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| PART B: | RECOMMENDATIONS TO COUNCIL |
| REPORT TO: | POLICY AND RESOURCES COMMITTEE |
| DATE: | 29 SEPTEMBER 2022 |
| REPORT OF THE: | CHIEF FINANCE OFFICER (s151) ANTON HODGE |
| TITLE OF REPORT: | REVENUE AND CAPITAL BUDGET MONITORING – Quarter 1 2022-23 |
| WARDS AFFECTED: | ALL |

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 30th June 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.
- ii) Agree that additional funding for the pay award is drawn from 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 1, the revenue forecasts a deficit of £262k. 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 1, capital budgets are forecasting expenditure of £4,119k against a budget of £9,317. 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 | 9,826 | 262 |
| Settlement Funding RSG/NDR | (4,952) | (4,952) | 0 |
| Amount to be met from Council Tax | 4,612 | 4,873 | 262 |
| Council Tax | (4,571) | (4,571) | 0 |
| Collection Fund Deficit | (41) | (41) | 0 |
| Net Revenue Budget (Surplus) / Deficit | 0 | 262 | 262 |

The main variances are:

Expenditure

- **All Employee-related costs £628k overspend.** Expected pay award £350k above estimated 3%. In addition £137k forecast overspend in Waste and Environmental Services and £143k in Planning. It is proposed that additional funding is drawn from reserves to cover the £350k unplanned cost of the pay award.
- **Supplies and Services £45k underspend.** Across services there is a number of smaller variances, with many showing underspends on items such as printing, stationary stock items for the waste service.

- **Vehicles and Transport £29k underspend.** Savings on tyre repairs and of hire of vehicles due to new refuse vehicles.
- **Premises related £17k overspend.** Estimated budget pressures arising from gas and electricity supplies in housing temporary accommodation and the travellers' site.
- **Grants and Contributions £18k overspend.** Grants paid out to community and sporting organisations

Income

- **Waste Collection & Recycling £160k surplus.** Kerbside recycling income is above the budgeted levels predicted by £120k. Green waste subscription /reimbursement is £20k above budgeted income and commercial waste income is exceeding targets.
- **Fees and Charges £43k shortfall.** Railway Tavern - only 50% of income budget achieved as started operating half way through the year (down by £24k). Catering sales down by £15k.
- **Investment Income £207k surplus.** As a result of rising inflation, the Monetary Policy Committee (MPC) has responded by increasing the Bank of England base rate. The average rate of interest earned on Council investments is therefore exceeding budgeted estimates.

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 £238k made to date:

| | |
|--|-----------------------------|
| Original LGR Contingency Budget (£) | 500,000 |
| Balance Remaining (£) | 261,560 |
| Summary | Amount Requested (£) |
| 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 support | 34,520 |
| HR Support | 25,000 |
| Cemetery headstone safety inspections | 10,000 |
| Street Scene support | 16,290 |
| Total Requested | 238,440 |

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 |
|------------------------------|---------------------------|----------------------------------|-------------------------------|---------------|------------------------------|--|
| Expenditure: | | | | | | |
| 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 | 91,800 | Estimated as a risk area, however exact increases are not yet known |
| Gas | 57,220 | 53% | 50% | Est | 28,610 | Actuals TD compared to Budget TD show an average of 25% increase on budget, with further increases expected later in the year |
| 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 | 28,143 | Estimated as a risk area, however exact increases are not yet known |
| Income: | | | | | | |

| | | | | | | |
|---------------------|------------------|------|------|-----|---------------|---|
| Sale of Recyclates | -234,730 | 58% | 100% | Est | -234,730 | The upward trend has been increasing since March '21, however prices are extremely volatile and with therefore be kept under review |
| Investment Income | -80,000 | 0.5% | 0.9% | Act | -206,650 | Base rate has increased beyond initial predictions, with further increases likely throughout the year. |
| Net Position | 9,761,848 | | | | 76,108 | |

Capital Programme

5.6 The current approved programme for 2022-23 is £9.317m.

5.7 Within the capital programme, the main variances are shown below.

5.8 Forecast expenditure for the year is £4.119m, with estimated slippage of £5.198m.

5.9 The main variances relate to the following areas:

- (i) Industrial Units development (£2.3m) which is expected to slip into 23-24
- (ii) Affordable Housing, with £0.951m to slip into 23/24
- (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 Q1 2022/23 | VARIANCE |
|--|-------------------|---------------------------|----------|
| | £'000 | £'000 | £'000 |
| Vehicle Replacement Programme | 1,022 | 325 | -697 |
| Trade Waste Equipment | 29 | 15 | -14 |
| Replacement of Garage Inspection pit | 160 | 29 | -131 |
| Property Condition Survey: Investment Operation Assets | 32 | 76 | 44 |
| Property Condition Survey: Milton Rooms | 212 | 212 | -0 |
| Property Condition Survey: Car Parks | 30 | 30 | 0 |
| Property Condition Survey: Streetlights | 60 | 0 | -60 |
| Property Condition Survey: St Leonard's Wall | 80 | 80 | 0 |
| Property Condition Survey: Former Transfer Waste Site | 12 | 23 | 11 |
| 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 | 85 | 62 |
| Car Park Action Plan | 100 | 70 | -30 |
| Industrial Units - New Development | 2,290 | 0 | -2,290 |
| Milton Rooms - Ring-fenced for business case | 32 | 32 | 0 |
| Ryedale House - COVID safe adjustments | 8 | 8 | 0 |

| CAPITAL SCHEME | BUDGET 2022/23 | BM FORECAST Q1 2022/23 | VARIANCE |
|---|-------------------|---------------------------|---------------|
| | £'000 | £'000 | £'000 |
| Livestock Market | 280 | 130 | -150 |
| Community Facilities in Pickering | 200 | 205 | 5 |
| Malton and Norton Infrastructure | 350 | 166 | -184 |
| Malton to Pickering Cycle Route | 198 | 268 | 70 |
| 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 | 104 | 321 | 217 |
| Aff HSG Init: Extended Programme Delivery | 2,012 | 1,130 | -882 |
| Aff HSG Init: Property Improvement Loans | 136 | 0 | -136 |
| Aff HSG Init: Landlord Improvement Loans/Grants | 50 | 0 | -50 |
| Privates Sector Energy Efficiency Grants | 10 | 50 | 40 |
| Private Sector Renewal - Disabled Facility Grants | 653 | 311 | -342 |
| Community Housing Fund | 289 | 0 | -289 |
| Mortgage Rescue Scheme | 21 | 0 | -21 |
| Flooding Contingency | 252 | 200 | -52 |
| Projects in Ryedale's Rural Communities | 160 | 0 | -160 |
| TOTAL | 9,317 | 4,119 | -5,198 |

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.

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 | 2,214 | -2,115 | 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 | -655 | -2,185 | 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 | |
| | 14,978 | 10,176 | -4,802 | |

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 and forecast estimates of the revenue budgets supported by reserves a reviewed. 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 £2.876m.

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