

Hambleton District Council

Report To: Cabinet

Date: 7 September 2021

Subject: **2021/22 Q1 Revenue Monitoring Report**

Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson

Wards Affected: All Wards

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 2021.
- 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 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 9 February 2021 for 2021/22 at £10,351,080 in line with the approved Financial Strategy 2021/22 to 2024/25.
- 2.2 The breakdown of the budget in accordance with the Council themes when the budget was approved was as follows:

	£
Economy & Planning	1,636,780
Environment	4,360,160
Finance & Commercial	816,420
Law & Governance	2,032,060
Leisure & Communities	1,376,330
Drainage Board levies	129,330
Net Revenue Expenditure	<u>10,351,080</u>

3.0 Budget Position to June 2021:

- 3.1 Since the budget for 2021/22 was set in February 2021, 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.

	2021/22
	£
Budget Outlook approved at 9 February 2021	10,351,080
Changes to budget outlook:	
Corporate Savings:	(212,930)
Budgeted Salary Savings Required	115,000
Net Corporate Savings	(97,930)
Departmental Movements:-	(61,490)
Budgeted Savings	159,420
Budget Outlook Q1	10,351,080
Financial Strategy 9 Feb 2021	10,351,080
Budget Outlook Q1 Surplus / (Shortfall)	-
COVID-19 Costs	867,021

Table 1 Quarter 1 Budget

- 3.2 In 2021/22 the budget started at £10,351,080 as stated in the Financial Strategy and illustrated in the table above. The 2021/22 Budget includes £115,000 of Salary Savings through vacancies and the purchase of additional leave, during Quarter 1, £202,890 of Salary savings have been identified which can be used to offset the Budgeted target. The total savings recognised at Quarter 1 is £159,420. However, due to the current financial climate and the uncertainty of potential cost inflation in 2021/22, there may be further pressures on Budgets during the year. Therefore, at Quarter 1 it is requested Cabinet approves that there is no change to the budget of £10,351,080 and the Budget will be closely monitored.
- 3.3 In addition to the savings in paragraph 3.2, there has been additional expenditure and loss of income estimated as a result of COVID-19 of £1,957,998. 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 2021/22 budget at Quarter 1 totalling the £121,930 savings:
- (a) Corporate cost savings of £97,930
 - (b) Departmental savings of £61,490
 - (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, mini restructures and the effects of reduced opening times at Leisure Centres due to COVID-19 of £245,840. however these savings are required to fund an additional £120,110 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 £1,370 relating to Council staff purchasing Holiday during 2021/22. A £75,790 increase in Salaries was budgeted for all staff that were paid under £24,000 per annum. Under government guidance this increase will no longer go ahead and will be used for any potential inflationary pay rise to staff. This results in a total estimated saving of £202,890 of salary related

expenditure at Quarter 1. The savings identified will offset the £115,000 budgeted salary savings resulting in Corporate Salary savings of £87,890.

- (ii) The business rates payable on the Council's own properties totals a saving of £10,040 due to the budget being set on estimated costs.

3.6 Departmental movements create additional income of £26,000 and savings of £35,490 and are detailed as follows:-

- (i) Environment – An increase in the sale of Green Waste Licenses has created an additional £26,000 of income.
- (ii) Due to two vacant posts within Management team have been estimated which will fund for a new interim Section 151 Officer and a new Head of Service post, resulting in savings of £35,490.

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 2021/22 grants reserve allocation has been collated and it is therefore requested to allocate £48,700 to the relevant grant codes.
- (ii) Part of Environmental Health salaries are being funded by an earmarked COVID-19 Grant which creates a saving of £40,220 during 2021/22, however this budget will be required for expenditure on IT Consultants and additional administration in 2022/23 and is therefore requested to move £40,220 to the One Off Fund for expenditure in 2022/23.
- (iii) An increase of £220,000 income relating to Planning application fees is anticipated in 2021/22, the additional income is to be used to finance additional posts and agency in Development Management of £129,010, additional posts in Environmental Health of £17,840, Corporate Finance of £55,680 and a Communications resource of £17,470.
- (iv) Planning Policy currently has 2 vacant posts estimating to be a saving of £38,300 for the year which is required to fund agency staff.
- (v) A post estimated to cost £27,600 has been created relating to High Street Heritage Action Zone, this will be funded by a grant from Historic England as part of a wider scheme.
- (vi) Budgets relating to Operational Services vehicles need to be realigned to reflect the vehicles leasing arrangements, therefore £141,550 is required to move from various Hire budgets to Provision and Maintenance.
- (vii) ICT has vacant posts estimated to be a £31,300 underspend, however the posts will be required to be filled by agency and therefore requires the budget to be moved.
- (viii) Treadmills estimated income of £457,830 is requested to be transferred to an income stream that is aligned to other Premises Development income.

3.8 The revised changes to the budget at Quarter 1 total an estimated saving to the budget of £159,420 and are documented above. However, it is recognised that there are many financial uncertainties in 2021/22 therefore, the budget for 2021/22 at Quarter 1 remains at £10,351,080 and the estimated saving maybe used during the year if an overspend arises. 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 £1,305,977, the main areas are the three Leisure Centres with the closure and reduced capacity resulting in an estimated loss of £1,127,452 for the year. Free parking and reduced visitors have resulted in an estimated £161,300 loss of Car Parking income for the year.

4.3 The Governments Loss of Income Scheme will provide some support for certain income streams where the Council is experiencing a loss. At Quarter 1, the Council is predicting that it will be able to reclaim £215,000 of the estimated total loss of income of £1,305,977 for the full year and £1,500,000 has been allocated from the One Off fund to cover any potential shortfall.

4.4 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 £867,021 for the full year.

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

Grant	£
Government COVID-19 Support Grant	376,767
Government COVID-19 Outbreak Management COMF	97,230
Welcome Back grant scheme	80,700
Total	554,697

4.6 The above grant table shows the grants received by the government for 2021/22 however, the Covid-19 Support grant has already been allocated to finance the 2021/22 budget and the Outbreak Management fund and the Welcome Back grant scheme are grant-specific that can only be used for the prescribed allocation.

4.7 If no further funding is received from Government to support the shortfall described then Council Covid-19 Reserve at £867,021 will be utilised. 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 number 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 in the next few months as the Government policies around COVID-19 change and the impact is better understood across the UK.

5.0 Revised 2020/21 Revenue Outturn and Position on Reserves

5.1 As reported to Cabinet on 6 July 2021, the final position of the transfer to/from the Council Tax Payers Reserve for 2020/21 had not been finalised due to the Council's share of the North and West Yorkshire Business Rate Pool figures not being available from Leeds City Council who are the lead authority of the Business Rate Pool Scheme.

5.2 The figures remain un-finalised and therefore will be reported to Quarter 2 Revenue monitoring.

6.0 CIL Reserve

6.1 The Community Infrastructure Levy (CIL) balance as at 30 June 2021 is £4,429,690. The Council is committed to using this reserve for priority schemes and to distribute to parishes. The movements in 2021/22 can be seen in the table below.

	Amount (£)
2021/22 Opening Balance	3,843,333
Add in-year income	617,563
Less in-year payments to parishes	(31,206)
Closing Balance Quarter 1	4,429,690

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 2021.

Description	Amount £
Department of Works and Pensions (DWP) – New Burden Grant	2,118
Total	2,118

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 continue to be closely monitored and an update provided for Quarter 2. Annex 'A' attached details the sensitivity analysis.

9.0 Waiver of Procurement Rules

- 9.1 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.
- 9.2 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 £50,000. The contract with C4Di Ltd is to provide digital training module development, online platform and one to one support for the Digital Lab project.

10.0 Link to Council Priorities

- 10.1 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.

11.0 Risk Assessment

- 11.1 There are no major risks associated directly with this report. However, a list of potential pressures on the budget is shown in Annex A.

12.0 Financial Implications

- 12.1 The financial implications are dealt with in the body of the report.

13.0 Legal Implications

- 13.1 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.

14.0 Equality and Diversity Issues

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

15.0 Recommendations

- 15.1 That Cabinet approves and recommends to Council that the budget remains at £10,351,080 as detailed in paragraph 3.2 of the report for 2021/22.

Noel O'Neill
Interim Director of Finance

Background papers: Budget Monitoring Q1 working papers
Author ref: SC
Contact: Saskia Calton – Corporate Finance Manager
Direct Line: 01609 767226

Budget 2021/22 Qtr 1 Sensitivity Analysis – potential savings / costs

Council Directorates	Area of Sensitivity	Commentary
Economy and Planning	Planning Fees	This will continue to be closely monitored due to the estimated income being so high.
	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.
	Green Waste tonnage	Green Waste tonnage varies due to the weather conditions and will be monitored throughout the year as this will impact on both disposal costs and recycling credit budgets.
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	Thirsk and Sowerby Leisure Centre	The capital improvement scheme at Thirsk and Sowerby Leisure Centre now includes decarbonation funding and this has led to a delay in re-opening of the leisure centre which will negatively affect the income for the year.
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