

## **Hambleton District Council**

**Report To:** Cabinet

**Date:** 6 December 2022

**Subject:** **2022/23 Q2 Revenue Monitoring**

**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 September 2022.
- 1.2 The Quarter 2 monitoring for the Capital Programme and Treasury Management position is contained in a separate report on this Cabinet agenda.

### **2.0 Revenue Budget**

- 2.1 The Council set its budget on 8 February 2022 for 2022/23 at £11,366,370 in line with the approved Financial Strategy 2022/23 to 2024/25.
- 2.2 At Cabinet on 6 September 2022, the Quarter 1 revenue monitoring report kept the budget at £11,366,370 but recognised that an underspend at Quarter 1 of £200,000 would be transferred to the Local Government Reorganisation Reserve to cover additional costs with the transition. The approved budget at Quarter 1 in accordance with the Council portfolio themes is detailed below:

Economy & Planning	1,121,770
Environment	3,889,160
Finance & Commercial	3,745,830
Law & Governance	1,280,110
Leisure & Communities	1,194,750
Drainage Board levies	<u>134,750</u>
Net Revenue Expenditure	<u>11,366,370</u>

### **3.0 Budget Position to September 2022**

- 3.1 Since the budget for 2022/23 was set in February 2022, 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.

	<u>2022/23</u>	
	<u>£</u>	<u>£</u>
<b>Budget Outlook approved at 8 February 2022</b>		<b>11,366,370</b>
<b>Changes to Budget Outlook:</b>		
<b><u>Quarter 1:</u></b>		
Corporate Savings		(274,310)
Departmental Variances:		84,310
Transfer from Economic Development Fund		(10,000)
Transfer to Local Government Reorganisation Reserve		200,000
<b>Budget after Quarter 1 monitoring</b>		<b>11,366,370</b>
<b><u>Quarter 2:</u></b>		
Corporate Costs		686,420
Departmental Variances:		
Economy & Planning	(47,400)	
Environment	66,590	
Finance & Commercial	(205,410)	
Law & Governance	(18,760)	
Leisure & Communities	538,560	333,580
<b>Budget after Quarter 2 monitoring</b>		<b>12,386,370</b>
<b>Financial Strategy 8 February 2022</b>		<b>11,366,370</b>
<b>Quarter 2 (Surplus) / Shortfall</b>		<b>1,020,000</b>

- 3.2 In 2022/23, the budget started at £11,366,370 as stated in the Financial Strategy and illustrated in the table above. At the end of Quarter 1, the budget remained at £11,366,370 but recognised a saving in Quarter 1 of £200,000 which would be transferred to the Local Government Reorganisation Reserve to cover additional costs with the transition.
- 3.3 At Quarter 2 monitoring, underspends and overspends for the year have been identified totalling a projected overspend of £1,020,000. Additional pressures have arisen due to inflationary increases, utility increases and the cost-of-living crisis which has impacted income levels. It is recommended that the budget remains at £11,366,370, as the table above shows and that the overspend position is noted.
- 3.4 The budgets will continue to be closely monitored in the second half of the year and if an overspend is predicted at the year end, it is recommended that this will increase the original transfer from reserves budget of £437,486 reported to Cabinet on 8 February 2022.
- 3.5 There are three main areas of changes to the 2022/23 budget at Quarter 2 totalling the £1,020,000 overspend:
- (a) Corporate cost pressures of £686,420
  - (b) Departmental overspend of £333,580
  - (c) Department movements which have nil effect on the budget

3.6 The Corporate Costs movements in the budget are:

(i)

<b>Variance</b>	<b>£</b>
Estimated increased salary costs due to the pay award	500,000
Corporate Salary Savings due to vacant posts	(60,580)
Utilities – increase in costs due to the rise of energy prices	247,000
<b>TOTAL</b>	<b>686,420</b>

3.7 Departmental movements create an additional overspend of £333,580 and are detailed as follows:

(i) Economy and Planning – A saving of £47,400 relates to the following areas:

<b>Variance</b>	<b>£</b>
Building Control – Additional income from the partnership relating to the 2021/22 Accounts	(39,480)
Communications – reduced costs	(7,920)
<b>TOTAL</b>	<b>(47,400)</b>

(ii) Environment – An increase to the budget of £66,590 relates to the following areas:

<b>Variance</b>	<b>£</b>
Environmental Health Staffing requirements	33,000
New Waste Collection vehicles	20,140
Departmental Regrades	13,450
<b>TOTAL</b>	<b>66,590</b>

(iii) Finance & Commercial – a saving of £205,410 relates to the following areas:

<b>Variance</b>	<b>£</b>
Investment Interest Income – Additional income due to the rise in the Bank Rate	(122,980)
Borrowing Expenditure Interest – Reduced borrowing requirement in the year results in reduced costs	(74,370)
Reprographics – Reduced copier lease contract and usage of copiers due to staff working from home	(16,200)
Customer Services – Increased charge for the Customer Relationship Manager (CRM) computer system	8,140
<b>TOTAL</b>	<b>(205,410)</b>

(iv) Law & Governance – a saving of £18,760 is due to the following:

<b>Variance</b>	<b>£</b>
Legal – Income from staff secondment	(18,760)
<b>TOTAL</b>	<b>(18,760)</b>

(v) Leisure & Communities – An increase to the budget of £538,560 relates to the following areas:

<b>Variance</b>	<b>£</b>
Leisure Centre Income – Reduced income due to a number of reasons: lower customer numbers compared to pre-covid, the effects of the cost-of-living crisis, staffing issues that results with not being able to offer some activities, the opening of a new gym in Northallerton and closures due to the capital works.	553,000
Market Income – Reduced income due to a number of stall holders reducing the pitch sizes and reduced number of weekly stall holders.	24,500
Thirsk & Sowerby Sports Village – The new pitch opened on 5 September 2022 creating a new income stream.	(29,640)
Tour de Britain – The costs to support the safe passage of part of the Tour of Britain cycling event cost less than anticipated.	(9,300)
<b>TOTAL</b>	<b>538,560</b>

3.8 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) A grant of £16,300 has been received relating to Rough Sleeping. This is for the first six months of a three-year grant. Budgets need to be established for the associated costs, with no effect to the overall budget.
- (ii) The North Yorkshire Home Choice function is moving from York City Council to Hambleton District Council therefore budgets need to be established for a post and associated costs which will be funded by Hambleton and a number of other authorities and partners, with no effect to the overall budget
- (iii) The ICT department has experienced a number of staff vacancies and is covering these vacancies by various means, for example, agency and another Council to cover IDOX Application Support. Therefore, a budget is required to be assigned to agency from the salary budget. Various ICT System contracts have increased significantly higher than budgeted including a move to Microsoft E5 due to Local Government Reorganisation costing an additional £37,130, increased NYNET Costs of £9,300 and increased back-up costs which can all be found within existing ICT budgets including £8,500 income received relating to apprenticeship appointments.
- (iv) An appointment for an Interim Head of Finance post is to be funded from the Finance One-off Fund Budget.
- (v) The Council has received £45,240 relating to the administration of the Government's Council Tax Rebate Scheme – support for domestic energy bills which is required for the additional costs including IT software and increased postages.

- (vi) The amount of Discretionary Housing Benefit Subsidy allocated to the Council is £32,090 less than budgeted, therefore the Council will make reduced payments of the same amount.
- (vii) Professional advice is required relating to Local Government Reorganisation, the estimated costs are £100,000 which will be funded by the Local Government Reorganisation Reserve.
- (viii) The ICT Disaster Recovery processes have been appraised and the estimated £120,000 cost will be financed from the Computer Reserve which received £100,000 funding in 2020/21 from the Government.
- (ix) A Service Level Agreement has been created between the Homelessness Prevention Project and Citizens Advice North Yorkshire for 2 years. A grant of £45,721 will be paid each year to the Citizens Advice Bureau funded by the Flexible Homelessness Support scheme.

#### 4.0 CIL Reserve

4.1 The Community Infrastructure Levy (CIL) balance as at 30 September 2022 is £6,170,717. The Council is committed to using this reserve for priority schemes and to distribute to parishes. The movements in 2022/23 can be seen in the table below.

	<b>Amount £</b>
<b>2022/23 Opening Balance</b>	<b>4,493,124</b>
Add in year income	1,765,306
Less in year payments to Parishes	(87,713)
<b>Closing Balance Quarter 2</b>	<b>6,170,717</b>
<b>6<sup>th</sup> December 2022 allocations</b>	<b>4,563,385</b>
<b>Balance after allocations as at 30 September 2022</b>	<b>1,607,332</b>

#### 5.0 Other Matters – Grants

The following grants and contributions have been allocated to the Council during Quarter 2.

<b>Description</b>	<b>Amount £</b>
<b>Department for Levelling Up, Housing and Communities:</b>	
Rough Sleeping	16,300
Pavement Licensing New Burdens	3,071
<b>Department for Works and Pensions:</b>	
Housing Benefit Award - Accuracy Initiative	6,063
<b>Total</b>	<b>25,434</b>

## **6.0 Sensitivity Analysis**

- 6.1 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.

## **7.0 Waiver of Procurement Rules**

- 7.1 It is the Council's policy to obtain competitive quotations or tenders for the purchase of products, work that is 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.
- 7.2 The Chief Executive has approved the following three waivers for which Single Quote / Tender Waiver forms have been completed:
- i) The contract with HCS Mechanical is to ensure that the 12 units at Leeming Bar Food Enterprise Centre (LBFEC) have a fully operational and compliant heating system and a supply of hot water. This is required due to the previous occupants vacating the units. The waiver is requested so that the work is carried out as quickly as possible to enable the units to be re-let. HCS Mechanical have provided prices for all the work and are approved contractors to NYCC, they have previously carried out work for the Council at Springboard Business Centre. They are viewed as a local, reliable contractor that have the necessary expertise required for the work and the contract price of £66,000 is deemed to represent best value.
  - ii) The contract with Andrew Garner Electrical Contractors Ltd is to ensure that the 12 units at Leeming Bar Food Enterprise Centre (LBFEC) are at a condition to be re-let. This is required due to the previous occupants vacating the units and leaving it with issues in relation to fire alarms, fire panels and electrics. The waiver is requested so that the work is carried out as quickly as possible to enable the units to be re-let. The Council has worked with the contractor previously and the contract price of £40,000 is in line with the current market and labour rates. They are viewed as a local, reliable contractor with a good track record to prioritise work and the contract price is deemed to represent best value.
  - iii) The work at Treadmills has created the new Campus@Northallerton development in association between the Council, York College and the University of Sunderland. Work continues with the development and it has been identified that the Council will provide strategic leadership to the C@N Partnership until the working arrangements become more established and to ensure the correct level of support is provided. The Council has no experience of working in this field, so would therefore require the work of an experienced consultant with detailed knowledge and experience of working with both higher and further education with positive outcomes. A consultant has been identified with the necessary skills and is able to meet all of the Council's requirements and start work within a short time scale. Following

discussions with key partners there appears to be no local alternatives that could undertake the work and the previous roles of the consultant provides the Council with confidence in relation to value for money and quality of support provided for the contract of £24,000.

## **8.0 Link to Council Priorities**

8.1 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.

## **9.0 Risk Assessment**

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

## **10.0 Financial Implications**

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

## **11.0 Legal Implications**

11.1 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.

## **12.0 Equality and Diversity Issues**

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

## **13.0 Recommendations**

13.1 That Cabinet approves and recommends to Council:

- (1) that the budget remains at £11,366,370 as detailed in paragraph 3.3 of the report for 2022/23;
- (2) that any overspend in 2022/23 is financed by an increase in the Transfer from Reserves as detailed in paragraph 3.4 of the report; and
- (3) the departmental budget movements as detailed in paragraph 3.8 of the report.

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**Background papers:** Budget Monitoring Q2 working papers  
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**Budget 2022/23 Quarter 2 Sensitivity Analysis – potential savings / costs**

<b>Council Directorates</b>	<b>Area of Sensitivity</b>	<b>Commentary</b>
Economy and Planning	Planning Fees	There may be a significant shortfall of income in relation to Planning Fees, this will continue to be closely monitored and reported at Quarter 3.
	Workspace Management Income	This will continue to be closely monitored.
Environment	Bed and Breakfast Accommodation	Accommodation costs will be monitored closely as costs are rising due to Hambleton not having any appropriate accommodation so therefore have to use other areas.
	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	All Leisure Centres	The income at the Leisure Centres will continue to be closely monitored due to the current economic climate and various issues being experienced by the centres.
	Car Park Income	There may be a significant shortfall of income in relation to Car Parking charges, this will continue to be closely monitored and reported at Quarter 3.
	Maple Park Crematorium	The costs and income for the first year of trading are being established and monitored. This could reduce the dividend received by the Council and will be reported at Quarter 3.