

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
6 February 2018

Subject: 2017/18 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 2017.
- 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 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 December 2017, the Quarter 2 revenue monitoring report kept the budget at £7,210,600 but recognised that a £7,610 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	4,738,990
Economy & Planning	1,175,070
Finance	55,490
Law & Governance	1,128,760
Drainage Board Levies	112,290
Net Revenue Expenditure	<u>7,210,600</u>

3.0 BUDGET POSITION TO DECEMBER 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 in 2017/18 and also those that have been identified and are recommended to this Cabinet for approval at budget monitoring Quarter 3 2017/18.

	2017/18 £
Budget Outlook approved at Q2 5 th December 2017	7,210,600
Changes to budget outlook:	
Quarter 3 - Corporate Movements	(28,080)
Quarter 3 Significant Departmental Movements:-	
Reduced Planning Application Income	199,980
Development Management Restructure	74,170
Increased Usage of Car Parks	(40,000)
Reduced Land Charges Income	20,000
Reduced NNDR & Council Tax Court Cost Income	40,740
Increased Income from tonnage of Green Waste	(38,400)
Quarter 3 – Other Departmental Movements	(24,280)
Budget Outlook Q3	7,414,730
Financial Strategy 7 Feb 2017	7,210,600
Budget Outlook Q3 Surplus / (Shortfall)	204,130

- 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 Quarter 2, the budget remained at £7,210,600 but recognised that a £7,610 shortfall would be covered within the year from additional income or reduced expenditure, this has been covered by additional Investment Income due to the rise in interest rates. At Quarter 3, the table shows the budget at £7,414,730 which is an increase of £204,130 compared to Quarter 2, this is mainly in connection with the reduction in planning fee income estimated to be received. An explanation of the movement in the 2017/18 budget, to be approved in this cabinet report, is detailed below.
- 3.3 There are four main areas of changes to the 2017/18 budget at Quarter 3 totalling £204,130:
- (a) Corporate cost decreases of £28,080
 - (b) Significant Departmental movements increase of £256,490
 - (c) Other Departmental movements – a decrease of £24,280
 - (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.
- 3.4 The corporate movements in the budget are:
- (i) A Section 31 Grant relating to Family Annexes of £46,170 will be received in 2017/18.
 - (ii) A reduction to the Corporate Training Programme results in a £15,000 saving.
 - (iii) A new contract for the Banking Services of the Council has enabled a saving of £5,000.
 - (iv) A backdated refund relating to external audit fees has created a saving of £6,050.
 - (v) Lower than budgeted expenditure relating to the new apprenticeship levy results in a £7,000 saving.
 - (vi) The council has seen a reduction in the amount of post being sent out, this has resulted in reduced postage costs of £4,000.
 - (vii) The Council has undertaken numerous Health and Safety assessments which has led to additional expenditure relating to Repairs and Maintenance of £35,140.

(viii) The Northallerton Leisure Centre Capital Improvement Scheme experienced a delay for the works done to the swimming pool, this has caused an estimated £20,000 loss of income.

3.5 The changes at Quarter 3 in relation to the service areas show an overall increase in the budget of £232,210. This is represented by a decrease in Leisure & Environment budgets of £41,400, an increase in Economy & Planning budgets of £254,440 and an increase in Finance of £19,170.

3.6 Leisure & Environment – the under spend on the budget of £41,400 is due to a combination of factors. An increased take up of the Green Waste licences has resulted in £38,400 of additional income from the green waste tonnages. Increased expenditure of £4,000 is required for the purchase of the additional licences that have been issued. A delay into the purchase of a route optimisation for system for Operational Services has resulted in a £7,000 saving.

3.7 Economy & Planning – the increase in the budget of £254,440 is due to a number of factors. A shortfall of £220,000 planning application income compared to the budget is due to fewer applications being processed, however the Government has announced an increase in planning fees of 20% which will create an additional £20,020 of income. Development Management have created a new staffing structure which would be partly funded by the 20% increase in fees, the part year costs in 2017/18 is £74,170. Design and Maintenance have experienced staff turnover and require £3,000 to advertise the vacant posts. Increased usage of the Car Parks within the District has created £40,000 of additional income. An upturn of trade at the Council's markets has created £2,710 of additional income. Land Charges income is expected to be £20,000 lower than anticipated as it appears clients are using Private Search Companies rather than the Council. This is being further investigated.

3.8 Finance – An overspend of £19,170 relates to a £40,740 reduction of Council Tax and NNDR Court Costs Income because less people are being taken to court due to the Council's collection rate improving. This is offset with £10,000 savings within the Revenues and Benefits department due to vacant posts, £5,770 additional Council Tax Reduction Administration Grant and the recovery of £5,800 relating to the identification of Council Tax benefit overpayments occurring before the Council Tax Reduction scheme was implemented.

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) The introduction of Universal Credits within the Housing Benefits area has resulted with lower benefit payments being made by the Council, this is offset by the subsidy received by the Department for Work and Pensions (DWP). There has also been a reduction of the identified overpaid housing benefits payments, a reduction of the provision for bad debts and a greater than anticipated Administration Grant. The total budget movement is £1,434,840.

b) Budget movements are required within the Waste and Street Scene area to allocate salary budgets between, Operational Services, Street Scene, Waste Collection and Kerbside Recycling to reflect where staff have worked. There is nil effect on the budget but the movement totals £193,440.

- c) Budget movements are also necessary to allocate the transport costs of Street Scene, Waste Collection and Kerbside Recycling. The transport costs are expected to have a saving of £15,000 which will offset the reduction of new property wheeled bin sales.
- d) The Council has been awarded grant funding to continue the Adult Weight Management Service otherwise known as Take That Step. The effect in 2017/18 is to establish income and expenditure budgets of £6,400.
- e) The accounts of the County Elections in May 2017 have been agreed and require in total budgets of £104,170 to reflect the expenditure made. There is nil effect to the council as the costs are repaid by North Yorkshire County Council.
- f) Planning Policy has experienced vacant posts during the year and the under spend of £35,590 is to be transferred to the Local Plan Reserve.

3.10 The revised changes to the budget at quarter 3 totals an over spend of £204,130 compared to the latest estimate at quarter 2. 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 since the budget was approved in February 2017

Description	Amount £
Department for Work and Pensions - Real time information target achieved - May - August	2,780
Department for Work and Pensions - Local Authority Data Sharing - in connection with Universal Credit.	6,899
Total	9,679

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 2017 £	Q3 Movement (from) / to Reserves £	Balance at 31 Dec 2017 £
General Fund	2,000,000	0	2,000,000
Council Taxpayers Reserve	4,759,597	(100,000)	4,659,597
Grants Fund	192,248	0	192,248
Economic Development Fund	946,219	132,783	1,079,002
One-Off Fund	181,236	85,267	266,503
Computer Fund	963,355	125,254	1,088,609
Repairs & Renewal Fund	2,210,874	0	2,210,874
Community Safety Partnership	38,164	0	38,164
Strategic Forum Reserve	10,046	0	10,046
Local Plan Reserve	134,974	(8,083)	126,891
Make a Difference Fund	142,040	0	142,040
North Northallerton Bridge Reserve	3,709,135	(229,691)	3,479,444
Community Housing Fund	159,410	12,932	172,342
Total	15,447,298	18,462	15,465,760

- 6.2 Economic Development Fund – In quarter 3, the opening balance which has not yet been committed was £946,219. A movement of £132,783 is split between a roll forward of £157,490 capital allocation that requires approval at Quarter 3 and is detailed in the separate Capital Monitoring Report and £23,850 of additional revenue expenditure and a reduction of £857 of income expected from a third party. The £23,850 of revenue expenditure includes £18,300 for the Wensleydale railway and £5,550 for the Market Towns project for an additional footfall counter and for expenditure related to the Market Town Investments plans. The balance of the Economic Development Fund at year end is estimated at Quarter 3 to be £1,079,002.
- 6.3 In addition the Economic Development Fund has allocated a further £28,000 to the Graduate scheme in 2018/19, £50,000 for the Apprentice scheme and £550 for the additional footfall counter. A roll forward of capital as detailed in the Capital Monitoring Report to 2018/19 totalling £252,620 along with the future allocations at Quarter 1 of £169,357 and 2 of £13,750, leaves £564,725 remaining for future projects.
- 6.4 Council Tax Payers Reserve - it is recommended to Cabinet and Council that £100,000 is to be transferred to the One-Off Fund to cover additional revenue and to maintain a minimum balance of £200,000.
- 6.5 One-Off Fund - In Quarter 3, the initial balance is £181,236 and additional income of £9,679 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 £24,412. A transfer of £100,000 from the Council Tax Payers Reserve is required to increase the balance to a minimum of £200,000 in accordance with the Council's policy on Balances and Reserves. The 2017/18 balance is therefore estimated to be £266,503.

Expenditure in 2017/18 from the One-Off Fund	Amount
Environmental Health – Barrister Costs	500
Revenues & Benefits – external support	675
Revenues & Benefits IT Costs	1,987
Waste & Street Scene – Investigation into suitable land available around Thirsk for Depot project	5,000
Corporate – Property development – professional external advice	15,000
Housing - Barrister Fees – external advice for Home Improvement Agency Disabled Facilities Grant	1,250
Total expenditure recommended for approval at Q3	24,412

- 6.6 At Quarter 3, is it recommended to Cabinet and Council that the allocation from the One-Off Fund at £24,412 is approved.
- 6.7 Computer Fund – At Quarter 3, a total of £125,253 is to be returned to the fund to support future requirements. This is split £30,000 of revenue expenditure and £95,253 of capital expenditure. The £30,000 revenue expenditure is to be rolled forward to support future year projects. The capital expenditure includes £41,000 of ICT Improvement Schemes in the capital programme that will occur in future years. £15,000 of ICT network projects also need to be rolled forward to 2018/19. A saving of £13,845 has been realised within the customer excellence projects as a result of work being done internally. Other projects including the development of electronic forms and the implementation of the leisure time management software are to be rolled forward to 2018/19, this is £12,450 and £12,150 respectively. £808 budgeted for Leisure Improvements is rolled forward to 2018/19.
- 6.8 Repairs & Renewal Fund – in accordance with the Financial Strategy approved by Council in February 2017, £239,000 of reserve funds have been allocated from the Repairs and Renewals fund for general maintenance repairs. The total budget is £421,000 where revenue savings are supporting the further 2017/18 Repairs and Renewals costs.
- 6.9 Make a Difference Fund – There has been no movement on the Make a Difference Fund held by the Council at Quarter 3 2017/18.
- 6.10 Local Plan Reserve – In Quarter 3 the initial balance is £134,974. Salary savings from Planning Policy have been transferred to the reserve of £35,590, the actual expenditure is £43,673.
- 6.11 Other Reserves - There has been no movement on other reserves held by the Council at Quarter 3, 2017/18.

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 Chief Executive has approved the following three waivers, for which Single Quote/Tender Waiver Forms have been completed:

a) Professional external advice – Urban Delivery

Professional external advice on viability of the commercial proposition of the Council to acquire Lambert site in accordance with the set timescale. The Council was made aware on a short notice of the possibility of acquiring the site and was required to gather the external advice within a month. Urban Delivery service has been successfully acquired previously and was chosen to undertake this particular piece of work at £15,000.

b) Robust evidence base for Local Plan to establish employment, housing and growth needs in the Hambleton area – GL Hearn

The work has been commissioned to update previous studies and draw together analysis of the potential impact of further employment growth at Leeming Bar as well as providing a Commercial demand assessment for three strategic sites with detailed focus on Leeming Bar. The work is required to be carried out in the next few months to ensure progress on the Local Plan is kept on track at £19,975.

c) Homeless Data Base – Jigsaw

At the time of purchase the Jigsaw software was the only known product on the market that would provide a Homeless data base to enable the Council to implement the new legislation Homelessness Reduction Act which comes into force 1 April 2018 at £7,500 for one year, where the contract runs for three years so a total of £22,500.

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 balance 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 increase at paragraph 3.2 in Quarter 3 of £204,130 which results in a budget of £7,414,730;

- (2) the allocation of £23,850 from the Economic Development fund at paragraph 6.2 and to note the remaining balance at paragraph 6.3 is £564,725;
- (3) the transfer of £100,000 from the Council Tax Payers Reserve to the One-Off at paragraph 6.4;
- (4) the allocation from the One-off fund at paragraph 6.5 of £24,412;
- (5) the transfer of £35,590 at paragraph 6.10 from salary savings in Planning Policy to the Local Plan Reserve at paragraph 6.10; and
- (5) to note the three waiver of procurement rules at paragraph 7.2.

LOUISE BRANFORD-WHITE
DIRECTOR OF FINANCE (S151 OFFICER)

Background papers: Budget Monitoring Q3 working papers

Author ref: LBW / SC

Contact: Louise Branford-White – Director of Finance (s151 Officer)
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.
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.
	Recycling – Plastic Disposal	The Council's recycling disposal contractor has confirmed that the Council's plastic is not shipped to China therefore the recent press news is not a current issue. This may however affect prices, which will continued to be monitored
	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.