



Report Reference Number: E/21/1

To: Executive
Date: 27 May 2021
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 31st March 2021

Summary:

2020/21 has been heavily impacted by the pandemic. A revised budget was set in year to help to address some of the shortfalls in budgeted income which were expected as some services and facilities remained closed for extended periods of the financial year. There have been challenges delivering some of the programmes of work in both the General Fund and the housing revenue account, both from the perspective of changing priorities of delivery in the year and ability to deliver works on the ground.

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 shows losses as a result of Covid-19 of £2,873k in 2020/21 split between the General Fund £2.44m and HRA £433k. 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 (£245k) as compensation for losses in sales, fees and charges income for the period April – November. A further application for the period December to March will be submitted in May for a value of (£242k).

After carry forward requests, which are detailed in **Appendix E**, the Council's year end results for 2020/21 show a surplus of (£371k) on the General Fund against a budget surplus of (£43k) – a variance of (£328k). There are a number of variances (positive & negative) which make up this surplus, including: higher income from a number of sources for example, Covid-support grants, investment interest and services partly offset by increased costs on the trade waste and leisure services.

The Housing Revenue Account shows a surplus of (£6,532k) against a budget surplus of (£5,509k) – a variance of (£1,023k), which is mainly driven by Covid support grant which was not budgeted, and a number of cost savings. This is partly offset by a shortfall in savings due to the delays in the implementation of the housing

system. It is proposed that any surplus 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 were reduced as part of the revised budget integrated into service budgets. Most of the savings were achieved in 2020/21, but there was a £15k shortfall on two savings areas in the General Fund. 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. £4,657k was spent on the General Fund programme in the year which was (£787k) lower than budget. £716k is proposed as a carry forward leaving a saving of (£70.8k) generated from underspends at the end of completed programmes of work. In the HRA, £4,597k was spent against a budget of £6,072k, an underspend of £1,475k. Almost all of this is proposed to carry forward to 2021/22. 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 £1,462k in 2020/21 against the latest approved Q3 estimate of £3,796k. After £2,334k is carried forward to 2021/22, £12,919k of approved budget remains to be spent in this multi-year programme.

Recommendations:

It is recommended that:

1. The General Fund and HRA carry forward proposals of £3,302k as set out in Appendix E and a carry forward of the Programme for Growth funds for £2,334k as set out in Appendix D totalling £5,636k to be carried forward from 2020/21 to 2021/22.
2. The allocations of the Covid Emergency Grant between the General Fund and HRA be confirmed.
3. Subject to recommendation 2., the resulting surplus reported on the General Fund to be transferred to the contingency reserve.
4. Subject to recommendation 2., the resulting additional HRA surplus be transferred to 'HRA Major Repairs Reserve to support the future capital programme.
5. The financing of additional refuse/recycling bins be financed from a corresponding revenue saving on the contract be endorsed.
6. The allocation of £127k from the Operational Contingency in 2021/22 for homelessness provision (per sections 3.2 and 3.3) be approved.

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 2020/21 has been a year of unprecedented challenge and uncertainty as a result of the Covid-19 pandemic. Additional costs, income losses and delayed savings along with welcomed but changing financial support from the Government has meant major volatility across many of the Council's services. The revised revenue budgets and capital programmes and the Programme for Growth included in this report were approved by Council on 22 September 2020, and then subsequently updated at Q3. This report and associated appendices present the financial performance as at 31 March 2021 against the latest approved budgets.
- 1.2 In the year, the Council has administered over £26.3m 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 is reflected in the outturn figures and carry forward proposals 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 March return, shows estimated additional costs, delayed savings and income losses of £2,873k 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 to total (£416k). 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 For the year 2020/21 after proposed carry forwards, the Council's General Fund activities resulted in a surplus of (£371k), against a budgeted surplus of (£43k). Details of the variances against budget are set out at **Appendix A**.

General Fund Account Q4 2020/21	Latest Approved Budget	Outturn	Budget Variance	Q3 Forecast Variance
Net Service Expenditure	9,204	8,638	(566)	240
Contribution to / from reserves	9,097	8,344	(753)	0
Other Accounting Adjustments	(1,009)	(17)	992	0
Council Tax	(5,861)	(5,861)	0	0
Business Rates & Associated Grants	(2,382)	(2,382)	0	0
Collection fund Deficit / (Surplus)Share	(9,093)	(9,093)	0	0
Shortfall / (Surplus)	(43)	(371)	(327)	240

2.1.2 Forecasting income and expenditure has been particularly difficult during the year as a result of the pandemic and resulting changes to restrictions and lockdowns. The key variances to the General Fund budget at Quarter 4 are:

- Improved returns on investment generated an additional £192k with cash investments, property funds both performing better than expected. This was also substantially higher than forecast with additional returns for property funds and loan repayments due from the Trust not captured in the Q3 forecast position.
- Improved income across a number of services compared to budget including planning (£62k) and land charges (£41k). Industrial units and property rental income also showed higher income as a result of fewer voids than anticipated and less impact from Covid-19 (£94k). However, car parking £71k and lifeline £26k income were both down in the year, the former being particularly impacted by the national lockdown in quarter 4.
- When the budget was set, not all of the grants and compensation schemes had been announced. Additional grants totalling (£583k) have been received, of which £350k has been allocated to the HRA, this was not in the revised budget. The sales, fees and charges compensation scheme grants for the period August to March were not included in the Q3 forecast as the returns for these were not completed until February and May 2021.
- Salaries were (£40k) lower than budget with savings from vacant posts in the year ensuring that the overall vacancy factor was achieved. The main variances for the salary forecast from Q3 to the actuals at Q4 are vacant posts which were earmarked but not required for other possible staffing requirements ie LGR and HR Support (£90k) and general vacancies across all services (£129k) which were not filled. Many of these vacancies at Q3 were forecasted as though fully recruited as the funds were expected to be required but this has not been the case.
- Premises costs were (£37k) lower than expected, with savings generated from the closure of the offices. This was partly offset by additional costs for the Summit and additional cleaning expenditure.
- The street scene service was £227k over budget and £161k higher than forecast at Q3. A recurring growth bid for £178k was approved for the 2021/22 budget to accommodate for the increasing costs of the waste service and this reflects the pressures seen in 2020/21, where it has been

exacerbated by higher levels of waste due to more people working from home as a result of covid. In addition to this, there have been increased costs associated with fly tipping of £39k, with a lot of activity in this area in quarter 4.

- Additional monies have been provided to IHL totalling £181k to support the service. In addition, £66k of legal costs have been incurred for ongoing negotiations as reported to the Executive in February this year.
- Unused contingency was forecast at (£142k) at quarter 3 but the option has been taken to carry that forward at the year end.
- There have been a number of smaller savings across services including travel costs (£31k), lower inflation uplift on drainage boards (£21k), IT costs (£43k) and building control (£22k).

2.2 Housing Revenue Account (HRA)

2.2.1 For the year 2019/20 the Council's Housing Revenue Account activities resulted in a higher surplus by (£1,119k). Details of forecast variances against budget are also set out at **Appendix A**.

Housing Revenue Account – Final Outturn	Budget £000's	Outturn £000's	Outturn to Budget Variance £000's	Outturn to Q3 Variance
Net Revenue Budget	6,482	5,478	(1,004)	(544)
Dwelling Rents	(11,991)	(12,010)	(19)	(52)
Shortfall / (Surplus)	(5,509)	(6,532)	(1,023)	(596)

2.2.2 The main variances to budget and Q3 forecast are:

- Grant support for Covid losses allocated for (£350k). This is part of the additional funding received in year and was therefore not included in the revised budget.
- The bad debt provision in the balance sheet is considered to be sufficient to manage the level of arrears, so the additional provision that was factored into the budget is not required, resulting in a favourable variance of (£232k) against both budget and forecast.
- Borrowing which was anticipated for the housing development schemes has not been required in 2020/21 resulting in (£232k) less financing costs, these were also not forecast at Q3.
- The recharge from the General Fund was (£162k) lower than budget and Q3 forecast, primarily due to vacancies in the asset trading team have resulted in salary savings of (£120k) in year.
- Improved investment interest returns exceeded the budget by (£30k) in the year.

- There was a (£75k) saving from unused contingency in year which was also not forecast at Q3.

2.3 Planned savings

2.3.1 The significantly reduced General Fund and HRA savings plans have mostly been met and all savings targets have been built into the base service budgets. There were just two savings in the General Fund which fell short of target in 2020/21. These were:

- Asset rationalisation. Income from third parties in the office space reduced in year due to one tenant opting not to renew the contract for office space.
- Penalty charges for late notification of changes has not been levied during 2020/21 in line with reductions in enforcement during the pandemic.

2.3.2 Details of all planned savings can be found in Appendix B.

2.4 Capital Programme

2.4.1 The capital programme shows an underspend at the year end of (£2,262k), of which (£716k) is slippage in the General Fund and (£1,473k) in the HRA. There have been a number of challenges with carrying out works during lockdown as well changing priorities resulting in changing timelines of delivery on projects. Details of savings in the programme are below with project level detail in appendix C. Details of the proposed carry forwards can also be found in Appendix E and section 2.6 of the report.

2.4.2 Of the General Fund the variance of (£787k), carry forwards are proposed for £716k. That leaves a saving on the programme of (£70.8k) which comes from a number of completed programmes with a balance remaining as a saving, including on the purchase of the waste vehicles.

2.4.3 Of the HRA variance of (£1,475k), carry forwards are proposed for £1,473k leaving a £2k saving on the programme.

2.5. Programme for Growth (PfG)

2.5.1 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 £9,884k is project costs, £4,133k resourcing costs and £415k is available for allocation to projects.

2.5.2 A budget 2020/21 was set by Council in September 2020 at £5,220k, this was revised to £3,796k at Executive in February 2021 as part of the Quarter 3 financial update, actual spend in year was £1,462k.

2.5.3 All projects have experienced delays due to Covid-19 and therefore underspends. All budget underspends are proposed to be carried forward. - Project by project detail can be found in Appendix D.

2.6. Carry Forwards

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

General Fund Revenue - £1,017k

- Specialist fees for the Local Plan of £336k which will be incurred over the duration of delivery.
- Homeless persons project fund £90k which is ring fenced funding
- £151k relating to CEF's which were suspended in 2020/21 as a result of Covid-19 and an ability for communities to meet. The funding is to be carried forward to support a community legacy fund.
- £50k to be carried forward to help finance the station lift project which is expected to take place in 2022/23 at the earliest.
- £121k of operational contingency to be carried forward to support 2021/22 delivery.

General Fund Capital - £820.1k

- £107k carry forward required for the transforming customer services project which has been delayed due to Covid-19.
- £97k carry forward for the work required to the council play areas which has not been possible during the pandemic.
- £103k to support the housing system implementation, phase 2 is set to go live in 2021/22.
- £290k to continue the car park improvement programme, the progress of which has been inhibited by multiple periods of lockdown.

HRA Revenue - £95.9k

- Contractor and trade staff revenue budgets which were not spent as a direct result of the pandemic but will still be required in 2021/22 to address the backlog in housing repairs work as a result Covid-19.

HRA Capital - £1,368.9k

- The Empty Homes Delivery plan will continue to deliver in 21/22 and the budget is required to ensure that the properties identified can be required to achieve the outcomes of the project. £252k to be carried forward.
- It is proposed that £985k of underspends on the energy efficiency, health and safety and property refurbishment programmes is carried over. The works are still required on the housing stock, but there have been challenges with access to properties and availability of trades in 2020/21 to carry out the level of works required.
- Environmental Improvement Plan budget of £108k proposed to carry forward to allow this project to resume after the pandemic.

Programme For Growth - £2,334k

- Commercial Property acquisitions, only 1 acquisition was completed in year for £468k leaving a variance of £532k. It was anticipated that more land acquisitions for the TCF would have completed before year end
- - £415k unallocated contingency was not required in year and will be rolled forward
- - Resources are £488k under budget due to continuing vacancies and £77k of salary costs recovered through the TCF project.
- - Strategic Sites Masterplanning £231k as a result of delays due to Covid, plus a credit for £65k relating to prior year TCF due diligence work that has since been externally funded as part of the project.
- - Low carbon project spend has yet to get underway resulting in an underspend of £200k in year.
- - Town centres project action plans have been approved by the Towns Regeneration Board in January 2021 but no costs were incurred prior to March 2021 resulting in a £150k underspend.

3. 2021/22 Outlook and Issues

- 3.1 As lockdown and Covid restrictions have continued into 2021/22 the impacts on the Council's finances have also continued. Early forecasts for Q1 2021/22 suggest £514k of ongoing budget pressures in the first quarter of the year in the general fund against pre-covid budget levels including additional costs to support leisure services and continuing low investment returns. The HRA indicates potential £61k reduction on the same basis with lower rents and investment returns driving the shortfall. The position will be kept under review and recommendations will be brought forward as required as part of quarterly reporting during 2021/22.
- 3.2 In addition £127k funding in 201/22 relating to Homelessness Service provision but currently held within Operational Contingency requires allocation to the service. This will enable the arrangements currently in place, to continue.
- 3.3 The government have reinforced their commitment to ending rough sleeping and fully enforce the Homelessness Reduction Act by allocating further funding to local authorities. This funding can only be used to deliver services to prevent and tackle homelessness. Beyond 2021/22 the service is subject to future funding from central government.

4. Alternative Options Considered

- 4.1 Covid funding from the Government comprises a non-ringfenced Covid Emergency Grant and Sales, Fees and Charges Compensation.
- 4.2 The Sales, Fees and Charges Compensation is a funding stream which specifically excludes certain income streams (for example local taxation, rents and investment income) and provides grant to cover 75% of losses above a

5% threshold. This is subject to audit. No Sales, Fees and Charges Compensation is payable in respect of the HRA.

4.3 In determining a split of Covid Emergency Grant between the General Fund and the HRA, reasonable losses were identified to the end of December. There has been a slight shift in figures for Q4 but the amounts are relatively minor.

4.4 Current allocations are as follows, which agree with the returns made to the MHCLG to date:

General Fund	Total Loss	Covid Emergency Grant Allocated in Full	Sales Fees and Charges Compensation	Total Covid Funding	Funding Distributed
	£k	£k	£k	£k	%
Additional costs	391.6				
Income loss	1,445.2				
Delays in savings	603.0				
Total	2,439.8	-817.6	-479.8	-1,297.3	78.8

Housing Revenue Account	Total Loss	Covid Emergency Grant Allocated in Full	Sales Fees and Charges Compensation	Total Covid Funding	Funding Distributed
	£k	£k	£k	£k	%
Additional costs	50.4				
Income loss	187.4				
Delays in savings	195.0				
Total	432.7	-350.0	0.0	-350.0	21.2

Total GF and HRA	2,872.6	-1,167.6	-479.8	-1,647.3	100.0
-------------------------	----------------	-----------------	---------------	-----------------	--------------

4.5 The overall split of funding between the GF and HRA is 79% and 21% respectively, which is in line with our general assumptions on the split of costs

between GF and HRA on (75-80% / 25-20%). However, now that actual costs and losses have been quantified for the year, the allocation of the Covid Emergency Grant (but not the Sales Fees and Charges Compensation) could be varied. For example pro-rata to losses (which are 85% and 15%) would result in a revised allocation of £250k for the HRA.

5. Implications

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 As set out in the report

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 Plan, achieving value for money and ensuring financial sustainability. The delays in some areas of works caused by Covid-19 has led to backlogs of work across the Council including in housing repairs and planning. Additional funding has been added to the budget in 2021/22 to address this, but there is a risk to delivery against Council targets.

5.5 Resource Implications

The pandemic has put considerable pressure on the Council to deliver its priorities from the Council Plan, in addition to the new requirements as a result of Covid-19. The latest assessed ongoing resource requirements have been incorporated into the budget for 2021/22, with backlogs of work in the services needing to be addressed

5.6 Other Implications

None.

5.7 Equalities Impact Assessment

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

6. Conclusion

- 6.1 The Covid-19 pandemic has had a considerable impact on the Council and created major uncertainty in terms of both finances and resources. A revised budget was approved in year to address the substantial financial impacts of Covid-19 and forecasting has been extremely challenging with the impact on Council resources, changes in priority and various rounds of Government funding.
- 6.2 There are surpluses in both the General fund and HRA with recommendation that these be transferred to the contingency reserve and major repairs reserve respectively.
- 6.2 The latest MHCLG return indicates a loss of £2.873m in 2020/21 as a result of the pandemic across the General fund and HRA.
- 6.3 There has been significant slippage in projects and programmes in both the General Fund and Housing Revenue Account as a result of Covid-19 and consequently these will require further funds to be carried forward as detailed in Appendix E.
- 6.4 The Programme for Growth is a multi-year delivery programme. Covid-19 has impacted on delivery across a number of projects and £1,462k was spent against the latest budget of £3,796k as approved at Q3. It is proposed that the unspent balance of the fund will be carried forward into 2021/22 to enable work to continue.

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

Contact Officer:

*Peter Williams
Head of Finance
Selby District Council
pwilliams@selby.gov.uk*