



Report Reference Number: E/20/22

To: Executive
Date: 5 November 2020
Status: Key Decision
Ward(s) Affected: All
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Lead Executive Member: Cllr C Lunn, Lead Member for Finance and Resources
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Title: Financial Results and Budget Exceptions Report to 30th September 2020

Summary:

As a consequence of Covid-19, a revised budget was approved at Full Council on the 22nd September. Accordingly, quarter 2 outturn forecasts are largely in line with the revised budget with a few exceptions which are detailed in the report and appendices.

The estimated financial impacts for the year as a result of Covid-19 are additional costs, delayed savings and income losses of £3,624k across both the General Fund and HRA. To date the Council has received £1,068k emergency Covid funding from the Government with further compensation for losses in sales, fees and charges income expected. The revised estimate draws down £1,440k New Homes Bonus from reserves, and reduces the planned transfer to the HRA Major Repairs Reserve by £374k, to help offset these costs and losses pending further potential funding from the Government.

At the end of Q2, the forecast full year revenue outturn shows a (£81k) surplus in the General Fund, and a HRA surplus of (£3,380k) for transfer to the Major repairs Reserve. The key variances are highlighted in the report with further detail in Appendix A.

General Fund and HRA planned savings are on target to be achieved against the revised budget targets of (£156k) and (£23k) respectively. Appendix B has additional details of the programme.

On the General Fund capital programme, the spend for new build projects and disabled facilities grants have been revisited and a further (£815k) has been forecast to now spend in 21/22. In the HRA, slippage in the empty homes programme is more than offset by an increase in the capacity to deliver additional carry out works on the

housing stock. Headlines can be found in the report below with a more detailed analysis in Appendix C.

Programme for Growth projects continue and additional projects approved by Full Council on the 22nd September are now included in a project by project analysis shown in Appendix D.

Recommendations:

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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.

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 included in this report were approved by Council on 22 September 2020, this report and associated appendices present the financial performance as at 30 September 2020 against these budgets and updated forecasts for the year based on the latest information available.
- 1.2 In the year to date, the Council has administered over £18m in emergency grants for businesses, council tax hardship funds, provided business support and assisted communities to reopen. This increase in workload has put pressure on capacity to deliver the planned expenditure programmes and this has been reflected in the revised estimates for the capital programmes and Programme for Growth.
- 1.3 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). The latest September return shows estimated additional costs, delayed savings and income losses of £3,624k across both the General Fund and HRA. To date the Council has received £1,068k emergency Covid funding from the Government with further compensation for losses in sales, fees and charges income expected. The revised estimate draws down £1,440k New Homes Bonus from reserves, reduces the planned transfer to the HRA Major Repairs Reserve by £374k, to help offset these costs and losses pending further potential funding from the Government.

2. Main Report

General Fund Revenue

2.1 Latest forecasts against the approved revised estimates, show a (£81k) surplus, (£38k) higher than the revised budget. The table below summarises the General Fund position at the end of Q2:

General Fund Account Q2 2020/21	Latest Approved Budget	Forecast	Forecast Variance
Net Service Expenditure	10,849	10,811	(38)
Contribution to / from reserves	7,398	7,398	0
Other Accounting Adjustments	(954)	(954)	0
Council Tax	(5,861)	(5,861)	0
Business Rates & Associated Grants	(2,382)	(2,382)	0
Collection fund Deficit / (Surplus)Share	(9,093)	(9,093)	0
Shortfall / (Surplus)	(43)	(81)	(38)

2.2 The main forecasted variances against the General Fund are:

- £166k forecast overspend in salaries, primarily due to anticipated under-achievement of vacancy factor in the second half of the year as capacity is required to continue to cope with impacts of Covid-19 plus 1.0fte in the housing enforcement team which was omitted from the budget in error;
- (£57k) increase in planning income following a reassessment of volumes of planning applications;
- (£51k) increase in investment return from cash balances due to the average rates achieved reducing at a slower rate than anticipated;
- Drainage board levies (£21k) as inflation increases are lower than estimated in the budget.
- There are a number of other smaller income increases and cost reductions which contribute (£65k) to the surplus including savings on the lifeline programme, contact centre and printing costs. Further detail can be found in Appendix A.

Housing Revenue Account (HRA)

2.3 Latest forecasts show an (£3,380k) surplus is expected by the year end, (£38k) higher than the budget.

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

Housing Revenue Account – Q2 2020/21	Budget £000's	Forecast £000's	Variance £000's
Net Revenue Budget	8,649	8,611	(38)
Dwelling Rents	(11,991)	(11,991)	0
Net (Surplus) / Deficit transferred to Major Repairs Reserve	(3,342)	(3,380)	(38)

2.5 The forecasted variance is made up of a number of small movements detailed in Appendix A, including improved investment returns.

Planned savings

2.6 The significantly reduced General Fund and HRA savings plans are on target to deliver as per the approved revised budget. Details of all planned savings can be found in Appendix B.

Capital Programme

2.7 The capital programme shows forecast slippage of (£353k) which is expected to be spent in 2021/22. This is a net figure across a small number of projects with some expected to spend less and some more than had been assumed at quarter 1. Details are below and in appendix C.

2.8 In the General Fund the variance of (£815k) is made up of:

- loans to the Housing Trust were expected to be £400k in year but the delays in negotiating sites means that these are unlikely to commence spend until 2021/22.
- It was expected that more disabled facilities grants would complete in 2020/21 when the revised budget was set, but due to fewer completions and contractors on site it is expected that £415k more of this will slip into 2021/22.

2.9 The HRA variance of £461k is made up of:

- An additional £1,358k is expected to be spent this year on the property improvement and health and safety programmes. The assumption of 60% programme delivery at Q1 has been reassessed with the contractor and it is now anticipated that £5,087k of improvements will be made this year;
- The Q2 forecast for the empty homes programmes assumes that a further three properties will be purchased in 2020/21. This is less than forecast at Q1, and it is now anticipated that the remaining balance of £842k for the three-year programme will be spent in 2021/22;
- Following completion of the fire works at Grove House, no further works are expected on community centres in 2020/21. Work to identify further requirements this year will mean that the remaining budget of £54k will be carried forward to be spent in 2021/22.

Programme for Growth (P4G)

- 2.10 The value of the current multi-year programme has increased following Council approval of new projects on the 22nd September. £14,433k is currently allocated to the programme from 2020/21 onwards of which £10,031k is project costs, £3,998k resourcing costs and after allocation of £35k towards the new Bawtry Road roundabout, £403k is available for allocation to projects.
- 2.11 At quarter 1, due to Covid-19 there had been little project spend but there has now been spend in quarter 2 across a range of projects including:
- £466k has been spent on an area of land close to Selby station as part of the Council's Transforming Cities Fund (TCF) programme for improvements in the station area. In addition, spending on the TCF programme is underway with monies to be recovered from West Yorkshire Combined Authority (WYCA) in the following quarter.
 - A places and movement study has been commissioned for the Towns masterplanning project with match funding received from the Local Enterprise Partnership (LEP).
 - A contribution towards the new Bawtry Road roundabout for £35k has been funded through P4G.
- 2.12 Project by project detail can be found in Appendix D.

3. Alternative Options Considered

Not applicable.

4. Implications

4.1 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.

4.2 Financial Implications

As set out in the report.

4.3 Policy and Risk Implications

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

4.4 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.

4.5 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. The latest assessed resource requirements have been incorporated into the revised budget and forecasts, but the impacts of the pandemic will be kept under review.

4.6 Other Implications

None.

4.7 Equalities Impact Assessment

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

5. Conclusion

5.1 The revised budget approved at full Council on the 22nd September has incorporated the estimated financial impacts of Covid-19 as reported at Q1.

5.2 Whilst the additional Covid-19 funding received from Central Government to date is welcomed, it is not sufficient to cover the forecasted impacts and therefore the revised estimates include the drawdown of £1,440k New Homes Bonus from General Fund reserves and reduces the planned transfer to the HRA Major Repairs Reserve by £374k, to help mitigate the additional costs and income losses.

5.3 At quarter 2, the forecast indicates a higher surplus on both the General Fund and HRA compared to the revised budget although further changes are expected as the year progresses.

5.4 There have been some changes to the expected in year spend on the capital programme with further delays in some projects but improving positions in others and further reprofiling is proposed as part of this report.

6. Background Documents

None.

7. 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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