

## **Hambleton District Council**

**Report To:** Cabinet

**Date:** 8 September 2020

**Subject:** **2020/21 Q1 Revenue Monitoring Report**

**Portfolio Holder:** Economic Development and Finance  
Councillor P R Wilkinson

**Wards Affected:** All Wards

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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 June 2020.
- 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
- 1.4 The report also highlights the impact of COVID-19 on the financial position of the Council.

### **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 The breakdown of the budget in accordance with the Council themes when the budget was approved was as follows:

	<b>£</b>
Economy & Planning	1,969,330
Environment	4,051,070
Finance & Commercial	23,330
Law & Governance	1,351,240
Leisure & Communities	1,726,100
Drainage Board levies	148,600
<b>Net Revenue Expenditure</b>	<b><u>9,269,670</u></b>

### 3.0 Budget Position to June 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 at Quarter 1 budget monitoring. The impact of the costs and loss of income incurred as a result of covid-19 are shown separately.

	2020/21 £	2021/22 £	2022/23 £	2023/24 £
Budget Outlook approved at 11 February 2020	9,269,670	9,269,670	9,495,879	9,622,300
<b>Changes to budget outlook:</b>				
Inflation – salaries and contracts	-	298,604	553,527	309,996
Back funded pension (NYCC)	-	-	-	250,000
Insurance fund	-	25,000	27,000	29,000
Inflation Contracts	-	25,000	25,500	26,010
Future High Street Fund	-	106,000	-	-
Finance Costs	-	184,948	-	-
Route Optimisation	-	263,000	16,320	-
Fees & Charges	-	(136,350)	(139,077)	(141,858)
Other Income Streams	-	(327,248)	(309,880)	(215,387)
Savings Exercise	-	(212,745)	(46,969)	(300,638)
Route Optimisation	-	-	-	-
Corporate Costs :	48,030	(48,030)	-	-
Departmental Movements:-	78,300	(78,300)	-	-
Savings or additional income requirements in Quarters 2, 3 and 4	(126,330)	126,330	-	-
<b>Budget Outlook Q1</b>	9,269,670	9,495,879	9,622,300	9,579,423
<b>Financial Strategy 11 Feb 2020</b>	9,269,670	9,495,879	9,622,300	9,579,423
<b>Budget Outlook Q1 Surplus / (Shortfall)</b>	-	-	-	-
COVID-19 Costs	3,580,032	(3,580,032)	-	-

- 3.2 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 1, it is recognised that there is currently a shortfall of £126,330, however during the year it is anticipated 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 £9,269,670 and the Budget will be closely monitored to identify the shortfall.
- 3.3 In addition to the shortfall in paragraph 3.2, there has been additional expenditure and loss of income estimated as a result of COVID-19 of £4,891,420, the Council has been allocated grants from the Government of £1,311,388 to support the Council during the pandemic resulting in an increased budget of £3,580,032. This is to be monitored during the year where currently additional support from the Government is expected in relation to the loss of income at the Comprehensive Spending review in autumn. If no further funding is received then the Council's reserves will be used.

3.4 There are three main areas of changes to the 2020/21 budget at Quarter 1 totalling the £126,330 shortfall:

- (a) Corporate cost savings of £48,030
- (b) Departmental cost increases of £78,300
- (c) Department movements which have nil effect on the budget

3.5 The Corporate Costs movements in the budget are:

- (i) A corporate review of Salary budgets has resulted in savings from various vacancies and mini restructures of £358,430, however these savings are required to fund an additional £401,660 of expenditure to cover the vacancies and the effects of departmental regrades and staff related expenditure through the mini restructures. There has also been salary savings of £34,200 relating to Council staff purchasing Holiday during 2020/21. This results in a total variance of £9,030 of salary related additional expenditure at Quarter 1.
- (ii) Estimated additional holiday pay of £54,860 has been identified to pay staff working 'additional hours' within Leisure and Waste Services; a requirement in line with legislation.
- (iii) The annual Drainage Board Levies were lower than budgeted by £22,270, this is notified to the Council after the budget was set for 2019/20 and is not controlled by the Council.
- (iv) The business Rates payable on the Council's own properties has been readjusted by an increase of £6,410 due to the budget being set on estimated costs.

3.6 Departmental movements create additional expenditure of £78,300 and are detailed as follows:-

- (i) Economy & Planning – Additional expenditure of £6,870 relates to £13,820 additional costs relating to the set-up of the C4Di project. This is offset by £6,950 due to the Rural Housing Enabler function being funded from Commuted Sums rather than the revenue budget.
- (ii) Environment – Additional expenditure of £9,010 is required for IT costs relating to new software licences to aid with plotting waste and recycling collection rounds.
- (iii) Finance & Commercial - £1,100 has been saved from the implementation of the new Finance archiving solution.
- (iv) Law & Governance – Additional expenditure of £38,520 relates to £30,870 of additional expenditure for the revenue costs of the new Human Resources and Payroll system agreed late February 2020 after the budget was set. £7,650 of additional expenditure is required for increased fees for the Council's assurance service with Veritau.

- (v) Leisure and Communities – Additional expenditure of £25,000 relates to £30,000 of expenditure being required for site supervision at Thirsk and Sowerby Sports Village, this is offset by £5,000 of estimated income from the site.

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:

- (i) The 2020/21 grants reserve allocation has been collated and it is therefore requested to allocate £48,700 to the relevant grant codes.

3.8 The revised changes to the budget at Quarter 1 total an increase to the budget of £126,330. These are listed above, however, it is recognised that additional income or reduced expenditure will occur to cover this overspend during the year. Therefore, the budget for 2019/20 at Quarter 1 remains at £9,269,670. It should be noted that this Quarter 1 position will be monitored against the financial strategy over the rest of the year.

#### **4.0 COVID-19**

4.1 The current COVID-19 virus has had a huge effect on the Council's finances and government measures have assisted the Council as well as the Hambleton residents and businesses via various grants and reliefs.

4.2 The virus has affected the ability for the Council to receive a lot of its fees and charges, in total this is estimated to be £3,751,310, the main areas are the four Leisure Centres with the closure and reduced capacity resulting in an estimated loss of £2,748,730 for the year. Free parking and reduced visitors has resulted in an estimated £447,240 loss of Car Parking income for the year.

4.3 The Council has also 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 and increased staffing in areas that have the requirements. The total cost is estimated to be £1,059,410.

4.4 The Council has received the following allocations from the Government in relation to COVID-19:

<b><u>Grant</u></b>	<b><u>£</u></b>
Government COVID-19 Support Grant	36,767
Government COVID-19 Support Grant	903,842
Government COVID-19 Support Grant	120,079
Government COVID-19 Administration Support for Business Grants Scheme	170,000
Re-Opening High Streets	80,700
<b>Total</b>	<b>1,311,388</b>

- 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. As at mid-August 2020 £28,700,000 has been paid out to 2,495 businesses in Hambleton which is 93% of those eligible. The scheme closed on 28 August 2020.
- 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 which was included within the £30,866,000. Grants were awarded to market traders, shared flexible workspace businesses, charities, Bed & Breakfast establishments, micro and other small businesses.
- 4.7 If no further funding is received from Government to support the shortfall described then Council reserves will be utilised at £3,580,032. This position has not yet been crystallised at Quarter 1 as further information is waited from Government. A further update will be provided to Members in due course as to the amount of reserves required to support the Council's budget position.
- 4.8 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, Council Tax Reduction Scheme and Business rates. This position will become clearer the next few months as the Government policies around COVID-19 change and the impact is better understood across the UK.

## **5.0 Revised 2019/20 Revenue Outturn and Position on Reserves**

- 5.1 As reported to Cabinet on 7 July 2020, the final position of the transfer to/from the Council Tax Payers Reserve for 2019/20 had not been finalised due to the Council's share of the North and West Yorkshire Business Rate Pilot figures not being available from Leeds City Council who are the lead authority of the Business Rate Pilot Scheme.
- 5.2 Following receipt of the figures the estimated increased business rate income for 2019/20 is £64,580 rather than £215,119 previously reported on 7 July 2020, a difference of £150,539. The overall transfer to the Council Tax Payers Reserve will be reduced by £150,539 to £1,086,421 for 2019/20 instead of the £1,236,960 reported on 7 July 2020.

## **6.0 CIL Reserve**

- 6.1 The Community Infrastructure Levy (CIL) balance as at 30 June 2020 is £4,251,435. 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. A further report in relation to CIL is included on the Cabinet Agenda in September 2020 and once approved these movement will be included at Quarter 2.

	<b>Amount (£)</b>
<b>2020/21 Opening Balance</b>	4,301,881
Add in-year income	36,221
Less in-year payments to parishes	(86,667)
<b>Closing Balance Quarter 1</b>	<b>4,251,435</b>

## 7.0 Other Matters - Grants:

- 7.1 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 2020.

<b>Description</b>	<b>Amount £</b>
Ministry of Housing, Communities and Local Government (MHCLG) – Flexible Homelessness Support Grant and Homelessness Reduction Grant	87,865
Department of Works and Pensions (DWP) – New Burden Grant	16,001
<b>Total</b>	<b>103,866</b>

## 8.0 Sensitivity Analysis

- 8.1 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.

## 9.0 Reserve Funding

- 9.1 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.

<b>Reserve Fund</b>	<b>Balance at 1 April 2020 £</b>	<b>Q1 Movement (from) / to Reserves £</b>	<b>Balance at 30 June 2020 £</b>
<b>General Fund</b>	2,000,000	-	2,000,000
<b>Council Taxpayers Reserve</b>	6,460,693	(600,000)	5,860,693
<b>Grants Fund</b>	94,434	(48,700)	45,734
<b>Economic Development Fund</b>	989,276	(397,710)	591,566
<b>One Off Fund</b>	1,273,920	(791,774)	482,146
<b>Computer Fund</b>	1,287,718	(497,556)	790,162
<b>Repairs &amp; Renewal Fund</b>	947,066	-	947,066
<b>Community Safety Partnership</b>	12,544	-	12,544
<b>Local Plan Reserve</b>	61,237	34,033	95,270
<b>Make a Difference Fund</b>	6,000	125,000	131,000

<b>Reserve Fund</b>	<b>Balance at 1 April 2020 £</b>	<b>Q1 Movement (from) / to Reserves £</b>	<b>Balance at 30 June 2020 £</b>
<b>Community Housing Fund</b>	98,873	(1,043)	97,830
<b>Community Infrastructure Levy (CIL)</b>	38,026	-	38,026
<b>5% Admin Reserve</b>			
<b>Income Generating Fund</b>	69,178	100,000	169,178
<b>Total</b>	<b>13,338,965</b>	<b>(2,077,750)</b>	<b>11,261,215</b>

- 9.2 Economic Development Fund - In Quarter 1, the opening balance was £989,276 with the net movement of £397,710; split as £237,922 capital and £159,788 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. The net movement of £397,710 includes brought forward balances of £244,023, expenditure that has been allocated from the Economic Development Fund in previous Cabinet reports, totalling £147,186 as detailed in the table below and also £6,501 of new funding detailed in paragraph 9.3. The balance of the Economic Development Fund at year end is estimated at Quarter 1 to be £591,566.

<b>Expenditure in 2020/21 from the Economic Development Fund</b>	<b>Amount £</b>
Skills Village (Capital £84,000, Revenue £41,000)	125,000
Support for Business Networks	12,500
Networking events and promotion	6,686
Footfall Counters	3,000
<b>Total expenditure already approved at Q1</b>	<b>147,186</b>

- 9.3 The Economic Development Fund requests two changes to the Footfall Counter scheme following a redesign, the first is that £5,000 of the £10,000 original capital budget is moved from Capital to Revenue and secondly that additional revenue of £51,501 is allocated to the existing £3,499 revenue budget to bring the total budget for this project to £65,000. The Economic Development fund requests that £45,000 of this is immediately rolled forward to future years - £15,000 a year for the next three years.
- 9.4 The Economic Development fund has allocated a further £110,250 to future years' allocations; £45,000 (as mentioned in paragraph 9.3 above) for the footfall counters for 2021/22, 2022/23 and 2023/24 rolled forward at Quarter 1 and £65,250 rolled forward from 2019/20 to 2021/22 for the Central Northallerton Scheme. This currently leaves £481,316 remaining for future projects.
- 9.5 Council Tax Payers Reserve – The initial balance previously reported in the 2019/20 Revenue Outturn and Position on Reserves dated 7 July 2020 of £6,611,232 has changed by £150,539 to £6,460,693 due to the revised outturn position for 2019/20 and the adjustment required for the Business Rate Pilot information detailed in paragraph 5.2. £400,000 has been transferred to the One Off Fund as detailed in the financial strategy approved in February 2020. The financial strategy also allocated £200,000 to the Income Generating Fund, however it is now requested that the amount of £100,000 is transferred to the Income Generating Fund and £100,000 is to be transferred to the One Off Fund to support the Vehicle/ Company Structure.

- 9.6 One Off Fund - In Quarter 1, the initial balance is £1,273,920, a transfer from the Council Tax Payers Reserve of £400,000 is to be made in line with the Financial Strategy. A further £100,000 is requested to be transferred from the Council Tax Payers Reserve that was originally to be transferred to the Income Generating Fund for additional support in the One Off fund for the Vehicle/Company Structure advice. Additional income of £103,866 was received which can be seen in paragraph 7.1 above. £73,790 is to be transferred from the Revenue Budget in relation to the funding previously provided to Northallerton Leisure Centre and £125,000 has been transferred to the Make a Difference Reserve for 2020/21. £206,577 is to be returned to the Fund from previously allocated projects, this includes £150,000 from the Future High Street project as it has now been submitted to Government, £50,000 for the 80 year event for RAF Leeming, £5,735 for the Communications Consultant and £842 for Environmental Health expenditure. Expenditure that has been allocated from the One Off Fund in previous Cabinet reports rolled forward from 2019/20 totals £1,044,267. Further expenditure to be allocated from the One Off Fund is detailed in the table below at £506,740, this includes a request to use £250,000 for further Professional advice relating to the Vehicle/Company Structure. The balance on the One Off Fund at Quarter 1 is £482,146.

<b>Expenditure in 2020/21 from the One Off Fund</b>	<b>Amount</b>
Operation Panther – Environmental Health	20,000
Holiday Pay – legal requirement for additional hours	74,030
Commission for Unitary Development	25,000
Development Management System - Consultant Support costs	23,000
Citizens Advice – EU Settlement Scheme	3,500
Housing – Funding for post until November 2020	11,110
Flexible Homelessness Support – allocation of grant	52,480
Homelessness Reduction Grant - expended on staff	12,810
Development Management Self Build Register grant	34,810
Vehicle Company/Structure - Professional advice	250,000
<b>Total expenditure recommended for approval at Q1</b>	<b>506,740</b>

- 9.7 At Quarter 1, is it recommended to Cabinet and Council that the allocation from the One-off Fund at £506,740 is approved.
- 9.8 It should be noted that a total of £350,000 has been allocated from the One-Off fund (£100,000 2019/20, £250,000 2020/21) to the Vehicle Company/Structure. Approval is sought in this report for the professional costs to be expended for legal, financial and operational advice in relation to the Vehicle Company/Structure set up as detailed in the VAT Partial Exemption report that was approved by Cabinet on 7 July 2020. Updates on spend will be reported in the quarterly revenue monitoring reports to Cabinet.
- 9.9 Computer Fund – in accordance with the Financial Strategy approved by Council in February 2020, 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 £40,000 of revenue expenditure, £108,830 of 2020/21 capital expenditure and a brought forward amount of capital expenditure from 2019/20 of £348,726.



- 9.10 Repairs & Renewal Fund – The reserve is being used to fund Repairs and Renewal projects to ensure that the Council's assets are maintained to an acceptable standard.
- 9.11 Local Plan Reserve – £59,710 has been transferred from the income received from planning applications to the Local Plan. Expenditure allocated in quarter 1 totals £25,677 leaving a balance of £95,270. If insufficient funding exists within the year to support the local plan then funding in the first instance will be utilised from the one off fund to be replaced in future years from income received from planning applications.
- 9.12 Make a Difference Fund – the opening balance in Quarter 1 of £6,000 relates to two projects brought forward from the 2019/20 programme which will be completed in 2020/21. £125,000 has been transferred from the One Off Fund for the 2020/21 scheme. 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.
- 9.13 Income Generating Fund: £100,000 has been transferred from the Council Tax Payers reserve to financially support projects in the initial stages of development which will generate revenue income to contribute to the future funding of the Council. This differs to the financial strategy of transferring £200,000 as it is estimated that less funding will be required to support income generating projects where the current requirement is for the Company Structure which will be funded by the One Off Fund as detailed in paragraph 9.6.
- 9.14 Other Reserves - There is a movement on the grants reserve to allocate funds of £48,700. The grant fund provides assistance to community groups to benefit the district as a whole.

## **10.0 VAT Reduced Rate – COVID-19 implications**

- 10.1 On 8 July 2020, the government announced a temporary 5% reduced rate of VAT for certain supplies of hospitality, hotel accommodation and admission to certain attractions in light of COVID-19. This cut in the VAT standard rate of 20% was effective from 15 July 2020 to 12 January 2021. The financial impact for Hambleton District Council is estimated to be low and it will mainly affect increased cost for hotel accommodations which is likely to be minimal at this time due to most external events being run virtually.

## **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 and 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) the budget remains at £9,269,670 as detailed in paragraph 3.2 of the report;
- (2) the revised 2019/20 Revenue Outturn and position on the Council Tax Payers Reserve is a reduction of £150,539 to £1,086,421 detailed at paragraph 5.2 of the report;
- (3) the total allocation of the Economic Development fund of £507,960, leaving £481,316 at paragraph 9.4 of the report;
- (4) the allocation from the Council Tax Payers Reserve at paragraph 9.5 of the report of £600,000;
- (5) the transfer of £125,000 from the One Off Fund to Make a Difference Fund at paragraph 9.6 of the report;
- (6) the allocation from the One Off fund at paragraph 9.7 of the report of £506,740; and
- (7) the expenditure of £350,000 to support the professional advice fees for the Vehicle/Company Structure at paragraph 9.8 of the report.

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**Background papers:** Budget Monitoring Q1 working papers

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**Budget 2020/21 Qtr 1 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, and the effects of COVID-19 unknown.
	Workspace Management Income	This will continue to be closely monitored.
Environment	Operational Services – Fuel Prices	This is being kept under review and any significant changes will be reported.
	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.
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