



Report Reference Number: E/18/27

To: Executive
Date: Thursday 8 November 2018
Status: Key Decision
Ward(s) Affected: All
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Lead Executive Member: Cllr Cliff Lunn, Lead Member for Finance & Resources
Lead Officer: Karen Iveson, Chief Finance Officer

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

Summary:

At the end of quarter 2, the General Fund is indicating an outturn deficit of £26k. There are a number of variances (positive & negative) which make up this deficit including; shortfall on planned savings, staffing savings; changes in waste and recycling income and higher investment income. The HRA is indicating an outturn surplus of (£348k), which is mainly driven by lower external borrowing requirements, offset by lower rents and grants.

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 (£2,001k); (£516k) GF and (£1,485k) HRA; the majority relates to Disabled Facilities Grants and ICT systems. Some of this underspend will be required to be carried forward to 2019/20 to meet project profiles. Headlines can be found in the report below with a more detailed analysis in Appendix C.

An update on the current Programme for Growth is the subject of a separate report on this agenda.

Recommendations:

It is recommended that the Executive endorse the actions of officers and note the contents of the report.

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 a forecast of financial performance against the budget based on expenditure and income as at 30 September 2018.

2. Main Report

General Fund Revenue

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

General Fund Account – Q2 2018/19	Budget £000's	Forecast £000's	Variance £000's
Total Service Income	(27,344)	(27,281)	63
Total Service Expenditure	39,774	39,677	(98)
Net Service Expenditure	12,430	12,396	(34)
Accounting and Non Service Budgets	(12,431)	(12,371)	60
Net Revenue Budget	0	26	26

2.2 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 (£12k) as a result of vacancies being held to mitigate the shortfall in planned savings, it is anticipated that this may increase as the impact of frozen posts is realised;
- Additional income of (£84k) expected in investment interest due to buoyant cash balances and the recent rates rise;
- Planning Fee income & Pre Application advice anticipated to exceed target (£101k), through large applications;
- Shortfall in Housing Benefit Admin Grant, partially mitigated by other DWP new burdens grants £88k including local welfare assistance, universal credit and welfare reform changes and verification of earnings. This grant continues to reduce year on year and the impact is being reviewed as part of the 2019/20 budget setting process;
- The careful management of waste collection rounds reducing the need for additional vehicles may generate up to (£102k) savings for the year across all 3 collection services, although recycling income remains volatile and current forecasts suggest a shortfall of £58k due to the price per tonne of recyclable materials.

Housing Revenue Account (HRA)

2.3 A surplus of £348k is currently forecast for the Housing revenue Account (HRA).

Housing Revenue Account – Q2 2018/19	Budget £000's	Forecast £000's	Variance £000's
Total Service Income	(12,298)	(12,304)	(6)
Total Service Expenditure	7,918	7,575	(342)
Net Service Expenditure	(4,380)	(4,729)	(348)
Accounting and Non Service Budgets	4,380	4,380	0
Net Revenue Budget	0	(348)	(348)

2.4 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 (£37k);
- Housing Rents are anticipated to be lower than target by £29k this is due in the main too long term void properties requiring greater investment and budget is available in the capital programme to address this.

Planned savings

2.5 The cumulative savings target is just over £1m for 2018/19, with new savings of £360k 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 - whilst income remains buoyant for the year through large applications and should be exceeded, workload demands are such that the £200k savings target for 2018/19 will not be achieved. A forecast of £60k is considered achievable this year and work continues to maximise efficiency within the service going forward;
- 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 Police Co-location move will complete in Q4;
- Collaboration with another local council has generated £30k of additional income;
- Details of all planned savings can be found in Appendix B.

Capital Programme

- 2.6 The capital programme shows a forecast underspend of (£516k) in the General Fund the variance is made up of:
- IHL have completed inspections of the items in the planned maintenance programme for 2018/19 and no works are required to leisure facilities. This budget of (£30k) will be rolled over to cover future maintenance works and the 19/20 maintenance works programme.
 - Various ICT system programmes and upgrades are (£189k) lower than expected, the majority of this is slippage and will be carried forward to 2019/20 to continue projects.
 - A significant underspend is likely for Disabled Facilities Grants (£296k), although this position is under review. Work is taking place to encourage more applications through the new in-house team and the lifeline service.
- 2.7 The HRA capital programme is anticipating to date a underspend of (£1,485k) for the year made up of:-
- A small saving (£29k) is anticipated on the completion of the Byram Park Road Housing Development with the scheme complete in January 2019.
 - Savings of (£75k) are anticipated on Environmental Improvement works as there are no plans to progress any more works beyond the projects identified.
 - Due to the profiling of the implementation of the Housing & Asset Management system (£44k) is required to be carried forward to complete the project.
 - Slippage is expected on the pointing and roofing schemes (£904k), this is in relation to the Hillside scheme in Tadcaster currently under consultation.
 - The Empty Homes Programme is unlikely to be fully committed this year due to the length of time required to progress a CPO and identifying suitable RTB buy backs - (£400k) slippage is anticipated.
- 2.8 Capital receipts in the HRA are expected to be £58k higher than forecast. 6 houses have been sold in the second quarter of the year (10 year to date) in line with budget setting assumptions. However at £10k, retained receipts for the year to date for use on housing development, are much lower than expected.

Programme for Growth

- 2.9 An update on the current programme is the subject of a separate report on this agenda.

3. Alternative Options Considered

Not applicable.

4. Implications

Not applicable

4.1 Legal Implications

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

4.2 Financial Implications

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

4.3 Policy and Risk Implications

- 4.3.1 There are no specific policy or risk implications beyond those highlighted in the report.

4.4 Corporate Plan Implications

- 4.4.1 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

- 5.1 At the end of quarter 2, the outturn is indicating a small 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. Opportunities for further in-year savings will continue to be sought, in order to bring the budget back on track by the end of the year.
- 5.2 At this stage in the year some slippage on the capital IT programmes are forecast, this will be kept under review as the year progresses.

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.

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