



Report Reference Number: E/20/3

To: Executive
Date: 2 July 2020
Status: Key Decision
Ward(s) Affected: All
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Title: Financial Results and Budget Exceptions Report to 31st March 2020

Summary:

After carry forward requests, which are detailed in **Appendix E**, the Council's year end results for 2019/20 show a deficit of £363k including proposed carry forwards on the General Fund against budget. There are a number of variances (positive & negative) which make up this deficit, including: a shortfall on planned savings, adverse variances across a number of income streams, partly offset by in year staffing savings, higher investment income and unused contingency.

The Housing Revenue Account shows a surplus of (£315k), which is mainly driven by lower external borrowing requirements, unused contingency, increased investment income and lower costs on premises cost. This is partly offset by a shortfall in savings due to the delays in the implementation of the housing system and increased void costs to assist with faster turnaround times. The surplus will be transferred to the Major Repairs Reserve to help fund future capital expenditure.

More detailed analysis of the General Fund and Housing Revenue Account variances can be found in the report below and **Appendix A**.

Planned savings for the year fell short in both the Housing Revenue Account and General Fund. General Fund savings fell short by £374k due to delays in some initiatives whilst the Housing Revenue Account was £195k short. Details of savings and their status can be found in **Appendix B**.

Capital programme spend was under budget as a number of projects have experienced delays and some are due to deliver over multiple years. After assumed carry forwards, a saving of (£1,213k) has been achieved - (£92k) General Fund and (£1,121k) Housing Revenue Account. The General Fund saving relates ICT costs that are no longer required. In the Housing Revenue Account, the roofing project has been incorporated in the new HRA business plan and therefore this particular budget

is no longer required. A summary analysis of the capital programme can be found in the report below with a more detail in **Appendix C**.

Programme for Growth spend totalled £1,902k in 2019/20. with a further £854k to be carried forward

The impacts of Covid-19 have been limited in 2019/20 but looking ahead to 2020/21 there are a number of risks to income streams and additional costs which will need to be carefully managed as the size and duration of these risks and the potential financial support from central government become clearer. A revised budget is planned for September 2020.

Recommendations:

Recommendations:

1. The General Fund, HRA and Programme for Growth funds set out in Appendix D totalling £2,815k (net) be carried forward from 2019/20 to 2020/21.
2. That Council be asked to approve the drawdown of £363k from the Business Rates Equalisation Reserve to finance the General Fund deficit.
3. The additional £315k HRA surplus be transferred to 'HRA Major Repairs Reserve' to support the future capital programme.

Reasons for recommendation

To allow projects and initiatives not completed in year to be rolled over to the following year, to fund the deficit on the general fund from reserves and to make adequate appropriations to reserves in the HRA to mitigate future spending priorities.

1. Introduction and background

- 1.1 The revenue budgets and capital programmes were approved by Council on 21 February 2019. This report and associated appendices present the financial performance as at 31 March 2020 against the budget.

2. Main Report

General Fund Revenue

- 2.1 For the year 2019/20 the Council's General Fund activities resulted in a deficit of £363k, including proposed carry forwards. Details of the variances against budget are set out at **Appendix A**.

General Fund Account – Year End 2019/20	Budget	Actual	Q4 Variance	Q3 Variance
	£000's	£000's	£000's	£000's
Corporate SVS & Commissioning	6,246	6,135	-111	-118
Economic Regeneration & Place	3,487	3,531	44	-76
Corporate	-2,819	-3,014	-195	-55
Legal & Democratic Services	994	1,034	40	-61
Contingency	192	0	-192	-192
Net Service Expenditure	8,100	7,686	-414	-502
Contribution to / from reserves	378	781	403	148
Council Tax	-5,595	-5,595	0	0
Business Rates	-2,532	-2,532	0	0
Collection Fund Deficit Share	23	23	0	0
Shortfall/(Surplus)	374	363	-11	-354
Savings Target	-374	0	374	353
Net Revenue Budget	0	363	363	-1

2.1.2 The key variances to the General Fund budget at Quarter 4 are:

- A £374k shortfall on planned savings as outlined in the planned savings section of this report and in more detail in Appendix B.
- As highlighted in previous quarters, a number of income streams have fallen short of target - planning income due to lower volumes of major applications - £194k; recycling income as a result of the drop in the price per tonne of paper - £90k; void issues in industrial units - £48k; and the assets team not having capacity to deliver the additional income generating service - £50k.
- Land charges income is also £35k lower than budget due a fall in house sales. This is partly offset by lower staffing costs in the team.
- Investment interest returns were £100k better than expected due to buoyant cash balances.
- Despite a challenging vacancy factor of 5% this year, the staffing savings achieved were (£208k) higher, although these are not recurring and therefore have not contributed to the savings target. Underspent contingency has been taken as a saving in year, contributing (£192k) to help cover the shortfall in planned savings.
- Movement on reserves reflects £272k contribution to the carry forward reserve for revenue funded requests on **Appendix E**, £22k additional investment income over its ceiling to the contingency reserve and £50k drawdown not required for Better Together, the corresponding saving has been highlighted within supplies and services on **Appendix A**.

2.1.3 Quarter 3 reported a breakeven position on the outturn. The main movements are broadly outlined in the three categories below.

2.1.4 Income - £57k lower including:-

- Planning income was lower than expected by £34k.

- Income from property was £29k lower due to lower room booking from fee payers at the Civic Centre and 43 Kirkgate unit being empty.
- Car park income £17k lower than anticipated, with a part of this due to covid-19. - Partly offset by £37k higher investment interest returns.

2.1.5 Expenditure - £291k higher including:-

- Additional HR support costs of £52k to help cover for absences and changes in staff in this department.
- Planning costs were £45k higher than expected. This was primarily as a result of the consultancy and professional fees relating to Gascoigne Wood Rail Freight Interchange Inquiry following its refusal at Planning Committee and the costs of defending the Councils position at the subsequent inquiry, along with the Tadcaster Judicial Review.
- Flooding resulted in £44k of additional costs. Of this only £37k was potentially eligible for the Bellwin scheme, which was insufficient to trigger a claim under the scheme.
- A grant for the Pocket Parks was received in 2018/19 but was not carried forward in to 2019-20. The project however is live and required the initial funding award of £40k.
- Legal costs were £40k higher than expected.
- A £35k underspend in the CEF's was taken as a saving at Q3, but are now proposed to carry forward into 2020/21.

2.1.6 Planned savings - £19k lower.

- Savings anticipated from the planning review did not taken place in Q4 as a result of delays in implementation resulting in a £15k reduction. The work on the planning review continued into the quarter, and the benefits of this are now expected in 2020/21.
- The renewal of the public conveniences contract was expected to result in a small saving from February, but the renewal will now be from the 1st April 2020. This will generate a saving of £16k per annum.

2.2 Housing Revenue Account (HRA)

2.2.1 For the year 2019/20 the Council's Housing Revenue Account activities resulted in a surplus of (£315k). Details of forecast variances against budget are also set out at **Appendix A**.

Housing Revenue Account – Final Outturn	Budget £000's	Actual £000's	Q4 Variance £000's	Q3 Variance £000's
Net Revenue Budget	8,816	8,302	(514)	(368)
Dwelling Rents	(11,840)	(11,836)	4	(7)
Shortfall / (Surplus)	(3,024)	(3,534)	(510)	(375)
Savings Target	(195)	0	195	195
Net Surplus / (Deficit) transferred to Major Repairs Reserve	3,219	3,534	315	0
Net Revenue Budget (Surplus)	0	0	0	(180)

2.2.2 The main variances to budget are:

- External borrowing was lower due to work programmes continuing to be 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) has been achieved this year.
- An additional £98k was spent on the high number of void properties, including costs while the property is empty such as council tax, utility and specialist cleaning charges. This is partly 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.
- Improved investment interest returns exceeded the budget by (£52k) in the year.
- There was a (£75k) saving from unused contingency in year.
- Of the original £214k savings target, (£19k) has been achieved from the new housing system and procurement partnership. The remaining £195k will be achieved after the system goes live in July 2020.

2.2.3 Quarter 3 reported a surplus position of (£180k) on the outturn before transfer to the Major Repairs Reserve. The main movements are outlined below.

- Premises savings identified at Q3 were taken to support subcontractor costs in supplies and services, further savings on fencing and solid fuel servicing give a net movement of £44k.
- £45k movement on supplies and services attributed to costs of bringing void properties back in to use not forecasted at Q3.
- (£75k) Unspent Contingency.
- (£145k) Savings on the capital programme have led to less funding being required to transfer to the Major repairs Reserve.

2.3 Planned savings

2.3.1 The General Fund savings target for the year was £1.141m and savings of £768k have been achieved against this target. Whilst the Council has a strong track record for delivering the savings and efficiencies needed, it is increasingly challenging to identify and deliver savings against a reducing cost base. The savings in 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.

Appendix B sets out progress against the targets within the plan. The key areas to note are as follows:

- Planning savings of (£100k) were not achieved. A review of the service has been completed but will not be implemented now until Q3 of 2020/21 due to assessing the Covid-19 impact on the service.
- The asset rationalisation target of (£76.5k) was dependent on the move of the contact centre from Market Cross. Negotiations are ongoing, with the move of the contact centre now planned for 2020/21. An additional (£20k) of income from office space rental and meeting room bookings was achieved 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 have not generated an ongoing income stream. 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 year. (£126k) 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) has delayed to 20/21. 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.

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. Go live is now expected in July 2020 and the savings will be implemented once the system is operational.

2.4 Capital Programme

2.4.1 Capital spend against the latest approved programmes was below budget for the year as further schemes have slipped into 2020/21. After proposed carry forwards of £982k an overall saving of (£1,536k) was achieved, mostly in the Housing Revenue Account. Full details can be found in **Appendix C**.

Capital Programme	Budget £000's	Actual £000's	Carry Forward £000's	Variance £000's
General Fund	4,473	3,688	693	(92)
Housing Revenue Account	5,885	4,152	612	(1,121)
Total	10,358	7,840	1,305	(1,213)

2.4.2 The General Fund variance of (£92k) is primarily due to the previously carried forward budget for annual cost of Microsoft licences which is no longer required as this met from existing budgets.

2.4.3 The HRA variance of (£1,121k) includes (£1,059k) for specific roof replacement programme which has previously been delayed. This has now been incorporated into the HRA business plan and has been rebalanced into existing budgets, removing the requirement for this specific budget.

2.4.4 For some programmes (ICT, home improvement loans, asbestos surveys, door replacement and empty homes) work accelerated during Q4, with a total of £377k spend brought forward from 2020/21. Carry forwards had previously been approved at Q3 so further reprofiling of these budgets is now needed.

2.5 Programme for Growth (PfG)

2.5.1 At the start of the year, the Programme for Growth programme had a budget of £7,857k remaining over the life of the existing multi-year programme. The latest budget for 2019/20 is £2,757k. There has been good progress in 2019/20 with project spend of £1,903k. The remaining funding will be carried over to 2020/21 to allow delivery of the agreed programme.

2.5.2 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. Vacant posts have continued to be a problem during this period following a further vacancy occurring taking the number of vacant positions to 4 out of a team of 9. Following a reassessment of the vacant positions a full recruitment campaign has now been launched to fill all the vacant positions. The ongoing vacancies have continued to restrict our ability to bring all intended programmes forward during this period.

2.5.3 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:

- 2.5.4 Health Living Concepts Fund – Work has been completed on the Local Cycling and Walking Infrastructure Plan to support development of walking and cycling networks in the district in line with NYCC Strategic Transport plans. £10k has been allocated to develop active travel sustainable travel packs. £30k has been allocated to development of a project with the Yorkshire Wildlife Trust. A final amount of £13,000 funding identified to support the Healthy Schools Programme. This fund will conclude within the financial year subject to being able to re-engage partners during the current restricted period.
- 2.5.5 Selby 950 – the Selby 950 programme was successfully delivered and spending is almost complete, but delivery of the Selby Treasures element has been extended to include an online museum, which is still in development. Hidden Histories visuals will be used to support re-animating the town centre as part of covid recovery plans. It is anticipated that the final completion and signing off by funders will be in July 2020. Funders will then make their final payments to the project. The evaluation of the project is being finalised for publication at present but initial findings are very positive. The project is due to close within the second quarter of 2020/21.
- 2.5.6 Olympia Park - Following detailed information about costs and technical issues at the Olympia Park development site in Selby, Selby District Council, the landowners and developers involved reluctantly concluded in late 2019 that conditions attached to a government housing infrastructure grant towards site costs could not be met. In reaching that point, there was extensive work undertaken to support delivery of the site and costs associated with that have been drawn from this budget. The Council and OPD now have the benefit of significant detailed technical information regarding the site and OPD continue to explore how to unlock its significant potential for development, particularly given the close proximity to the town centre and railway station. OPD are considering how they can enhance and extend the existing employment park on the site, and on this basis, the Council has retained a pedestrian and cycle footbridge to the site from the town centre and station in the TCF proposals to enhance sustainable access and connectivity. The costs incurred throughout this process have now been covering off during Q4.
- 2.5.7 Strategic Sites Master Planning – there has been increased expenditure through this period for early Transforming Cities work relating to preliminary site acquisition work and associated professional fees it is anticipated this expenditure will be reimbursed as part of the TCF programme delivery.
- 2.5.8 Town Master Planning – 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 Selby town and Sherburn high street baseline work has

now been completed and presented back to local high street representatives. The Selby action plan is being finalised for stakeholder review in line with covid recovery plans. Sherburn's action plan is due for completion July 2020. This work supported the successful High Street Heritage Action Zone bid with this programme commencing April 2020. The Tadcaster work will commence in Q2 2020/21 in line with town centre covid recovery plans.

2.5.9 A project by project progress report for 2019/20 can be found in Appendix D.

2.6. Carry Forwards

2.6.1 There are a number of carry forwards which are itemised in **Appendix E**. The key items of note are:

General Fund Revenue - £656k

- Specialist fees for the Local Plan of £326k which will be incurred over the duration of delivery.
- Support costs for the new Housing System project of £47k which will continue into 2020/21.
- £190k relating to grants received but expenditure not yet incurred.
- £50k to be carried forward to help finance the station lift project which is expected to take place in 2022/23 at the earliest.
- £60k underspend in year on the CEF's.

General Fund Capital - £693k

- A further £301k to carry forward on the loans to SDHT budget – with schemes still being progressed but no further completions in 2019/20.
- £124k of disabled facilities grants proposed to carry forward. 67 grants were delivered with a value of £352k, an increase on 2018/19. 10 further grants are currently approved but progress has been halted due to coronavirus which therefore require a carry forward to 2020/21.
- £110k carry forward required for the transforming customer services project. This money will be used for the reception alternations which have been postponed as a result of covid-19 but are expected to go ahead in 20/21.
- £148k carry forward for a number of IT initiatives which will be completed in 2020/21.

HRA Capital - £612k

- The Empty Homes Delivery plan has completed the purchase of 7 properties. The proposed carry forward at Q3 was higher than is now required due to additional completions in Q4, so a reduction in the original proposed carry forward of (£0.15m) can be made.
- A number of housing maintenance programmes required a carry forward of £270k to ensure this work is delivered. New contracts are being put in place which are larger and multi-year contracts, in order to make them more appealing to larger suppliers. Therefore the profile of works is now expected to take place into future financial years. This carry forward is

required to ensure delivery of these contracts that will improve the housing stock.

- The housing delivery project was behind budget in Q4, and therefore £100k needs to be carried forward to enable the completion of this work.
- A carry forward of £100k to complete the delivery of the Housing Management System which is planned to go live in July 2020.
- A carry forward of £110k is required for St Wilfrid's Court which needs significant remedial works and replacement of the Tunstall system. This has been delayed due to covid-19.

Programme For Growth - £854k

- The projects in this programme are to be delivered over multiple years and therefore this is proposed to carry forward into 2020/21 to continue the approved projects. It is proposed that £399k of project funding be carried forward along with £455k to cover staffing costs and contingency.
- The main driver behind the carry forward of the projects budget is the £500k which was retained in the commercial property acquisition pot in case funds were needed in relation to the station project. No purchases were completed in Q4, so this is proposed for carry forward.
- An additional £200k has been proposed to carry forward for staffing plus £250k contingency which has been boosted by the funding from the business rates pool for the cycle races that took place earlier in the year.

3. Covid-19

- 3.1 The pandemic has had considerable effect on the Council although the impacts in 2019/20 have been limited, a number of additional costs and reductions in income have been experienced to date in 2020/21.
- 3.2 The financial impact has been assessed at this early stage as potentially posing a full year risk of up to £3.5m to Council finances in 2020/21. The Government has provided additional support totalling £944k to help Councils address the impacts of the pandemic, but without further support, reserves will have to be used to bridge any gap.
- 3.3 Some of the key areas of income impacted are council tax, and some of the fee earning services such as car parks, leisure, industrial units and planning. In addition, investment interest returns will be heavily impacted by the reduction in the Bank of England base rate to 0.1%.
- 3.4 There are also some additional costs required to help the Council address the impacts of the virus on its residents and staff.

4. Alternative Options Considered

Not applicable

5. Implications

5.1 Legal Implications

There is a legal requirement to balance the budget.

5.2 Financial Implications

5.2.1 The deficit position for 2019/20 will need to be funded from reserves. The Business Rates Equalisation Reserve contains the resources to support the revenue budget and it proposed that the deficit is drawdown from this reserve. This will reduce the amount of reserves set aside to support future years and this will be reflected in the refresh of the Medium Term Financial Strategy. Looking forward, delivery of planned savings will be required to ensure the Council can deliver services within the in-year funding available.

5.2.2 Covid-19 will present new financial issues and risks for the Council in 2020/21 and potentially beyond. This includes additional costs, loss of income and threat to future income streams from both lockdown and the longer economic impacts. These risks will need to be carefully managed as the size and duration of these impacts and the potential financial support from central government become clearer. A revised budget will be prepared alongside the MTFS in August / September to reflect the changing economic picture, the financial impacts and the changing priorities of the Council.

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

5.4.1 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 2019/20, after carry forward requests, the outturn shows a deficit on the General Fund of £363k whilst the Housing Revenue Account is reporting a surplus of (£315k). The General Fund deficit is proposed to be funded from the Business Rates Equalisation Reserve whilst the surplus on the HRA will be transferred to the major repairs reserve to support future spending priorities.
- 6.2 Whilst reserves are available to support in the shorter term, delivery of planned savings is crucial to longer term financial sustainability.
- 6.3 There has been some slippage in projects and programmes in both the General Fund and Housing Revenue Account and consequently these will require further funds to be carried forward.
- 6.4 The Programme for Growth is planned to deliver over three years and good progress has been made across a range of projects as well as some slippage. The unspent balance of the fund will be carried forward into 2020/21 to enable work to continue.
- 6.5 The impacts of Covid-19 have been limited in 2019/20 but looking ahead to 2020/21 there are a number of risks to income streams and additional costs which will need to be carefully managed as the size and duration of these risks and the potential financial support from central government become clearer.

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.

Appendix E – Carry Forwards

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