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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>4 FEBRUARY 2021</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 – Q3 2020/21</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 2020-21 was approved by Council on 20 February 2020. This report and associated appendices present the financial performance against the budget as at 31 December 2021.

### **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 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 forecast year-end position estimates a deficit of £0.834m. 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 December.
- 5.3 Gross costs that will be incurred by the Council during 20/21 resulting from the Coronavirus pandemic are estimated to be £1.9m as shown below. This amount is a significant reduction in the Q2 estimate of £1.6m, largely due to a change in how council tax and business rates losses are to be counted in this and future years, as directed by central government.
- 5.4 The Council is still incurring such losses, but these will not have the same level of impact in the current financial year due to this change in counting. Instead costs are to be spread over future years, with some additional government grant to support these. The Q2 figure assumed these costs to be £0.9m and these have now been removed.
- 5.5 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	147	41
Environmental Services	131	97
Finance and Corporate Costs	105	75
Lost investment income	60	21
Capital costs	69	0
Other staffing	291	86
PPE	28	20
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	0	0
NNDR income lost	0	0
Car Park income	451	291
Planning Application Fees	58	40
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>1,959</u>	<u>879</u>

- 5.6 The £1.959m is the estimated annual gross cost for costs to be funded this year. The government has provided some funding to assist with this. To date this has been confirmed as the following £1,047k:

MHCLG grant 1	28,859
MHCLG grant 2	551,775
MHCLG grant 3	82,872
MHCLG grant 4	100,000
Sales Fees and Charges Compensation	153,675
MHCLG New Burdens grant funding	80,066
Reopening High Streets Safely	49,266
	<u>1,046,513</u>

- 5.7 In addition, the Council has provided £250k from reserves, plus £20k of its normal grants budget to support these costs. Taking these into account, there is a potential remaining COVID funding gap of £642k as below:

Estimated Gross costs for full year	1,959k
less	
Government funding	1,047k
Grants budget	20k
Reserves	<u>250k</u>
Funding Gap	<u>642k</u>

- 5.8 This overall Q3 estimate of a £834k overspend is therefore very much driven by the costs of COVID and the impact on the rest of the council.

- 5.9 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.
- 5.10 In September, the Council agreed that an amount from reserves will be required to offset the net additional costs arising from COVID and this has been built into the financial strategy.
- 5.11 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.
- 5.12 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 (£63k to date, £83k estimated), additional cleaning costs for public toilets (£4k estimate), PPE (7k estimate, £7k to date), vehicle hire (37k estimate, £27k to date)
  - Finance and Corporate Costs: includes bank charges of £4k due to additional costs for quick payment to businesses, Initial and ongoing IT costs to enable remote working (£51k to date, £75k estimate) and delay of savings expected in-year (£25k)
  - Lost investment income
  - Capital costs: estimate is based on potential increased costs if work is delayed. No costs incurred to date.
  - Other staffing: costs estimated for full year were as follows: Customer Services £167k, Senior Revenue officer £4k. Additional initial costs £29k. A further potential £120k for full year has been estimated, but has not been agreed
  - PPE
  - Support to Businesses £40k for membership of Federation of Small Businesses and £40k 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: £17k 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; £4k software for new Council Tax Hardship Scheme; £2k 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

5.13 The table below sets out the summary Q3 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	10,564	1,751
Settlement Funding RSG/NDR	(4,351)	(5,268)	(917)
<b>Amount to be met from Council Tax</b>	<b>4,462</b>	<b>5,295</b>	<b>834</b>
Council Tax	(4,429)	(4,429)	0
Collection Fund Deficit	(33)	(33)	0
<b>Net Revenue Budget (Surplus) / Deficit</b>	<b>0</b>	<b>834</b>	<b>834</b>

5.14 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 are estimated at £268k for the year based on latest estimates, and the base establishment, including agency is forecast to overspend across various services. The overall overspend is partially offset by income showing in the government grants line. The final agreed pay award will add costs of approximately £7.5k above budget, but these are likely to be offset by savings on travel and other costs that have occurred as part of lockdown.
- **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 £60k after funding additional hire and repairs due to old lease extensions.
- **Premises related** – A forecast overspend of £3k is expected against public conveniences due to Covid-19 requirements, along with additional funding of £102k to support leisure services. In addition, extra costs of £47k relating to the old Waste Transfer station depot are expected due to delays in vacating the old premises and this has been built into the Financial Strategy.

### Income

- **Fees and Charges** – A shortfall of £647k 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

- 5.14 The current approved programme of £3,327m is forecast to underspend by around £0.157m as at the end of Q3 in relation to timing of IT infrastructure work. Elsewhere in the plan there are some higher than anticipated costs in Property condition works, mitigated by savings against programmed costs, which have been fed into the revised budget estimates. As the remainder of the programme progresses, this position will be kept under review.
- 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 £000's	Forecast £000's	Variance £000's
Asset Management	1,262	1,105	(157)

Housing	2,065	2,065	0
<b>Total Programme</b>	<b>3,327</b>	<b>3,170</b>	<b>(157)</b>

- 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 £0.157m in relation to IT infrastructure. The final quarter year spend will very much depend on pressures around managing Covid measures and now potentially flooding, although it is anticipated delayed projects will be carried forward into 2021/22
- 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

