

Selby District Council

REPORT

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Executive Member: Cllr C Lunn – Lead Member for Finance & Resources
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Title: Financial Results and Budget Exceptions Report to 31 March 2018

Summary:

After carry forward requests which are detailed in **Appendix D**, the Council's year end results for 2017/18 give a surplus of £414k on the General Fund against budget. There are a number of variances (positive & negative) which make up this surplus including; increased planning fees; staffing savings; higher interest returns; higher waste and recycling income and unspent contingency.

The Housing Revenue Account generated a net surplus of £1,919k after carry forward requests, against a budgeted surplus of £1,185k a variance of £734k; the main drivers of the variance are savings on external interest payments arising from lower borrowing requirements, reduced revenue funding required on the capital programme, lower pension deficit repayments and unspent contingency.

More detail on the variances in the General Fund and Housing Revenue Account can be found in **Appendix A**.

Savings (**Appendix B**) exceeded target in the HRA due to higher than expected savings from the pension deficit reduction. Savings on the General Fund fell short against target, primarily due to the delay in the Contact Centre office move and interest returns on loans to the Housing Trust commencing later in the year than anticipated.

The General Fund Capital Programme (**Appendix C**) reports an underspend of £521k after carry forwards. A number of ICT projects have been rolled into the Channel Shift digital strategy and will now deliver in 2018/19. In addition, the budget for Disabled Facilities Grants was underspent in the year. The amendments to the Private Sector Assistance Policy and a more proactive marketing of the grants should help this spend to increase in 2018/19.

The HRA capital programme (**Appendix C**) has a surplus after carry forwards of £525k. Key reasons for this are a lower level of boiler and central heating replacements than expected, under-utilised estate enhancements budget and lower demand for damp works.

The latest Programme for Growth update went to Executive in April and can be found in **Appendix E**. The programme was underspent by £1.7m in the year. The new approved programme is now underway with increased spend expected in 2018/19 as projects continue to progress.

The year-end revenue surpluses are proposed for transfer to earmarked reserves and balances to support future spending plans.

Recommendations:

It is recommended that:

- i) The funds set out in Appendix D (£3.179m Revenue including Programme for Growth and £6.684m Capital) be carried forward from 2017/18 to 2018/19;**
- ii) The £414k General Fund surplus is transferred to the Business Rates Equalisation Reserve to support future cost pressures.**
- iii) The additional £734k HRA surplus be transferred to 'HRA Major Repairs Reserve' to support the future capital programme;**

Reasons for recommendations

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

Report

General Fund Revenue

- 1.1 The full year actual outturn position for the General Fund is analysed in the table below.

General Fund Account	Budget £000's	Actual £000's	Variance £000's
Net Revenue Budget	15,752	15,234	(518)
Settlement Funding including RSG/NDR and other Grants	(9,686)	(9,607)	79
Amount to be met from Council Tax	6,066	5,627	(439)
Council Tax	(5,203)	(5,203)	0
Collection Fund Surpluses	(62)	(84)	(22)
Shortfall/(Surplus)	801	340	(461)
Savings Target	(424)	(377)	47
Net Surplus / (Deficit) transferred from Business Rates Equalisation Reserve	(377)	(377)	0
Net Revenue Budget	0	(414)	(414)

- 1.3 The main contributing factors to the Core General Fund surplus include:-

- Cost of specialist advice in Development Management was £148k higher than budget with more requirements for surveys and external consultancy works than anticipated;
- Employee costs are £149k under budget driven by natural turnover of staff plus a number of vacancies which have not been filled for part or all of the year;
- Investment income has been boosted by buoyant cash balances and there was a small beneficial impact from the Bank of England rate increase in November. Overall, investment income was £109k favourable to budget;
- Customer and client receipts income is higher than budgeted. There are a number of variances within this but the main driver is an £168k increase waste and recycling income due to a higher number of bins from new developments and the continuing success of the commercial waste service.
- The contingency underspend in the year was £194k after £152k was carried forward to top up the contingency budget in 2018/19 to £300k.
- Renewables business rates income for 2017/18 was £7.5m. This

funding has been transferred to replenish earmarked reserves applied to finance the pension fund deficit in 2016/17.

Housing Revenue Account

- 1.5 The full year actual outturn position of the Housing Revenue Account is analysed in the table below:

	Budget £000's	Actual £000's	Variance £000's
Net Revenue Budget	10,808	10,106	(702)
Dwelling Rents	(12,070)	(12,025)	45
Shortfall / (Surplus)	(1,262)	(1,919)	(657)
Savings Target	77	0	(77)
Net Surplus / (Deficit) transferred to Major Repairs Reserve	1,185	1,919	734

- 1.6 The HRA position has made an additional surplus of £734k. The HRA surplus (£1,919k) will be transferred to the Major Repairs Reserve at year end to support the long term management, maintenance and development of council housing. The main variances against budget are:

- The demand on the revenue to support the HRA capital programme was lower than expected by £309k due to underspends on the HRA capital programme;
- External borrowing has been £225k lower than expected in the year to date due to work programmes being funded from HCA grant and internal borrowing;
- Higher than expected savings generated by the paying down of the pension deficit produced a £77k favourable variance;
- £75k of unspent contingency to support HRA service costs for housing development issues has not been utilised;
- Investment interest ended the year £37k higher than budget predominantly due to higher cash balances but there was also a small benefit from the Bank of England rate increase in year.

Capital Programme

- 1.7 There are carry forwards totalling £3.315m for the General fund to enable key projects to be completed in future years. The main areas of spend carried forward are the loans to the Selby District Housing Trust of £1.7m, the adoption of the Industrial Unit Road £325k, the car park

improvement programme £282k, Disabled Facilities Grants £250k, Police co-location project £230k and Portholme Road culvert works £164k. A number of smaller projects make up the remaining balance.

1.8 The General Fund capital programme shows a favourable variance of £521k at the end of the year after carry forwards. This is made up mainly of the following :-

- £293k of ICT projects which have been rolled into the Digital Strategy project which is now budgeted in 2018/19.
- The DFG grant allocation is paid through the Better Care Fund and this year has seen an increase in the grant monies received. In 2017/18 the Better Care allocation is £33k higher than the 16/17 allocation. This coupled with our own investment and monies carried forward for committed works provided a total of £574k available to spend. Actual spend was £179.2k due to lower demand on the service than anticipated. It has all been funded through the Better Care Grant, any underspends may be subject to recovery from Central Government and this is currently being assessed. A change has been made to the Private Sector Assistance Policy in April 2018 to enable grants to be provided to the private sector and the service will be more actively marketed which should result in an increase in the number of grants being provided in 2018/19. £250k has been carried forward to next year but the remainder is a surplus in the capital programme.

1.9 The HRA has seen spend of £2.7m in the year. There are carry forward requests of £3.4m across a number of areas. The key carry forwards are £1.455m on the housing development scheme at Byram Park, £1.068m on the roofing and pointing schemes, £262k for the new housing system, £160k on the cyclical repairs programme, £150k on the Environmental Improvement Plan and £106k on door replacements.

1.10 The HRA variance after carry forwards was £523.3k favourable with the main drivers being :-

- The rolling boiler replacement programme has resulted in fewer repairs and unplanned replacements due to the high standard of boilers installed, resulting in a saving of £292k.
- Estate enhancements was underspent by £105k due to a lack of projects coming forward in 17/18.
- Damp works were £86k underspent due to lower than expected demand for the service.
- Phase 1 of the Housing Developments at Byram and Eggborough came in under budget by £33k.

Savings

1.11 **Appendix C** presents an update on progress against the Council's planned savings action plan for the General Fund and HRA.

1.12 Overall General Fund savings delivery was £34k short of the £740k

target in the year. This was due to the loans to Selby District Housing Trust not occurring as early in the year as had been expected and the office move for the Contact Centre not going ahead this year.

1.13 HRA savings for the year have been over-achieved due to higher than budgeted saving from the pension deficit reduction.

1.14 Recurring savings made in the year which did not form part of the planned savings include lower insurance costs following a tender process (£90k per annum from October 2017) and providing HR and Communications services to a nearby District Council which will continue in the short /medium term (£30k).

Programme for Growth

1.15 The programme has seen considerable progress in 2017/18 with project spend of £666k in year and carry forward on projects of £1.7m into 2018/19 as detailed in **Appendix E**.

Projects that were financed in 2017/18 include the success of the Tour de Yorkshire, due diligence work on a number of our strategic sites and the Sherburn All Weather Pitch.

The £1.7m carry forward is for ongoing projects which form part of the latest approved programme which was agreed at Executive in May 2018.

2. Legal/Financial Controls and other Policy matters

2.1 Legal Issues

There are no legal issues as a result of this report.

2.2 Financial Issues

The financial issues are highlighted in the body of the report.

3. Conclusion

Overall year-end financial results are positive, and the surpluses generated this year provide some financial capacity to support the Council's future spending plans – particularly on both general fund and housing assets. Funds that are requested for carry forward will support work on priority projects and initiatives that will be completed in 2018/19. Some recurring savings have been found in the year which will help to achieve the savings target in future years.

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 – General Fund and Housing Revenue Account Carry Forward Budget Requests.

Appendix E – Programme for Growth.

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