



**Report Reference Number:** E/22/3

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| <b>To:</b>                    | Executive  |
| <b>Date:</b>                  | 26 May 2022  |
| <b>Status:</b>                | Key Decision   |
| <b>Ward(s) Affected:</b>      | Ward(s) affected by report or list all if affects the whole district |
| <b>Author:</b>                | Peter Williams, Head of Finance                                      |
| <b>Lead Executive Member:</b> | Councillor Cliff Lunn – Lead Member for Finance and Resources        |
| <b>Lead Officer:</b>          | Karen Iveson, Chief Finance Officer                                  |

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**Title: Financial Results and Budget Exceptions Report to 31st March 2022**

**Summary:**

After carry forwards of £1,880.2k, which are detailed in Appendix E, the full year revenue outturn in the general fund is a surplus of (£1,619k) driven primarily by favourable variances across a number of income streams. In the HRA, full year revenue outturn after carry forwards of £18.6k, is a (£645k) surplus for the HRA, with lower borrowing costs and bad debt provision offset by lower rents. The key variances are highlighted in the report with further detail in Appendix A.

General Fund planned savings were just £2k short of the (£184k) target, details can be found in Appendix B. As previously reported, the £195k saving in the Housing Revenue Account for the housing system however was not achieved this year as it is predicated on the implementation of phase 2 of the housing system which has been further delayed to next financial year.

The capital programme was underspent by (£1,243k) at the year end. Of this (£500k) related to the General Fund. The most significant underspends being on play area refurbishment, car park improvements and office reception alterations. This is offset by higher than expected spend on external grant funded Disabled Facilities Grants. It is proposed that all but (£72.7k) of the General Fund underspend be carried forward to enable projects to be completed in 22/23. There is an HRA underspend across a number of programmes totalling (£743k). It is proposed that £525k is carried forward and (£218k) is taken as a saving as it is no longer required following the conclusion of the Empty Homes Programme.

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

Programme for Growth spend was £6,629k in the year, which was £2,034k lower than budget. Of the in-year spend, £947k was staffing costs. There was significant spend reported in quarter 4 including £2.6m on the purchase of Selby Business Centre as part of the Transforming Cities Fund project which was completed in December and £2m invested into the Community Legacy Fund with Two Ridings. Project by project progress is shown in Appendix D.

## **Recommendations:**

Recommendations:

It is recommended that Members approve:

- i) The revenue General Fund and HRA carry forward proposals totalling £1,517.2k and £18.6k respectively as set out in Appendix E.
- ii) The capital General Fund and HRA carry forward proposals totalling £427.1k and £525.2k respectively as set out in Appendix E.
- iii) The carry forward of the Programme for Growth funds as set out in Appendix D totalling £2,034.0k.
- iv) The surplus on the General Fund be transferred to the Business Rates Equalisation Reserve.
- v) The HRA surplus be transferred to 'HRA Major Repairs Reserve to support the future capital programme.
- vi) A virement from the covid contingency of £91.59k is proposed in 2.4 to cover the additional financial support required for the leisure service.

## **Reasons for recommendation**

To allow projects and initiatives not completed in year to be rolled over to the following year and to make adequate appropriations to reserves in the General Fund and HRA to mitigate future spending priorities.

### **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 at the end of the financial year.
- 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 as measures have relaxed.
- 1.3 Covid emergency grant schemes for businesses are now closed with reconciliation exercises mostly completed.
- 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 £2.6m of additional pressures on income and costs when compared to pre-pandemic budget levels.

## 2. Main Report

### General Fund Revenue

2.1 For the year 2021/22 after proposed carry forwards, the Council's General Fund activities resulted in a surplus of (£1,619k). Details of the variances against budget are set out at Appendix A.

2.2 The table below shows the summary position at the end the financial year.

| General Fund Account 2021/22 Outturn         | Latest Approved Budget £000's | Outturn £000's | Outturn Variance £000's |
|--|-------------------------------|----------------|-------------------------|
| Service Income                               | -37,009                       | -37,064        | -55                     |
| Service Expenditure                          | 49,614                        | 48,289         | -1,325                  |
| Accounting adjustments / non-service budgets | -12,605                       | -12,844        | -239                    |
| <b>Total Surplus / Deficit</b>               | <b>0</b>                      | <b>-1,619</b>  | <b>-1,619</b>           |

2.3 The main forecasted variances against the General Fund are:

- A net saving of (£277k) on the waste and recycling service. The key components of this are:
  - Commodity payments savings (£423k) driven by a significant increase in the rate per tonne received for paper and card.
  - A £115k higher than budget increase in inflation on the contract and additional contract costs for the waste fleet maintenance and gate fees.
- Due to the number of large planning applications including those from the transforming cities fund project, total planning income ended the year at £1,543k which was £152k higher than budget. The total income in the original budget was £981k but £410k of additional income was vired to expenditure in order to ensure resourcing levels were sufficient to cater for the increased level of applications.
- The commercial and other waste services have successfully maintained and grown the customer base resulting in an additional (£103k) of income in the year.
- Additional income has also been generated from land charges (£61k), it was expected that an increase in customers accessing the service

themselves at the Civic Centre would reduce the fee charging service, but office closures as a result of the pandemic has meant this has not occurred this year.

- In addition, the contract for the use of the Summit premises as a vaccination centre was extended to 31 March 2022 and has generated an additional (£114k) of income.
- Improved investment interest returns have resulted in an additional (£74k) of income in year, driven by better property fund returns and increase in the Bank of England base rate.
- The Council has received (£483k) of unbudgeted new burdens income in the year relating to the administration of business grant and test and trace schemes, local elections and audit fee increase mitigation following the Redmond Review.
- Salaries at the end of year were slightly favourable to budget once the vacancies in the trades team are recharged to the HRA. This was in part due to continued vacancies into quarter 4.
- 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.
- Savings have been generated on Building Control Partnership fees (£52k) due to improved margins, IT costs (£52k) and lower than expected requirements from external HR support (£62k).
- Audit fees were £45k higher than anticipated which was partly offset by new burdens income received from the Redmond Review of (£17.7k) to help reduce the impact of increasing fees.
- The contingency budgets were underspent in the year, but the balance is proposed as a carry forward to 2022/23. Breakdown of contingency budgets is below:

| Contingency                     | Budget £k    | Actual £k    | Carry Forward Proposal £k |
|---------------------------------|--------------|--------------|---------------------------|
| Operational                     | 413          | 153          | 260                       |
| Commissioning                   | 113          | 107          | 6                         |
| Covid-19                        | 1,550        | 1,420        | 130                       |
| Local Government Reorganisation | 150          | -            | 150                       |
| Covid-19 additional resources   | 500          | 353          | 147                       |
| <b>Total</b>                    | <b>2,726</b> | <b>2,033</b> | <b>693</b>                |

- 2.4 As a result of covid-19, the approved budget for 2021/22 contained an additional £880k of support for the leisure service provided by IHL. Under the terms of the agreement, any additional losses of income above this estimate would be covered by Selby District Council. The end of year draft figures from IHL indicate that an additional £91.59k of support will be required for 21/22. The report assumes that this will be funded from the covid contingency, subject to approval of a recommendation in this report.

## Housing Revenue Account (HRA)

- 2.5 The outturn shows a (£645k) surplus which will result in an increase in the transfer to the major repairs reserve from £3,589k to £4,234k.
- 2.6 The table below shows the summary position at the end of the financial year. Full details of variances against budget are set out at Appendix A.

| <b>Housing Revenue Account – Outturn</b>                            | <b>Budget<br/>£000's</b> | <b>Outturn<br/>£000's</b> | <b>Variance<br/>£000's</b> |
|---|--------------------------|---------------------------|----------------------------|
| Net Revenue Budget  | 8,713                    | 7,877                     | (836)                      |
| Dwelling Rents  | (12,302)                 | (12,111)                  | 191                        |
| <b>Net (Surplus) / Deficit transferred to Major Repairs Reserve</b> | <b>(3,589)</b>           | <b>(4,234)</b>            | <b>(645)</b>               |

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

- (£461k) saving on interest and borrowing charges following reduced requirements for 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.
- Rent collection over the year shows a £191k shortfall. The main driver being that rents were set in line with business plan assumptions but have had the compounding impact of not replacing homes in line with those assumptions. For every property sold under right to buy, the aim was to replace with another property. In 2021/22 14 have been sold and 3 purchased. Collection rates are slightly below target in 21/22 attributable to the pandemic and have seen a steady increase in DWP/UC claimants. Formal recovery is taking place in line with government procedures and have reverted to pre-pandemic timescales.
- Offsetting the rent shortfall, a bad debt provision was set at a high level to cater for the impacts of covid-19 and universal credit, but arrears have not been as high as anticipated resulting in a (£189k) saving against budget.
- Contingency budgets of (£75k) were not required in the year resulting in a saving.
- Improved interest rates on cash investments following increases in the Bank of England base rate resulted in an additional (£27k) over and above budget.

## Planned savings

- 2.8 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 with just a £2k shortfall from the council tax penalty scheme which following delays in its implementation was implemented in 2021/22.
- 2.9 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 in 2022/23 and as such, as mentioned in earlier reports, savings have not been realised.

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

## Capital Programme

| Capital Programme 2021/22 | Full Year Budget £k | Full Year Outturn £k | Full Year Variance £k | Proposed Carry Forward £k | Full Year Variance after Carry Forward £k |
|---------------------------|---------------------|----------------------|-----------------------|---------------------------|---|
| GF                        | 1,452               | 952                  | -500                  | 427                       | -73                                       |
| HRA                       | 7,801               | 7,058                | -743                  | 525                       | -218                                      |
| <b>Total</b>              | <b>9,253</b>        | <b>8,010</b>         | <b>-1,243</b>         | <b>952</b>                | <b>-291</b>                               |

- 2.10 The capital programme shows an underspend before carry forwards of (£1,243k) of which (£500k) is in the general fund and (£743k) in the HRA. Details of the programme can be found in Appendix C.

- 2.11 The following are the most material underspends in the General Fund :-

- Civic Centre reception works of (£104k) have been delayed while plans are reconsidered in light of local government reorganisation.
- Car park improvement programme underspend of (£70k) due to Portholme Crescent being used as a covid-19 walk in testing site.
- Council play area refurbishment programme (£172k) underspent, contracts have been awarded with works not expected to complete by the end of 2022.
- Disabled Facilities Grants were rephased earlier in the year, but two extensions that were not expected to complete until 2022/23 have been able to complete in year. This has resulted in a £99k overspend on this fully grant funded programme, so a proposal to carry forward the overspend is included in the carry forward proposal.

- 2.12 In December, the Executive approved in principle the use of £750,000 of the Community Infrastructure Levy (CIL) funds generated from development in Sherburn and the district to contribute to the extension of Beech Grove Medical Centre Sherburn. The Council has a legal duty to ensure that subsidy control rules are complied with when allocating public funds and therefore the due

diligence is currently underway. The project has been added to the capital programme with spend forecast in 2022/23 and subject to the required due diligence.

- 2.13 The HRA underspend is predominantly across the housing improvement and investment programmes which have seen delays as a result of the pandemic and resource shortages.
- 2.14 Net of carry forwards, the General Fund shows a saving of (£73k) on the programme which is mainly driven by (£21k) saving on the car park ticket machine project, (£25k) budget for industrial unit maintenance and (£24k) on leisure capital maintenance which are no longer being required as 22/23 budgets are sufficient to cover any requirements.
- 2.15 Net of carry forward, the HRA programme shows a saving of (£218k) which is from the Empty Homes Programme. Following the purchase of ten properties as part of the programme it has now been completed and no carry forward of the balance is proposed.

#### **Programme for Growth (PfG)**

| <b>Programme For Growth 2021/22</b> | <b>Full Year Budget<br/>£k</b> | <b>Full Year Outturn<br/>£k</b> | <b>Full Year Variance<br/>£k</b> |
|-------------------------------------|--------------------------------|---------------------------------|----------------------------------|
| <b>Expenditure</b>                  | <b>8,663</b>                   | <b>6,629</b>                    | <b>-2,034</b>                    |
| Funded by :                         |                                |                                 |                                  |
| <b>Reserve</b>                      | -7,659                         | -5,625                          | 2,034                            |
| <b>Grant Funding</b>                | -1,004                         | -1,004                          | 0                                |

- 2.16 Following approval of additional projects, the total programme for growth for delivery from 2021/22 onwards is £25,603k. £6,629k of this was spent by the close of Q4 of which £947k 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.
- 2.17 In year spend includes £2,000k on the Community Legacy Fund and £2,742k on the Transforming Cities Fund (TCF) project including the acquisition of Selby Business Centre.
- 2.18 Excellent progress has been made across a range of other project areas too including Visitor Economy, Towns Revitalisation and Selby High Street Heritage Action Zone. Additional detail on delivery can be found in Appendix D where there is a project-by-project breakdown.
- 2.19 There are a number of projects where funding may not be fully spent (e.g., Burn; marketing Selby's USPs; Retail Experience – STEP; Towns Masterplanning –

Regeneration; Access to Employment) and there is an opportunity to reallocate this within the programme to ensure:

- other important P4G projects can be fully delivered
- that the P4G funded staff resource is in place to deliver the multi-year programme which extends into 2023/24, which is the first year of the new North Yorkshire Council.

2.20 A report will be brought back to Executive in July outlining proposals to re-allocate money within the P4G programme.

### **Proposed Carry Forwards**

2.21 There are a number of carry forwards which are all itemised in Appendix E. The highest value items of note are:

2.22 General Fund Revenue - £1,880.2k (£1,517.2k to approve)

- £693k of contingency balances as detailed in point 2.3 of the report which will help to support 22/23 budgets.
- £526k of planning resourcing budgets of which £363k has already been approved for carry forward as part of a previous report to Executive indicating spend expected to be predominantly in 2022/23.
- £292k of local plan specialist fees which will be incurred over the duration of delivery.
- £110k of grant funded homelessness project budget.

2.23 General Fund Capital - £427.1k

- £172k carry forward for the work required to the council play areas which have been impacted by covid-19 but contracts have been awarded to complete the remaining 2 schemes in 2022/23.
- £105k carry forward required for the transforming customer services project which has been delayed due to Covid-19 and reconsidering proposals in light of local government reorganisation.
- £104k to support the housing system implementation, phase 2 is set to go live in 2021/22.
- £70k to continue the car park improvement programme which has been delayed due Portholme Crescent being used as a walk in testing centre for covid-19.
- There are two negative carry forwards where overspends have occurred in year as a result of too much budget being phased into 2022/23 at an earlier quarter. In both instances, expected delays were partly mitigated leading to improved delivery in quarter 4. These are the Disabled Facilities Grants programme (£95.2k) and Home Improvement Loans (£2.7k).

2.24 HRA Revenue - £18.6k



- The budget for replacement of staff uniforms has been delayed due to impacts of covid-19 on the procurement process. Samples have now been received and the order is expected to be completed in 2022/23.

#### 2.25 HRA Capital - £525.2k

- It is proposed that £459k of underspends across the property investment and refurbishment programmes plus the health and safety improvements programme are 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 2021/22 to carry out the level of works required.
- Community Centre fire safety upgrade programme budget of £40k to be carried forward to allow these works to be completed. Contractor has not been appointed but work will be carried out in 2022/23.

#### 2.26 Programme For Growth - £2,034k

- The TCF programme site acquisitions budget is showing as underspent, but this is mainly due to the purchase of James William House in October 2020, which was originally P4G reserve funded, but can now be claimed from WYCA. A claim was submitted for this in quarter 4.
- Staffing costs were £303k lower due to vacancies in the teams.
- There were other underspends across a number of projects as detailed in Appendix D, and a number of projects that are to be considered for reallocation of funds as part of a future report to Executive in July 2022.
- Across a number of projects, details of which can be seen 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.

#### 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. Projects are keeping this under review and looking to mitigate increases within existing budgets through project re-engineering plus reserves to help mitigate prices increases

#### **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 £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 report proposes £2,851.2k of carry forwards in the general fund and HRA revenue and capital programmes of which £2,488.2 requires approval in the recommendations in this report plus £2,034k on the programme for growth.
- 5.2 The general fund outturn shows a (£1,619k) surplus after carry forwards for the year driven predominantly by income. It is recommended that this surplus is transferred to the business rates equalisation reserve to support future spending pressures.
- 5.3 The housing revenue account is forecasting a (£645k) surplus after carry forwards driven by lower external borrowing and lower provision requirements partially offset by lower rents. It is recommended that the surplus is transferred to the major repairs reserve to help fund the housing investment programme.
- 5.4 There has been increased pressure on resources and capacity to deliver the Council's priorities with covid-19 and local government reorganisation requiring considerable resource throughout the financial year. The pressure from local government reorganisation is almost certain to continue into 2022/23.

### **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.

Appendix E – Proposed Carry Forwards

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