SELBY DISTRICT COUNCIL

APPENDIX A

Report Reference Number: E/19/52

To:	**Executive**
Date:	**5 February 2020**
Status:	**Key Decision**
Ward(s) Affected:	**All**
Author:	**Peter Williams, Head of Finance**
Lead Executive Member:	**Cllr Cliff Lunn, Lead Executive Member for Finance & Resources**
Lead Officer:	**Karen Iveson, Chief Finance Officer**

Title: Financial Results and Budget Exceptions Report to 30th December 2019

Summary:

At the end of quarter 3, the General Fund is forecasting a breakeven position. There continues to be a shortfall on planned savings and shortfalls on key income streams but these have been mitigated by in year savings. The HRA is indicating a higher surplus than at Q2 of (£180k). This is due to continuing lower external borrowing requirements partially offset by lower savings expected in the current financial year from the implementation of the new housing system.

General Fund savings are showing a forecast shortfall of £353k and the HRA a shortfall of £195k as a result of delayed projects and some reprioritisation. Details of the planned savings and their status can be found in Appendix B.

The capital programme is currently forecasting an underspend of (£23.6m); (£16.9m) GF and (£6.7m) HRA. In the general fund, £11.6m relates to slippage in the Housing Trust loans budget. Proposals for phase 2 of the HDP programme are currently being developed and will be put forward to the Executive when finalised.

In addition, the recently approved acquisition of the waste collection fleet and wheelie bins have been added to the capital programme but the £4m cost of the vehicles is now not expected to be incurred until the first half of next year and therefore it is recommended that this budget be rolled into 2020/21.

In the HRA a number of programmes have been delayed whilst contracts are being and have been procured resulting in significant slippage. Expectations are that spend on these committed programmes will be completed in 20/21 along with the further works already planned for that year. Headlines can be found in the report below with a more detailed analysis in Appendix C.

Programme for Growth is progressing well with projects delivering over multiple years. It is expected that funds from the business rates pool, towards the costs of Tour De Yorkshire and UCI cycling races, will be received in quarter 4. Progress on projects is shown in Appendix D with an update in the report below.

Recommendations:

It is recommended that:

i) The Executive endorse the actions of officers and note the contents of the report;
ii) Approve the virement for £122k to subcontractors on the HRA from the underspend on premises budgets per 2.2.1.
iii) The Executive approve re-profiled capital programmes and Programme for Growth as set out at Appendices C and D.

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 budget was approved by Council on 21 February 2019, this report and associated appendices present the financial performance as at 31 December 2019 against the budget.

2. Main Report

General Fund Revenue

2.1 Details of forecast variances against budget are set out at Appendix A.

General Fund Account – Q3 2019/20	Budget £000's	Forecast £000's	Variance £000's
Corporate SVS & Commissioning	6,896	6,778	(118)
Economic Regeneration & Place	4,672	4,596	(76)
Corporate	(2,701)	(2,756)	(55)
Legal & Democratic Services	1,014	953	(61)
Contingency	317	125	(192)
Net Service Expenditure	**10,198**	**9,696**	**(502)**
Contribution to / from reserves	(1,710)	(1,562)	148
Council Tax	(5,595)	(5,595)	0
Business Rates	(2,532)	(2,532)	0

Collection Fund Deficit Share	23	23	0
Shortfall/(Surplus)	**384**	**30**	**(354)**
Savings Target	(384)	(31)	353
Net Revenue Budget	**0**	**(1)**	**(1)**

2.1.2 The main forecasted variances against the General Fund deficit are:

- A £353k shortfall on planned savings as outlined in the planned savings section of this report and in more detail in Appendix B.
- Income from planning and industrial units is in line with the reduced forecast made at Q1, £160k and £25k (net of NYCC partner payments) lower respectively. The shortfall on lifeline has increased a little from Q2 with a £41k shortfall in income predominantly from private customers now anticipated.
- The waste service is forecasting a shortfall overall, which at £75k has increased slightly since Q2. The low rate received per tonne for the forecast for income from recyclable materials remains £102k short of target, as reported at Q2, which is partly offset by savings on rounding and income from new bins.
- Demand for land charge searches has fallen this year and is forecast at £29k lower than budget due a fall in house sales. This is partly offset by lower staffing costs in the team.
- Financing of the works on the Summit has resulted in an increase in Minimum Revenue Provision charges in the year of £32.6k which will continue for the remainder of the current contract.
- New burdens grants of (£49k) which were not confirmed at the time the budget was set have been received in 19/20.
- Drainage board levies were budgeted based on estimates but actual charges are £17k lower.
- Underspent contingency has been taken as a saving in year, contributing £225k to help cover the shortfall in planned savings.
- A number of savings across a range of budgets have been made to help mitigate the shortfall on income and savings including on staffing. The 5% vacancy factor built into the budget is expected to be exceeded.

2.2 Housing Revenue Account (HRA)

Housing Revenue Account – Q3 2019/20	**Budget £000's**	**Forecast £000's**	**Variance £000's**
Net Revenue Budget	8,816	8,448	(368)
Dwelling Rents	(11,840)	(11,847)	(7)
Shortfall / (Surplus)	**(3,024)**	**(3,399)**	**(375)**
Savings Target	(195)	0	195
Net Surplus / (Deficit) transferred to Major Repairs Reserve	**3,219**	**3,219**	**0**
Net Revenue Budget	**0**	**(180)**	**(180)**

2.2.1 The main forecasted variances against the HRA surplus are:

- External borrowing is expected to be lower due to work programmes being funded from grants and internal borrowing in the short term. It is anticipated that external borrowing will be needed in the future, but a saving of approximately (£300k) is expected this year.
- There was an original savings target in the HRA this year of (£214k), to date savings on the new housing system and procurement partnership (£19k) have been achieved bringing the revised savings target down to (£195k) which will not be achieved in 19/20 due to software development issues with the provider resulting in delays in the new housing system going live.
- An additional £122k on sub-contractors is forecast as a result of on-going recruitment difficulties. This is critical to improved void property performance and is offset by savings on materials and underspends on some of the revenue programmes including painting and asbestos surveying which are being managed through programmed capital schemes reducing the need for responsive works. The Executive are asked to approve this action. Proposals for a new Assets Team structure are being finalised which will encourage more effective in-house delivery and greater staff retention to reduce the necessity of specialist sub-contractors. In addition there are lower than expected running costs for the Community Centres.
- Improved investment interest returns are expected to exceed the budget by £43k in the year.
- Housing Rents are anticipated to be £7k higher than target for the year due to improved empty home performance and lower right to buy sales at the half year, with 13 so far against an annual estimate of 20.

2.3 Planned savings

2.3.1 The General Fund savings target for the year is £1.141m. The Council has a strong track record for delivering the savings and efficiencies needed but it is increasingly challenging to identify and deliver savings against a reducing cost base. The savings within the current plan are therefore in large part considered higher risk, with some dependent on a number of external factors. Council recognised the risk within the plan when the Medium Term Financial Strategy was approved in September 2018 and resolved to hold back a level of reserves to mitigate the risk of delayed/non delivery over the medium term. Forecasts at quarter 3 for 2019/20 indicate a slight reduction in the shortfall with £786k of savings expected to be made against a target of £1,141k. The key areas to note are as follows:

- Planning savings of (£100k) were set. A review of the service has been undertaken and given the priority for this key service the original target will

not be achieved. £60k p.a. is now forecast but with effect from Q4, therefore a (£15k) saving has been recognised for the current year.

- Asset rationalisation target of (£76.5k) is dependent on the move of the contact centre from Market Cross. Negotiations are ongoing, with the move of the contact centre set to go ahead later in the year. We expect to achieve additional (£20k) of income from office space rental and meeting room bookings leaving a shortfall of £56.5k.
- There was a saving in the budget from the acquisition of commercial property of (£50k) in relation to the £3.5m pot for commercial acquisitions which forms part of the P4G programme. This pot was expected to make a return, however, the commercial properties acquired so far will not generate an ongoing income stream this year. There are no additional purchases anticipated in the immediate future which would generate income in this financial year although the former Nat West bank in Selby is expected to sell in the near future which will generate a capital receipt.
- The digital programme continues to progress and was targeted with generating (£200k) of savings in the current year. (£137k) of savings have been delivered, but further savings will be in 20/21 as programmes such as flexible working and the housing system progress.
- The environmental saving target of (£40k) is now not going to be delivered in year as it will be tied in with the investment in a standard rear loading collection fleet and area based working and a range of opportunities to increase the efficiency of contract delivery which are being explored currently. There is potential to exceed the target in future years through maximising operational efficiencies which will be captured as part of the formal contract variation to deliver cashable savings in 2020/21 and beyond.
- Details of all planned savings can be found in Appendix B.

2.3.2 The original HRA savings target for 2019/20 was £214k; to date £19k has been identified with the remaining target being £195k. The majority of this saving is driven by the new Housing and Asset Management System. There have been delays in the development of the new software modules by the supplier which has resulted in phase 2 (where most savings are expected to be implemented) slipping into the first half of 2020/21.

2.4 Capital Programme

2.4.1 The capital programme shows a forecast underspend of (£16.9m) in the General Fund, the variance is made up of:

- The budget for New Build Projects (Loans to SDHT) has been reduced to reflect that no further projects are anticipated in this financial year meaning a carry forward of £11.6m to fund future loans. There are currently three schemes submitted for planning which we continue to discuss with SDHT.
- A budget of £4m which has recently been approved for the acquisition of a waste collection fleet. This will be incurred in 20/21.

- A budget of £630k available to spend on Disabled Facilities Grants this year which includes £228k carried forward from previous years. The challenges around spending these grants have been addressed, which has resulted in increased spending and a reduction to the amount that is being carried forward, although it is still anticipated that £153k will be carried forward into 20/21.
- The car park improvement programme will continue to deliver into 20/21 and as such it is expected that an underspend of £530k this year will be carried forward. Audus Street and South Parade Car parks have been completed and work to progress Back Micklegate and Micklegate have been place on hold in order to maximise funding options through external funding bids to progress work in 2020/21 as part of the wider investment generated through the Heritage Action Zone funding.
- The industrial units road adoption budget of £325k has been carried forward for a number of years subject to a decision on whether to invest in upgrading this to an adoptable standard. Costings have now been received and further advice from NYCC highways sought but it is not anticipated that this will be spent this year.
- A delay in the procurement of Microsoft Licences means that the carry forward of £85k from last year will no longer be required. The licences will commence from this year at a cost of £85k per annum.
- Underspends in year across a number of IT projects including Channel Shift phase 3 Website and Intranet, Disaster Recovery improvements and the implementation of a new cash receipting system. All of these projects will continue into 2020/21.

2.4.2 The capital programme in the HRA is forecasting an underspend of (£6.7m). The variance is made up of:

- The roof replacement programme has been delayed as data continues to be gained from the stock condition survey and external QS resources have been engaged to review and upgrade the performance specification, this coupled with finalising the work required at the Hillside estate in Tadcaster has resulted in the in-year spend expected to be (£1.1m) under budget Phase one of the wider roofing replacement programme is scheduled to commence in early 2020/21, as part of the programme identified within the HRA Business Plan.
- The programme for Housing Development is expected to roll forward to 2020/21 (£3.3m) while proposals for Phase 2 are finalised.
- The Empty Homes Programme which is expected to deliver over the next two years, so the programme value has been forecast to reflect this, with £750k of the £1.3m budget expected to be spent in this financial year.
- A number of substantial rolling maintenance programmes have been delayed while the specifications have been rolled together to deliver value for money and make contracts more appealing to the market. This includes kitchens, rewires, bathrooms, windows and painting programmes. Contracts are now due to commence during January which will result in slippage of which (£1.6m) which will be carried forward to deliver these programmes next year.

- Sheltered homes adaption budget will underspend by £130k in the year. This is due to the challenges in predicting when suitable properties for adaption will be received.

2.4.3 The proposed capital programme carry forwards are presented in Appendix C.

3.0 Programme for Growth (PfG)

3.1 The programme has a multi-year programme budget (£7.7m) to fund a number of projects over the next 2-3 years. The good progress reported to Executive in the 2018/19 budget outturn report (30th May 2019) continues into the third quarter of 2019/20 with £1.3m spent to date and other spend committed for delivery across a range of projects in 2019/20. The multi-year project budget is forecast to be fully spent in the remaining years of the programme.

3.2 Executive (January 2019) approved the Economic Development Framework, 2 year Action Plan for 2019 and 2020, and additional posts in the Economic Development & Regeneration service to strengthen delivery capacity. We have made some progress in recruiting into this service despite a very competitive market, with a number of new appointments, but 3 out of 8 posts in the service remain vacant which has created delivery challenges.

3.3 Despite this, good progress overall continues to be made across a range of PfG projects. A project by project update can be found in Appendix D, acknowledging that there has been slippage on some projects. Some key highlights demonstrating progress are outlined below:

3.4 Health Living Concepts Fund - The Selby Health Matters (SMH) partners have now finalised a 3 year action plan to support delivery of local initiatives. There is work underway with partners on two projects. The first is developing active travel information and supporting walking and cycling, including work with North Yorkshire County Council on Local Cycling and Walking Infrastructure Plans which are now being finalised. The other is a 3 year healthy schools zone pilot nutrition and activity project to tackle childhood obesity.

3.5 Selby 950 – Match funding was awarded by ACE (£70k), HLF (£45k) and Drax Group plc (£20k) which has enabled an exciting and engaging programme of work to be delivered in 2019/20. Successful events such as Selby Sings (involving 250 school-children singing in the Abbey), the St Germain parade (involving 450 in its preparation and many more watching in the town) and Pilgrim (the illumination project on Selby Abbey which attracted 9000 people over the 3 days) have generated significant positive regional and local media coverage. The Hidden Histories and Selby Treasures projects will complete what has been a very fully and successful year of events in February 2020.

3.6 Marketing Selby's USPs – this award-winning 'place-branding' project has helped to tell a positive story of the district as a place to do business and to live. We undertook a full project review and have an updated delivery plan to take us to the end of March 2020. Key work includes: targeted marketing through media partnerships highlight the positive impacts of growth on jobs and opportunities for existing residents; creation of a new business-specific web microsite; promotional material to support Selby District Business Week in March 2020; building the library of case studies that tell the story of the district's business offer, which can be used to support all types of communication and marketing activity about the area.

3.7 Town Masterplanning – the work is being led by People and Places (Chris Wade) to support town centre revitalisation by developing long term strategies and action plans. The first stage of work has been completed in 2019/20 including significant survey and engagement work in Selby Town centre, with the Forward Framework and Action Plan now being finalised. This work supported the successful High Street Heritage Action Zone bid for £430k from Historic England. The Sherburn work commenced in early October 2019, with stakeholder workshops, and has generated high response rates to the business and customer surveys. The Tadcaster work is due to start by the end of Q1 2020.

3.8 The proposed phasing of the existing P4G programme is included in Appendix D.

4. Alternative Options Considered

Not applicable

5. Implications

See below.

5.1 Legal Implications

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

5.2.1 The forecast deficit requires in-year action to address, officers continue to look for opportunities to mitigate the position. Consideration must be given to use uncommitted contingency funds to contribute to eliminating the deficit pending any further savings which may be identified during the final quarter.

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's Corporate Plan, achieving value for money and ensuring financial stability.

5.5 Resource Implications

Not applicable.

5.6 Other Implications

Not applicable.

5.7 Equalities Impact Assessment

Not applicable.

6. Conclusion

6.1 At the end of quarter 3, the General Fund outturn is indicating a breakeven position. Lower planned savings and income are offset by lower spend on contingency and a range of savings across many budgets. The HRA is forecasting a surplus as a result of lower external borrowing requirements.

6.2 The capital programme is showing considerable underspends with a recommendation to approve the rephrasing of the current programme as presented in Appendix C.

6.3 There have been some key deliverables from Programme for Growth in the year, including great events such as Selby 950 and the cycle races helping to raise the Selby profile and work on the station masterplan. A recommendation is put forward to approve the phasing of the programme as presented in Appendix D.

7. Background Documents

Not applicable.

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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