



Report Reference Number: E/18/19

To: Executive
Date: 6th September 2018
Status: Key Decision
Ward(s) Affected: All
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Lead Executive Member: Councillor Cliff Lunn, Lead Member for Finance & Resources
Lead Officer: Karen Iveson, Chief Finance Officer

Title: Financial Results and Budget Exceptions Report to 30th June 2018

Summary:

At the end of quarter 1, the General Fund is indicating an outturn deficit of £30k. There are a number of variances (positive & negative) which make up this deficit including; shortfall on planned savings, staffing savings; changes to the lifeline service; changes in waste and recycling income and higher investment income. HRA is indicating an outturn surplus of (£386k) which is mainly driven by lower external borrowing requirements.

Planned savings for the year have already been achieved in the HRA. However, General Fund savings are showing a forecast shortfall of £157k. Details of the planned savings and their status can be found in Appendix B.

The capital programme is currently forecasting an underspend of (£81k) all of which comes from the General Fund programme. Headlines can be found in the report below with a more detailed analysis in Appendix C.

Programme for Growth was established as part of the budget setting process and a separate paper on P4G progress is on the agenda. At Q1 it is expected that the current year will underspend (£130k), this is driven principally by projects covering more than one year.

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) Virements totalling £54k from planning fee income (£30k to planning enforcement and £24k to Legal Services) be approved.

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 budget was approved by Council on 22 February 2018, this report and associated appendices present the financial performance as at 30 June 2018 against the budget.

2. Main Report

General Fund Revenue

- 2.1 Details of forecast variances against budget are set out at Appendix A.

General Fund Account – Q1 2018/19	Budget £000's	Forecast £000's	Variance £000's
Net Revenue Budget	18,352	18,225	(127)
Settlement Funding including RSG/NDR and other Grants	(4,198)	(4,198)	(0)
Amount to be met from Council Tax	14,154	14,027	(127)
Council Tax	(5,403)	(5,403)	0
Collection Fund Surpluses	(7,724)	(7,724)	0
Shortfall/(Surplus)	1,026	900	(127)
Savings Target	(358)	(201)	157
Net Surplus / (Deficit) transferred from Business Rates Equalisation Reserve	(668)	(668)	0
Net Revenue Budget	0	30	30

The main forecasted variances against the General Fund deficit are :-

- A £157k shortfall on planned savings as outlined in the planned savings section of this report and in more detail in Appendix B.
- Salary savings of (£96k) as a result of vacancies.
- Additional income of (£83k) expected in investment interest due to buoyant cash balances and the recent rates rise.
- The loss of the funding from North Yorkshire County Council for the Lifeline service will result in a further deficit of £88k in the year, although the service is expected to breakeven next year once the trial of a reconfigured service has been approved.

- 2.2 Looking ahead for the remainder of the year, additional resources for the planning service are required to deal with growing demand in the Legal team and in Planning Enforcement. In total £54k is required to fund 2 additional fixed term posts. At Q1 planning fee income is buoyant and there is sufficient capacity to cover these posts and consequently a virement is requested.

Housing Revenue Account (HRA)

Housing Revenue Account – Q1 2018/19	Budget £000's	Forecast £000's	Variance £000's
Net Revenue Budget	11,075	10,689	(386)
Dwelling Rents	(11,940)	(11,940)	0
Shortfall / (Surplus)	(864)	(1,251)	(386)
Savings Target	0	0	0
Net Surplus / (Deficit) transferred to Major Repairs Reserve	864	864	0
Net Revenue Budget	0	(386)	(386)

The main forecasted variances against the HRA surplus are :-

- External borrowing is expected to be lower due to work programmes being funded from grants and internal borrowing in the short term. It is anticipated that external borrowing will be needed in the future, but a saving of approximately (£374k) is expected this year.
- Investment interest as a result of buoyant cash balances and a recent rise in interest rates is expected to exceed budget by (£38k).

2.3 Planned savings

The savings plan indicates that a target of just over £1m is expected in year, with new savings of £358k to be delivered this year. Current forecasts indicate a shortfall against this target of (£157k) with further risk in some additional areas. The key areas to note are as follows :-

- Planning savings of £200k were set but this is now not expected to be met with the latest forecast indicating a £60k saving this year. There are no savings in the first quarter in this area, so this will continue to be closely monitored.
- Asset rationalisation had a target of £50k saving to be generated from the relocating of the customer contact centre to the Civic Centre. This is unlikely to happen this year but plans for the Civic Centre extension are progressing and work is expected to begin in the last quarter of 2018/19. The profiles gym was let in 17/18, so this year we will see the full benefit of this at £41k.

- Collaboration with another local council has generated £30k of additional income.
- Work to identify mitigation for the shortfalls is currently underway. Vacancies are now being held where possible to generate a saving in year, the benefit of which can be seen in quarter 1.
- Details of all planned savings can be found in Appendix B.

2.4 Capital Programme

The capital programme shows a forecast underspend of (£81k) in the General Fund, with the HRA, at this early stage in the year, expected to be fully spent. The General Fund variance is made up of :-

- Disaster recovery improvements project is now set to begin in June 2019 so it is proposed that this budget is carried forward in full (£41k).
- IHL have completed inspections of the items in the planned maintenance programme for 2018/19 and no works are required. This budget of (£30k) will be rolled over to cover future maintenance works and the 19/20 maintenance works programme.
- The upgrades required on the IDOX planning system are (£10k) lower than expected.

Capital receipts in the HRA are expected to be £119k lower than forecast. Four houses have been sold in the first quarter of the year and sales receipts are on target. However, retained receipts are expected to be much lower than the budget of £230k at £111k.

2.5 Programme for Growth

Details of the programme that was agreed at Executive can be found in Appendix D, as well as additional detail in the separate P4G paper which is also on the agenda for the September Executive meeting.

The programme is expecting an in year underspend of (£130k), mainly driven by multi- year projects which will continue into 2019/20. The projects showing variances at quarter 1 are :-

- New Lane, Public Realm. There is currently a delay in this project, the impact of this being that the budget will be spent over the next two years. As a result, £130k of the £230k budget will not be spent in the current year.
- High Street shop fronts. This is a two year project, and therefore the £100k budget is expected to be spent over the next two financial years, driving an in year (£50k) variance.
- Retail Experience – Tadcaster Linear Park. Indicative costs suggest an overspend of £40k on the original budget allocation. Work is currently underway to identify opportunities to reduce overheads as well as understand if there are any underspends on other projects to help mitigate this.

3. Alternative Options Considered

Not applicable.

4. Implications

Not applicable

4.1 Legal Implications

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

4.2 Financial Implications

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

4.3 Policy and Risk Implications

Not applicable

4.4 Corporate Plan Implications

The financial position and performance against budget is fundamental to delivery of the Council's Corporate Plan, achieving value for money and ensuring financial stability.

4.5 Resource Implications

Not applicable.

4.6 Other Implications

Not applicable.

4.7 Equalities Impact Assessment

Not applicable.

5. Conclusion

4.1 At the end of quarter 1, the outturn is indicating a deficit in the General Fund and a surplus in the HRA. The General Fund deficit is primarily due to challenges meeting planned savings targets this year, and a clearer position on this will be presented in Q2.

4.2 At this early stage in the year some slippage on the capital IT programmes are forecast, this will be kept under review as the year progresses.

4.3 Programme for Growth is progressing well and delivery has commenced across a number of projects. Some of these projects are multi-year, and forecasts have been adjusted to reflect this where required.

6. Background Documents

Not applicable.

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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