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<b>PART A:</b>	<b>MATTERS DEALT WITH UNDER DELEGATED POWERS</b>
<b>REPORT TO:</b>	<b>POLICY AND RESOURCES COMMITTEE</b>
<b>DATE:</b>	<b>29 June 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 – Outturn 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. This summary shows the draft outturn position which is part of the Draft Accounts. These will be finalised and sent to external auditors in time for the statutory deadline of 1 August. The final audited accounts will be brought back to the Policy and Resources and Audit Committees in due course for approval.

### **2.0 RECOMMENDATION**

2.1 It is recommended that:

- i) The Council notes the contents of the report and that the draft Deficit Balance of £345k has been transferred from the General Reserve.
- ii) The Council approves a carry forward of £2.264m from the Capital Programme.

### **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.

3.2 To note the treatment of the deficit and impact on reserves.

## 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 (Appendix A)

The year-end position is showing a deficit of £345k. 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.

#### Capital (Appendix B)

The year-end position showed much less spend than originally envisaged (£1,015k as opposed to a £3.3m budget). Most of this is due to delays to the originally-intended timescales and funding will therefore be required to be carried forward to 2021/22 and later years to support the programme agreed by Council In February.

### 5.2 Revenue

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

General Fund Account – Q4 2020/21	Budget	Actual	Variance
	£000's	£000's	£000's
Net Revenue Budget	8,842	13,140	4,298
Settlement Funding RSG/NDR	-4,381	-8,385	-4,004
<b>Amount to be met from Council Tax</b>	<b>4,461</b>	<b>4,755</b>	<b>294</b>
Council Tax	-4,429	-4,429	0
Collection Fund Deficit	-33	19	51
<b>Net Revenue Budget (Surplus) / Deficit</b>	<b>0</b>	<b>345</b>	<b>345</b>

The main variances are:

#### Expenditure

- **All Employee-related costs (excluding consultants).** Overall overspend of £376k. Like most of the variances, this largely relates to additional COVID

spend. (£238k). Legal and Monitoring Officer costs were approximately £150k higher than anticipated due largely to additional demand for support at council meetings and additional organisational demand in areas such as leisure facilities. Further costs were incurred due to maternity cover and staff sickness.

- **Supplies and Services** – A net overspend of £531k which is spread across various cost headings relating to Covid measures. The most significant increased cost is for Council Tax Discretionary payments (£271k) for which we have received a grant (see income section for detail).
- **Premises related** – An overspend of £74k, which is due to the cost of extending the lease on the former Waste Transfer Station. Additional costs are being negotiated with North Yorkshire County Council.
- **Grants and Contributions** – A net overspend of £2.706m. £2.691m of this is additional Covid business support grants, which is offset by increased grant in General Government Grants.
- **Housing Benefit Payments** – reduction in payments of £374k offset by reduction in benefits detailed in the section below.

## Income

- **Income from Housing Benefit** – Housing benefit subsidy has been less than expected due to decrease in benefits of £423k and a reduction in irrecoverable Housing Benefit overpayments (£58k) as a result of Covid measures– but this is offset by reduced payments.
- **Waste Collection & Recycling** – £72k deficit primarily in relation to commercial waste collections, which is partially offset by increases in green waste and recycling, resulting from changes in activity during Covid lockdown.
- **Fees and Charges** – Loss of income as a result of Covid measures, (£629k) most significantly Car Parking (£380k), Ryecare Lifeline Service (£23k), Markets (£29k) and Waste Collection (£85k).
- **Government Grants** – Increase in grants (£4.004k and £697k) mainly relating to Covid, including the general grants as described in 5.5 below plus £2.7m grants for businesses.

## Covid-19 impact on Revenue Budget

- 5.3 Gross costs incurred by the Council during 20/21 resulting from the Coronavirus pandemic are £1.59m as shown below. This amount is a reduction in the Q3 estimate of £1.96m, due to lower than the estimates made in December on areas such as car

park income, housing and staffing.

- 5.4 As noted in the Q3 report, due to a change in how Council Tax and business rates losses are to be counted, the impact on 2020/21 has been reduced. The Council is still incurring such losses, but these costs are to be spread over future years, with some additional government grant to support these.

£000s	Cost/loss Full Year
Housing - including	
Homelessness	18
Housing Benefits net	
irrecoverable overpayments	107
Leisure	150
Environmental Services	113
Finance and Corporate Costs	72
Lost investment income	32
Capital costs	0
Other staffing	238
PPE	25
Support to Businesses	80
Savings not achieved	25
Community work/shielding	26
Reopening High Streets safely	38
Council Tax Court Costs	65
Democratic Meetings	12
Other costs	5
Council Tax income lost	0
NNDR income lost	0
Car Park income	380
Planning Application Fees	0
Rental income	4
Pest Control income	11
Waste Collection income	85
Market income	29
Lifeline income	23
Other income	40
Canteen Income	13
	<u>1,591</u>

- 5.5 The £1.591m is the annual gross cost for costs to be funded this year. The government has provided some funding to assist with this. This has been confirmed as £1,206k:

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	346,500
MHCLG New Burdens grant funding	<u>96,374</u>
	<u><u>1,206,380</u></u>

- 5.6 This is some £160k higher than known at Q3 and is therefore one of the reasons why the final deficit is lower than envisaged at Q3. Before use of reserves, therefore the Council has seen a net cost due to covid of £385k (£1,591k - £1,206k). As stated above, this is lower than the Q3 estimate due both to increased government funding and lower costs that estimated in December 2020.
- 5.7 The Council had already agreed to fund £250k from reserves and therefore the overall deficit of £345k is made up of a remaining COVID gap of £135k, plus net other overspends of £210k. This compares with the position reported at Q3 which highlighted a non-COVID overspend of £192k. The table below shows the net COVID costs:

Gross costs for full year	£1,591k
less	
Government funding	£1,206k
Reserves	<u>£250k</u>
Funding Gap	<u><u>£135k</u></u>

### Capital Programme

- 5.8 The Year-End position shows, as projected through the Quarterly monitoring reports, significant slippage.

Capital Programme – 2020/21	Budget	Actual	Variance
	£000's	£000's	£000's
Asset Management	566	40	(526)
Housing	2,065	777	(1,288)
Other Schemes	696	198	(498)
<b>Total Programme</b>	<b>3,327</b>	<b>1,015</b>	<b>(2,312)</b>

- 5.9 The original capital budget for the financial year 2020/21 totalled £3.327m. The total final outturn position against the capital programme was £1,015k, of which the major items relate to £613k invested in Housing Grants and Loans, funded from Disabled Facility Grant and loans, along with the purchase of property for re-development as affordable housing £151k, Condition Surveys £74k and repair and improvement works

carried out on Ryedale Pool £102k.

- 5.10 The Covid pandemic has meant that the majority of Capital schemes have been severely delayed, many of which have been unable to start at all, and is the cause of the £2.312m underspend in year. Project slippage includes Property Condition Survey (£0.524m), Waste & Recycling projects (£0.065m), IT Infrastructure Strategy (£0.217m), Vehicle replacement programme (£0.195m), Community led housing fund (£0.289m), Railway Tavern scheme (£0.724m) and affordable housing (£0.297m).
- 5.11 A carry forward of £2.264m is requested to support delays in programme delivery in 2020/21. Details of each programme are shown in Appendix B.
- 5.12 Of the £1.015m capital expenditure incurred some £0.035m was funded through capital receipts, £0.142m from Capital Fund Reserves, £0.579m from REFCUS with a further £0.164m being financed by section 106 contributions, and £0.096m from revenue.
- 5.13 Further details can be found at Appendix B.

## Reserves

- 5.14 As a result of planned activity, lower than expected capital costs and the transfer of the surplus to reserves, the position as at 31.03.21 is shown below with reserves of **£15.3m**, (plus Collection Fund Equalisation Reserve of **£3.9m**). This is a decrease from the previous year's position by £19k.

	31.03.20	31.03.21	change	Notes
	£000	£000	£000	
General Reserve	3,981	3,981	0	
Collection Fund Reserve	1,431	837	-594	
Capital Fund	5,547	5,405	-142	1
New Homes Bonus Reserve	2,760	3,582	822	2
Strategic Reserve	2,527	2,133	-394	3
Election Reserve	-23	7	30	4
Council Tax Hardship Fund	0	77	77	5
Pension Reserve	0	81	81	6
Grants Reserve	0	99	99	5
	<b>16,223</b>	<b>16,204</b>	<b>-19</b>	

### Notes:

1. Use of Capital Fund to fund in-year capital expenditure
2. Planned allocation to reserves from New Homes Bonus grant
3. Includes £250k drawn down for additional COVID costs in 2020/21 partially offset by costs from 2020/21 which are now expected in 2021/22. Also includes transfer of year-end deficit of £345k.
4. Reflects spend every four years, with annual contribution from revenue. Therefore this reserve will occasionally show a negative balance.

5. Costs to be incurred in 2021/22 against income received in 2020/21
6. Fund created to offset future pension contributions.

5.11 It should be noted that a number of these reserves are already earmarked for spend in 2021/22 and future years and further information will be provided to the Committee in July. For example, £850k consists of costs delayed from 2020/21 and funding agreed to support the budget by Council in February. A further £787k was committed to cover 2021/22 COVID costs, and £10.4m has been earmarked for capital and other projects.

## **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