



Report Reference Number: E/20/33

To: Executive
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Status: Key Decision
Ward(s) Affected: All
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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 31st December 2020

Summary:

A revised budget was approved at Full Council on the 22nd September. As at quarter 2, quarter 3 outturn forecasts are reported against the revised budget.

Each month we complete a return to Government detailing the latest forecasts of the impacts of Covid-19 including additional costs, delayed savings and income losses. The latest return estimates losses as a result of Covid-19 of £2,963k in 2020/21 split between the General Fund £2.485m and HRA £478k. To date the Council has received (£1,168k) emergency Covid-19 funding from the Government of which (£350k) has been allocated to the HRA. A further (£71k) as compensation for losses in sales, fees and charges income for the period April – July. A further application for the period August to November will be submitted before Christmas and is estimated to be (£174k) plus a further tranche of Covid-19 emergency funding is expected in January.

At the end of Q3, the forecast full year revenue outturn shows a £197k deficit in the General Fund, and a HRA surplus of (£3,938k) 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.

Following the reprofiling of projects in quarter 2, the majority of projects in the general fund are expected to deliver as expected in 2020/21 with (£75k) of further slippage forecast. In the HRA, there is a total of (£1,060k) of additional forecasted

slippage, (£700k) on the property refurbishment programme and (£350k) on the housing development programme - a more detailed analysis is shown in Appendix C.

Programme for Growth projects have been rephased with spend forecasted in 2020/21 reduced by £1.424m with this being delivered in future years. A project by project analysis can be found 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 31 December 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 reported in quarter 2.
- 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 December return, shows estimated additional costs, delayed savings and income losses of £2,963k across both the General Fund and HRA. To date the Council has received (£1,168k) emergency Covid funding from the Government and (£71k) for compensation for losses in sales, fees and charges for the period April to July. Further claims for fees and charges are expected with the next submission before Christmas to cover the period August – November plus a further tranche of emergency funding is expected in January 2021. 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 £197k deficit, £240k worse than the revised budget. The table below summarises the General Fund position at the end of Q3:

General Fund Account Q3 2020/21	Latest Approved Budget	Forecast	Forecast Variance
Net Service Expenditure	10,849	11,089	240
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)	197	240

2.2 The main forecasted variances against the General Fund are:

- £329k forecast overspend in salaries, primarily due to anticipated £215k 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;
- An additional (£171k) of funding has been received from Government, (£100k) from tranche 4 of the emergency Covid funding and an additional (£71k) from the sales, fees and charges return. This is offset by an allocation of £350k to the Housing Revenue Account to cover part of the losses;
- (£59k) 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 have been improvements in income streams following reductions in previously forecasted impacts of Covid-19 on leisure where payments for the management fees have been received for Q2 (£83k), land charges (£35k), commercial waste (£24k) and industrial unit rents (£43k), the revised budget assumed more tenancies ending as a result of Covid-19 than has been the case.

- Offsetting this however are income streams where the impacts have worsened including the lifeline service where the customer base remains fairly static £26k and court fees from the recovery of Council Tax which as a result of court closures and backlogs will be lower this year. In addition, car parking footfall has fallen more than expected with 33% reduction in October and 51% in November following reintroduction of charging £44k.
- The streetscene service is reporting an overspend for the year of £83k. This is primarily due to the costs associated with increased levels of waste and recycling as a result of increased levels of people working from home and the new bin system. This has resulted in £216k increase in disposal charges. Recycling income has also increased with the higher volumes, but recycling income per tonne for card and paper continues to reduce, so the income has increased by less than the cost at (£133k).
- There are a number of other smaller variances across a number of codes as detailed in Appendix A which includes savings on premises costs, printing and postage. (£55k)

Housing Revenue Account (HRA)

2.3 Latest forecasts show an (£3,938k) surplus is expected by the year end, (£596k) 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	8,105	(544)
Dwelling Rents	(11,991)	(12,043)	(52)
Net (Surplus) / Deficit transferred to Major Repairs Reserve	(3,342)	(3,938)	(596)

2.5 Collection of rents has improved as the year has continued, with the benefits system resulting in most being collected and rapid turn around times for claimants helping to ensure that arrears don't build up. In addition, furlough scheme has ensured fewer people are getting into difficulties and universal credit is deducting rent at source which is helping collection timings. As a result, the forecast reflects an improved position by (£52k), but continues to build in some caution for the final quarter which reflects the continuing economic impacts from Covid-19.

2.6 A proportion of the Covid-19 emergency grants has been set against the latest estimates of losses on rents, savings programmes and interest (£350k).

2.7 Savings are expected as a result of the closure of community centres (£44k). In addition, fewer fencing repairs are expected (£35k), although if it is a

severe winter this may be called upon. Revenue repairs on properties are forecast to be lower in year due to restrictions on the number of contractors who can access properties and restrictions to emergency works only during lockdown periods (£76k).

- 2.8 There are a number of other smaller variances reported in Appendix A resulting in a net (£39k) saving.

Planned savings

- 2.9 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

- 2.10 The capital programme shows forecast slippage of (£1,135k) which is expected to be spent in 2021/22. Details are below and in appendix C.

- 2.11 In the General Fund the variance of (£75k) is made up of:

- Procurement of the committee room microphone system is on hold due to Covid-19 and remote working, and has been postponed to 2021/22 - (£65k).
- Preparatory work on the development of the website will commence in quarter 4, but the £10k of delivery is not expected until 2021/22.

- 2.12 The HRA variance of (£1,060k) is made up of:

- The amount of work that can be carried out by contractors on the property refurbishment programme has been reduced by the lockdown period in November and an understandable increase in instances of refusals to enter property due to shielding and self-isolation. As a result £700k of works on this programme is proposed for carry forward to 2021/22.
- The housing development programme forecast spend for 2020/21 has been reduced by £350k to £50k. Planning permission has been granted to three schemes and the £50k in 2020/21 is to progress these through to tender. Further costs will be incurred from 2021/22 onwards.
- Following completion of the fire works at Grove House, no further works are expected on community centres in 2020/21. This was forecast at quarter 2, but the work to identify further requirements this year that remained in the forecast has now also been postponed due to prioritisation of resources, resulting in a further £10k be carried forward to 2021/22.

Programme for Growth (P4G)

- 2.13 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 £9,861k is project costs, £4,133k resourcing costs and after allocation of £35k towards the new Bawtry Road roundabout, £403k is available for allocation to projects.
- 2.14 At quarter 3, due to Covid-19 there has been spend across a range of projects including:
- £468k 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), spend to date £37k.
 - Selby Station Masterplan work £58k
 - Continued Visitor Economy work £104k
 - A contribution towards the new Bawtry Road roundabout for £35k has been funded through P4G.
- 2.15 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

If the deficit remains once the further funding is confirmed, then this will need to be mitigated by the use of reserves or further savings.

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 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.

5.2 At quarter 3, the forecast indicates a deficit on the General Fund and a surplus on the Housing Revenue Account.

5.3 In the General Fund, there has been additional Government funding but this is more than offset by an allocation of some of this support to the Housing Revenue Account. There are also some additional savings but these are offset by increased overspend on salaries driven by vacancy factor not being achieved and increase pressure on costs of disposal of waste and recycling.

5.4 Capital programme has seen some slippage into 2021/22, particularly in the Housing Revenue Account.

5.5 The profile of programme for growth spend has been reforecast. Progress on projects is reported in Appendix D.

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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