



PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	12 NOVEMBER 2020
REPORT OF THE:	CHIEF FINANCE OFFICER (s151) ANTON HODGE
TITLE OF REPORT:	REVENUE AND CAPITAL BUDGET MONITORING – Q2 2020/21
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 The revenue budget for 2020-21 was approved by Council on 20 February 2020. This report and associated appendices present the financial performance against the budget as at 30 September 2020.

2.0 RECOMMENDATION

2.1 It is recommended that Council:

- i) Notes the contents of the report.

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

General Fund (Appendix A) – Revenue Estimates

- 5.1 The forecast year-end position estimates a deficit of £1,610k. Further details are set out below. Planned savings and efficiencies of £434k for the year, identified as part of the 2020/21 budget setting process were built into the base budgets and are reflected in the numbers below and appendix A. Most of the savings were identified following the review of budgets to ensure that they more realistically reflected current estimates, although £38k of efficiencies were identified as a target to reduce costs / maximise income.

Covid-19 impact on Revenue Budget

- 5.2 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 September.
- 5.3 Gross costs that will be incurred by the Council resulting from the Coronavirus pandemic are estimated to be £2.7m as shown below. It is stressed that these are estimated costs for the full year and therefore will almost certainly change as the impact of a second full national lockdown takes effect. The list shows that actual costs incurred to date were £879k.

£000s	Estimated Full Year	Costs to date
Housing - including Homelessness	160	14
Leisure	46	41
Environmental Services	159	79
Finance and Corporate Costs	67	47
Lost investment income	60	6
Capital costs	163	0
Other staffing	256	51
PPE	28	8
Support to Businesses	80	79
Savings not achieved	25	13
Community work/shielding	20	21
Reopening High Streets safely	49	0
Council Tax Court Costs	43	0
Democratic Meetings	20	0
Other costs	23	5
Council Tax income lost	449	0
NNDR income lost	430	215
Car Park income	359	222
Planning Application Fees	58	0
Rental income	30	0
Pest Control income	3	0
Waste Collection income	115	51
Market income	22	12

Lifeline income	14	12
Other income	15	1
	<u>2,695</u>	<u>879</u>

- 5.4 The £2.695m is the estimated annual gross cost. The government has provided some funding to assist with this. To date this has been confirmed as the following £817k:

MHCLG grant 1	28,859
MHCLG grant 2	551,775
MHCLG grant 3	82,872
MHCLG grant 4	100,000
MHCLG New Burdens grant funding	3,750
Reopening High Streets Safely	<u>49,266</u>
	<u>816,522</u>

- 5.5 In addition, the Council has provided £250k from reserves, plus £20k of it's normal grants budget to support these costs. Taking these into account, there is a potential remaining funding gap of £1,608k as below:

Estimated Gross costs for full year	2,695k
less	
Government funding	817k
Grants budget	20k
Reserves	250k
Funding Gap	<u>1,608k</u>

- 5.6 This £1,608k corresponds to the overall Q2 estimate of a £1,610k overspend in the revenue budget, along with other variances highlighted at paragraph 5.12.
- 5.7 As the year progresses, our assumptions will be refined as the on-going impacts become clearer. There is potential for additional compensation from Central Government specifically for lost income (submissions were made in early October), along with spreading the impact of Collection fund losses over more than one year.
- 5.8 In September, the Council agreed that an amount from reserves will be required to offset the net additional costs arising from COVID.
- 5.9 This remains the case and a review of the Council's reserves and requirement to earmark funds for Covid-19 will be carried out as part of the 2021-22 budget preparation.

5.10 Further details of the COVID costs estimated in this financial year are set out below:

- Housing - including Homelessness, this covers the costs of providing temporary accommodation.
- Leisure: this includes a supplier relief payment to current provider
- Environmental Services: this includes additional staffing costs to ensure Covid-safe working arrangements, additional cleaning costs for public toilets, PPE, Vehicle Hire
- Finance and Corporate Costs: includes bank charges due to additional costs for quick payment to businesses, Initial and ongoing IT costs to enable remote working and delay of savings expected in-year
- Lost investment income
- Capital costs: estimate is based on potential increased costs if work is delayed. No costs incurred to date.
- Other staffing: Customer Services, Senior Revenue officer, additional initial costs. A further contingency for the full year has been estimated, but has not been agreed
- PPE
- Support to Businesses membership of Federation of Small Businesses and COVID grants to local organisations
- Savings not achieved: this includes planned savings in services such as Pest Control, Catering and Land Charges which have been delayed.
- Community work/shielding: Cost relating to item such as vulnerable customer packs, residents leaflets, business packs, posters and signs.
- Reopening High Streets safely: this is the amount of grant funded although not yet committed
- Council Tax Court Costs: No enforcement in year.
- Democratic Meetings: additional costs to enable meetings to take place without public attendance, including live-streaming
- Other costs: estimate for non-collection of Housing Benefits overpayments due to increased risk of bad debt - based on 20% increase in irrecoverable debt per 3 months; software for new Council Tax Hardship Scheme; costs to ensure the safe re-opening of Ryedale Markets
- Council Tax income lost
- NNDR income lost
- Car Park income
- Planning Application Fees
- Rental income
- Pest Control income
- Waste Collection income
- Market income
- Lifeline income
- Other income

5.11 The table below sets out the summary Q2 position, with details of forecast variances included in **Appendix A**.

General Fund Account – Q2 2020/21	Budget	Forecast	Variance
	£000's	£000's	£000's
Net Revenue Budget	8,813	10,307	1,494
Settlement Funding RSG/NDR	(4,351)	(4,684)	(334)
Amount to be met from Council Tax	4,462	5,623	1,160
Council Tax	(4,429)	(3,980)	449
Collection Fund Deficit	(33)	(33)	0
Net Revenue Budget (Surplus) / Deficit	0	1,610	1,610

5.12 The main variances are:

Expenditure

- **All Employee-related costs (excluding consultants).** Additional costs relating measures that have been put in place around Covid-19 activities. The final agreed pay award will add costs of approximately £7.5k above budget.
- **Supplies and Services** – The forecast deficit against supplies and services is predominantly in relation to Covid-19.
- **Vehicles and Transport** – Additional expenses due to Covid-19 measures are forecast at £35k. Vehicle lease cost are expected to underspend by £100k but this is partially offset by extra repair and hire costs of £40k.
- **Premises related** – A forecast overspend of £3k is expected against public conveniences due to Covid-19 requirements. In addition, extra costs of £47k relating to the old Waste Transfer station depot are expected due to delays in vacating the old premises.

Income

- **Fees and Charges** – A shortfall of £555k is estimated again, relating to Covid-19, most significantly being from Car Parking, along with Markets, Commercial rents and Planning
- **Housing Benefits** – Due to temporary hold on recovery, it is expected there will be an increase in irrecoverable Housing Benefit overpayments, £17k
- **Investment Income** – A shortfall in investment income of £60k is forecast as

a result in a significant fall in the base rate following Covid-19 measures put in place by Central Government.

- **Waste Collection & Recycling** – £102k shortfall due to the combined impact of lost income, primarily in relation to commercial waste collections. This is partially offset by increases in green waste and recycling tonnages resulting from changes in activity during Covid lock-down and expected recovery.

Capital Programme

- 5.13 The current approved programme of £5.353m is forecast to underspend by around £2.3m as at the end of Q2 largely to an assumption that there will be no spending on the Public Services Hub in the current financial year. Elsewhere in the plan there are some higher than anticipated costs in Property condition works, mitigated by savings against programmed costs. As the remainder of the programme progresses, this position will be kept under review. In March 20, council approved in principal repair works to the old waste transfer site, although costs for this are not yet finalised, funding from within the programme will need to be identified.
- 5.15 The latest capital budget includes carry-forwards of £1.3m from 19/20 programme slippage and supplementary estimate for Railway Tavern £731K

Capital Programme – 2020/21	Budget	Forecast	Variance
	£000's	£000's	£000's
Asset Management	3,545	1,262	(2,283)
Housing	1,808	1,808	0
Total Programme	5,353	3,070	(2,283)

- 5.16 The impact of Covid-19 has created some delays in progressing in year schemes as other priorities have come in to play.
- 5.17 Current forecast spend for the programme is £3.070m, This takes into account a significant underspend on the Public Services Hub but also a projected overspend of £50k relating to works at St Leonards wall where quotes received have come in at around £80k, the additional costs are primarily in relation to the scope of works required. A separate report is being prepared setting out details, and will require approval for additional funds and for the works order to be raised. The programme of work for street lighting has been re-profiled, meaning costs will be front loaded, bringing forward and additional £127k from future years' budgets. Additional costs are offset by removal of the Public Conveniences project from the current programme (£200k), and will be re-addressed as part of future programmed works.
- 5.18 Further details can be found at Appendix B.

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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Background Papers:

None

Background Papers are available for inspection at:

N/A