



PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	29 JULY 2021 <u>(UPDATED FOR FULL COUNCIL ON 9th SEPTEMBER 2021)</u>
REPORT OF THE:	CHIEF FINANCE OFFICER (s151) ANTON HODGE
TITLE OF REPORT:	REVENUE AND CAPITAL BUDGET MONITORING – Q1 2021/22
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 The revenue budget for 2021-22 was approved by Council on 18 February 2021. This report presents the financial performance against the budget as at 30 June 2021. The report also contains an updated position on the estimated use of reserves over the next few years.
- 1.2 Due to the lead-in time required for preparing and circulating reports, at the time of the Policy and Resources meeting in July, Q1 had only just closed and therefore work was not yet complete on finalising these estimates. As discussed at this meeting, this report has been updated for Full Council consideration to include the figures.

2.0 RECOMMENDATION

- 2.1 It is recommended that the Council:
- i) Notes the contents of the report.
 - ii) Notes the impact on reserves of current spending plans and that it is likely that reserves would be fully spent by March 2024 if Ryedale District Council had continued to exist. A new unitary authority across North Yorkshire will be in place from April 2023.
 - iii) Notes that Local Government reorganisation is currently underway. There will be additional costs arising from that which all councils will be expected to

contribute to. Protocols on potential spending over the transition period, which are currently being developed, may also feature.

3.0 REASON FOR RECOMMENDATION(S)

3.1 To ensure that budget exceptions are brought to the attention of the Council in order to approve remedial action where necessary and to inform the financial implications and impact on future years.

4.0 POLICY CONTEXT AND CONSULTATION

4.1 The financial position and performance against budget is fundamental to delivery of the Council's Plan, achieving value for money and ensuring financial stability.

5.0 REPORT DETAILS

General Fund (Appendix A) – Revenue Estimates

5.1 The table below sets out the summary Q1 position, with details of forecast variances included in **Appendix A**

General Fund Account – Q1 2021/22	Budget	Forecast	Variance
	£000's	£000's	£000's
Net Revenue Budget	8,577	8,574	(3)
Settlement Funding RSG/NDR	(4,136)	(4,136)	0
Amount to be met from Council Tax	4,441	4,438	(3)
Council Tax	(4,483)	(4,483)	0
Collection Fund Deficit	42	42	0
Net Revenue Budget (Surplus) / Deficit	0	(3)	(3)

5.2 The main variances are:

Expenditure

- **All Employee-related costs.** There is a £200k overspend on Streetscene relating to costs of bureau waste operatives, including covering the impact of covid self-isolation. Work is currently underway to investigate the cost pressures within the service as part of a transformation project and this will also look at the overall operating model and performance.
- **Premises-related.** There is a £36k predicted overspend on repairs at Derwent Lodge and the Traveller site at Malton due to site conditions.

Income

- **Fees and Charges.** Car parks are currently achieving to budget and, assuming no further policy changes in year (e.g. payment holidays) it is anticipated that this will continue throughout the year. Recycling income is over-achieving (£70k over in the first quarter), and there is confidence that this will continue, as prices are buoyant. If this continues there could be up to £250k additional income. However the market has traditionally been quite volatile, so this will be closely monitored.

Covid-19 impact on Revenue Budget

- 5.3 Forecasts have been prepared using the latest information gathered for the financial impacts monitoring returns to MHCLG and the position reported here uses the estimates for the full financial year as at the end of June.
- 5.4 Council approved additional funding from reserves of £787k to cover COVID costs as set out in the table below.
- 5.5 Estimated gross costs for the year at this stage – and assuming no continuation of these after September are also included below.

	Budget	Latest
	£000	Estimate £000
Stand-by payments	25	25
Reduction in investment income	150	150
Additional Vehicle Hire (Streetscene)	23	23
Loss of car park income	155	155
Loss of catering income	10	10
Additional finance resources	50	50
Ryecare Income	8	8
Procurement savings not achieved	50	50
Streetscene (reduction of income, offset by reduction in diesel, etc)	73	73
Customer Services Staff	90	90
COVID Grant Revenue Officers	25	25
COVID Marshall	12	14
Online meetings	25	20
Covid-secure workplace adjustments including PPE	45	45
Support for Vol and Community sector incl additional grant allocation	25	25
COVID implementation and coordination arrangements	22	22
	<u>787</u>	<u>785</u>

- 5.6 The £785k is the estimated annual gross cost for costs to be funded this year. The only additional funding provided by government to date is Contain Outbreak Management Fund of £67k and this has been fully accounted for.
- 5.7 At this stage therefore it looks like funding agreed at budget will cover the COVID costs (assuming they do not go beyond September) and this has been taken into

account in the overall Q1 figures. Any continuation beyond that, without additional budget, could result in an overspend. Further details will be considered at the Policy and Resources Committee later this month as part of the Financial Strategy.

Capital Programme

- 5.8 The current approved programme is £11.3m, which includes the original budget of £9.069m approved by Council plus £2.264 carried forward from last year.
- 5.9 Within the capital programme, the main headings are shown below (a detailed breakdown is shown in **Appendix B**).
- 5.10 At Q1 the forecast is that £6.9m will be spent in year and that £4.4m will be spent next year. The majority of this slippage is on two schemes: the Industrial Units development, (£2.3m) all of which is likely to slip into 22/23, largely as a result of COVID and (ii) the Livestock market development, of which consultants' fees of £100k is anticipated in 21/22, with the remainder (£1.4m) slipping into future years. The £1.5m for this project was added into the capital programme in February and is subject to business case agreement. Until that happens, we are unable to confirm when the money will be spent.
- 5.11 £250k of the IT infrastructure budget was moved forward into 21/22 and although £195k is currently forecast to be spent in 22/23, schemes are now underway and this may change. With the need to refresh a number of core systems this area is likely to continue to be under pressure.
- 5.12 The Malton-to-Pickering Cycle Route is now shown gross in the Capital Plan – there is no further cost to the council as this is mostly grant funded.

All figures are £000s	2021-22	future years	total
Vehicle Replacement	1,788	821	2,609
IT Infrastructure	477		477
Affordable Housing	2,455	2,784	5,239
Disabled Facilities Grants	496	1,488	1,984
Community Housing Fund	289		289
Car Park Action Plan	50	100	150
Industrial Units - new development	2,290		2,290
Milton Rooms: grant towards building works	193		193
Milton Rooms: ringfenced for business case	307		307
Livestock Market	1,500		1,500
Ryedale House - Covid-safe Adjustments	55		55
Malton and Norton Infrastructure	350		350
Community Facilities in Pickering	200		200
Flooding Contingency	100		100
Milton Rooms - Property Condition	216		216
Former Waste Transfer Site	65		65
Car Parks	30		30
Street Lights	201	120	321
Other projects	272	210	482

11,333	5,523	16,856
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Funded by

External Funding	1,747	3,266	5,014
Leases/Internal borrowing	1,508	856	2,364
Capital Receipts/Debtors	37		37
Reserves	8,040	1,401	9,441
	11,333	5,523	16,856

Impact on Reserves

5.13 As reported to the Committee in June, the amount of revenue reserves as at 31.03.21 was £16.2m. Much of this has already been committed and the table below shows the expected position over the current financial year. The funding of capital programmes, including the additional projects agreed to be earmarked by Council in February, make up the largest element of the intended use of reserves and, as mentioned above, some of this could slip. However commitments intended for the current year would reduce the level of revenue reserves to 5.4m:

£000s	31.03.21	original use	capital c/fwd	credit union	original COVID	livestock market	Pickering	Milton Rooms	31.03.22
General Reserve	3,981			-500	-787				2,694
Capital Fund	5,405	-4,456	-1,577			-1,500	-200	-307	-2,635
Election Reserve	7	30							37
New Homes Bonus Reserve	3,582	0							3,582
Collection Fund Equalisation Reserve	837	-600							237
Pensions Reserve	81	225							306
Council Tax Hardship	77	-77							0
COVID grants Reserve	99	-99							0
Strategic Reserve	2,133	-965							1,169
	16,204	-5,942	-1,577	-500	-787	-1,500	-200	-307	5,390
Capital Reserves:									
Capital Receipts	421								421
Total Capital Reserves	421	0							421
Total Reserves	16,625	-5,942	-1,577	-500	-787	-1,500	-200	-307	5,811

5.14 This assumes that there will be no further deficit in 2021/22 nor any additional spend on capacity or other projects. It is extremely likely that there will be transition costs of any local government review outcome which all councils will have to contribute to.

5.15 The table below shows further expectations over the next two years, albeit before any impact of LGR:

£000s	31.03.22	31.03.23		31.03.24		31.03.25	
		In-year		In-year		In-year	
General Reserve	2,694	0	2,694	0	2,694	1	2,695
Capital Fund	-2,635	-1,166	-3,800	-125	-3,925	-110	-4,035
Election Reserve	37	-90	-53	30	-23	30	7
New Homes Bonus Reserve	3,582	0	3,582	0	3,582	0	3,582
Collection Fund Equalisation	237	-237	0	0	0	0	0
Pensions Reserve	306	273	579	-579	0		0
Council Tax Hardship	0		0				
COVID grants Reserve	0		0				
Strategic Reserve	1,169	-1,226	-57	-1,539	-1,596	-1,487	-3,083
	5,390	-2,446	2,945	-2,213	732	-1,566	-834

5.16 The reductions in Strategic Reserve show the impact of funding the deficit of the revenue budget, as outlined in the Financial Strategy agreed by Council in February 2020. Should funding increase or savings be found, this will reduce the call on reserves.

5.17 It should be noted that some of these reserves are earmarked for specific purposes (rather than supporting the general revenue budget or other agreed projects) and effectively this reduces the amount of funding available. The figures above also do not take account of the Financial Strategy's agreed minimum working balance of £1m. Therefore a more realistic picture is shown below:

£000s	31.03.22	31.03.23		31.03.24		31.03.25	
		In-year		In-year		In-year	
General Reserve	2,694	0	2,694	0	2,694	1	2,695
Capital Fund	-2,635	-1,166	-3,800	-125	-3,925	-110	-4,035
Election Reserve	37	-90	-53	30	-23	30	7
New Homes Bonus Reserve	3,582	0	3,582	0	3,582	0	3,582
Collection Fund Equalisation Reserve	237	-237	0	0	0	0	0
Pensions Reserve	306	273	579	-579	0		0
Council Tax Hardship	0		0				
COVID grants Reserve	0		0				
Strategic Reserve	1,169	-1,226	-57	-1,539	-1,596	-1,487	-3,083
	5,390	-2,446	2,945	-2,213	732	-1,566	-834
Remove							
Pensions Fund	-306		-579		0		0
Minimum Level of Reserves	-1,000		-1,000		-1,000		-1,000
Elections	-37		53		23		-7
Reserves Available	4,047		1,419		-245		-1,841

- 5.18 These figures show the extent of current plans and will need to be revised in the light of LGR. Subject to any spending protocols agreed for the existing councils, members may wish to reprioritise projects for the remaining lifetime of RDC.
- 5.19 The Financial Strategy agreed by Council in February noted that
- “The Head of Paid Service commissioned senior managers to work with their teams to identify areas where it is considered that further investment is required given the current pressures on capacity due to increased service demands and the need to deliver against the Council Plan as well as COVID-related responsibilities. Those identified in relation to business as usual/Council Plan delivery capacity included supporting performance management, data intelligence and potential for further work as a result of LGR. Any further allocations will be subject to business cases coming forward at a future date to members.”
- 5.20 The Strategy also noted that funding for posts and work which was specifically related to the impact of COVID was agreed only for 6 months of the financial year – i.e. up to October 2021 and again that a request to draw down further funds may be forthcoming.
- 5.21 The figures in this report do not include the impact of any further capacity proposals at this stage. Information will be shared with Members later this month at Policy and Resources Committee as the Council goes through the process of updating the Financial Strategy and takes decisions on spending over the final year of its existence. This will be a prioritisation exercise, for both revenue and capital, and working within any agreed protocols. Should any further capacity proposals be included as part of that Strategy, this will have a further impact on reserves. At this stage however it should be noted that without agreed increases to budget there are some pressures which are likely to continue through the year, such as legal costs, and which could jeopardise the small overall surplus highlighted above.

6.0 IMPLICATIONS

6.1 The following implications have been identified:

- a) Financial
Included in the body of the report.
- b) Legal
There are no legal implications identified as part of this report.
- c) Other
None to report, although in any report to Committee and Council, it will be noted that any proposals which may impact on Equalities, Staffing, Planning, Health & Safety, Climate Change, Environmental, Crime & Disorder will be assessed as part of the budget process.

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