

2.0 REVENUE BUDGET 2020/21

2.1 BACKGROUND AND SUMMARY

- 2.1.1 This section of the report presents details of the revenue outturn for the 2020/21 financial year. The final in-year 2020/21 budget is £389,489k with the net movement since the budget approved by Executive and County Council in February 2020 shown in **Appendix A**.
- 2.1.2 The overall 2020/21 revenue outturn position of the County Council is a net saving of £9,090k (2.3%) against operational budgets. This compares with a projected saving at Q3 of £3,894k. Further detail is provided in **section 2.2**.
- 2.1.3 From a financial perspective 2020/21 has been unique in recent local government history with very significant new costs and responsibilities linked to the pandemic, leading to headline overspends in most directorates, but also unprecedented levels of central government funding (much of it late in the financial year) to local authorities. It has also meant that, understandably, the county council's total focus has been on responding to the impact of the pandemic whilst still maintaining its core services. Despite this, and in the context of the widely publicised financial challenges facing many councils, North Yorkshire has maintained robust financial control and has managed to come in under budget.
- 2.1.4 Compared with Q3 the underspend has risen significantly. This has reflected a number of factors, (details of which are shown in the individual directorate sections below) but in particular the difficulty of identifying the impact of the pandemic in the final quarter and the uncertainty around government funding. In the National Audit Office's recent report on Covid funding to councils they found MHCLG's approach created uncertainty in the sector and did not allow for good financial planning. In particular, councils did not know how long a tranche of funding was supposed to last or if there would be another. Significant and welcome extra funding did arrive, often at short notice, but much of it was in the final quarter and managers were unaware at the time of the Q3 projections.
- 2.1.5 Looking ahead to 2021/22 and beyond we know there will be significant long term financial impacts from the pandemic. There will be additional uncertainty in North Yorkshire given the focus on local government restructure. A good level of reserves will therefore be critical to help meet these challenges and so this underspend, which will be transferred to the Strategic Capacity - Unallocated Reserve, will assist the County Council in 'cashflowing' any transitional period and in the effective management of the longer term financial position.

2.2 OPERATIONAL BUDGETS

- 2.2.1 The table below identifies the operational budgets for each of the Directorates in 2020/21. The net revenue outturn indicates a number of variances, which together total a saving of £9,090k.

Directorate	Budget (£k)	Projected Outturn (£k)	Variance (£k)	<i>Q3 Projected Outturn Variance (£k)</i>
HAS Gross	163,891	172,835	+8,944	+12,861
LESS: iBCF deployed	0	(550)	(550)	(550)
Less: Winter Pressures Grant/Budget Growth	4,000	0	(4,000)	(4,000)
HAS Net	167,891	172,285	+4,394	+8,311
BES	73,188	73,166	(22)	+94
CYPS Gross	78,740	76,636	(2,104)	(615)
LA Contribution to High Needs	4,211	4,211	-	-
CYPS Net	82,951	80,847	(2,104)	(615)
Central Services	66,343	70,291	+3,948	+6,100
Corporate Misc.	3,037	23,310	+20,272	+17,711
Directorate Totals	393,410	419,899	+26,488	+31,601
COVID-19 Grant Funding	0	-35,578	-35,578	(35,495)
TOTAL	393,410	384,321	(9,090)	(3,894)

2.2.2 A summary of the overall **Health and Adult Services (HAS)** position across public health and adult social care (ASC) is outlined in **Appendix B** and shows an overspend of £4.4m at the end of the 2020/21 financial year, a reduction of £3.9m compared with the projected overspend at Q3 (£8.3m).

2.2.3 In arriving at this figure, the Directorate has utilised the £2.4m of Winter Pressures funding allocated by central government and £0.6m of iBCF (improved Better Care Fund) to meet Adult Social Care Pressures. A further £1.6m of growth allocated by the County Council has also been used.

2.2.4 The Directorate has also managed a plethora of specific grants provided by central government to reimburse costs arising from the COVID-19 pandemic both in the Council and for passporting directly to providers, these have been taken into account in the final outturn position. These grants totalling £35.3m include Infection Prevention Control and Contain Outbreak Management Funding (COMF).

2.2.5 The main areas contributing to the variance between Quarter 3 and Quarter 4 are detailed below:

- **COVID-19 costs & Care and Support** – Given the complexity around funding arrangements these two budget areas should be considered in aggregate. The Q4 position has changed significantly since Q3 due to additional grants being made available by government to support providers. These grants often have extremely strict conditions, which means that some providers have been unable to spend the funding and some will be returned to central government. Where possible however, the Council has recycled returned COVID-19 funding contributing to the reduction in overspend on the care and support area budgets from Q3 by £0.5m. There has also been an increase in the CCG contribution to hospital discharges and admission avoidance costs during the emergency period as the scheme was extended in the last quarter. Overall care and support budgets are showing an overall overspend of £2.9m. An additional £5.2m Covid-19 “premium” was also provided to care providers while additional staffing and support was required to assist in the response totalling a further £0.4m (total of £5.6m for the Covid-19 costs budget line).

The final position shows that there continues to be pressure on the Care and Support budgets. Market pressures, particularly in Harrogate, remain an issue, exacerbated as people use up their own funds, with the Council then picking up any further costs. Remedial action is underway to reduce this pressure where possible; however, the overall position for 2020/21 should be seen in the context of extremely complex and temporary funding arrangements. COVID-19 has also had an impact on normal business activity levels over 2020/21 and it has been increasingly difficult to predict what these normal levels would have been, had the pandemic not happened. In the longer term, we do not expect the current reduced rate of business as usual referrals to drive permanent reductions and expect a drift back up in demand as a “new normal” settles post COVID-19.

- **Provider Services & Extra Care/Personal Care At Home** is showing an overspend of £1.1m, this is an improved position from Q3 (£1.8m) of £0.7m. This is mainly due to additional recycling of infection control funding to the Council’s in-house services in Q4 (£463k) and additional client contributions to those anticipated at Q3 of £194k.
- **Public Health** - Public Health is showing an increased underspend since Q3 by £1.9m. The full year position now shows a decrease in

costs due to reductions in demand on planned activity (£270k in the quarter) and the impact of the concentration of much of the Public Health team on supporting the council's response to the pandemic. This work has, to an extent, been funded by additional government grant, accounting for £2.2m of costs. Any underspend in Public Health is taken into the earmarked reserve and therefore this has no impact on the overall directorate bottom line. The reserve has therefore increased by £2.1m but activity levels in Public Health have remained at high levels throughout the year and regardless of funding sources.

Since Q3, other areas not mentioned above have maintained a relatively stable outturn position, but significant areas of variance throughout the year have also occurred in:

- **Commissioning and Quality**- The final outturn of an underspend of £775k has arisen as a result of one-off contract savings due to contract negotiations and further underspends due to contract efficiencies.

2.2.6 **Appendix C** includes details of the projected variance within **Business and Environmental Services** and includes a small net underspend of £22k for 2020/21. Areas of significant variation from quarter 3 to quarter 4 are;

- **Concessionary Fares** – At Q3, there was a forecast saving of £1.1m linked to supplier payments and support from the Department for Transport. However, this figure assumed, as in previous years, a £1m contribution from parking fee income. In light of the continuing COVID lockdown, parking income has dropped dramatically and this funding was therefore not available leaving a final underspend of £357k.
- **Waste Management** – A significant overspend of £1,211k reflects in particular Covid pressures on cost and income levels together with increased payments to districts for recycling and green waste. This figure does reflect, however, a significant improvement against that reported at Q3 in particular from higher recyclate sales (£155k), increased benefits from commercial contracts (£300k) together with funding of £368k drawn down from the waste reserve.
- **Street Lighting** – The LED replacement scheme is continuing to deliver additional savings resulting in an in year underspend of £1,355k; this has increased by £475k since Q3 due to additional income received and a further reduction in costs for programmed repairs. An ongoing saving of £200k has been included in the Medium Term Financial Savings plan from 2022/23 onwards, relating to expected ongoing maintenance savings.
- **Highways Maintenance** – Accelerated damage on the highway as a result of winter conditions has increased expected spend in the final quarter by an additional £100k. This, along with flooding events and associated costs of call outs and repairs has resulted in an overspend of £305k.

2.2.7 Since Q3, other areas not mentioned above have maintained a relatively stable outturn position, but significant areas of variances throughout the year have also occurred due to:

- Additional **traffic management** costs and additional vehicle requirements for social distancing measures - +£610k

- **Streetworks licensing** and penalty notice income – (£525k)
- **Winter costs** - +£480k

2.2.8 A summary of the revenue outturn for **Children and Young Peoples Services** (CYPS) is available within **Appendix D** and shows a net underspend position of £2.1m at the end of the 2020/21 financial year. The main areas contributing to the increased savings compared to the Q3 position are:

- **Home to School Transport** – as per Q3, there have been significant savings arising from partial school closure during national lockdowns. The non-recurring savings have increased during the final quarter by £600k, as the full impact of partial closure and duration of the Spring Term lockdown has been realised. The final outturn has resulted in a non-recurring saving of £1.5m against budget (6%).
- **Disabled Children’s Service** have seen a reduction in spend during Q4 as the lockdown reduced the number of short breaks being able to proceed, reducing the previously projected financial pressure in the service by £300k. Overall the service had an overspend of £73k for the year, as the pressure from Occupational Therapy and reduced Health income streams remain.
- The **Children and Families Service** remained at a similar underspend to Q3, driven by savings in staffing, mileage and operational delivery budgets. The final outturn for both the Children and Families and Child Placement budgets are a 5% underspend, (£1,248k) and (£489k) respectively.
- **Adult Learning & Skills Service (ALSS)** has seen an improved position from Q3 following confirmation that only some elements of funding are going to be clawed back by the Education Skills and Funding Agency (ESFA). Retrospective clawback from the ESFA was announced in late March 2021. The reduction in funding is driven by reduced activity as the pandemic has hampered recruitment of new learners. One-off savings have been made where possible on additional staff hours, travel and venue costs, resulting in an overall in-year overspending position of £470k resulting in a £790k accumulated deficit. Whilst the ALSS deficit is expected to be recovered from future-year activity, an equal and opposite local authority (LA) reserve has been established to prudently match the deficit.
- **School Redundancy** costs, due to school staffing reviews being delayed, have been reduced at final outturn following confirmation that spend for the year was £40k, a drop of £80k from Q3.

2.2.9 Non-COVID-19 budget pressures have generally remained the same across the Directorate as previously reported in prior quarters.

2.2.10 Since Q3 the position of other areas not mentioned above have maintained a relatively stable outturn position, but significant areas of variance throughout the year have occurred in:

- **Outdoor Learning** (£1m overspend), which has been unable to trade for the year and is the subject of a review.
- **School Improvement** has seen limited activity during school closures, where possible staff have been redeployed elsewhere in the COVID-19 response effort. Schools Causing Concern has also seen limited expenditure this year due to the pandemic, therefore final outturn was £425k less than budget.

2.2.11 High Needs Block Funding (HN)

- As previously reported the unprecedented demand within the HN Block has continued throughout the system with pressures in SEN Assessments, Educational Psychology and SEN Transport.
- Within the HN block of the Dedicated Schools Grant (DSG), we have a shortfall in funding to be able to meet demand, so this year have an overspend of £2.6m, which is actually less than anticipated due to in-year savings which have been made.
- Note that we are not able to cover the deficit with Local Authority Funds, but an equal and opposite reserve has been established for prudence; however, we expect to recover the High Needs financial position in future years.

2.2.12 **Central Services** variance details are included within **Appendix E** and includes a net overspend of £3,948k for 2020/21. Areas of significant variation from quarter 3 to quarter 4 are;

- **Personal Protective Equipment (PPE)** – The final cost for 20/21 was £4,400k, this is a reduction of £400k from Q3 forecast, as the previous demand forecast for PPE was fully met by free government supplies.
- **COVID Support** - Community Support payments, Small Grants, Food Vouchers and Family Fund Support payments totalled £1,350k; this is in line with expectations at Q3, however, additional central government funding confirmed in Q4 to support Clinically Extremely Vulnerable has been utilised towards this (£1,000k).
- Additional storage facility requirements for COVID-19 support activities were expected to cost £215k, and this was included in the forecast at Q3, however a grant received by the North Yorkshire Local Resilience Forum has partially covered these costs with a contribution of £150k.
- **Libraries** – Since Q3 there has been fewer costs than forecast, for a variety of aspects of the library service including staffing, transport, subscription costs, clothing and general materials that has resulted in a decrease of £230k from the Q3 forecast. The service has achieved an overall underspend of £160k for 2020/21, arising from a reduction in income from fees and charges, due to COVID-19, offset by a decrease in costs following library closures.
- **Coroners** - Whilst coroners remains overspent by £182k, as detailed in the appendix, the final position has improved by £145k from expectations at Q3. This is partially due to a reduction in post mortems, subsequently reducing facility costs and testing cost.

Additionally, there have been decreased costs of inquests whilst these have been taking place virtually.

2.2.13 Since the Q3 position, other areas not mentioned above have maintained a relatively stable outturn position, but significant areas of variance throughout the year have also occurred in:

- **Registrars** – The final outturn of an overspend of £928k has arisen due to the restrictions in place regarding wedding ceremonies due to COVID-19.
- **Technology & Change** – Project Roll out (£340k)
- Venue hire and transport costs – (£1,080k)

2.2.14 Key variances were reported at Q3 and an update on these areas are outlined below:

Directorate	Service	Outturn Q4	Projection Q3
HAS	Care & Support Area Budgets	+£2,946k	+£2,700k
HAS	Provider Services & Extra Care/Personal Care at Home	+£1,085k	+£1,791k
HAS	Direct additional COVID-19 costs for care providers	+£5,562k	+£8,449k
HAS	Commissioning & Quality	-£775k	-£512k
BES	Waste & Countryside Services	+£1,221k	+£1,887k
BES	Integrated Passenger Transport	-£599k	-£1,619k
BES	Winter Maintenance (including flooding)	+£785k	+£700k
CYPS	Disabled Children's Services	+£73k	+£344k
CYPS	Home to School Transport	-£1,492k	-£875k
CYPS	Children and Families Service	-£1,737k	-£1,816k
CYPS	Pooled Budgets for Placements	+£292k	+£699k
CYPS	Education & Skills	+£513k	+£636k

CYPS	Outdoor Learning Service	+£1,000k	+£1,020k
CYPS	High Needs Commissioning	+£2,971k	+£3,180k
CS	Business Support Services (Including PPE)	+£3,165k	+£3,530k
CS	Policy and Partnerships	+£334k	+£1,454k
CS	Central COVID-19 Costs	+£494k	+£491k
CS	Registrars	+£928k	+£972k
Corp Misc.	Provision for shortfall in Council tax and NNDR income	+£20,500k	+£20,500k
Corp Misc.	School Transport (PSVAR upgrades)	-£1,600k	-£1,600k
Corp Misc.	HAS Contingency	-£1,000k	-£1,000k
Corp Misc.	Treasury Management/ Investment/ Commercial Challenge Income	+£3,519k	+£2,631k
Corp Misc.	Business Rates Funding	+£978k	-£835k
Corp Misc.	Other Corporate Budgets	+£1,803k	+£776k
Corp Misc.	NYES & SFC Compensation (cont. to reserve)	+£1,649k	+£1,264k

2.2.15 The detailed explanations for the variances highlighted in the table above are set out in this report and/or in the previous 2020/21 quarterly monitoring reports.

2.2.16 Appendix F provides further detail on the reported overspend of £20,443k in **Corporate Miscellaneous**. Areas of significant variation from Q3 to Q4 are:

- **Treasury Management** – Lower interest rates were achieved on investments, including the non-delivery of the 2020/21 element of treasury management savings. Additionally increased provision has been made for the estimated capital loss on commercial investments, that was reported at Q3 results in a total shortfall of £3,519k.
- **Other Corporate Budgets** – Following a review of bad debt, provision has been increased by £1,290k. This is partially offset by a one-off dividend payment received during Q4 against the commercial challenge saving target (£1,011k).

- **Business Rates Funding** – Previous forecast including S31 grants that have been reclassified, leaving a shortfall of £978k.

Other significant variances remain the same as reported at Q3, including an overspend on **general provisions** of £13,437k which includes a provision of £20.5m for future anticipated losses on council tax and business rates linked to the economic impact of COVID.

Details of the variances are provided in **Appendices B-F**.

2.2.17 The outturn statement for the County Council's NYES traded service is also attached at **Appendix G** for information. These services are mainly provided to schools in the County and the figures reported do not have any further impact on those in the above table because, where relevant, the charges are already incorporated in Directorate forecast budget outturn positions.

2.2.18 Details of funding relating to COVID-19 are provided in **Appendix H**.

2.3 BUDGET/ MTFS SAVINGS TARGETS

2.3.1 The 2020/21 revenue budget reflects previously agreed and updated 2020 North Yorkshire savings targets and these are incorporated into Directorate 2020/21 budget control totals shown in the table in **paragraph 2.2.1**. These 2020/21 savings targets (which are in addition to savings targets reflected in previous year's budgets) total £8,939k and consist of:

Item	£m
North Yorkshire 2020 Savings in 2020/21 agreed in the February 2020 budget and earlier years MTFS savings targets:	
BES	1.0
CYPS	1.2
HAS	1.9
CS	0.9
Shortfall	3.9
Total savings reflected in 2020/21 budget	8.9

2.3.2 Assessment of progress against the targets indicates that there are some areas of the programme where savings have been achieved early, totalling £420k, and there are other areas of the programme where savings were not achieved within expected timescales for 2020/21 (£1,780k). These are outlined in the table below but it should be noted that they are already incorporated into the projected outturn position in **paragraph 2.2.1**

At Risk/ Cash-funding of Projects in 2020/21	
Winter Salt Heaps and Bins	£75k
Joint Waste Service	£30k
Safeguarding Unit Review	£60k
Pension Enhancements	£30k
Strategic Support	£24k
Treasury Management	£618k
Commercial Investments	£86k
Working Practices	£100k
Reablement	£250k
Extra Care Housing	£457k
Brokerage	£50k
Early Achievement of Savings in 2020/21	
Property	£260k
SEND Transport (DSG)	£140k
Spread Rate Project	£20k

- 2.3.3 In addition part of the savings from schemes in earlier years: Disabled Children's Services (£67k), Developer's One Stop Shop (£25k) and Strength Based Assessments (£400k) will remain unrealised in 2020-21. Again, it should be noted that these are already incorporated into the forecast outturn position in **paragraph 2.2.1**.
- 2.3.4 Despite many projects being delayed as resources were diverted to assist with the local authority's response to COVID-19, the Council has still delivered 80% of the planned savings for this year. However, it is recognised that delivery of savings is becoming more challenging therefore a Corporate Savings Contingency of up to £7m for non-delivery of savings was provided in 2020/21. This has been reclassified as a general corporate contingency from 2021/22 and increased to £10m to reflect the broader range of pressures including non-delivery of savings and "covid scarring".
- 2.3.5 Variances from the 2020/21 Budget will continue to be monitored through 2021/22 to ensure savings are delivered as part of the governance of the 2020 North Yorkshire Programme. The net position is always reported within the quarterly Revenue Budget monitoring report and details of the variances are shown in **Appendices B to F**.

2.4 GENERAL WORKING BALANCE

2.4.1 A key feature of the Revenue Budget for 2020/21 and Medium Term Financial Strategy, approved by County Council on 19th February 2020, is to maintain the General Working Balance (GWB) at a defined minimum acceptable level.

2.4.2 For 2020/21, the defined minimum level has been a policy target as follows:

- (i) Maintenance of a minimum of 2% of the net revenue budget for the GWB in order to provide for unforeseen emergencies etc. supplemented by;
- (ii) An additional (and reviewable) cash sum of £20m to be held back in the event of a slower delivery of savings targets;

and reflects:

- (i) The increased number of risk factors which the County Council is facing as set out in Section 9 of the 2020/21 Budget report and in particular;
- (ii) Savings targets not being delivered on time;

2.4.3 Taking into account the GWB policy on minimum balances – 2% of the net revenue budget plus £20m – GWB at year-end amounts to £27,868k. This is held at “policy” level and any unallocated balance in excess of this level is transferred to ‘Strategic Capacity – Unallocated’. The underspend against operational budgets in 2020/21 of £9,090k, as outlined in **paragraphs 2.2.1 to 2.2.16**, has therefore been transferred into the Strategic Capacity – Unallocated Reserve, and will be available to assist with MTFS/ Budget and investment decisions in 2021/22 and future years. Where sums were earmarked for other specific purposes they have been transferred to specific operational reserves.

2.4.4 The movement in the balance of the Strategic Capacity – Unallocated reserve over 2020/21 is as follows:

Strategic Capacity – Unallocated	
Actual Balance as at 31.03.20	£47,557k
Planned MTFS contribution from reserve	-£3,921k
Release of reserves following review	+£2,079k
New Additions/drawdowns	+£13,710k
Net projected underspend	+£9,090k
Balance as at 31.03.21	£68,515k

2.4.5 The balance of the Strategic Capacity – Unallocated Reserve as at 31 March 2020 was £47,557k. The following table provides a longer-term forecast for this reserve including the forecast use of reserve balances to support the Medium Term Financial Strategy as outlined in the budget report to County Council in February 2021. It does not indicate the impact in 2024/25 at this stage as projections currently only extend to 2023/24.

Year End	Start of Year	Latest Forecast			
		Funding changes to reserve	Transfer of outturn balance	Use of Strategic Capacity reserve to support the MTFS	End of Year
	£000	£000	£000	£000	£000
31 March 2021	47,557	15,789	9,090	(3,921)	68,515
31 March 2022	68,515	-	-	(3,119)	65,396
31 March 2023	65,396	-	-	(21,650)	43,746
31 March 2024	43,746	-	-	(18,464)	25,282
31 March 2025	25,282	-	-	-	-

2.5 Recommendation

That the Executive

- (i) notes the outturn position for the County Council's 2020/21 Revenue Budget as summarised in **paragraph 2.1.2**
- (ii) notes the position on the GWB (**paragraphs 2.4.1 to 2.4.3**)
- (iii) notes the position on ' Strategic Capacity – Unallocated' reserve (**paragraphs 2.4.4 to 2.4.5**)

REVENUE BUDGET APPENDICES

A	2020/21 Latest Revenue Budgets
B	Health and Adult Services
C	Business and Environmental Services
D	Children and Young Peoples' Service
E	Central Services
F	Corporate Miscellaneous
G	NYES
H	COVID Grant Funding