SELBY DISTRICT COUNCIL

APPENDIX A

Report Reference Number: E/21/30

To:	**Executive**
Date:	**2 December 2021**
Status:	**Key Decision**
Ward(s) Affected:	**All Wards**
Author:	**Peter Williams, Head of Finance**
Lead Executive Member:	**Cllr C Lunn, Lead Member for Finance & Resources**
Lead Officer:	**Karen Iveson, Chief Finance Officer**

Title: Financial Results and Budget Exceptions Report to 30th September 2021

Summary:

Whilst the majority of financial impacts of Covid-19 were in 2020/21, it continues to have an impact on this financial year. We continue to report monthly to MHCLG the estimated impacts of this on our income streams and cost base, affecting both the General Fund and the HRA.

At the end of Q2, current estimated full year revenue outturn estimates indicate a surplus of (£93k) for the GF and a (£101k) surplus for the HRA. The key variances are highlighted in the report with further detail in Appendix A.

Recommendations are included in the report to approve a permanent virement for £20k to support phase 2 of the Property Services Team restructure funded from operational savings within the HRA to assist with retaining, recruiting and regrading Joiner posts.

A number of savings were put back to 2024/25 as part of the recent Medium Term Financial Strategy paper. General Fund planned savings are currently forecast to deliver at (£184k), details can be found in Appendix B. The £195k saving in the Housing Revenue Account for the housing system however will not be achieved this year as it is predicated on the implementation of phase 2 of the housing system which will not happen until later in the year.

The capital programme is currently underspent by (£1,687k) at the end of quarter 2. Of this, (£1,262k) is forecast to be underspent at the year end, of which (£739k) is in the General Fund. The majority of the General Fund underspend relates to investment in the industrial units and the car park improvement programme. The HRA underspend of (£523k) is made up of works at St Wilfrids Court, the Environmental Improvement Plan and the Health & Safety Improvement Programme. Headlines can be found in the report below with a more detailed analysis in Appendix C.

Programme for Growth projects spend was £830k in quarter 2, £491k of which was staffing costs with the majority of the remainder on visitor economy, transforming cities fund, High Street Shop Fronts and towns masterplanning. Project by project progress is shown in Appendix D.

The latest MHCLG return submitted for September indicates an overall estimated gross impact on Council finances of £2,746k across both the General Fund and HRA when compared to pre-pandemic budget levels.

Recommendations: 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.**
- **iii) The Executive approve the permanent virement of £20k from operational HRA Savings identified in Appendix A to support phase 2of the Property Services Restructure.**
- **iv) The Executive approve a virement of £154k from the covid contingency to cover the losses of car park, lifeline and assets team income.**

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 were approved by Council on 18 February 2021, this report and associated appendices present the financial performance as of 30 September 2021 and a full year forecast against these budgets.

1.2 In the first half of this financial year, the country has continued under some levels of Covid-19 restrictions. Many staff have continued to work from home and some resources continue to be diverted towards the Council’s response.

1.3 The Council continues to administer emergency grants for businesses and test and trace payments in 2021/22 and this is expected to continue for some months to come.

1.4 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). This equates to £2.7m of additional pressures on income and costs when compared to pre-pandemic budget levels.

2. Main Report

General Fund Revenue

2.1 Latest forecasts show an expected full year surplus of (£93k).

2.2 The table below shows the summary position at the end of September 2021.

General Fund Account Q2 2021/22	Revised Budget £000's	Latest Approved Budget £000's	Forecast £000's	Forecast Variance £000's
Corporate Services & Commissioning	7,177	7,177	7,413	236
Economic Regeneration & Place	10,630	10,630	10,598	(32)
Corporate / Finance	(592)	(592)	(952)	(360)
Legal, Democratic, Licensing, Electoral & Land Charges	792	792	801	9
Contingency	1,175	1,175	1,356	181
Net Service Expenditure	**19,182**	**19,182**	**19,216**	**35**
	0			
Contribution to / from reserves	(1,677)	(1,677)	(1,804)	(127)
Other Accounting Adjustments	129	129	129	0
Council Tax	(5,875)	(5,875)	(5,875)	0
Business Rates & Associated Grants	(2,402)	(2,402)	(2,402)	0
Collection fund Deficit / (Surplus)Share	(9,322)	(9,322)	(9,322)	0
Shortfall / (Surplus)	**34**	**34**	**(59)**	**(93)**
Budget Savings Left to Deliver	(34)	(34)	(34)	0
Net Revenue Budget	**(0)**	**(0)**	**(93)**	**(93)**

2.3 The main forecasted variances against the General Fund are:

- The return on property funds has improved since the budget was set. It was anticipated the return would be halved to £100k as a consequence of covid-19, but the first six months figures indicate an outturn of £160k for the year although given economic uncertainty, this should be viewed with caution.
- The sales, fees and charges compensation scheme relating to the period April – June is for (£86k) which is expected to be received in the second half of the year. This helps to cover some of the income losses on leisure, car parking, lifeline and streetnaming services.
- Car parking income is expected to fall £75k short of target, with ongoing restrictions resulting in reduced footfall in the town centre and fewer people commuting to workplaces. Similarly, lifeline income is also expected to fall short of target with little growth in the customer base, a £66k shortfall in income is expected. The Assets Team will not generate any income £50k due to the shortage of staffing resources in

the team and ongoing covid implications. £37k of these losses is covered by the Q1 sales, fees and charges compensation scheme referred to above. Currently there is no indication that this scheme will continue beyond June, so it is recommended that the remaining shortfall of £154k is covered by the covid contingency.

- The commercial waste service has seen an increase in contract income which is expected to be (£45k) higher than budget this year this is due to a combination of fee increases, customer retention and gain. At the same time there is anticipated a reduction in disposal costs based on latest costs which is expected to result in a (£18k) saving, so a (£63k) increase in the profitability of the service.
- The contract for the use of the Summit premises as a vaccination centre has been extended to 31 March 2022 on the same terms, this is forecast to generate an additional (£114k).
- Salaries are expected to be over budget by £176k due to a low number of vacancies in the services and some vacant posts being filled by ongoing agency appointments.
- Additional costs of £67k on the streetscene & waste contracts due to over annual inflation increases, additional costs for waste vehicle maintenance and additional grass cutting costs offset by commodity payments which are estimated based on costs to date driven by an increase in the material price for paper and card sales, partly offset by an additional (£14k) of other waste service income, based on quarter 2 figures.
- There is a (£47k) saving on the drainage board levies due to the difference in inflation on the fees compared to what was assumed in the budget.

Housing Revenue Account (HRA)

2.4 Latest forecasts show a (£101k) surplus which will result in an increase in the transfer to the major repairs reserve from £3,589k to £3,690k.

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

Housing Revenue Account – Q2 2021/22	**Budget £000's**	**Forecast £000's**	**Variance £000's**
Net Revenue Budget	8,713	8,446	(267)
Dwelling Rents	(12,302)	(12,136)	166
Net (Surplus) / Deficit transferred to Major Repairs Reserve	**(3,589)**	**(3,690)**	**(101)**

2.6 The main forecasted variances against the HRA surplus are:

- (£437k) saving on interest and borrowing charges following reduced requirements this year based on current anticipated progress in the housing development programme.
- The £195k saving which would be generated from the implementation of the housing system will not be achieved in year due to delays in implementation of phase 2 plus continuing requirement of resources as a result of covid-19.
- Lower rent collection based on latest trends which indicate a £166k shortfall over the year.

Planned savings

2.7 Many of the savings were pushed back to 2024/25 as part of the latest Medium Term Financial Strategy. Three savings remain in the General Fund totalling £184k and all are currently expected to be achieved.

2.8 The HRA has a budgeted savings target for 2021/22 of (£195k) which relates to efficiency savings following implementation of new Housing and Asset Management System. The second phase of the implementation is due to go live later in 2021/22 but delays and continuing covid priorities means that savings are unlikely to be realised in the current financial year and have been forecast out.

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

Capital Programme

Capital Programme 2021/22	Actual Year to Date £k	Budget Year to Date £k	Year To Date Variance £k	Full Year Budget £k	Full Year Forecast £k	Full Year Variance £k
GF	207	300	-93	2,460	1,720	-740
HRA	2,537	4,131	-1,594	11,232	10,709	-523
Total	**2,744**	**4,431**	**-1,687**	**13,692**	**12,429**	**-1,263**

2.9 The capital programme shows a forecast underspend of (£1,263k) which (£740k) is in the general fund and (£523k) in the HRA.

2.10 In the General Fund the main variances of the (£740k) is made up of:

- Industrial Units Investment – The forecast has been revised to £20k for 21/22 and £338k carried forward to 22/23, work is ongoing with the EPC assessor to establish the scale of works required and a specification developed and issued to market which due to capacity is not expected to occur until Q4.
- Car Park Improvement Programme – Forecast has been revised to £150k for 21/22 with £370k is proposed to carry forward to 22/23 relating to delays on work at Back Micklegate due to timing of external funding opportunities and ongoing landowner discussions.

- £28k carried forward for Private Sector Home Improvement Loans, driven by reduced demand.

2.11 The HRA currently has a forecast variance of (£523k), the main variances are:

- St Wilfrids Court - £93k, a decision has been made to delay the tender until the next financial year when market pressures may stabilise due to upward pressures on material and labour costs.
- Environmental Improvement Plan - £68k to carry forward, the scheme was delayed by Covid restrictions, 6 sites were identified with 2 anticipated to be completed this financial year.
- Health & Safety Improvement Programme - £361k slippage due to the contractor not having the resources to deliver additional works, combined with lead in time for materials.

Details of the Capital Programme can be found in Appendix C.

Programme for Growth (PfG)

Programme For Growth 2021/22	Actual Year to Date £k	Full Year Budget £k	Full Year Forecast £k	Full Year Variance £k
Total	**830**	**8,335**	**6,608**	**-1,727**

2.12 Following approval of additional projects, the total programme for growth for delivery from 2021/22 onwards is £23,824k. £830k of this was spent in the first half of the year of which £491k was spent on salaries.

2.13 New projects approved in the recent Medium Term Financial Strategy include £2m investment into the community legacy fund, increase in funds for the transforming cities fund project and budgets to support projects at Sherburn, Tadcaster and Burn.

2.14 Project by project detail can be found in appendix D.

3. Alternative Options Considered

3.1 Not applicable.

4. Implications

4.1 Legal Implications

4.1.1 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

There are no financial implications beyond those highlighted 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. An additional £500k has been put into the 2021/22 budget to cater for additional staffing requirements to deal with backlogs of work as a result of the pandemic.

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 general fund at the end of quarter 2 is forecasting a (£93k) surplus for the year whilst the housing revenue account is forecasting a (£101k) surplus.

5.2 The council is still suffering considerable losses in 2021/22 against pre-pandemic budgets.

5.3 There continues to be increased pressure on resources and capacity to deliver the Council's priorities with covid-19 and local government reorganisation both likely to require considerable resource throughout the financial year.

6. Background Documents

None.

7. Appendices

Appendices A – D (details below)

A - General Fund and Housing Revenue Account Revenue Budget Exceptions
B – General Fund and Housing Revenue Account Savings
C – General Fund and Housing Revenue Account Capital Programme
D – Programme for Growth

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