

Hambleton District Council

Report To: Cabinet

Date: 8 February 2022

Subject: **2021/22 Q3 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 December 2021.
- 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 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 December 2021, the Quarter 2 revenue monitoring report kept the budget at £10,351,080 but recognised that an underspend at Quarter 2 of £174,390 added to the identified Quarter 1 underspend of £159,420 resulted in a year-to-date underspend of £333,810 which was to be 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.
- 2.3 The approved budget at Quarter 2 in accordance with the Council portfolio themes is detailed below:

	£
Economy & Planning	1,364,930
Environment	4,314,520
Finance & Commercial	1,110,970
Law & Governance	1,278,680
Leisure & Communities	2,152,650
Drainage Board levies	129,330
Net Revenue Expenditure	<u>10,351,080</u>

- 2.4 The Quarter 2 revenue monitoring report also estimated a potential increase to the budget of £1,115,590 as a result of COVID-19.

3.0 Budget Position to December 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 3 budget monitoring.

	2021/22 £
Budget Outlook approved at 9 February 2021	10,351,080
Changes to budget outlook:	
Corporate Savings:	(200,230)
Departmental Movements	(263,760)
	(463,990)
Quarter 3 Budgeted Savings	463,990
Budget Outlook Q3	10,351,080
Financial Strategy 9 Feb 2021	10,351,080
Budget Outlook Quarter 3 Surplus / (Shortfall)	-
COVID-19 Costs	1,115,590

Table 1 Quarter 3 Budget

3.2 At Quarter 3 monitoring, underspends and overspends have been identified totalling an underspend of £463,990 in the quarter. In addition to the variances recognised in Quarter 3, the final agreement of the 2021/22 pay award is still undecided and a provision of £275,000 representing an estimated 2% increase is allocated from the underspend at Quarter 3 leaving a net underspend of £188,990. Furthermore, it is recommended that the budget remains at £10,351,080, as the table above shows and that the Quarter 3 underspend less the salary provision is added to the year-to-date underspend referred to in paragraph 3.2 in the Local Government Reorganisation Reserve and that the reserve totals £522,800 at the end of Quarter 3.

3.3 There are three main areas of changes to the 2021/22 budget at Quarter 3 totalling the £463,990 savings:

- (a) Corporate cost savings of £200,230
- (b) Departmental savings of £263,760
- (c) Department movements which have nil effect on the budget

3.4 The Corporate Costs movements in the budget are:

- (i) A corporate review of salary budgets has resulted in savings of £236,060 due to various vacancies, recruitment for posts being stopped due to Local Government Reorganisation and Leisure Centres experiencing staff shortages and operating with skeleton staff. However, these savings are required to fund an additional £35,830 of expenditure including maternity cover in Corporate Finance and increased agency and consultancy costs to cover vacant posts within Design and Maintenance. This results in a total estimated saving of £200,230 of salary related expenditure at Quarter 3.

3.5 Departmental movements create additional underspend of £263,760 and are detailed as follows:-

- (i) Environment – A total underspend of £236,490 relates to numerous areas. The effects of the 2021/22 basket price charges for recycling included in the Kerbside Recycling contract has resulted in an estimated £250,000 saving. Increased tonnage compared to the budget for Green Waste has resulted in £10,900 of additional income as well as a saving of £2,600 on disposal costs. A new waste vehicle has been obtained earlier than budgeted so that the fleet can be fully functioning, costing £9,810 along with additional transport and vehicle consumable costs of £17,200.
- (ii) Leisure & Communities – An overall underspend of £27,270 relates to several areas including a saving of £50,000 of utilities at Thirsk and Sowerby Swimming pool due to reduced consumption as a result of the closure for improvement works. This is offset by £22,730 loss of income due to the closure at Bedale Leisure Centre to carry out improvement works at the centre.

3.6 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) Housing Rents have increased by £20,000 due to additional costs of Housing Association voids, these are offset with savings in the Rent Bond Scheme.
- (ii) Housing Benefit Rent Allowance payments are estimated to be £550,000 below budget due to reduced claimants, this is offset by £550,000 of subsidy that would have been received in the year.
- (iii) Operational Services and Waste and Recycling salaries require budgets to be aligned to where staff have been working. In total £248,770 of Salary and Transport Budgets within the service need to be moved to reflect the operation of running the service including moving £197,030 to Agency due to staff shortages.
- (iv) An Environmental Health services review had identified various savings and additional income of £21,750 which is required to purchase new noise equipment, advertise for staff recruitment and increased vets fees.

4.0 COVID-19

4.1 As reported to Cabinet on 7 December 2021, the estimated costs to the Council remains at £1,115,590 and will be funded by the £1,500,000 that has been allocated in Reserves.

5.0 CIL Reserve

5.1 The Community Infrastructure Levy (CIL) balance as at 31 December 2021 is £4,675,576. 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	948,075
Less in-year payments to parishes	(115,832)
Closing Balance Quarter 3	4,675,576

Table 2 Quarter 3 CIL Reserve

6.0 Other Matters – Grants

- 6.1 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) – Housing Benefit Award Accuracy Initiative Funding	4,573
Total	4,573

Table 3 Quarter 3 Grants

7.0 Sensitivity Analysis

- 7.1 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 continue to be closely monitored. Annex 'A' attached details the sensitivity analysis.

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 £24,157. The contract with Global is to assist local businesses recover from the impacts of the COVID-19 pandemic by increased advertising on radio and buses to encourage people to visit the District's towns and encourage trade from a wider catchment area. There are no other companies offering a comparable service to Global.

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 directly with this report. However, a list of potential pressures on the budget is shown in Annex A.

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 and 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 that the budget remains at £10,351,080 as detailed in paragraph 3.2 of the report for 2021/22.

14.3 That Cabinet approves that £188,890 of the Quarter 3 underspend is transferred to the Local Government Reorganisation Reserve as detailed in paragraph 3.2 of the report.

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Background papers: Budget Monitoring Q3 working papers
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Budget 2021/22 Qtr 3 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 to the Department of Levelling Up