

## **HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
11 February 2020

**Subject:** 2019/20 Q3 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 December 2019.
- 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 12 February 2019 for 2019/20 at £9,085,870 in line with the approved Financial Strategy 2019/20 to 2028/29.
- 2.2 At Cabinet on 3 December 2019, the Quarter 2 revenue monitoring report kept the budget at £9,085,870 since the total expected overspends were covered by underspends during the year. The approved budget at Quarter 2 in accordance with the Council portfolio themes is detailed below:

	<b>£</b>
Economy and Planning	1,773,850
Environment	3,776,640
Finance & Commercial	227,780
Leisure & Communities	1,837,500
Law and Governance	1,335,000
Drainage Board Levies	<u>135,100</u>
<b>Net Revenue Expenditure</b>	<b><u>9,085,870</u></b>

### **3.0 BUDGET POSITION TO DECEMBER 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 and are recommended to this Cabinet for approval at budget monitoring Quarter 3:

- 3.2 Table 1 shows the latest 2019/20 budget information only as future years forecast and the 2020/21 budget are included on other items on the agenda.

	<b>2019/20</b> <b>£</b>
Budget Outlook approved at 12 February 2019	9,085,870
<b>Changes to budget outlook:</b>	
<b>Quarter 1 Variances:</b>	
Corporate Costs Increase	80,890
Departmental Increases	5,270
<b>Quarter 2 Variances:</b>	
Corporate Costs Savings	(80,900)
Departmental Movements	(65,660)
Annual Budgeted Savings	60,400
<b>Quarter 3 Variances:</b>	
Corporate Costs Increase	4,650
Departmental Movements	(4,650)
<b>Budget Outlook Q3</b>	9,085,870
<b>Financial Strategy 12 Feb 2019</b>	9,085,870
<b>Budget Outlook Q3 Surplus / (Shortfall)</b>	-

Table 1: Budget 2019/20 Qtr 3

- 3.3 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 2, the budget remained at £9,085,870 as previous shortfalls from Quarter 1 were covered within the year from additional income or reduced expenditure found in Quarter 2 monitoring. At Quarter 3 monitoring the table shows the budget remaining at £9,085,870, numerous underspends and overspends for the year have been identified which has resulted in some budget movements however in total there is no effect to the total budget therefore the revenue budget continues to be £9,085,870 as Table 1 above shows.
- 3.4 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 2019/20 budget at Quarter 3. In total there is no overall change to the budget and it remains at £9,085,870.
- (a) Corporate Cost increase of £4,650.
  - (b) Significant Departmental Movement resulting in an underspend of £4,650.
  - (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.
- 3.5 The Corporate Cost movements in the budget are:
- (i) A Corporate Salary Savings exercise analysing vacant posts has resulted in a £189,150 saving, however related expenditure has been identified of £193,800 resulting in a Quarter 3 increase of £4,650.
- 3.6 Significant Departmental Movement savings of £4,650 include the following:-
- (i) Environment – £5,520 additional Environmental Licencing income has been identified to be received during 2019/20.

- (ii) Economy & Planning – An underspend of £76,150 is estimated. This is in relation to additional Planning Application fees that are anticipated to be £100,000. However, there has been reduction in the public requesting advice before submitting a planning application, resulting in a £12,270 reduction of Planning Advice income. Planning consultancy advice for the section has been required by the Council during the year costing an additional £11,580.
- (iii) Finance & Commercial – A total overspend of £12,000 relates to a number of areas. £25,000 relates to a decrease of income from reclaiming overpaid housing benefits, this is due to less claims being processed by the Council as the Department of Works and Pensions (DWP) now charge this through Universal Credit claims. £12,000 of Universal Credit funding has also been reduced as some elements of support are no longer undertaken by the Council. Timing of the capital programme expenditure has resulted in higher than anticipated cashflow balances which have been short term invested resulting in an estimated £25,000 of additional investment interest income in 2019/20.
- (iv) Leisure & Communities – Improvement works by Central Northallerton Development Company Ltd to the car park at Crosby Road will mean that the Council will not receive any share of car parking income during 2019/20 resulting in a £65,020 shortfall.

3.7 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) Court Costs recovered from Tax Payers has been reduced by £30,300 due to a reduction in the magistrates court costs and increased customer engagement resulting in more sustainable arrangements so that court costs are not applicable. This has been offset by £15,930 of salary savings within the Revenue and Benefit section due to vacant posts and an additional £14,370 from Family Annexes grant resulting in a nil effect.
- b) Housing Benefit payments are expected to reduce by £1,894,450 for the year due to Universal Credits, the subsidy received by the Council will also reduce in line with the lower payments by £1,894,450 resulting in a nil effect.
- c) Universal Credits also have an effect on the amount of Rent Allowance Payments of overpaid housing benefits income received by the Council as these are expected to be £60,000 lower than the budget, this can be offset by a reduction of £60,000 in the provision for Bad Debts as the debt outstanding relating to Housing Benefits is decreasing.
- d) One Public Estate - £20,000 contribution has been received for the Civic Centre to undertake the feasibility study on accommodation of the centre in relation to partnership working.
- e) Bed & Breakfast Rents and Rent Rebate - an increase in Bed and Breakfast usage for emergency Homelessness cases has increased the Budget by £20,000, this is covered by Housing Benefit subsidy so that there is a nil effect on the budget.
- f) Waste and Recycling vehicle cost budgets are to be adjusted at Quarter 3 to reflect the estimated annual costs. £30,000 is to be allocated to Kerbside Recycling which can be offset by £25,000 reduction of Household Waste Collection and £5,000 reduction of Street Cleansing.

3.8 The revised changes to the budget at Quarter 3 listed above result in a nil effect on the 2019/20 Budget. Therefore in the recommendations section of this report for approval by Cabinet and Council, the original budget set at £9,085,870 will remain.

#### **CIL RESERVE**

4.1 The Community Infrastructure Levy (CIL) balance as at 31 December 2019 is £4,060,288. 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	1,523,012
Less in-year payments to parishes	(241,962)
<b>2019/20 Closing Balance Quarter 3</b>	<b>4,060,288</b>

Table 2: CIL Reserve

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

5.1 There have not been any grants and contributions to be allocated to the Council and paid into the One Off Fund Reserve during Quarter 3 of 2019/20.

#### **SENSITIVITY ANALYSIS**

6.1 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.

#### **RESERVE FUNDING**

7.1 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.

<b>Reserve Fund</b>	<b>Balance at 30 Sept 2019 £</b>	<b>Q3 Movement (from) / to Reserves £</b>	<b>Balance at 31 Dec 2019 £</b>
<b>General Fund</b>	2,000,000	-	2,000,000
<b>Council Taxpayers Reserve</b>	6,584,272	(150,000)	6,434,272
<b>Grants Fund</b>	94,434	-	94,434
<b>Economic Development Fund</b>	755,921	181,953	937,874
<b>One Off Fund</b>	421,744	(171,924)	249,820
<b>Computer Fund</b>	950,054	(231,332)	718,722
<b>Repairs &amp; Renewal Fund</b>	976,890	-	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>	-	-	-
<b>Make a Difference Fund</b>	129,594	-	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>	163,002	-	163,002
<b>Total Revenue Reserves</b>	12,236,620	(371,303)	11,865,317
<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>	6,689,010	-	6,689,010
<b>Total Reserves</b>	18,925,630	(371,303)	18,554,327

- 7.2 Economic Development Fund – In Quarter 3, the opening balance was £755,921 with the net movement of £181,953; split as £118,310 reduced capital expenditure and £63,643 reduced revenue expenditure.
- 7.3 The Economic Development Fund rolls forward funds to 2020/21 totalling £193,404. This comprises revenue schemes totalling £75,094 and capital schemes £118,310. The individual revenue roll forwards comprise of: £12,460 for the Support of Business Networks, £1,000 for contributions to subscriptions to the Federation of Small Business, £9,900 for improving broadband infrastructure and £51,734 for the Market investment plans for the towns of Bedale, Easingwold, Stokesley and Thirsk. The capital roll forwards are £30,000 from each of the Industrial Parks Reviews for the towns of Leeming and Dalton and £58,310 for the Employment Land scheme. The Economic Development Fund requests additional revenue expenditure of £11,451, £1,719 for the Northallerton Market Town investment plan and £9,732 for Identifying & Securing Investment. This results in a net movement at Quarter 3 of £181,953.
- 7.4 The Economic Development fund has allocated fund to future years' allocations and at Quarter 3 allocates £193,404 from funds rolled forward from 2019/20. The result from changes in Quarter 3 currently leaves £654,033 remaining for future projects.
- 7.5 Council Tax Payers Reserve – £150,000 has been transferred from the Council Tax Payers Reserve to the One Off fund to support spend allocated for future projects.

- 7.6 One Off Fund - In Quarter 3, the initial balance is £421,744 and £150,000 was transferred from the Council Tax Payers Reserve in Quarter 3. Expenditure to be allocated from the One Off Fund is detailed in the table below at £321,924. The balance on the One Off Fund at Quarter 3 is £249,820.

<b>Expenditure in 2019/20 from the One Off Fund</b>	<b>Amount</b>
Individual Electoral Registration allocation of Grant	9,420
Employee Costs	130,000
Tour De Yorkshire – increased expenditure	9,242
Development Management - IT Consultancy	1,262
Communications - Consultancy	22,000
Events and Legacy programme – RAF Leeming 80 years Event	50,000
Professional Advice – Vehicle/Company Structure	100,000
<b>Total expenditure recommended for approval at Q3</b>	<b>321,924</b>

- 7.7 At Quarter 3, is it recommended to Cabinet and Council that the allocation from the One Off Fund at £321,924 is approved.
- 7.8 Computer Fund – In Quarter 3, the opening balance was £950,054 with the net movement of £231,332. £1,674 is being returned to fund due to a project underspend and a further £229,658 is requested for roll forward into 2020/21. Due to the project implementation occurring on or beyond 1 April 2020 roll forwards are requested for the following individual schemes: £48,200 is requested for the Development Management Information System, £68,000 for the Website Upgrade, £62,760 for the ICON cash receipting upgrade, £24,698 for the CRM development and £21,000 for the New Finance system. A further £5,000 is requested for roll forward due to complications with the technology roll out from the supplier.
- 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 resulting in the current balance of £976,890.
- 7.10 Local Plan Reserve – There have been no allocations to or from the Local Plan Reserve in Quarter 3.
- 7.11 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 2020.
- 7.12 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.
- 7.13 Other Reserves – There has been no movement on other reserves held by the Council at Quarter 3 2019/20.

## **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 annual cost for the contract is £19,000. The contract with Capita is to provide project management cover for the Business and Economy Service so current live projects with tight delivery timescales due to resource shortages can be progressed. There are specific skills required for managing the significant infrastructure project which are not available elsewhere within the Council.

#### **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 transfer of funds detailed in paragraph 7.5 from the Council Tax Payers Reserve of £150,000 to the One Off fund in paragraph 7.6;
- (3) the total movement of the Economic Development Fund of £193,404 at paragraph 7.3 to be returned and to note that the Economic Development Fund remaining balance to be allocated at paragraph 7.4 is £654,033;
- (4) the allocation from the One Off Fund at paragraph 7.6 of £321,924; and
- (5) to approve the waiver as detailed in paragraph 8.2.

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**Background papers:** Budget Monitoring Q3 working papers  
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**Budget 2019/20 Qtr 3 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	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.
	Homelessness Prevention	Rent Bond Scheme – The process for Homelessness Bonds have altered where invoices are raised when bonds/rent in advance to the applicant. This will be closely monitored along with the Bed and Breakfast Budgets that are increasing.
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	Winter Maintenance	Higher than budgeted costs paid in the previous year's therefore will closely monitor costs in 2019/20