

Report Reference Number: E/21/19

To:	Executive
Date:	9 September 2021
Status:	Key Decision
Ward(s) Affected:	All
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Lead Executive Member:	Cllr C Lunn, Lead Member for Finance & Resources
Lead Officer:	Karen Iveson, Chief Finance Officer

Title: Financial Results and Budget Exceptions Report to 30th June 2021

Summary:

Whilst the majority of financial impacts of Covid-19 were in 2020/21, it continues to have an impact on this financial year. We continue to report monthly to MHCLG the estimated impacts of this on our income streams and cost base, affecting both the General Fund and the HRA.

At the end of Q1, current estimated full year revenue outturn estimates indicate surpluses of (£60k) for the GF and (£155k) for the HRA. The key variances are highlighted in the report with further detail in Appendix A. Recommendations are included in the report to approve virements for £223k from the additional resource contingency to planning to support the team to operate at full capacity and reduce the backlog of applications and £130k to help support additional resources required to address the exceptional pressure from gypsy and traveller applications and enforcement.

A number of savings were put back to 2024/25 as part of the recent Medium Term Financial Strategy paper. General Fund planned savings are currently forecast to deliver at (£184k), details can be found in Appendix B. The £195k saving in the Housing Revenue Account for the housing system however will not be achieved this year as it is predicated on the implementation of phase 2 of the housing system which will not happen until later in the year.

The capital programme is currently underspent by (£1,422k) at the end of quarter 1. Of this, (£363k) is forecast to be underspent at the year end, which is all in the General Fund. The majority relates to disabled facilities. Headlines can be found in the report below with a more detailed analysis in Appendix C.

Programme for Growth projects spend was £412k in quarter 1, £239k of which was staffing costs with the majority of the remainder on visitor economy, transforming

cities fund and towns masterplanning. Project by project progress is shown in Appendix D.

The MHCLG return submitted for June indicates an overall estimated gross impact on Council finances of £2,730k across both the General Fund and HRA when compared to pandemic budget levels.

Recommendations:

Recommendations:

It is recommended that:

- i) The Executive endorse the actions of officers and note the contents of the report;
- ii) The Executive approve re-profiled capital programmes and Programme for Growth as set out at Appendices C and D.
- iii) The Executive approve the virement of £222.658k from the additional resource contingency of £500k to help with the planning backlog and to deal with new major renewable energy applications and Nationally Significant Infrastructure Projects as outlined in section 3 and point 3.7.
- iv) The Executive approve the virement of £130k from the additional resource contingency of £500k to help with exceptional pressures associated with gypsy and traveller applications and enforcement appeals as outlined in section 3 and point 3.8.

Reasons for recommendation

To ensure that budget exceptions are brought to the attention of the Executive in order to approve remedial action where necessary.

1. Introduction and background

- 1.1 The revenue budgets and capital programmes were approved by Council on 18 February 2021, this report and associated appendices present the financial performance as at 30 June 2021 and a full year forecast against these budgets.
- 1.2 In the first quarter of this financial year, the country has continued under some levels of Covid-19 restrictions. Many staff have continued to work from home and some resources continue to be diverted towards the Council's response.
- 1.3 The Council continues to administer emergency grants for businesses and test and trace payments in 2021/22 and this is expected to continue for some months to come.
- 1.4 The estimated financial impacts for the year as a result of Covid-19 have been recorded in monthly returns to the Ministry for Housing, Communities and

Local Government (MHCLG). This equates to £2.7m of additional pressures on income and costs when compared to pre-pandemic budget levels.

2. Main Report

General Fund Revenue

2.1 Latest forecasts show an expected full year surplus of (£60k).

2.2 The table below shows the summary position at the end of June 2021.

General Fund Account Q1 2021/22	Revised Budget	Latest Approved Budget	Forecast	Forecast Variance
Corporate Services & Commissioning	7,171	7,171	7,197	26
Economic Regeneration & Place	5,822	5,822	5,824	2
Corporate / Finance	(598)	(598)	(912)	(314)
Legal, Democratic, Licensing, Electoral & Land Charges	1,060	1,060	1,095	35
Contingency	1,232	1,232	1,424	192
Net Service Expenditure	14,687	14,687	14,628	(60)
	0			
Contribution to / from reserves	2,798	2,798	2,798	0
Other Accounting Adjustments	147	147	147	0
Council Tax	(5,875)	(5,875)	(5,875)	0
Business Rates & Associated Grants	(2,402)	(2,402)	(2,402)	0
Collection fund Deficit / (Surplus)Share	(9,322)	(9,322)	(9,322)	0
Shortfall / (Surplus)	34	34	(25)	(60)
Budget Savings Left to Deliver	(34)	(34)	(34)	0
Net Revenue Budget	0	0	(60)	(60)

2.3 The main forecasted variances against the General Fund are:

- The return on property funds has improved since the budget was set. It was anticipated the return would be halved to £100k as a consequence of covid-19, but the first quarter figures indicate an outturn of £160k for the year although given economic uncertainty, this should be viewed with caution.
- Additional new burdens grants that were not known about at the time the budget was set total (£192k) are offset by increase in the contingency budget as the money is expected to be spent in year.
- Car parking income is expected to fall £55k short of target, with ongoing restrictions resulting in reduced footfall in the town centre and fewer people commuting to workplaces. Similarly, lifeline income is also expected to fall short of target with little growth in the customer base, a £56k shortfall in income is expected.

- The commercial waste service has seen an increase in contract income which is expected to be (£39k) higher than budget this year this is due to a combination of fee increases, customer retention and gain. At the same time there is anticipated a reduction in disposal costs based on latest costs which is expected to result in a (£21k) saving, so a (£60k) increase in the profitability of the service.
- Salaries are expected to be over budget by £105k due to a low number of vacancies in the services and some vacant posts being filled by ongoing agency appointments.
- Savings of (£31k) on the streetscene recycling gate fees from increased volumes offset by commodity payments which are estimated based on costs to date driven by an increase in the material price for paper and card sales, plus an additional (£17k) of other waste service income, based on quarter 1 figures.
- There is a £47k saving on the drainage board levies due to the difference in inflation on the fees compared to what was assumed in the budget.

Housing Revenue Account (HRA)

2.4 Latest forecasts show a (£155k) surplus which will result in an increase in the transfer to the major repairs reserve from £3,239k to £3,394k.

2.5 The table below shows the summary position at the end of June 2020. Full details of forecast variances against budget are set out at Appendix A.

Housing Revenue Account – Q1 2021/22	Budget £000's	Forecast £000's	Variance £000's
Net Revenue Budget	8,713	8,412	(301)
Dwelling Rents	(12,302)	(12,156)	146
Net (Surplus) / Deficit transferred to Major Repairs Reserve	(3,589)	(3,744)	(155)

2.6 The main forecasted variances against the HRA surplus are:

- (£499k) saving on interest and borrowing charges following reduced requirements this year based on current anticipated progress in the housing development programme.
- The £195k saving which would be generated from the implementation of the housing system will not be achieved in year due to delays in implementation of phase 2 plus continuing requirement of resources as a result of covid-19.
- Lower rent collection based on trends at the end of Q1 which indicate a £146k shortfall over the year.

Planned savings

- 2.7 Many of the savings were pushed back to 2024/25 as part of the latest Medium Term Financial Strategy. Three savings remain in the General Fund totalling £184k and all are currently expected to be achieved.
- 2.8 The HRA has a budgeted savings target for 2021/22 of (£195k) which relates to efficiency savings following implementation of new Housing and Asset Management System. The second phase of the implementation is due to go live later in 2021/22 but delays and continuing covid priorities means that savings are unlikely to be realised in the current financial year and have been forecast out.

Details of all planned savings can be found in Appendix B.

Capital Programme

Capital Programme 2020/21	Actual Year to Date £k	Budget Year to Date £k	Year To Date Variance £k	Full Year Budget £k	Full Year Forecast £k	Full Year Variance £k
GF	50	480	-430	2,781	2,418	-363
HRA	1,100	2,092	-992	11,232	11,232	0
Total	1,150	2,572	-1,422	14,013	13,650	-363

- 2.9 The capital programme shows a forecast underspend of (£363k) which is all in the general fund.
- 2.10 In the General Fund the variance of (£363k) is made up of:
- Disabled facilities grants – there was a substantial carry forward from 2020/21 plus a considerable grant for 2021/22. Covid-19 has had an impact on the ability to carry out works in quarter 1, so it is expected that £353k of the £813k budget will be spent in 2022/23.
 - A small saving on the purchase of the additional vehicle for the waste collection fleet.
- 2.11 The HRA currently has an underspend at the end of the first quarter of £1.0m, but it is expected at this stage that this will catch up by the end of the year.

Programme for Growth (PfG)

Programme For Growth 2021/22	Actual Year to Date £k	Full Year Budget £k	Full Year Forecast £k	Full Year Variance £k
Total	412	8,799	7,934	865

- 2.12 Following approval of additional projects, the total programme for growth for delivery from 2021/22 onwards is £23,824k. £412k of this was spent in the first quarter of which £239k was spent on salaries.
- 2.13 New projects approved in the recent Medium Term Financial Strategy include £2m investment into the community legacy fund, increase in funds for the

transforming cities fund project and budgets to support projects at Sherburn, Tadcaster and Burn.

2.14 Project by project detail can be found in appendix D.

3. Approval of Additional Funding for Planning

3.1 The Planning Service is facing very high number of applications (circa 40% up on last year) but is making progress in tackling the backlog of applications created by this increased demand and the impacts Covid had on the service. Full staffing capacity is needed to maintain this progress.

3.2 There are currently several vacant posts that despite best efforts it has not been possible to fill. These posts are currently occupied by agency staff generating costs over and above the established budgets. In addition, both Development Management and Enforcement are facing considerable backlogs. Workloads would need to be reduced by around 30 – 35% to bring in line with staffing levels. This backlog is a product of the impacts of Covid, vacancies and increased application numbers.

3.3 Over and above the backlog and increased application numbers there are some more recent additional pressures relating to:

- a number of key Nationally Significant Infrastructure Projects (NSIP's) and Development Consent Orders (DCOs) e.g. the Drax Bio Economy Carbon Capture & storage Project and the National Grid related pipeline project;
- the need to progress the Reserved Matters application for Kellingley Colliery by early 2022 to secure a major inward investment into the site;
- the significant increase in Gypsy & Traveller applications and related enforcement and legal work.

3.4 These additional pressures are one-off fixed-term work pressures that the existing structure was not designed to accommodate and will be difficult to resource. It is also worth noting that excluded from this list are several significant major developments that are being dealt with within the existing service capacity e.g. Eggborough Power station redevelopment; Staynor Hall; Sherburn 2; Gascoigne Wood Rail Freight Interchange; Crosshills urban extension.

3.5 There are four key requests:

To continue to deliver the service at the existing structure level and address the planning and enforcement backlogs

- Additional costs generated by employing agency staff and to provide additional resource to help continue tackling the backlog. Since the middle of May the Planning Service has been fully staffed for the first time in 18 months through permanent employees and use of some agency staff. The actual backlog is in the order of 250

cases. Since the beginning of May the planning backlog has been reduced by approximately 5-7 applications per week reducing the backlog by over 60 applications. This is a step in the right direction and a significant achievement given that the number of applications compared to last year is up approximately 40%. The Enforcement backlog has reduced by nearly 50 cases over the same period a real achievement given the number of complex and time-consuming new cases the service is dealing with. Recently there has been some lost capacity with a senior planning officer leaving and agency contracts would end in September leading to a significant loss of capacity which will seriously impede our ability to sustain the progress in reducing the backlog. Therefore the service is asking for the agency contracts to be extended until December and the additional Enforcement post to be funded until March 2022. Progress will be kept under review and be reported at Q2. Previous funding was provided for the Planning Service in September 2020 to tackle the backlog. This funding provided some additional resource in enforcement that has helped tackle this issue, but in Development Management was used to largely support the costs of agency staff that were filling posts on the structure. The funding would cover the following additional costs:

	£
Extension of agency contracts until end of December 2021	128,368
Extension of enforcement post to end of March 2022	33,790
Flexible pot for additional hours across all agency posts	20,000
Total Additional Costs	182,158

- **Kellingley Colliery reserved matter application**
 - To progress the planning application to the timescales needed to unlock this major development opportunity (by January 2022);
 - will require additional resource from agency;
 - the estimated cost of this proposal is between £32k - £39k (based on 3 days for 5 months).
 - To be recharged to Harworth Estates and it is recommended that both income and expenditure budgets be adjusted accordingly.
- **Nationally Significant Infrastructure Projects (NSIPs), Development Consent Orders (DCOs) and other renewable energy related applications - to deal with the additional workload required to progress these**
 - Will require an additional 1 FTE resource at Senior Planning Officer level;
 - nearly £300k in fees for just two of these applications has been received recently;
 - the cost of a senior post for 12 months is £40.5 k including on costs.

- 3.6 Financial Procedure Rules do not permit virement of income. Whilst there has been an upturn in planning application fees in recent weeks, the quarter 1 forecast shows that planning income is on target to be on budget for 2021/22 although is still below the original base budget for the service prior to the Covid related reduction approved as part of the revenue budget. However, indications at this early stage of the year do suggest that the budget is likely to be exceeded if potential large applications are submitted as anticipated later in the year. The volatile nature of planning income means that it would not be prudent to commit potential income over budget at this stage in the year – a slow-down in other applications could see income levels fall over the remainder of the year but ultimately should planning fee income exceed budget, the contingency would be repaid. The position will be monitored through future quarterly finance reports.
- 3.7 The approved revenue budget recognised the resource pressures being experienced by key services and provision was made to enable in year support should this be needed. Funding is therefore available within Corporate Contingency to cover these additional costs and, with the exception of the rechargeable costs of up to £39k to Harworth Estates, **a drawdown of £222,658k is requested.**
- 3.8 In addition further support is required to deal with exceptional pressures associated with gypsy and traveller (G&T) applications and enforcement appeals. This will require a dedicated specialist G&T planning resource which would be sourced through a specialist consultancy. The estimated cost of this bespoke work is £50k plus a further £80k estimated legal support costs for the two major public inquiries taking place in early 2022. The two public Inquiries for Hillam and A63/Lumby could last over 10 days requiring external legal support including Counsel. Any separate court actions would incur additional costs above this and an assessment of further costs would be undertaken should this be necessary. **£130k is recommended for drawdown from Contingency to cover the initial estimated costs.**
- 3.9 £500k is included in the approved revenue budget for additional resource pressures which is sufficient to cover the recommend drawdowns at paragraphs 3.7 and 3.8. Should planning income ultimately exceed budget then the drawdown will be repaid in part or full as appropriate.

4. Alternative Options Considered

- 4.1 Not applicable.

5. Implications

5.1 Legal Implications

- 5.1.1 There is a legal requirement to balance the budget. In addition, any actions to tackle the deficit position need to avoid any potential for contractual or legal dispute as well as following appropriate governance.

5.2 Financial Implications

There are no financial implications beyond those highlighted in the report.

5.3 Policy and Risk Implications

There are no specific policy or risk implications beyond those highlighted in the report.

5.4 Corporate Plan Implications

The financial position and performance against budget is fundamental to delivery of the Council Plan, achieving value for money and ensuring financial sustainability.

5.5 Resource Implications

The pandemic has put considerable pressure on the Council to deliver all of its priorities from the Council plan in addition to the new requirements as a result of covid-19. An additional £500k has been put into the 2021/22 budget to cater for additional staffing requirements to deal with backlogs of work as a result of the pandemic.

5.6 Other Implications

None.

5.7 Equalities Impact Assessment

There are no equalities impacts as a direct result of this report.

6. Conclusion

6.1 The general fund at the end of quarter 1 is forecasting a (£60k) surplus for the year whilst the housing revenue account is forecasting a (£155k) surplus.

6.2 The council is still suffering considerable losses in 2021/22 against pre-pandemic budgets.

6.3 There continues to be increased pressure on resources and capacity to deliver the Council's priorities with covid-19 and local government reorganisation both likely to require considerable resource throughout the financial year.

7. Background Documents

None.

8. Appendices

Appendix A – General Fund and Housing Revenue Account Revenue budget exceptions.

Appendix B – General Fund and Housing Revenue Account Savings.

Appendix C – General Fund and Housing Revenue Account Capital Programme.

Appendix D – Programme for Growth.

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