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<b>PART B:</b>	<b>RECOMMENDATIONS TO COUNCIL</b>
<b>REPORT TO:</b>	<b>POLICY AND RESOURCES COMMITTEE</b>
<b>DATE:</b>	<b>10 NOVEMBER 2022</b>
<b>REPORT OF THE:</b>	<b>CHIEF FINANCE OFFICER (s151) ANTON HODGE</b>
<b>TITLE OF REPORT:</b>	<b>REVENUE AND CAPITAL BUDGET MONITORING – Quarter 2 2022-23</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

1.1 The revenue budget for 2022/23 was approved by Council on 17 February 2022. This report and associated appendices present the financial performance against the budget as at 30<sup>th</sup> September 2022.

### **2.0 RECOMMENDATION**

2.1 It is recommended that:

- i) Members note the financial position as set out in this paper and that any over or underspend in revenue and capital will have an impact on reserves.

### **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

### **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

### 5.1 Summary

#### General Fund (see also Appendix A)

Based on estimates at the end of quarter 2, the revenue forecasts a surplus of £9k. Planned savings and efficiencies of £82k for the year, identified as part of the 2022-23 budget setting process were built into the base budgets and are reflected in the numbers below and appendix A.

#### Capital

As at the end of quarter 2, capital budgets are forecasting expenditure of £3,076k against a budget of £9,470k. It is expected that the bulk of the underspend relates to programme slippage, which will therefore be required to carry forward to ensure projects can be delivered in 2023-34 and beyond. Budgets include carry forwards of £7,564k from the previous year.

### 5.2 Revenue

The table below sets out the summary position, with details of forecast variances included in **Appendix A**. These figures do not at this stage show any draw from reserves to support costs of the pay award.

General Fund Account – Q1 2022/23	Budget	Forecast	Variance
	£000's	£000's	£000's
Net Revenue Budget	9,564	9,555	(9)
Settlement Funding RSG/NDR	(4,952)	(4,952)	0
<b>Amount to be met from Council Tax</b>	<b>4,612</b>	<b>4,975</b>	<b>(9)</b>
Council Tax	(4,571)	(4,571)	0
Collection Fund Deficit	(41)	(41)	0
<b>Net Revenue Budget (Surplus) / Deficit</b>	<b>0</b>	<b>(9)</b>	<b>(9)</b>

The main variances are:

#### Expenditure

- **All Employee-related costs £361k overspend.** This is the figure after the £350k from reserves has been applied, as agreed by Elected Members at Q1, to fund the additional nationally agreed pay award. The largest single area of overspend remains Waste and Environmental Services (£200k). There is also an overspend in Planning Services, as a consequence of income targets not yet being achieved. .
- **Supplies and Services £13k underspend.** Main areas identified with expected variances are a £96k saving in relation to insurance premiums (one-off benefit due to timing of payments), offset by £32k increase in Public Conveniences cleaning contract, £23k overspend in waste disposal charges (offset by increases

in income), and £20k in relation to the LEP contribution. There is a number of other smaller variances identified such as audit costs and printing.

- **Vehicles and Transport £29k overspend.** Revised increase of £15k in diesel costs from Q1 and increase in parts/materials of £16k, however this is being offset by the sale of scrap materials. This is reflected within the waste & recycling Income.
- **Premises related £179k overspend.** Additional repair/maintenance costs of £93k for Public Conveniences, Travellers Site, Malton Depot and Ryedale House. Additional £78k in gas/electricity costs due to an increase in prices for Ryedale House, the Depot and the Travellers site.

### Income

- **Waste Collection & Recycling £272k surplus.** Kerbside recycling prices are above the budgeted levels predicted by £165k and Commercial Waste income is exceeding targets by £125k. This is due to work carried out to identify holiday lets as well as building on/retaining existing client contracts.
- **Fees and Charges £129k shortfall.** Income expectations have declined in Q2 due to the Planning income not received as expected.
- **Investment Income £420k surplus.** Recent economic events have resulted in further base rate increases, with more expected before the end of the calendar year. A conservative average rate of 2% has therefore been applied until more is known.

### Local Government Reorganisation (LGR)

- 5.3 Within the 2022/23 Financial Strategy, a £500k provision was created to support the Council's capacity to deliver LGR, recognising there was likely to be a significant strain on capacity across the authority. An approvals process is in place for services to access the funding, the table below summarises allocations of £263k made to date:

<b>Original LGR Contingency Budget (£)</b>	500,000
<b>Balance Remaining (£)</b>	236,743
<b>Summary</b>	<b>Amount Requested (£)</b>
Back fill food inspection duties	5,000
Economic Development	33,215
LGR communications support	29,950
Planning support	74,765
Backfill water risk assessments	10,000
Communities / engagement support	34,520
HR Support	25,000
Cemetery headstone safety inspections	10,000
Street Scene support	16,290
Revenue and Benefits support	24,817
<b>Total Requested</b>	<b>263,257</b>

### Inflation Pressures

- 5.4 As the UK cost of living surges, the risk of inflationary pressures increasing the cost of delivering Council services becomes more significant. A number of areas have been highlighted as particularly susceptible due to the price rises seen to date. These will be kept under review throughout the year as it is not yet clear when the impact of price inflation will materialise due to timing of contract terms.
- 5.5 The table below presents an indication of future risk, which will be assessed in more detail in quarter 2 and the remainder of the year:

Service / Budget Description	2022/23 Annual Budget (£)	Inflation included in budget (%)	Additional Inflation Risk (%)	Est / Actual?	Value of risk identified (£)	Narrative
<b>Expenditure:</b>						
Pay Award	9,238,748	3%	3.5% approx	Act	350,000	Impact of £1925 pay award above budgeted 3%
Electricity	183,600	38%	50%	Est	57,390	Estimated part year impact of prices increases at Q2
Gas	57,220	53%	50%	Est	27,820	Estimated part year impact of price increases at Q2
IT Contracts	315,580	3%	6%	Est	18,935	Based on an average actual inflation of 9% applied to 22/23 invoices. Some invoices have not increased at all while one has increased by nearly 15%.
Diesel	281,430	21%	10%	Est	25,225	Based on estimates at Q2
<b>Income:</b>						

Service / Budget Description	2022/23 Annual Budget (£)	Inflation included in budget (%)	Additional Inflation Risk (%)	Est / Actual?	Value of risk identified (£)	Narrative
Sale of Recyclates	-234,730	58%	50%	Est	-165,000	Given the current economic uncertainties, forecast estimates remain cautious at Q2
Investment Income	-80,000	0.5%	1.5%	Act	-420,000	Forecast revised at Q2 based on latest investment activity.
<b>Net Position</b>	<b>9,761,848</b>				<b>-105,530</b>	

### Capital Programme

- 5.6 The current approved programme for 2022-23 is £9.470m.
- 5.7 Within the capital programme, the main variances are shown below.
- 5.8 Forecast expenditure for the year is £3,067m, with estimated slippage of £6,403m.
- 5.9 The main variances relate to the following areas:
- (i) Industrial Units development (£2.25m) which is expected to slip into 2023-24
  - (ii) Affordable Housing, with (£2.04m) to slip into 2023/24
  - (iii) Vehicle Replacement – slippage of £697k primarily due to reprofiling the purchase of Waste Collection service vehicles pending LGR and outcome of Government Policy.

CAPITAL SCHEME	BUDGET 2022/23	BM FORECAST Q2 2022/23	VARIANCE
	£'000	£'000	£'000
Vehicle Replacement Programme	1,022	328	-694
Trade Waste Equipment	29	15	-14
Replacement of Garage Inspection pit	160	0	-160
Property Condition Survey: Investment Operation Assets	32	20	-12
Property Condition Survey: Milton Rooms	212	135	-77
Property Condition Survey: Car Parks	30	0	-30
Property Condition Survey: Streetlights	60	168	108
Property Condition Survey: St Leonard's Wall	80	132	52
Property Condition Survey: Former Transfer Waste Site	12	0	-12
Property Condition Survey: Leisure Facilities	0	0	0
Property Condition Survey: Public Conveniences	0	0	0
Property Condition Survey: Riverside View Play Area	0	0	0
Property Condition Survey: Unallocated	23	92	69
Car Park Action Plan	100	100	0
Industrial Units - New Development	2,290	34	-2,256

CAPITAL SCHEME	BUDGET 2022/23	BM FORECAST Q2 2022/23	VARIANCE
	£'000	£'000	£'000
Milton Rooms - Ring-fenced for business case	32	32	0
Ryedale House - COVID safe adjustments	8	3	-5
Livestock Market	280	130	-150
Community Facilities in Pickering	200	30	-170
Malton and Norton Infrastructure	350	166	-184
Malton to Pickering Cycle Route	198	163	-35
Skatepark	50	50	0
IT Infrastructure Strategy	256	210	-46
Animal Welfare	45	32	-13
Cleaner Streets	60	60	0
Aff HSG Init: Exception Sites Land Purchases	100	0	-100
Aff HSG Init: Railway Tavern	257	404	147
Aff HSG Init: Extended Programme Delivery	2,012	0	-2,012
Aff HSG Init: Property Improvement Loans	136	96	-40
Aff HSG Init: Landlord Improvement Loans/Grants	50	20	-30
Privates Sector Energy Efficiency Grants	10	50	40
Private Sector Renewal - Disabled Facility Grants	653	437	-216
Community Housing Fund	289	0	-289
Mortgage Rescue Scheme	21	0	-21
Flooding Contingency	252	0	-252
Projects in Ryedale's Rural Communities	160	160	0
<b>TOTAL</b>	<b>9,470</b>	<b>3,067</b>	<b>-6,403</b>

5.10 A number of programme variations are currently in the process of approvals, such as additional costs in relation to the Industrial Units development. These will be added to the programme subject to Council approval and any necessary S24 approvals if additional funding is required. There may also be increased call on capital reserves due to increased costs in the market and where facilities may require additional investment.

### Reserves

5.11 Opening useable reserve balances for the financial year were £14.978m (subject to completion of the Final Accounts audit), with an approved net use of £6.528m agreed as part of the 2022-23 Budget. Taking into account capital programme slippage, and latest revenue budget estimates, the forecast reserve position at the end of the financial year is as follows:

	Actual 31.03.22	Estimated 31.03.23	change	Notes
	£'000	£'000	£'000	
General Reserve	3,517	3,517	0	
Capital Fund	4,329	2,760	-1,569	1
Carry Forward Reserve	549	0	-549	2
Collection Fund Reserve	648	412	-236	3
New Homes Bonus Reserve	3,582	3,582	0	
Strategic Reserve	1,530	-1,005	-2,535	4
Election Reserve	37	-53	-90	5
Council Tax Hardship Fund	49	49	0	
Pension Reserve	306	679	373	6
Grants Reserve	431	431	0	
	<b>14,978</b>	<b>10,372</b>	<b>-4,606</b>	

Notes:

1. Reflects spend within Capital Programme
2. It is expected budgets carried forward will be utilised in the following year
3. Planned use of reserve to support revenue budget
4. Planned use of reserve to support revenue budget
5. Fund created to set aside costs of future elections
6. Savings from Pension rate reduction set aside to mitigate against future increases.

5.11 The expected use of these reserves in year will be reviewed as the capital programme progresses along with forecast estimates of revenue budgets supported by reserves. It should be noted that slippage in the capital programme will require adequate reserve balances in 22-23 and beyond to support expenditure, currently estimated at £3,575m.

## 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.

**Anton Hodge**

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**Background Papers:**

None

**Background Papers are available for inspection at:**

N/A