

Report Reference Number: E/21/41

To: Executive
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Status: Key Decision
Ward(s) Affected: All
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Lead Executive Member: Cllr C Lunn, Lead Member for Finance & Resources
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Title: Financial Results and Budget Exceptions Report to 31st December 2021

Summary:

At the end of Q3, the forecasted full year revenue outturn in the general fund indicates a surplus of (£979k) for the General Fund driven primarily by planning income and improved income from recyclates. In the HRA, latest forecasts show an expected (£185k) surplus for the HRA. The key variances are highlighted in the report with further detail in Appendix A.

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 in this financial year.

The capital programme is currently underspent by (£3,235k) at the end of quarter 3. Of this, (£3,172k) is forecast to be underspent at the year end, of which (£264k) is in the General Fund. The majority of the General Fund underspend relates to the car park improvement programme, ICT Investment and Disabled Facilities Grants. The HRA underspend of (£2,908k) is made up in the main of the Housing Acquisitions & Development programme where any significant spend isn't expected until the new financial year, Property Investment and Refurbishment Programmes impacted by lead in times and material availability, the housing system upgrade and community centre refurbishment.

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

Programme for Growth projects spend was £1,038k to the end of November, £648k of which was staffing costs with the majority of the remainder on visitor economy, transforming cities fund, high street shop fronts and towns masterplanning projects.

It is anticipated that £5.1m will be spent in year, less than the profiled budget due primarily to the Selby match funding element on TCF being spent later in the project. This is a reduction on the anticipated spend at Q2 of £1.5m. Project by project progress is shown in Appendix D.

The latest MHCLG return submitted for November indicates an overall estimated gross impact on Council finances of £2,941k across both the General Fund and HRA when compared to pre-pandemic budget levels.

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 were approved by Council on 18 February 2021, this report and associated appendices present the financial performance as of 31 December 2021 and a full year forecast against these budgets.
- 1.2 The country has continued under some levels of Covid-19 restrictions in 2021/22. Many staff have continued to work from home and some resources continue to be diverted towards the Council's response, with the risk of this increasing with the new variant.
- 1.3 Emergency grant schemes for businesses are now closed with reconciliation exercises underway, but administration of the test and trace payment scheme continues.
- 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 £2.9m 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 (£979k).

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

General Fund Account Q3 2021/22	Latest Approved Budget £000's	Forecast £000's	Forecast Variance £000's
Corporate Services & Commissioning	7,348	7,025	(323)
Economic Regeneration & Place	10,983	10,409	(574)
Corporate / Finance	(863)	(956)	(92)
Legal, Democratic, Licensing, Electoral & Land Charges	827	836	10
Contingency	812	812	0
Net Service Expenditure	19,106	18,127	(979)
Contribution to / from reserves	(1,635)	(1,635)	0
Other Accounting Adjustments	129	129	0
Council Tax	(5,875)	(5,875)	0
Business Rates & Associated Grants	(2,402)	(2,402)	0
Collection fund Deficit / (Surplus)Share	(9,322)	(9,322)	0
Shortfall / (Surplus)	0	(979)	(979)

2.3 The main forecasted variances against the General Fund are:

- A net saving is currently forecasted (£251k) for the waste and recycling service. This is driven by significant savings on net commodity payments (£362k). These are calculated using costs for bulking, haulage, processing, and the offset by income received for recycling materials. Over the year there has been a significant increase in the rate per tonne received for paper and card (currently £92.55 per tonne), this income and that for cans, plastic and glass is forecasted to offset any costs. The income rates are subject to change due to volatility of prices but for the moment remain strong although there is no guarantee these levels could be maintained in the new financial year. This saving is offset in part to inflation on the contract anniversary being higher than budgeted and additional contract costs for the waste fleet maintenance which was not included in the budget and gate fees. If the trend continues to the end of the year then we could find ourselves in a surplus position.
- There is a saving anticipated on the Building Control contract fee (£50k), this is from a higher than expected surplus for the final 20/21 accounts and an estimated surplus return for 21/22.
- The commercial waste service has seen an increase in contract income which is expected to be (£49k) 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 (£16k) saving, so a (£65k) 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).
- Due to the number of large planning applications including those from the transforming cities fund project, the current budget is expected to be exceeded by (£492k).
- 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.
- 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.
- Salaries are expected to be over budget by £83k in the general fund due to a low number of vacancies in the services and some vacant posts being filled by ongoing agency appointments. This includes £28k of vacancies in the trades team but the benefit of this is recharged to the HRA, so the overall variance on the general fund for salaries is £111k over budget.
- 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 (£185k) surplus which will result in an increase in the transfer to the major repairs reserve from £3,589k to £3,774k.
- 2.5 The table below shows the summary position at the end of December 2021. Full details of forecast variances against budget are set out at Appendix A.

Housing Revenue Account – Q3 2021/22	Budget £000's	Forecast £000's	Variance £000's
Net Revenue Budget	8,713	8,352	(361)
Dwelling Rents	(12,302)	(12,126)	176
Net (Surplus) / Deficit transferred to Major Repairs Reserve	(3,589)	(3,774)	(185)

- 2.6 The main forecasted variances against the HRA surplus are:

- (£455k) 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 timing of the 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 £176k shortfall over the year. Collection rates have fallen slightly below target through 20/21 and 21/22 to date attributable to the pandemic and more formal recovery is taking place in line with government procedures. Rents have also had the compounding impact of not replacing homes in line with the HRA business plan which in turn drove the budget. For every property sold under right to buy, the aim was to replace with another property. To date in 2021/22 11 have been sold and 2 purchased.

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 August 2022, savings will not 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	Full Year Budget £k	Full Year Forecast £k	Full Year Variance £k
GF	1,720	1,456	-264
HRA	10,709	7,801	-2,908
Total	12,429	9,257	-3,172

- 2.9 The capital programme shows a forecast underspend of (£3,172k) which (£264k) is in the general fund and (£2,908k) in the HRA.
- 2.10 In the General Fund the main variances of the (£264k) is made up of:
- Car Park Improvement Programme – Forecast has been revised to £100k for 21/22 with £420k 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.

- £72k Disabled Facilities Grants, this is due to the type of jobs being carried out (level access showers), these cost less to action than some of the works anticipated.
- £65k Committee Room Microphone System – Project unlikely to commence until 22/23, specification is written, and tenders invited, but alternative options are also being considered.
- South Milford Retaining Wall - £15k, delays due to a faculty application.
- Various ICT Projects - £63k reasons include supply of equipment, dependency on progression of other projects and continued support required in 22/23.

2.11 The HRA currently has a forecast variance of (£2,908k), the main variances are:

- Housing & Asset Management System - £104k will now be in 22/23 following completion of phase two of the project in August 22.
- Housing Acquisition and Development - £1,980k, the carry forward relates in the main to S106 affordable housing purchases, discussions are ongoing but spend unlikely this year.
- Community Centre Refurbishment - £24k work was paused due to Covid, in the process of agreeing a programme of fire safety upgrade measures, with work to complete early 22/23.
- Property Refurbishment & Investment Programmes - £800k, slippage due to impact of material availability and supplier lead times.

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

Programme for Growth (PfG)

Programme For Growth 2021/22	Full Year Budget £k	Full Year Forecast £k	Full Year Variance £k
Total	8,335	5,078	-3,257

2.12 Following approval of additional projects, the total programme for growth for delivery from 2021/22 onwards is £23,824k. £1,038k of this was spent in the first 3 quarters of the year of which £648k was spent on P4G funded posts across the Council delivering on key Council Plan priorities and including staff in Economic Development & Regeneration, Communities & Partnerships, Planning and Communications. It is expected that £5.1m will be spent in 2021/22 which is a £1.5m decrease on that reported at Q2. This includes £2m on the Community Legacy Fund which was not included at Q2 but £3m of Selby match funding on the TCF project will now be spent later in the project with the WYCA grant funding spend being brought forward.

2.13 Although there has been some slippage in programme spend, it is a three year-funded programme and good progress is being made across a range of project areas including:

- Visitor Economy (Tourism & Culture) – with the Heart of Yorkshire Brand launched, the first Residents First weekend, a cross-sector Visitor Economy Advisory Board set up, ongoing support for businesses impacted by Covid, the Cultural Development Framework adopted with a three year Action Plan and Priority One status confirmed by Arts Council England. This will see a range of creative arts and visitor economy projects delivered across the district in the coming years in partnership with others.
- Community Legacy Fund - £2m of P4G funding has been invested through the Two Ridings Community Foundation in an to ensure community projects in Selby District can be supported in perpetuity. The Heart of Yorkshire Fund was launched in November with the first applications expected in early 2022.
- Tadcaster Community Sports Trust – P4G funding has been provided to help them develop their plans and business case which are required to unlock external funding which is needed to deliver their vision for a major new sports and community hub in the town
- Towns Revitalisation programme – key projects have been identified in Tadcaster, Sherburn and Selby including enhancement of the Selby market place and Selby Park and the Low Street improvement project. Design and consultation will take place in 2022 with delivery starting on the ground from 2022 onwards. A range of Sherburn 'legacy projects will be delivered by local partners from 2022 onwards. The first phase of the Places & movement Study was completed with the second phase due to start in early 2022. This will identify and develop the business cases for future external funding bids (e.g. Levelling Up Fund or through the Devo Deal) to deliver highway and public realm improvement schemes.
- The Selby High Street Heritage Action Zone is progressing well with a number of building and public realm improvements to be implemented from 2022 onwards including the New Lane public realm scheme – these are being aligned with delivery of car park enhancements at Back Micklegate and Micklegate.
- Selby Station Gateway TCF project – excellent progress is being made in property acquisition to enable delivery of the scheme. Wider TCF programme management to achieve early spend means that these are funded initially from TCF rather than P4G funds which would be reallocated later in the programme.

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

Slippage in capital programmes and programme for growth could see increased budget pressure from rising prices of materials and suppliers in future years.

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 and LGR. 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 of which to date £353k has been allocated to assist the planning service.

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 3 is forecasting a (£979k) surplus for the year driven by higher planning income and income from paper recycles.
- 5.2 The housing revenue account is forecasting a (£185k) surplus driven by lower external borrowing partially offset by lower rents and a shortfall on savings.

- 5.2 The council is still suffering considerable losses in 2021/22 against pre-pandemic budgets although income from planning and waste services is buoyant.
- 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

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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