	2,000,000	-	2,000,000
Council Taxpayers Reserve	4,902,597	(143,000)	4,759,597
Grants Fund	192,248	-	192,248
Economic Development Fund	1,000,789	(54,570)	946,219
One Off Fund	409,163	(227,927)	181,236
Computer Fund	909,715	53,640	963,355
Repairs & Renewal Fund	2,210,874	-	2,210,874
Community Safety Partnership	38,164	-	38,164
Strategic Forum Reserve	10,046	-	10,046
Local Plan Reserve	50,445	84,529	134,974
Make a Difference Fund	152,030	(9,990)	142,040
North Northallerton Bridge Reserve	3,861,003	(151,868)	3,709,135
Community Housing Fund	159,410	-	159,410
Total	15,896,484	(449,186)	15,447,298

- 6.2 Economic Development Fund – In Quarter 2, the opening balance which has not yet been committed was £1,000,789. There is no change to the capital programme budget in Quarter 2. A movement of £54,570 of revenue expenditure includes £28,000 for the Graduate Scheme that has been allocated from the Economic Development Fund in previous Cabinet reports and £26,570 that requires approval at Quarter 2.
- 6.3 The net movements of the Economic Development Fund to be approved at Quarter 2 total £26,570. This requests a further £10,000 for the delivery of the graduate scheme, where funds will be re-allocated from the review of council owned workspaces project to cover the costs. Expenditure totalling £10,000 is requested for the Improved Infrastructure to Central Northallerton, this consists of £5,000 for additional security and time lapse cameras and £5,000 for specific state aid advice.
The Market Towns project requires approval of £18,020 worth of expenditure, this includes £15,850 for the licences and installation of footfall counters and £2,170 for additional connexions surveys for Zetland Street. The Economic Development Fund will receive third party funding of £1,450 to support the installation of the footfall counters.
- 6.4 In addition, a further £13,750 has been allocated to future years' beyond 2017/18 in quarter 2, in conjunction with the footfall counters in the Market Towns Project in 2018/19. This, along with the future allocations at quarter 1 of £169,357, leaves £763,112 remaining for future projects.
- 6.5 Council Taxpayers Reserve – A transfer of £143,000 to the Local Plan Reserve is required to fund additional expenditure in 2017/18 on the Local Plan.
- 6.6 One Off Fund - In Quarter 2, the initial balance is £409,163 and additional income of £33,688 was received which can be seen in paragraph 4.1 above. In addition, £9,990 has been returned from the Make a Difference fund from 2016/17 unallocated provision of grants. Expenditure that has been allocated from the One-off Fund in previous Cabinet reports totals £130,000 for the Coaching and Leadership Development Programme, further expenditure to be allocated from the One-off Fund is detailed in the table below at £141,605. The balance on the One-off Fund at year end is estimated at Quarter 2 to be £181,236. If all allocated expenditure occurs in the year, then a transfer to the One-Off fund will be made during 2017/18 to increase the balance to a minimum of £200,000 in accordance with policy on Balances and Reserves that was approved in the Council Tax 2017/18 report in February 2017.

Expenditure in 2017/18 from the One-Off Fund	Amount
Flexible Homelessness Support	45,380
Brownfield Land Register & Permission in Principal	14,645
Bagby Airfield Settlement	35,000
Operation London Bridge	2,000
Civica On Demand Resource	3,190
Archaeological Fees - Prison Site	29,000
Individual Electoral Registration	12,390
Total expenditure recommended for approval at Q2	141,605

- 6.7 At Quarter 2, is it recommended to Cabinet and Council that the allocation from the One Off Fund at £141,605 is approved.
- 6.8 Computer Fund – At Quarter 2, £38,640 of the ICT Improvements scheme in the capital programme is to be returned to fund to support future requirement whilst £15,000 in regards to ICT communication projects is to be brought forward to 2018/19

- 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 and 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 – £125,000 has been allocated to the Make a Difference Fund and £52,030 was brought forward from 2016/17. At Quarter 2 it was identified that £9,990 of grants allocated to projects in 2016/17 were no longer to be issued, therefore £9,990 is transferred back to the One-Off Fund as detailed above.
- 6.11 Local Plan Reserve - £500,000 was originally allocated to fund the Local Plan in March 2015, this has now been spent and there is an estimated additional £264,109 of costs in 2017/18 and 2018/19. This can be broken down to £143,000 in 2017/18 and £121,109 in 2018/19. A transfer of £143,000 is to be transferred from the Council tax payers reserve in 2017/18 and further consideration will be given to the funding required in 2018/19. In Quarter 2 £58,471 has been allocated for expenditure this totals a movement in Quarter 2 of £84,529.
- 6.12 Other Reserves – There has been no movement on other reserves held by the Council at Quarter 2 2017/18. These revenue reserves will be monitored on an ongoing basis and any charges will be reported at Quarter 3.

7.0 WAIVER OF PROCUREMENT 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 Chief Executive has approved the following two waivers, for which Single Quote/ Tender Waiver Forms have been completed:
- (a) Software System – COA Advanced Business Solution Finance system for the Council was due to be renewed in September 2018 and this waiver was requested to extend the contract to 1st April 2020. The basis for the extension was that in the current changing IT market, such as a move towards a dashboard approach, can be reviewed in the next few years.
 - (b) Connection to Department of Work and Pensions (DWP) through Public Services Connection (PSN) line – Vodafone GCF services. There are no other suppliers currently available to provide this service and the Government has come to the conclusion that it is not technically or commercial viable to unbundle the services and have therefore asked the provider to extend the current platform to April 2019.

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 £7,210,600 as detailed in paragraph 3.2;
- (2) the allocation from the One-off fund at paragraph 6.6 of £141,605;
- (3) to approve the total amount of £26,570 at paragraph 6.3 and to note that the Economic Development fund remaining balance at paragraph 6.4 is £763,112; and
- (4) to approve the transfer of £143,000 from the Council Tax Payers Reserve to the Local Plan Reserve to cover additional expenditure on the Local Plan in 2017/18.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

Background papers: Budget Monitoring Q2 working papers

Author ref: LBW / SC

Contact: Louise Branford-White - Director of Finance (S151)
Direct Line: 01609 767024

Saskia Calton – Finance Manager
Direct Line: 01609 767226

Budget 2017/18 Sensitivity Analysis – potential savings / costs

Council Directorates	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.
	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 2 is below budget and has been increased to fund an additional post through the additional 20% fee which is still to be agreed by Government. The new staffing structure within Development Management is also reliant on the 20% additional income, therefore there may be a significant shortfall. This area is closely monitored.
	Development Management - Staffing	The posts for the new staffing structure have been advertised and could be in place by February / March 2018. This is to be funded by the 20% increase in fees when agreed by the Government. This may be an issue if the additional income does not materialise.
	Car Parking – Cash Collection Service	Issues with the Council's cash collection provider have 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 for the first two quarters. A new provider started on 1 st October and a reconciliation of the old one is ongoing and will be resolved during Quarter 3.
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 high levels of sickness, therefore agency staff are being utilised to run the service.
	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.

Council Directorates	Area of Sensitivity	Commentary
	Fly tipping	As reported in Quarter 1 the District is experiencing increased fly tipping which encounters disposal costs. This will continue to be monitored.
Law & Governance	Personnel – Occupational Health	The implementation of new policies including substance and alcohol abuse will lead to increased costs which are to be found by existing budgets as per Management Team.