

Hambleton District Council

Report To: Cabinet

Date: 7 December 2021

Subject: **2021/22 Q2 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 at the end of September 2021.
- 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 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 At Cabinet on 7 September 2021, the Quarter 1 revenue monitoring report kept the budget at £10,351,080 but recognised that an underspend at Quarter 1 of £159,420 would be monitored during 2021/22 and may be offset with any budget pressures in the year. The approved budget at Quarter 1 in accordance with the Council portfolio themes is detailed below:

Economy & Planning	1,471,040
Environment	4,322,780
Finance & Commercial	1,176,620
Law & Governance	1,318,700
Leisure & Communities	1,932,610
Drainage Board levies	<u>129,330</u>
Net Revenue Expenditure	<u>10,351,080</u>

- 2.3 The Quarter 1 revenue monitoring report also estimated a potential increase to the budget of £867,021 as a result of COVID-19.

3.0 Budget Position to September 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 2 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	(120,710)
Departmental Movements	(53,680)
	(174,390)
Quarter 2 Budgeted Savings	174,390
Budget Outlook Quarter 2	10,351,080
Financial Strategy 9 Feb 2021	10,351,080
Budgeted Outlook Quarter 2 Surplus / (Shortfall)	-
COVID-19 Costs	1,115,590

- 3.2 In 2021/22 the budget started at £10,351,080 as stated in the Financial Strategy and illustrated in the table above. At the end of Quarter 1, the budget remained at £10,351,080 but recognised a saving in Quarter 1 of £159,420 which would be used for any budget pressures during the year.
- 3.3 At Quarter 2 monitoring underspends and overspends for the year have been identified totalling an underspend of £174,390 in that quarter. It is recommended that the budget remains at £10,351,080, as the table above shows and that the year-to-date underspend of £333,810 is allocated to a specific earmarked reserve to meet any additional costs that may need to be incurred in 2021/22 and 2022/23 as part of local government reorganisation.
- 3.4 There are three main areas of changes to the 2021/22 budget at Quarter 2 totalling the £174,390 savings:
- (a) Corporate cost savings of £120,710
 - (b) Departmental savings of £53,680
 - (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 of £145,040. However, these savings are required to fund an additional £86,610 of expenditure including the cover of a maternity post in the Legal department, increased hours to cover long-term sickness and the effects of the use of agency and consultants in various departments. This results in a total estimated saving of £58,430 of salary related expenditure at Quarter 2.

- (ii) The Council still needs to borrow in 2021/22 to fund its capital programme. However, this requirement is later in the year than originally planned due to additional grants received and the schedule of the capital programme payments. This has resulted in an estimated underspend of £284,370.
- (iii) Income Thirsk and Sowerby Leisure Centre is £222,000 lower than original budget. This is due in part to a slightly longer closure than anticipated at budget time and slower recovery in user numbers as experienced across the Borough.

3.6 Departmental movements create additional underspend of £53,680 and are detailed as follows:-

- (i) Economy and Planning – A saving of £121,820. A large increase in the use of the Land Charges function has resulted in an additional £50,000 of income less £24,630 of related expenditure. In addition, £60,000 Land Registry grant is also expected due to the Local Land Charges data being migrated to HM Land Registry's national register. Increased income of £42,750 is estimated to be received from various Council Workspaces in 2021/22.
- (ii) Leisure & Communities – An overall overspend of £86,460 related to numerous areas. A review of the costs and opening date of the new Crematorium facility has resulted in £132,060 of additional budget being required. This is due to the opening date being later than first budgeted creating a shortfall of £171,940 of income which is offset by £39,880 of expenditure savings through salaries and utilities. Furthermore, the Council has taken on the upkeep of St Peters and Pauls Churchyard at Stokesley at the additional cost of £1,200. The various closures of the leisure centres due to COVID-19 has resulted in a reduction of sports equipment needing to be purchased totalling £31,800 across the four leisure centres. An estimated saving of £15,000 due to reduced unrecoverable VAT at Thirsk and Sowerby Leisure Centre is anticipated in 2021/22.
- (iii) Environment – A total saving of £8,260 relates to an increase in the sale of Green Waste Licenses creating an additional £19,000 of income, additional expenditure of £2,000 is required for the associated costs of the increased number of licences. Increased Water Sampling Fees of £18,970 are offset by £10,230 of income from Water Sampling Costs recovered.
- (iv) Finance & Commercial – A saving of £9,310 relates to numerous areas including various savings within the Customer Service department totalling £13,380. A reduction of £13,070 DWP funding relating to the Verify Earnings and Pensions alerts is estimated in 2021/22. An estimated saving of £9,000 due to the reduced number of photocopies made in the Council reflecting fewer staff working at the offices due to COVID-19.
- (v) Law and Governance – a total saving of £750 is a result of £5,750 of savings being identified due to the annual Northallerton May Fair not going ahead due to COVID-19, this is offset with the costs of funding a District by-election in November 2021 due to the resignation of a District Councillor at an estimated cost of £5,000.

- 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 Cabinet Office is to pay the Council £154,868 in relation to an estimated 75% of costs relating to the Police, Fire and Crime Commissioner by-election, a budget is to be established for the income and the associated expenditure required to run the election, any additional costs over the initial 75% will be claimed on completion of the election account.
 - (ii) An Energy Efficiency Grant of £32,000 is to be received in 2021/22 and will be spent during the year.
 - (iii) A minimum Energy Efficiency Grant of £24,810 is to be received in 2021/22 and will be spent during the year.
 - (iv) Housing Benefits Rent Allowances and associated rebates of £24,450 require to be aligned in the budgets.
 - (v) Various vacant posts within the Revenues and Benefits section totalling £101,830 is required for agency costs to cover the posts.
 - (vi) £29,000 is to be transferred from the One-Off Fund to cover increased costs of agency within the Revenues and Benefits department.
 - (vii) The Tenement House at the Treadmills site is to begin operation and requires £9,400 of salary costs that will be covered by £9,400 of income.
 - (viii) £10,000 is required from the One-Off Fund to cover barrister fees relating to legal cases within the Environmental Health department.
 - (ix) The introduction of new credit card charging methods at the Councils Car Parks has meant that bank charges are estimated to increase by £15,250, this is offset by the reduced need for Cash Security services saving £3,140 and reduced repairs and maintenance of £12,110.
- 3.8 At Quarter 2 there has been further expenditure and loss of income estimated as a result of COVID-19 of £2,322,141. COVID grant from 2020/21 of £882,021 and £324,530 from the 2021/22 Sales, Fees and Charges Grant Scheme are to be used to fund part of the shortfall. The remaining £1,115,590 is to be funded by the Council's reserves. £1.5m of reserves was earmarked to meet these costs.
- 3.9 There will be a requirement to meet additional costs associated with local government review which will include additional staffing to backfill to maintain services, consultancy to support the workstreams, additional services and other employment costs. It would be prudent to establish a specific earmarked reserve for these potential costs and it is recommended that a LGR Reserve be set up of £500,000. That will be funded by the underspends in the current year and the underutilised loss of income provision described above.

4.0 COVID-19

- 4.1 COVID 19 has affected the ability for the Council to receive a lot of its fees and charges. This is estimated to be £1,440,120. Closure and reduced capacity at Leisure Centres brings an estimated loss of £1,188,770 for the year. Free parking and reduced visitors have resulted in an estimated £214,150 loss of car parking income for the year.
- 4.2 The Governments Sales, Fees and Charged Loss of Income Scheme will provide some support for certain income streams where the Council is experiencing a loss. However, in 2021/22 only c 70% of April to June 2021 loss of income can be reclaimed. At Quarter 2, the Council is predicting that it will be able to reclaim £324,530 of the estimated total loss of income of £1,440,120 for the full year and £1,500,000 has been allocated from reserves to cover the shortfall.
- 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 £882,021 for the full year. These costs will be met by the Council Covid-19 Reserve at £882,021.
- 4.4 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 polices around COVID-19 change and the impact is better understood across the UK.

5.0 Business Rate Pool

- 5.1 As reported to Cabinet on 6 July 2021 and 7 September 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 3 Revenue monitoring.

6.0 CIL Reserve

- 6.1 The Community Infrastructure Levy (CIL) balance as at 30 September 2021 is £4,544,448. 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	732,321
Less in-year payments to Parishes	(31,206)
Closing Balance Quarter 2	4,544,448

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
Department of Levelling Up, Housing and Communities – Rough Sleeping LA Grant	5,000
Department of Levelling Up, Housing and Communities – Homelessness Prevention Grant	125,406
TOTAL	132,524

8.0 Sensitivity Analysis

- 8.1 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 continue to be closely monitored and an update provided for Quarter 3. 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 £26,000. The contract with Virginia Arrowsmith Consultancy is to provide professional support for part of the High Street Heritage Action Zone (HSHAZ) cultural programme collating information. It is a specialist area and there are no other similar skilled and experienced people in the region to obtain alternative quotes.
- 9.3 The Chief Executive has also approved the following waiver, for which Single Quote/ Tender Waiver Forms have been completed as the annual cost for the contract is £40,000. The contract with Gleeds is to provide NEC3 Project Management Support for Northallerton High Street Improvement Scheme until its completion. The current Project Manager of the Scheme has moved employment and the Council wish to retain the services of the manager so that the knowledge of the project is retained, therefore Hambleton wish to enter into a contract with Gleeds by way of secondment of the project manager for the remaining period of the works.

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 The Cabinet approves that the budget remains at £10,351,080 as detailed in paragraph 3.3 of the report for 2021/22.

15.2 The Cabinet approves and recommends to Council the creation of a specific earmarked reserve of £500,000 to meet any potential costs from local government reorganisation as set out in paragraph 3.9 of the report.

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Background papers: Budget Monitoring Q2 working papers
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Annex A**Budget 2021/22 Qtr 2 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.
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.
Council Wide	2021/22 Pay Award	The final agreement of the 2021/22 pay award is still to be decided. A 2% increase would add approximately £275,000 to the budget.