



PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	POLICY AND RESOURCES COMMITTEE
DATE:	9 FEBRUARY 2023
REPORT OF THE:	CHIEF FINANCE OFFICER (s151) ANTON HODGE
TITLE OF REPORT:	REVENUE AND CAPITAL BUDGET MONITORING – Quarter 3 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 31st December 2022.

2.0 RECOMMENDATION

2.1 It is recommended to Council 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 3, the revenue forecasts a deficit of **£169k**. 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.

This is a change since projected break-even at Q2 for a number of reasons, in particular:

- Additional one-off spend on various maintenance issues across the council, such as public conveniences (£41k), Malton Depot (£85k)
- Additional ongoing cost increases in fuel and energy
- Reassessment of Q2 estimates for investment income, where the market remains uncertain

Overall, such one-off costs account for around £160k and we should not expect to see them continuing beyond this financial year.

In addition, it should also be noted that this figure assumes that the full £500k set aside for LGR costs (see 5.3 below) will be required. The current position suggest that this is likely to underspend (by around £100k) and should this be the case, the overall position would reduce to an estimated overspend of **£69k**.

However at this stage, a cautious position is shown in this report.

Capital

As at the end of quarter 3, capital budgets are forecasting expenditure of £4,005k against a budget of £9,987k. 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**.

General Fund Account – Q3 2022/23	Budget	Forecast	Variance
	£000's	£000's	£000's
Net Revenue Budget	9,574	9,750	176
Settlement Funding RSG/NDR	(4,962)	(4,969)	(7)
Amount to be met from Council Tax	4,612	4,781	169
Council Tax	(4,571)	(4,571)	0
Collection Fund Deficit	(41)	(41)	0
Net Revenue Budget (Surplus) / Deficit	0	169	169

The main variances are:

Expenditure

- **All Employee-related costs £166k overspend.** £69k forecast overspend in Planning, £67k overspend in Communications, £62k overspend in WES and underspend of £38k in Customer Services. This is after taking into account £350k which was drawn from reserves to cover the additional pay-award, per Q2 update.
- **Supplies and Services £44k underspend.** Main areas identified are savings in insurance premiums of £96k due to a 6-month insurance renewal. £32k increase in Public Conveniences cleaning contract and £10k increase in Legal Fees.
- **Vehicles and Transport £96k overspend.** Main areas identified are £35k increase in use of Diesel due to higher prices, £17k net overspend on short term hire vehicles pending replacement of 5 vans on leases, £20k additional costs of repairs by external garages and £25k on parts/materials (engine replacement), however this is being offset by the sale of scrap materials. This is reflected within the Waste & Recycling Income.
- **Premises related £283k overspend.** Additional repair/maintenance costs of £190k, £41k Public Conveniences, £20k Travellers Site, £85k Malton Depot, Community House & Ryedale House. Additional £92k in gas/electricity costs due to an increase in prices for Ryedale House, the Depot & Travellers site.

Income

- **Waste Collection & Recycling £196k surplus.** Kerbside recycling prices are above the budgeted levels predicted by £185k
- **Fees and Charges £191k shortfall.** Income expectations down by £126k in Planning team due to downturn in large developments coming forward. Ryecare private income is down by £21k as well as the Pest Control Casual Treatments down by £11k.
- **Investment Income £270k surplus.** Investment Income revised in Q3 to a more conservative level as rate increases have settled and more accurate profile of new investments completed

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 £290k made to date:

Original LGR Contingency Budget (£)	500,000
Balance Remaining (£)	209,919

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
Cemetery headstone safety inspections	10,000
Street Scene support	16,290
Revenue and Benefits Officer Grade 5	24,820
Admin Support Housing	16,290
CIL post (6 Months)	22,151
Housing Graduate	13,380
Total Requested	290,081

These figures do not yet include the costs of any redundancy payment to the Chief Executive and, allowing for further costs to be incurred in Q1, it is likely that this fund will underspend by approximately £100k. Should this be the case, the overall Q3 estimated overspend would reduce to £69k.

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	150,100	38%	50%	Est	62,334	Estimated part year impact of prices increases at Q3
Gas	57,220	53%	50%	Est	29,817	Estimated part year impact of price increases at Q3
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%.

Service / Budget Description	2022/23 Annual Budget (£)	Inflation included in budget (%)	Additional Inflation Risk (%)	Est / Actual?	Value of risk identified (£)	Narrative
Diesel	281,430	21%	10%	Est	34,534	Based on estimates at Q3
Income:						
Sale of Recyclates	-234,730	58%	50%	Est	-244,770	Given the current economic uncertainties, forecast estimates remain cautious at Q3
Investment Income	-80,000	0.5%	1.5%	Act	-270,000	Forecast revised at Q3 following reassessment of rates and balances.
Net Position	9,761,848				-191,150	

Capital Programme

- 5.6 The current approved programme for 2022-23 is £9.987m.
- 5.7 Within the capital programme, the main variances are shown below.
- 5.8 Forecast expenditure for the year is £4.005m, with estimated slippage of £5.982m.
- 5.9 The main variances relate to the following areas:
- (i) Industrial Units development (£2.29m) which is expected to slip into 23-24
 - (ii) Affordable Housing, with (£1.296m) to slip into 23/24
 - (iii) Vehicle Replacement – slippage of £695k primarily due to reprofiling the purchase of Waste Collection service vehicles pending LGR and outcome of Government Policy.

CAPITAL SCHEME	BUDGET 2022/23	FORECAST Q3 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	29	-131
Property Condition Survey: Investment Operation Assets	32	4	-28
Property Condition Survey: Milton Rooms	212	65	-147
Property Condition Survey: Car Parks	30	0	-30
Property Condition Survey: Streetlights	180	187	7
Property Condition Survey: West Gate Carr	87	0	-87
Property Condition Survey: St Leonard's Wall	263	0	-263
Property Condition Survey: Former Transfer Waste Site	12	0	-12
Property Condition Survey: Public Conveniences	37	37	0
Property Condition Survey: Unallocated	113	103	-10
Car Park Action Plan	100	100	0

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	0	-8
Livestock Market	280	130	-150
Community Facilities in Pickering	200	93	-107
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	669	-1,343
Property Improvement Loans	136	96	-40
Landlord Improvement Loans/Grants	50	20	-30
Privates Sector Energy Efficiency Grants	10	50	40
Private Sector Renewal - Disabled Facility Grants	653	600	-53
Community Housing Fund	289	0	-289
Mortgage Rescue Scheme	21	0	-21
Flooding Contingency	252	202	-50
Projects in Ryedale's Rural Communities	160	160	0
TOTAL	9,987	4,005	-5,982

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, 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 £'000	Estimated 31.03.23 £'000	change £'000	Notes
General Reserve	3,517	3,517	0	
Capital Fund	4,329	2,305	-2,024	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	
	14,978	9,917	-5,061	

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.
- 5.12 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.

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Background Papers:

None

Background Papers are available for inspection at:

N/A