

NOT FOR PUBLICATION: Appendices A, B, C, D & E to this report contain information considered to be exempt under Paragraph 3 of Schedule 12A to the Local Government Act 1972 as amended

Agenda Item No. 9

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**REPORT TO:** Management Board  
Leader Meeting  
Cabinet

**DATE:** 28 May 2019  
5 June 2019  
26 June 2019

**SERVICE AREA:** Finance  
Organisational Development & Improvement

**REPORTING OFFICER:** Head of Finance  
*(Paul Foster)*  
Service Finance Manager *(Gillian Morland)*  
Business Intelligence & Performance Manager  
*(Rachel Glynn)*

**SUBJECT:** **2018/19 YEAR END FINANCE AND PERFORMANCE REPORT**

**WARD/S AFFECTED:** ALL DISTRICT

**FORWARD PLAN REF:** N/A

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**1.0 PURPOSE OF REPORT**

- 1.1 The report presents the Council's financial outturn position and provides a summary of the year-end 2018/19 Service Plan performance.
- 1.2 It sets out requests from Service Managers for the allocation of funds from 2018/19 corporate savings. This is in excess of the amount allowed under the normal carry forward rules.
- 1.3 The report was considered by Management Board (MB) on 28 May 2019 and discussed with the Leader and Cabinet Member for Resources, Enterprise and Economic Development on 5 June 2019.

**2.0 RECOMMENDATIONS**

- 2.1 That the report is received and the information contained in this report on the 2018/19 year end finance and performance information is noted.

- 2.2 That the returned surplus of £100,510 from the Leeds City Region Business Rates Pool is set aside in the Business Rates Retention Reserve to fund the commitments set out in the report at paragraph 5.4 on page 14 and that the Leader be granted delegated authority to approve the expenditure on city region objectives of the residual funds of £29,559.
- 2.3 That the two service deficits that have not been met from brought forward reserves are met from revenue in 2018/19, but repaid from surpluses in 2019/20 should they occur in the two relevant services (see paragraph 6.4).
- 2.4 That the uses of the 2018/19 corporate savings, as summarised below and detailed in paragraphs 6.2 and 7.1, are recommended to Cabinet:
- |  |         |
|--|---------|
|  | £       |
| 2.4.1 Normal carry forwards                                | 222,648 |
| 2.4.2 Requests for corporate savings (via Working Balance) | 157,397 |
- 2.5 That the funds previously set aside to cover the costs of pursuing a Stray Act amendment are now ring-fenced to cover Legal project support costs (see paragraph 7.2).

### **3.0 RECOMMENDED REASON FOR DECISION/S**

- 3.1 To conform to the Final Accounts Guidance and timetable.

### **4.0 ALTERNATIVE OPTION CONSIDERED AND RECOMMENDED FOR REJECTION**

- 4.1 None.

### **5.0 GENERAL FUND OUTTURN 2018/19**

- 5.1 The Council is reporting an underspend for 2018/19 of £380k on General Fund activity, an improvement of £381k from the third quarter report in January. The outturn last year was an underspend of £1.838m.

#### **Summary of key variances**

- 5.2 The key variances making up the underspend of £380k are shown in Table 1 overleaf.

The following points in relation to this forecast should be noted:

- The underspend includes some large savings that are effectively outside our control such as business rates, or which will always occur to some extent such as salary savings from staff turnover.
- The underspend includes savings that are one off in nature such as the release of the energy bill provision.
- Forecasting focuses on large and volatile budgets. Across the Council there are many small budgets and whilst we pick up any

expected variances in these as far as is possible, the cumulative effect of variances in these smaller budgets can be significant.

- The financial forecasts of the year-end position included in the last report in January were for the most part based on actuals to the end of November 2018. As a result, the actual variance is different from the last forecast; forecasts are only our best estimate, circumstances will change and there will be items that could not have been foreseen.

<b><u>Significant variances:</u></b>	<b>Qu3 £000</b>	<b>Final £000</b>	<b>Change £000</b>	
HCC position	+662	+734	+72	See exempt Appendix A
Salary savings net of associated costs (excl HCC)	-633	-772	-139	Result of staff turnover and the phasing of reviews
Business Rates saving	-268	-325	-57	
Planning Application Income	-295	-311	-16	Budget £1.843m
Undeliverable P&ES operational savings	+171	+171	0	£315.5k operational review savings in budget
Forecast Car Parking income shortfall	+127	+130	+3	Budget £3.537m
Turkish Baths	+188	+191	+3	10 week rather than 4 week closure.
Leisure income	+100	+232	+132	
Release of energy bill provision	0	-143	-143	
Interest	-81	-109	-28	
New Homes Bonus expenditure	+88	+88	0	Will result in additional income of £340k in 19/20
Trade Waste (income / disposal costs)	-67	-89	-22	
Homelessness	+50	+79	+29	
<b>Total</b>	<b>+42</b>	<b>-124</b>	<b>-166</b>	
<b><u>Other Variances:</u></b>				
All other (net)	-41	-256	-215	
<b>Total</b>	<b>-41</b>	<b>-256</b>	<b>-215</b>	
<b>Grand Total</b>	<b>+1</b>	<b>-380</b>	<b>-381</b>	

Table 1: Key Variances – Outturn 2018/19

### **Summary of Service Variances**

5.3 A service by service summary is shown in Table 2 overleaf.

	Net Controllable Budget £000	Qu3 Variance £000	Final Variance £000	Change £000
Community:				
Housing & Property	1,713	-67	-35	+32
Parks & Environmental Services	4,350	-1	+17	+18
Safer Communities	-1,473	+135	+37	-98
Corporate Affairs:				
Finance	2,620	+70	+39	-31
Legal & Governance	2,229	-10	-25	-15
ICT	2,663	-16	-46	-30
Organisational Development & Improvement	1,980	-97	-141	-44
Economy & Culture:				
Culture, Tourism & Sport	539	+215	+324	+109
Place-Shaping & Economic Growth	5,174	-473	-768	-295
Harrogate Convention Centre	-1,093	+622	+694	+72
Treasury Management & Other Corporate Items	-2,599	-656	-486	+170
<b>Total Net GF Expenditure</b>	<b>16,103</b>	<b>-278</b>	<b>-390</b>	<b>-112</b>
Funding	-16,103	+279	+10	-269
<b>Net Position</b>	<b>0</b>	<b>+1</b>	<b>-380</b>	<b>-381</b>

Table 2: Financial Position – Outturn 2018/19

5.4 The total underspend of £380k and improvement of £381k since the third quarter report (items in brackets) is due to the following main reasons:

#### Community

##### **Housing & Property (-£35k)**

The service is reporting an underspend of £35k, a reduction of £32k from the quarter 3 Financial Update Report. There are salary savings of £45k (+£5k), increased income (Public Sector Housing & housing development) of £27k (-£3k), savings in mobile & building cleaning of £20k (+£1k) and in street lighting of £21k (-£3k) and other savings of £1k (+£3k), which are partly offset by a net overspend in relation to homelessness of £79k (+£29k).

Of the homelessness overspend, £26k relates to accommodation costs, £83k to prevention measures and there is a saving of £30k in respect of cold weather provision. Following a change in legislation, the reliance on the use of B & B accommodation increased as did the numbers of customers accessing the housing advice and homelessness services. It is likely that as a result of the new legislative duties to 'specified public bodies' to refer, we

will see a further increase in placements needed for both hospital and prison discharges. The housing options team have anticipated this increase by the appointment of additional staff dedicated to increasing the supply of accommodation through the private rented sector. To the 31 March 2019 we have assisted 165 households to access private sector accommodation in comparison to 107 for the same period last year.

In relation to Service Plan Performance; we have:

- ✓ Formed a Housing Development Company
- ✓ Started on site at the Spa Lane purpose-built temporary accommodation
- ✓ Reviewed our void management (time taken to re-let housing) process to improve turnaround time
- ✓ Drafted a Housing Strategy
- ✓ Started a review of our Lifeline Service
- ✓ Reviewed health and safety within our building maintenance team
- ✓ Started a management review of our property services
- ✓ Delivered 259 affordable homes
- ✓ Reduced the number of households living in temporary accommodation from 51 to 42
- ✓ Reduced the average length of stay in hostel accommodation from 8.7 to 6.0 weeks
- ✓ Reduced Housing rent arrears as a proportion of our rent roll from 1.25% to 1.02%

Performance was below our original targets for:

- 47% of homelessness preventions were successful (this was a new indicator for 18/19 and we set a stretched target of 75%) – to improve performance, we have appointed two officers to the Housing Options Team and we are targeting work to increase the number of landlords actively working with us as well as improving the offer available to both the landlord and customer.
- The length of stay in temporary B&B accommodation has increased from an average of 3 to 5 weeks – performance in this area is impacted by the availability of specialist accommodation and the new build in Starbeck will support improved performance in this area.

### **Parks & Environmental Services (+£17k)**

The service is reporting an overspend of £17k, a deterioration of £18k from the quarter 3 Financial Update R report. This overspend includes a shortfall of £31k in markets income (-£4k) and an overspend of £4k for marketing of the markets (-£6k). As agreed in the report to Cabinet on 28 March 2018, as there are sufficient corporate underspends to do so, this £35k cost has been met from corporate underspends and so there is no transfer from the Budget Transition Fund (+£45k). Excluding the markets items leaves a net service saving of £18k.

Within this figure there is an overspend of £171k relating to savings in respect of operational reviews, that has not been delivered as budgeted; £104k being the total for the waste operational review and £67k being part of the green waste operational review (the latter being primarily due to a

lack of garden waste disposal sites in the district). The impact of this is partly offset by net salary / temporary staffing savings of £85k (+£27k). Other significant variances include increased income at the nursery of £33k (-£3k), increased rental income of £15k (-£15k) a saving in recycling disposal costs for sharps & clinicals of £25k (-£3k), savings of £27k in refuse removal costs (-£27k), miscellaneous expenditure budget savings of £15k (-£15k) and an £89k improvement in the trade waste position (-£22k) (£11k increased income, £78k disposal costs saving) but overspends of £18k in Games in Parks (income shortfall and staffing overspend) (-£7k), of £15k fly tipping costs in street cleansing (+£10k) and £21k for vehicle hire in waste & recycling (+£2k) and a shortfall of £64k in bereavement services income (+£22k). In addition to this there are smaller variances in income and expenditure with a net total saving of £18k (+£14k).

P&ES were affected by extreme weather conditions in 2018/19. The very dry weather in June and July led to lower than forecast tonnages achieved through garden waste and additional staffing and watering costs were incurred for maintaining bedding/trees. In addition the unusually mild winter led to a lower number of cremations/burials in Bereavement Services (income shortfall of £64k).

In respect of the shortfall in delivery of savings from the operational reviews, the service comments as follows:

Garden Waste Operational Review: We have only managed to reduce by one vehicle and crew and not the two as anticipated. The reason for this is primarily due to the lack of waste transfer stations for garden waste in the district. This is being picked up as part of the brief for the review of the depot and nursery. However this issue had a budgetary impact in 2019/20 and 5 garden waste vehicles have been built into the budget.

Waste Operational Review: A revised timetable of 24 June 2019 is being implemented and the review will generate a saving of one vehicle and crew on refuse and one vehicle and crew for recycling. The new operational rounds also incorporate 2,000 new properties since the report was compiled.

The final profit & loss accounts for Green Waste and for Trade Waste can be found at **exempt Appendices B and C** to this report. It should be noted that we have exceeded the target for 2018 of 28,200 subscriptions by achieving 29,000 subscriptions on green waste. We did fall slightly below the unbudgeted stretch target. Successful delivery of the Trade Waste Development Strategy has generated a profit of £151k at year end which is £33k better than budget and a significant increase of £123k on the previous year.

In relation to Service Plan Performance; we have:

- ✓ Implemented a Markets Review
- ✓ Implemented Phase 2 of the green garden waste programme
- ✓ Completed Year 1 of the Trade Development Strategy
- ✓ Reviewed our Health and Safety training arrangements
- ✓ Reviewed our bedding scheme and introduced naturalistic planting

- ✓ Introduced recycling for our trade waste service
- ✓ Improved our household waste recycling from 39.6% to 40.1% - although we recognise that this is below the national average

Performance was below our original targets for:

- Made progress on our operational services review (although there has been some slippage on the original timescales)

### **Safer Communities (+£37k)**

The service is reporting an overspend of £37k, a reduction of £98k from the quarter 3 Financial Update Report. There is a shortfall in parking income of £170k, of which £40k is the result of an in-year adjustment to reflect car parking arrangements which also impact on the Harrogate Convention Centre, where a corresponding increase in income is being reflected (and hence a net nil impact overall) (+£3k). The balance of £130k reflects a shortfall in daily ticket income (the shortfall is at the large multi-storey car parks in Harrogate and is to some extent offset by increased income at other car parks) partly offset by increased monthly ticket income. There was a marketing campaign in December (which promoted parking facilities and services available to customers) following approval of a promotional campaign by Cabinet Member Sustainable Transport in November 2018. The promotional work will continue over a 12 month period.

The underlying £130k shortfall in parking income is more than offset by net salary savings of £66k (-£34k), increased premises licence income of £32k, largely due to the UCI cycling event in September (-£32k), savings in repairs & maintenance costs in parking services of £11k (-£11k) and other small net savings of £24k (-£24k).

In relation to Service Plan Performance; we have:

- ✓ Produced a draft car parking strategy and awaiting feedback from NYCC
- ✓ Implemented the Air Quality Management Area Action Plan
- ✓ Continued to develop our community hub by integrating housing support and mental health
- ✓ Completed a review of enforcement on public land
- ✓ Reviewed charging for business advice
- ✓ Reviewed our business continuity plans

### Corporate Affairs

#### **Finance (+£39k)**

The service is reporting an overspend of £39k, an improvement of £31k from the quarter 3 Financial Update report. £49k of this overspend relates to corporate items which include incurring £88k of expenditure on consultants in relation to increasing future New Homes Bonus grant income, increased benefit related administration grant income of £22k (-£2k) and favourable Council Tax benefit payment adjustments related to 2012/13 of £17k (-£14k).

In addition to this there is a net shortfall of £69k in revenues recovery income (+£19k) which is more than offset by net salary savings of £68k (-£6k) and smaller variances with a net saving of £11k (-£28k).

In relation to Housing Benefits Subsidy, an in-year saving of £115k is fully offset by an anticipated cost of circa £123k in relation to 2017/18 following the audit, with the balance of the 2017/18 cost being funded from reserve. A significant element of this cost is due to Local Authority error but we have made representations to DWP on certain aspects of this and hope to reduce the prior year cost as a result.

As a result of the work undertaken by consultants in the current year to identify an additional 255 band D equivalent properties for inclusion in our CTB government return, increased New Homes Bonus funding income of approximately £340k has been secured for the Council in 2019/20.

The net shortfall in Revenues Recovery Income is the result of changes to customer debt management – the level of arrears at which reminders (up from £10 to £25) and summons (up from £20 to £100) are sent out has increased in order to support the objectives of the Vulnerability Policy and Welfare Strategy whilst reducing administration and postage. Alternative payment avenues are explored with debtors prior to enforcement as this ties to our commitment to taking an ethical approach to debt collection.

In relation to Service Plan Performance; we have:

- ✓ Delivered a balanced budget and Medium Term Financial Strategy
- ✓ Provided professional support to corporate projects
- ✓ Agreed a customer charter
- ✓ Drafted a corporate fraud strategy
- ✓ Agreed a debt recovery strategy
- ✓ Completed the structural review of the Revenues, Welfare and Customer Services
- ✓ Agreed a welfare strategy
- ✓ Completed the review of the staffing structure in Accountancy Services and Accountancy Systems
- ✓ Agreed support arrangements for the Leeds Credit Union
- ✓ Reduced processing times for changes to housing benefit and council tax claims

Performance was below our original targets for:

- Processing times for new housing benefit and council tax reduction (CTR) claims have slightly increased – there has been no detrimental impact to the customer as no recovery for CTR is taken during the processing of the claim
- Our response times for complaints have not met their target – see the year-end corporate performance report (presented at the same meeting for full details)
- Sundry debt collection levels reduced from 98% to 91% - see the year-end corporate performance report (presented at the same meeting for full details)
- The percentage of council tax and non-domestic rated collected decreased slightly in comparison to the previous year - see the year-

end corporate performance report (presented at the same meeting for full details)

### **Legal & Governance (-£25k)**

The service is reporting an underspend of £25k, an increase of £15k from the quarter 3 Financial Update Report. There are salary savings net of related costs of £24k (-£24k), increased Legal income of £10k (-£5k) and other small savings of £18k (-£18k) which are partly offset by overspends in elections costs of £16k (+£21k) and Members costs of £11k (+£11k).

In relation to Service Plan Performance; we have:

- ✓ Delivered all-out district, parish and Business Improvement District Elections
- ✓ Provided professional support to corporate projects
- ✓ Launched the Local Lotto
- ✓ Supported the on-going development of the Local Fund Harrogate District
- ✓ Provided partnership support to the Harrogate District Public Service Leadership Board
- ✓ Developed a communication and engagement vision and strategy
- ✓ Lead the implementation of GDPR
- ✓ Reviewed Member Training and Development arrangements
- ✓ Implemented the Risk Management Action Plan actions
- ✓ Introduced a Parish Fund

### **ICT (-£46k)**

The service is reporting an underspend of £46k, an increase of £30k from the quarter 3 financial Update Report. Although there is an overspend of £120k in relation to the Microsoft Office Agreement, this has been funded from the Budget Transition Fund and so has a net nil overall impact. The underspend is due to savings of £139k in software, hardware and communications (-£89k), partly offset by a cost of £92k from the use of temporary staff net of associated salary savings (+£58k) and a net overspend on other supplies & services costs of £1k (+£1k)

In relation to Service Plan Performance; we have:

- ✓ Provided professional support to corporate projects
- ✓ Established a three-Year ICT Strategy
- ✓ Undertaken procurement exercise to secure Wi-Fi and LPwan (for Internet of Things) within the Borough but with a focus on the UCI areas
- ✓ Reviewed the ICT Shared Management contract – with a project plan now in place
- ✓ Developed the HBC Wide Area Network (wireless and fixed network components and services) to non-civic centre sites
- ✓ Increased user satisfaction with the ICT service desk from 98% to 99% and resolved 89.8% contacts at first point

### **Organisational Development & Improvement (-£141k)**

The service is reporting an underspend of £141k, an increase of £44k from

the quarter 3 Financial Update Report. There are net salary savings of £137k (-£50k), rental income of £15k (-£1k), and other small variances with a total cost of £11k (+£7k).

In relation to Service Plan Performance; we have:

- ✓ Provided professional support to corporate projects
- ✓ Reviewed the workplace and facilities management model and structure
- ✓ Reviewed capacity within the Human Resources Team
- ✓ Ensured strong programme and project management for the 2024 programme
- ✓ Completed a pay, grade and reward review
- ✓ Reviewed and implemented the Improvement and Development Team structure
- ✓ Taken a lead role in supporting the organisation to reduce sickness

Performance was below our original targets for:

- We had 22 apprentices - see the year-end corporate performance report (presented at the same meeting for full details)

## Economy & Culture

### **Culture, Tourism & Sport (+£324k)**

The service is reporting an overspend of £324k, a deterioration of £109k from the quarter 3 Financial Update Report.

The position at the Turkish Baths is £216k worse than budget (+£3k), although the budgeted transfer to the Council's Investment Reserve, to start repaying the cost of the refurbishment works, has been delayed, saving £25k. This reflects a shortfall of income of £205k, of which £153k is because the facility was closed for 10 weeks for refurbishment rather than the budgeted 4 weeks, together with a significant underperformance in massage and beauty income. The extended closure was largely due to the landlords maintenance work, originally scheduled to coincide with the closure, running beyond the planned re-opening. In addition there are employee related overspends of £11k. The final profit & loss account for the Turkish Baths can be found at **exempt Appendix D** to this report.

There are income shortfalls in sport and leisure at swimming pools of £157k including the net loss of income at Knaresborough Pool as a result of closure due to a leak (+£81k), at sports centres of £43k (+£29k), at community centres of £12k (+£12k) and in corporate memberships of £20k (+£10k). Other sport & leisure variances are salaries & wages savings of £83k (-£29k) and a net cost of £22k in other smaller items (+£20k). In addition to this there are £34k of savings at the TICs (of which £10k is on subscriptions) (-£9k) and a shortfall of £19k in income at museums (+£1k) is more than offset by net savings of £23k (mainly in salaries) (-£9k).

£105k of savings from the Sport & Leisure Review has not been delivered this year as intended, however alternative options for making in-year savings across the service were identified and to a large extent delivered so

there is a small impact of approximately £12k from this delay. One of the items that made up the 2018/19 Sport & Leisure Review savings target was the closure of Ripon Creche which although did not happen during 2018/19 will now happen during 2019/20.

In relation to Service Plan Performance; we have:

- ✓ Supported the development of the Business Improvement District
- ✓ Prepared for the UCI World Cycling Championships
- ✓ Submitted a planning application for the new pool in Ripon
- ✓ Completed a feasibility study for a gym at Knaresborough pool

Performance was below our original targets for:

- Part one of the review of our Sport and Leisure Service is now expected to be completed by the end of June - see the year-end corporate performance report (presented at the same meeting for full details)

Attendance numbers at our main sport and leisure sites were:

	2016/17	2017/18	2018/19		Status	Trend
	Value	Value	Value	Target		
Ripon Leisure Centre Attendances	85,389	78,464	<b>70,903</b>	<b>78,464</b>		
Ripon Pool Attendances	79,182	73,030	<b>69,414</b>	<b>73,030</b>		
Knaresborough Pool Attendances	146,914	134,312	<b>123,657</b>	<b>126,478</b>		
Nidderdale Attendances	61,480	62,014	<b>61,347</b>	<b>62,014</b>		
Hydro Attendances	321,388	332,524	<b>341,886</b>	<b>332,524</b>		
Starbeck Attendances	69,893	68,915	<b>70,724</b>	<b>68,915</b>		

### Place-Shaping & Economic Growth (-£768k)

The service is reporting an underspend of £768k, an increase of £295k from the quarter 3 Financial Update Report. A large proportion of this increase is due to year-end accounting processes, including £143k from the release of a provision for possible energy bills (-£143k) and increased ground rent income of £45k following a review of accruals (-£45k).

In line with previous reports, increased income of £388k in the Planning section is the major contributor to the overall saving in 2018/19. This includes increased planning application income of £311k (-£16k), mainly as a result of large major applications relating to a potential new settlement in the district, increased pre-application income of £18k (+£2k), as well as street naming & numbering income of £23k (-£23k) and internal planning & building control income of £36k (-£36k). Elsewhere in the service there was an increase in Spa Water income of £22k (-£22k).

The other area of significant variance in 2018/19 was a net salary saving of £245k (-£29k). This was a result of vacancies across the service (many of which are 'hard to fill') but also includes a significant element related to planning, where additional resource was included in the budget but is not scheduled to be fully utilised until late 2019 when the second phase of the service review is complete.

Other variances include a business rates saving, net of costs, of £28k, consultants expenditure savings of £24k (-£24k), expenditure savings in land charges of £24k (-£24k) and against other supplies & services of £31k (-£31k) which are partly offset by a shortfall of £42k in building control income (+£1k), an overspend of £138k in the Building Management Account (BMA) (+£93k) and a net overspend on other smaller items of £2k (+£2k).

The BMA position is due to a net overspend on repairs & maintenance works, partly offset by savings in rates and utilities.

In relation to Service Plan Performance; we have:

- ✓ Progressed the Local Plan
- ✓ Contributed to the public sector partnership approach to the development of Ripon Barracks
- ✓ Implemented Year 2 of the Economic Growth Strategy Action Plan
- ✓ Made significant progress on the creation of a Digital Incubator Hub
- ✓ Progressed the Station Gateway and other capital projects (e.g. HCC)
- ✓ Completed a high level review of council owned assets and land
- ✓ Agreed an Ultra-Low Electric Vehicles Strategy
- ✓ Developed a Housing Delivery Action Plan
- ✓ Worked with NYCC to ensure traffic modelling is fit for purpose
- ✓ Undertaken a full service review
- ✓ Drafted a 5-year AONB Management Plan
- ✓ Secured £814,711 in funding for grants to businesses through devolved grants schemes

Performance was below our original targets for:

- The small transport schemes has been delayed due to officer resources being directed to support other priority areas (e.g. Local Plan)

Planning processing times met their timescales for:

	2016/17	2017/18	2018/19		Status	Trend
	Value	Value	Value	Target		
Major planning applications	84.62%	83.18%	83.67%	85%		
Other planning applications	85.29%	92.64%	93.5%	95%		
Minor planning	78.18%	83.49%	88.27%	85%		

applications						
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### Harrogate Convention Centre

Harrogate Convention Centre, which includes the cost of operating the Royal Hall, is reporting an overall change over the year of £694k, a change of £72k compared to the quarter 3 Financial Update Report. Reasons for this are highlighted in the **exempt Appendix A** and more detailed lettings information is reflected in **exempt Appendix E** to this report.

Despite operating in an increasingly competitive UK event market, Harrogate Convention Centre continues to be the biggest driver of economic benefit to the district, attracting millions of pounds in business-visitor spend annually.

Meanwhile, a major review of the company’s business strategies and an ambitious investment programme in facilities, led by Director Paula Lorimer, will focus on the lucrative, and growing, association event market and will in-turn boost economic impact.

On average, for every £1 spent in the venue, delegates will spend a further £5 within the district. This spend safeguards jobs and supports a huge range of businesses in the district which, without thousands of Convention Centre visitors each year, would struggle to survive.

### Treasury Management, Other Corporate Items and Funding

These budgets include the Council’s Treasury Management activities, recharges to non-General Fund services and funding (such as Business Rates). In total we are reporting an underspend of £476k in this area, an increase of £99k from the quarter 3 Financial Update Report.

We are reporting increased interest of £109k from a combination of higher rates and balances (-£28k), unbudgeted grant income of £27k (-£8k), a saving of £9k in audit fees (+£3k) and smaller items with a saving of £6k (-£9k).

In terms of business rates, there has been an increase in our levy payment of £110k (-£169k) which is more than offset by increased S31 grant income of £565k (-£18k), a net saving of £455k. We have also received an unbudgeted rates levy surplus grant of £56k (-£56k). As a result of the timing differences, we have set aside £186k of this saving in the Business Rates Reserve in order to make partial provision for the rates pool deficit that we are forecasting in 2020/21 (+£186k), reducing the net saving in revenue to £325k.

In addition we have received £101k returned surplus following the disbanding of the Leeds City Region Business Rates Pool (as we now transfer to a North & West Yorkshire Pool instead). This surplus has also been set aside in the Business Rates Retention Reserve to fund residual schemes from this pool, as set out below. Thus there is a net nil effect on revenue from this item.

At the final meeting of the Joint Committee on 29 March 2019 the Leaders were made aware of the projected surplus of the pool. The decision was taken to discuss this at a later point. There was an informal meeting on 11 April where Leaders agreed to fund the following:

- Leeds City Region Secretariat 2019/20 £620k
- Combined Authority Transport Fund £696k
- WYCA China/India Desk £150k

As the LCR Pool was disbanded on 31 March 2019 the Leaders were unable to make the decision as the “Joint Committee”. Instead, the decision was made by the Leaders (or substitutes) on behalf of their authorities. As such we need to formally approve that our share of the surplus (£100,510) is set aside to fund our share of the commitments made at the meeting on 11 April, namely:

- Leeds City Region Secretariat 2019/20 £19,815
- Combined Authority Transport Fund £42,153
- WYCA China/India Desk £8,983

It is proposed that the Leader be granted delegated authority to approve the expenditure on city region objectives of the remaining balance of £29,559.

5.5 Management Board and Members are reminded that budgets are monitored on a risk weighted basis, which seeks to focus staff resource on volatile budgets in the identification of major variances.

5.6 **Appendix F** to this report shows how these variances relate to budgeted savings and increased income.

## 6.0 SERVICE SURPLUSES/DEFICITS

6.1 In accordance with the Business Unit Principles and Practices set out in the Council’s financial procedure rules, services are permitted to carry forward to reserves 50% of any savings on net controllable expenditure. The amount that can be carried forward is capped at 1% of the services’ actual turnover (the sum of controllable expenditure and external income). In the case of the Strategic Property Operational Account within Planning & Development, Council has agreed to allow 100% carry forward of their surplus.

- 6.2 A total of **£222,648** has been credited to reserves in 2018/19 in accordance with the above policy. This is summarised in **Table 3** below:

<b>Table 3: Service Surpluses</b>	<b>Surplus</b>	
<b>Service</b>	<b>£</b>	
<b>Corporate Affairs</b>		
Finance	1,893	
ICT	23,081	
Legal & Governance	12,719	
OD & Improvement	19,991	capped at 1% of turnover
<b>Community</b>		
Safer Communities	0	
Housing & Property	20,370	
Parks & Environmental Services	9,129	
<b>Economy &amp; Culture</b>		
Strategic Property - operational	33,311	100% of surplus
Planning & Development	102,154	capped at 1% of turnover
<b>Total</b>	<b>222,648</b>	

- 6.3 The requirement to deliver services within approved resources represents a fundamental principle of the Business Unit approach to devolved financial management. This continues to work well. Service Managers are encouraged to be prudent in the knowledge that a proportion of in-year savings will be made available for reinvestment in their business. The spending of reserves is, however, subject to the necessary approvals including Cabinet Member approval for expenditure greater than £25,000.
- 6.4 In the case of Services that overspend, usually this is made good from brought forward reserves. In 2018/19 two services were in deficit by **£1,053,695** in total. There are no funds in Service reserves to offset this, resulting in a shortfall of **£1,053,695**. The shortfall therefore remains a charge on the revenue account, effectively reducing the contribution to the Working Balance. MB recommends that the two deficits are repaid from surpluses in 2019/20, should they occur in the two relevant services. This position is summarised in **Table 4** below:

<b>Table 4: Service Deficits</b>	<b>Deficit</b>	<b>Met by</b>	<b>Shortfall</b>
<b>Service</b>	<b>£</b>	<b>Reserve</b>	<b>£</b>
		<b>£</b>	
Harrogate Convention Centre	729,334	0	729,334
Culture, Tourism & Sport	324,361	0	324,361
<b>Total</b>	<b>1,053,695</b>	<b>0</b>	<b>1,053,695</b>

- 6.5 Following transfers to Service Reserves for normal carry forwards, the unutilised balance of the 2018/19 saving of **£157,397** has been provisionally credited to the Working Balance. This is before the requests for the use of savings in section 7 are considered. The recommendations by MB are subject to further consideration by the Leader/Cabinet Member for Resources, Enterprise and Economic Development, Cabinet and approval

by Council. The approved uses of savings will be actioned in 2019/20 transferring the necessary amounts from the Working Balance.

## 7.0 REQUESTS FOR USE OF 2018/19 CORPORATE SAVINGS/RESERVES

7.1 As in previous years, requests have been received from Service Managers to carry forward additional sums. These requests total **£551,543**, and this is after requests have been excluded that can be funded from existing reserves, including normal carry forwards (see paragraph 6.2 above). MB considered all the requests and recommended the uses set out in **Table 5** below, which total the available funds of **£157,397**. The recommendations were endorsed by the Leader and Cabinet Member for Resources, Enterprise and Economic Development. Detailed information on the recommended uses is set out in **Appendix G**.

<b>Table 5: Requests for Additional Carry Forward</b>	<b>£</b>
1 – Private Sector Housing Enforcement	4,182
2 – UCI	111,000
3 – SharePoint Training	1,163
4 – Temporary Senior HR Adviser	41,052
<b>Total</b>	<b>157,397</b>

7.2 As part of the 2015/16 year end closedown £55k of corporate underspends were set aside to cover the costs of pursuing a Stray Act amendment. These funds are no longer required for the reason requested and as such MB recommend that the funds are now ring-fenced to cover Legal project support costs.

## 8.0 GENERAL FUND WORKING BALANCE

8.1 The movement on the Working Balance during 2018/19 and the balance as at 31 March 2019 can be summarised as follows in **Table 6** below:

<b>Table 6: General Fund Working Balance</b>	<b>£</b>
Balance b/wd 1 April 2018 (per financial statements)	3,785,346
<b>Less</b> 2017/18 savings re-allocated in 2018/19 (Council approval 19 July 2017)	-1,285,346
<b>True</b> balance brought forward 1 April 2018	2,500,000
<b>Add</b> Contribution from 2018/19 saving (see Para. 6.5)	157,397
Balance c/wd 31 March 2018 (per financial statements)	2,657,397
<b>Less</b> 2018/19 savings available to re-allocate in 2019/20 <b>(assuming agreed requests limited to savings available)</b>	-157,397
<b>True</b> balance brought forward 1 April 2019	2,500,000

8.2 As part of the budget process the financial risks facing the Council for 2015/16 were assessed and it was recommended the working balance is rebalanced to £2.5m, which was reaffirmed as part of the 2019/20 budget setting process. Agreeing all the requests will result in a working balance below the rebalanced amount by £394k.

8.3 It is the Head of Finance's clear advice that the minimum Working Balance level should remain at £2.5m and should not be breached. Therefore, some

prioritisation of the bids for underspends should be carried out to ensure this.

## **9.0 REQUIRED ASSESSMENTS AND IMPLICATIONS**

9.1 The following were considered: Financial Implications; Human Resources Implications; Legal Implications; ICT Implications; Strategic Property/Asset Management Considerations; Risk Assessment; Equality and Diversity (the Public Sector Equality Duty and impact upon people with protected characteristics). If applicable, the outcomes of any consultations, assessments, considerations and implications considered necessary during preparation of this report are detailed below.

## **10.0 CONCLUSIONS**

10.1 GF net expenditure for the year before making contributions to reserves was **£380k** less than the Budget.

10.2 Following transfers to Services for normal carry forwards, the unutilised saving is **£157k**. Requests have been put forward to more than utilise this saving.

10.3 Should all the requests be agreed, the true Working Balance at 1 April 2019 would be £394k less than the £2.5m recommended as part of the 2019/20 budget process. MB has prioritised the bids to allocate the available funds.

**Background Papers - None.**

**OFFICER CONTACT:** Please contact Paul Foster (Head of Finance) if you require any further information on the contents of this report. The officer can be contacted at the Civic Centre, St Luke's Avenue, Harrogate, HG1 2AE, by telephone on 01423 556101 or by e-mail at [paul.foster@harrogate.gov.uk](mailto:paul.foster@harrogate.gov.uk). Alternatively please contact the Service Finance Manager by telephone on ext 58568 or by email at [gillian.morland@harrogate.gov.uk](mailto:gillian.morland@harrogate.gov.uk) or the Principal Policy & Performance Officer by telephone on ext 58111 or by e-mail at [rachel.glynn@harrogate.gov.uk](mailto:rachel.glynn@harrogate.gov.uk).