



Report Reference Number: E/18/43

To:	Executive
Date:	6 February 2019
Status:	Key Decision
Ward(s) Affected:	All
Author:	Peter Williams, Head of Finance
Lead Executive Member:	Cllr C Lunn, Lead Executive Member for Finance & Resources
Lead Officer:	Karen Iveson, Chief Finance Officer

Title: Financial Results and Budget Exceptions Report to 31st December 2018

Summary:

At the end of quarter 3, the General Fund is indicating an outturn surplus of (£71k). There are a number of variances (positive & negative) which make up this surplus 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 (£401k), (£348k) at Q2, which is mainly driven by lower external borrowing requirements, investment income, 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 £198k. Details of the planned savings and their status can be found in Appendix B.

The capital programme is currently forecasting an underspend of (£8,425k); (£4,817k) GF and (£3,608k) HRA; In the GF the majority relates to loans to Selby & District Housing trust, Disabled Facilities Grants, asset maintenance and ICT systems some of which will be required to be carried forward to 2019/20 to meet project profiles. Similarly within the HRA a significant saving has been identified but will be required to be carried forward to join up programmes of work. 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. These projects are delivered over multiple years, and so are shown at total project value rather than in year delivery.

Recommendations:

Recommendations:

It is recommended that:

- i) 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 the financial performance as at 30 December 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 – Q3 2018/19	Budget £000's	Forecast £000's	Variance £000's
Net Revenue Budget	18,351	18,082	(269)
Settlement Funding including RSG/NDR and other Grants	(4,198)	(4,198)	(0)
Amount to be met from Council Tax	14,153	13,884	(269)
Council Tax	(5,403)	(5,403)	0
Collection Fund Surpluses	(7,724)	(7,724)	0
Shortfall/(Surplus)	1,026	757	(269)
Savings Target	(358)	(161)	198
Net Surplus / (Deficit) transferred from Business Rates Equalisation Reserve	(668)	(668)	0
Net Revenue Budget	0	(71)	(71)

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

- A £198k shortfall on planned savings as outlined in the planned savings section of this report and in more detail in Appendix B.
- Salary savings of (£236k) 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 (£178k) expected in investment interest due to buoyant cash balances and the recent rates rise, although £43k is above the £300k ceiling and will be transferred to the contingency reserve.
- Planning Fee income & Pre Application advice anticipated to exceed target (£142k), through large applications and fee increases with £60k of this contributing towards the planned savings target for Planning.

- Shortfall in Housing Benefit Admin Grant, £124k. 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 (£105k) savings for the year across all 3 collection services, although recycling income remains volatile and current forecasts suggest a shortfall of £63k due to the price per tonne of recyclable materials, although this is offset by (£52k) for recycling contractors, gate fees and disposal costs.

2.2 Housing Revenue Account (HRA)

Housing Revenue Account – Q3 2018/19	Budget £000's	Forecast £000's	Variance £000's
Net Revenue Budget	11,075	10,627	(448)
Dwelling Rents	(11,940)	(11,893)	47
Shortfall / (Surplus)	(865)	(1,266)	(401)
Savings Target	0	0	0
Net Surplus / (Deficit) transferred to Major Repairs Reserve	865	865	0
Net Revenue Budget	0	(401)	(401)

2.2.1 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 (£73k).
- Housing Rents are anticipated to be lower than target by £47k this is due in the main too long term void properties requiring greater investment. Budget is available in the capital programme to address this.

2.3 Planned savings

The General Fund savings target for the year is £360k. Current forecasts indicate a shortfall against this target of (£198k) 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. Income remains buoyant for the year through large applications and is anticipated to be exceeded.
- Asset rationalisation had a target of £50k saving to be generated from Police Co-location to the Civic Centre. This will not happen in the current

year but plans for the Civic Centre extension are progressing. The Police Co-location move will complete in April 2019/20.

- Collaboration with another local council has generated £30k of additional income.
- Details of all planned savings can be found in Appendix B.

2.4 Capital Programme

2.4.1 The capital programme shows a forecast underspend of (£4,817k) in the General Fund the variance is made up of :-

- Loans to Selby & District Housing Trust are anticipated to be (£4,128k) under budget for 2018/19, this is due to the profile and progress of on-site developments. Costings outlining packaging up smaller sites for development to deliver value for money and further details of phase 2 and 3 development were presented to the Executive on 6 December 2018.
- 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 (£184k) lower than expected, the majority of this is slippage and will be carried forward to 2019/20 to continue projects.
- The car park improvement programme is progressing well, as the funding is for works across all the district funding will be required to be carried forward (£182k).
- A significant underspend is likely for Disabled Facilities Grants (£243k), although the grant budget available and spend have increased this year to £205k with a projected spend of £354k. Work is taking place to encourage more applications through the new in-house team and the lifeline service.

2.4.2 The HRA capital programme is anticipating to date a underspend of (£3,608k) 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 February 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 anticipated.

- All contracts have been reviewed and renewed which has slowed spend on planned and cyclical maintenance and budgets will be carried forward to support the new capital programme in 2019/20.
- The next phase of HRA housing development is not expected to commence on site before September 2019, (£1,200k) will need to be carried forward to support the developments.

2.4.3 Capital receipts in the HRA are expected to be £76k higher than forecast. 4 houses have been sold during October & November (13 year to date) in line with budget setting assumptions. However, retained receipts for the year to date are £10k for use on housing development and are much lower than expected.

3. Programme for Growth

3.1 A project by project progress report can be found in Appendix D.

3.2 Good progress overall continues to be made across the range of PfG projects with the full £6.7m of project budgets forecast to be spent over the lifetime of the programme. Some highlights include:

- Health Living Concepts Fund - has jointly funded Local Cycling and Walking Infrastructure Plans with North Yorkshire County Council which can then be used to secure funding for infrastructure investment
- Visitor Economy (Tourism and Culture) – 2 key staff appointed to oversee this work with 3 year action plan agreed. They are playing a key role in delivery of other PfG projects such as Celebrating Selby 950 and the Tour de Yorkshire which will both be delivered in 2019.
- Growing Enterprise – this jointly funds our SME Business Advisor post and work through Ad:Venture and Digital Enterprise which has secured significant grant aid and expert support for local businesses in the district.
- Retail Experience (STEP) – this has funded the pop-up public realm in Selby Town and led to a re-invigorated STEP which is now driving forward a range of initiatives to support the high street and enhance the town centre
- Empty Homes – the project is progressing well, the Empty Homes Officer has directly helped to bring empty properties back into use, we have secured significant Homes England funding for this and we are now pursuing our first CPO to bring an empty property back into use
- Making our Assets work – we are now working on a Joint Venture to develop Edgerton Lodge for housing and have secured significant Homes

England funding through Accelerated Construction to redevelop Portholme Rd and Bondgate, including funding for groundworks.

3.3 Progress has not been as good on a number of other projects including:

- Tadcaster Linear Park - but this is now moving to final scheme design and costings to enable start on site in 2019.
- Town Masterplanning – this was paused to focus less on strategy and more on project delivery but recent opportunities such as the government's £600m+ Future High Street Fund are emphasising the importance of having a clear vision and set of priorities in place for town centres to enable subsequent projects to be funded. We will therefore be re-engaging on this project to develop bespoke visions and delivery plans for each of the three towns.

3.4 A key issue looking forward is to ensure that the PfG is properly aligned with the recently adopted EDF Action Plan for 2019 and 2020 and that the right resources are in place to ensure this can be delivered. Executive (January 2019) approved our proposed re-allocation of PfG resources to deliver the EDF Action Plan. The justification for this is outlined in more detail below.

3.5 In the Council's Medium Term Financial Strategy (MTFS), which seeks to make the Council more financially self-sufficient, one of the three key strands is growing our resources through investment in economic and housing growth to drive growth in Council Tax and Business Rates.

3.6 The Council's Corporate Plan refresh (2018) sets out clear ambitions for housing and economic growth and the Economic Development Framework (EDF) sets out the key priorities and actions required to deliver this. The report to Executive (January 2019) set out the excellent progress achieved since the framework was launched in November 2017 but also responded to the LGA Peer Review by identifying a smaller number of priorities to focus on. A key means of resourcing and delivering the EDF is the Programme for Growth (PfG) and that report set out proposals for re-aligned the Programme for Growth to ensure it reflects and helps to deliver these priorities.

3.7 The Report made it clear that the proposed Economic Development Framework Delivery Plan for 2019 and 2020 requires funding to maintain and extend the staffing resource at the Council, similarly the Housing Development Programme, and projects such as the Nat west Banks requires appropriate resource. This can be funded within existing budgets by transferring funds from existing allocations in the agreed PfG project budgets. The cost of the required staffing measures identified for delivery of the EDF is circa £166kp.a (£500k over 3 years). Work is ongoing to confirm the resource requirements for the housing and assets work but is likely to be in the region of £300k over 3 years (£100k per annum).

- 3.8 The amount within the existing PfG budget that is available for transfer to a PfG resources pot is currently £643k as set out in the January report to Executive (Appendix E). This means that over £140k plus the £172k still unallocated in the PfG will remain available to address future resource issues.

4. Alternative Options Considered

Member's comments on the approach to delivery of the P4G work streams are sought for Programme for Growth.

5. Implications

Not applicable

5.1 Legal Implications

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

5.2 Financial Implications

The financial implications are highlighted in the body of the report and appendices.

5.3 Policy and Risk Implications

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

5.4 Corporate Plan Implications

- 5.4.1 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.

- 5.4.2 The Programme for Growth plays a critical role in delivering the priorities set out in the Corporate Plan and its recent refresh. It also helps to deliver the priorities set out in the Economic Development Framework Year 1 Review, also on this agenda.

5.5 Resource Implications

- 5.5.1 The resource implications for delivering Programme for Growth are set out in the report and appendices.

- 5.5.2 Programme for Growth: A separate report was presented to the January Executive titled "Selby District Economic Development Framework 2017 – 2022 – Year one review and delivery plan 2019-2020". This discusses a re-balancing of the existing P4G budget to fund staffing and capacity proposals – see paragraphs 2.9-2.11 of that report and the accompanying Appendix C. These movements all fall within the agreed P4G budget envelope and are not

an additional call on financial resources. Any changes arising from that report will be reported in the final version of this report.

5.6 Other Implications

Not applicable.

5.7 Equalities Impact Assessment

Not applicable.

6. Conclusion

- 6.1 At the end of quarter 3, the outturn is indicating both a surplus in the General Fund and the HRA.
- 6.2 Some slippage on capital programmes are forecast.
- 6.3 The Programme for Growth has funded key staffing and projects integral to delivering the Council's Corporate Plan and Economic Development Framework (EDF) and this report outlines progress on the projects.
- 6.4 A separate report is to be presented to the January Executive titled "Selby District Economic Development Framework 2017 – 2022 – Year one review and delivery plan 2019-2020". The report highlights the substantial progress made since the Framework was launched at the Selby Growth Conference in November 2017. This direction of travel – Council's investing to stimulate growth – was reinforced at the recent District Council Network Autumn Assembly as the right direction to take in securing the future of places and helping Council's to become self-sustaining.

7. Background Documents

Not applicable.

8. 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.

Contact Officer:

*Peter Williams
Head of Finance
Selby District Council
pwilliams@selby.gov.uk*