Scrutiny Agenda Item 6
Appendix 1

Selby District Council

REPORT

Reference: E/17/33

Item 6 - Public

To:	**The Executive**
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Status:	**Key Decision**
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Executive Member:	**Cllr Cliff Lunn, Executive Lead Member for Finance and Resources**
Lead Officer:	**Karen Iveson, Chief Finance Officer**

Title: Financial Results and Budget Exceptions Report to 30 September 2017

Summary:

At the end of quarter 2, the full year forecast for the General Fund shows an estimated surplus of (£146k) ((£32.5k) quarter 1) and the HRA an estimated surplus of (£378k) ((£379k) quarter 1) against the approved budget. The main drivers of these variances are set out in Appendix A.

Planned savings for the year have already been achieved in the HRA. A number of General Fund savings have also been achieved in Q2, but there is still a further £51k of savings to be achieved in the remaining part of the year. Details of the planned savings and their status can be found in Appendix B.

The capital programme is currently forecasting an underspend of £2.05m, £0.48m on the General Fund programme and £1.57m on the HRA programme. Headlines can be found in the report below with a more detailed analysis in Appendix C.

Programme for Growth 3 was established as part of the budget setting process last year. A report was taken to Executive on the 7th September 2017 and to Overview and Scrutiny on the 28th September which provides a detailed view on the progress of P4G3. The next update is expected to be reported to the 7 December 2017 Executive. The Tour De Yorkshire event took place in April and work has begun on the strategic sites and progress made on the Visitor Economy, Healthy Living, Retail Experience STEP and grants to the Housing Trust. A summary of progress is set out in Appendix D.

Recommendation:

That the Executive endorse the actions of officers and note the contents of the report.

Reasons for recommendations

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 21 February 2017:

Approved Budget	**General Fund £000's**	**HRA £000's**
Net Revenue Budget	11,644	11,016
Dwelling rents	0	(12,070)
Council Tax	(5,203)	0
Settlement Funding including RSG/NDR and other Grants	(5,062)	0
Collection Fund Surpluses	(262)	0
Savings Target	(740)	(140)
Net (deficit)/surplus transferred from/to reserves (GF – Business Rates Equalisation and HRA – Major Repairs)	(377)	1,194
Net Revenue Budget	**0**	**0**

2. The Report

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

General Fund Revenue

General Fund Account – Q2 2017	Budget £000's	Forecast £000's	Variance £000's
Net Revenue Budget	11,644	11,479	(165)
Settlement Funding including RSG/NDR and other Grants	(5,062)	(5,067)	(5)
Amount to be met from Council Tax	**6,582**	**6,412**	**(170)**
Council Tax	(5,203)	(5,203)	0
Collection Fund Surpluses	(262)	(262)	0
Shortfall/(Surplus)	**1,117**	**947**	**(170)**
Savings Target	(740)	(719)	21
Net Surplus / (Deficit) transferred from Business Rates Equalisation Reserve	(377)	(228)	149
Net Revenue Budget	**0**	**0**	**0**

2.2 The main forecasted variances against the General Fund surplus are:-

- Salary savings of (£133k) across services is driven principally by delays in recruitment to the structure and a post which will no longer be recruited to in this financial year. This position is likely to change over the course of the year and will be closely monitored.
- Overall there are anticipated savings across the waste and recycling contract. Whilst there are increases in contractor costs to reflect higher inflation indexation to that forecasted when the budget was set, these are offset by increased income streams (including sales of bins for new developments, continued proactive marketing of the commercial waste service and recycling income influenced by global prices) giving a net (£38k) saving.
- Investment income is anticipated to exceed target by (£40k), due to buoyant cash balances. This is a prudent position based on anticipated increase in spend in the second half of the year.
- Lifeline service income - a continued reduction in the Supporting People Grant due to assessment criteria changes has resulted in a shortfall of £52k. In addition to this, despite efforts to increase take up, private payers income has still not achieved target, resulting in a shortfall of £30k, which has been mitigated by a £30k reduction in salaries above.

- Benefit Admin Grant £40k, anticipated overall shortfall in admin grant due to reductions in central allocations. We have received further grants for other projects for which the work will be absorbed in to the current structure.
- There are various additional over and underspends that contribute to the overall position including recharges to Ryedale DC for Communications and HR support of which have a potential impact of (£61k).
- Renewables business rates income has been confirmed for 2017/18 at £7.5m. This funding is to be transferred to replenish earmarked reserves applied to finance the pension fund deficit in 2016/17.

Housing Revenue Account

Housing Revenue Account – Q2 2017/18	Budget £000's	Forecast £000's	Variance £000's
Net Revenue Budget	11,016	10,771	(245)
Dwelling Rents	(12,070)	(12,126)	(56)
Shortfall / (Surplus)	**(1,054)**	**(1,355)**	**(301)**
Savings Target	(140)	(217)	(77)
Net Surplus / (Deficit) transferred to Major Repairs Reserve	**1,194**	**1,572**	**378**
Net Revenue Budget	**0**	**0**	**0**

2.3 The HRA is anticipating a surplus of £378k. The HRA surplus 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 forecast variances against budget are:-

- Although the position may change driven by development opportunities, savings by not taking on any external borrowing will save approximately (£223k).
- The planned saving expected from the pension deficit reduction is (£77k) higher than anticipated.
- Housing rents are on target to exceed budget by (£56k), this position is likely to change as it is influenced by sales, void turnaround time and new tenancies commencing at target rent.
- In correlation with the General Fund, investment income is anticipated to be (£10k) higher than budgeted.

Savings

2.4 The General Fund has a planned savings target of £740k agreed as part of the 2017/18 budget process. Forecasts indicate that we will achieve a saving of £719K against this total. A shortfall is expected in Asset Rationalisation which will generate a saving of £26k from the new tenant in the ex Profiles Gym against a target of £50k for the year. There remains uncertainty around the timing and agreement of the SDHT loans, so the budgeted £30k saving for this remains a risk at the present time.

2.5 Savings have been achieved in pest control, PFI, MRP and Pension Fund Deficit.

2.6 Overall there is an additional £21k savings required to find to meet the target. This should be more than covered by the general fund surplus which is currently forecast. HRA savings for the year have been exceeded from its share of the Pension Fund Deficit.

2.7 Further details of planned savings can be found in Appendix B.

Capital Programme

2.8 The capital programme is currently forecasting an underspend of up to £2.049m in year although a large proportion may be required to be carried forward to complete programmes in the new year, £0.48m on the General Fund programme and £1.57m on the HRA programme.

2.9 At the half year point, there has been limited spend with the General Fund capital programme although designs, tenders and quote requests are being progressed for several schemes including the car park improvement programme.

2.10 Current forecast spend is £6.92m against a budgeted spend of £6.57m. This is mainly driven by forecasted savings on the Police Co-location Project (£184k) and the Disabled Facilities Grant programme (£194k).

2.11 The co-location project budget reflects the value of the business case approved by Executive at £415k but this has since been revised and reduced to £229k due to the police covering the capital cost of their part of the scheme (Option 2 of the original report).

2.12 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 £379,000, compared with the 16/17 allocation of £346,000. This coupled with our own investment and monies carried forward for committed works provides a total of £574,000 available to spend. The expected spend at this stage is projected to be £380,000.

2.13 The increase in funding allows us to offer a more flexible grant provision and the expectation is that that Local Housing Authorities will work closely with colleagues in NYCC and in Health to determine where the additional money is best spent. Currently we are only able to offer Mandatory Grants of up to £30,000. Most grants administered are for less than £3,000 and we are able to meet demand without the need for a waiting list, to date we have not actively promoted grants due to limited budget being available. In order to introduce more flexible, discretionary grants we need to update our Private Sector Assistance Policy and state how we intend to use the money. The private sector stock condition survey that we have recently completed will help us understand where the spend can be targeted and this would be done in consultation with our Better Care Fund partners and a review of the DFG service has commenced, this will help to ensure that the additional funding is spent and delivers maximum benefits for local residents.

2.14 Good progress is being made on several schemes within the HRA capital programme which shows a forecast spend of £4.54m against a budget of £6.11m. This variance is driven by sizable savings on boiler replacements from failures as a result of the good standard of boilers installed over the past few years; and the Environmental Improvement Plan where eligibility criteria is being considered prior to seeking wider engagement.

2.15 Stage 1 of the consultation work that links in to the roofing and pointing schemes, has been completed with residents at Tadcaster. It is anticipated that the work on site will not begin before May 2018 and therefore £1.036m will require carrying forward to 2018/19. The Housing development scheme at Byram Park Road is expected to commence on site during December, there has been a slight delay due to changes in the design of the scheme following planning feedback.

Programme for Growth

2.16 Approved as part of the budget setting exercise for 2017/18, P4G3 has commenced with a targeted suite of 5 programme themes established including Town Regeneration; Tourism & Culture; Housing; Infrastructure and Business. Work also continues on schemes carried forward from 2016/17 including growing Enterprise; Marketing Selby USP; Strategic Sites and the completion of the Sherburn all weather pitch.

2.17 The next quarterly update is to be presented to the Executive on 7 December 2017 which will provide a more detailed view on P4G.

2.18 At the end of Q2 the Programme for Growth is showing a forecasted underspend in the year of £115k, with a spend of £2.3m against £2.4m in the budget.

2.19 Appendix D provides a financial breakdown of the current programme.

2.20 In the Q1 Budget Monitoring report, we indicated that a level of slippage was anticipated in the current year, and this is now reflected in the report. The main drivers of this are the Access to Employment, Green Energy and Retail Experience – STEP projects which are all now expected to deliver over a 2 year period.

3. Legal/Financial Controls and other Policy matters

Legal Issues

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

Financial Issues

3.2 The financial issues are highlighted in the report. The revenue position will change over the course of the year as more detailed data becomes available largely resulting from the likelihood of additional income from increased demand for services countered by increased costs – performance will be monitored closely and remedial action will be taken or proposed to the Executive should this be necessary.

3.3 Forecasts are based on information available and subject to change as the year progresses, officers monitor actual income and expenditure against budget and forecasts will be refined as necessary. There are contingencies within the budgets to cope with unforeseen pressures.

4. Conclusions

4.1 At the end of quarter 2, the outturn is indicating a surplus in both the General Fund and HRA which demonstrates that the Council’s spending plans for the year are fully supported and progress against the savings plan is broadly on track.

4.2 At the halfway stage in the year some savings are forecast on the capital programme and some projects will complete in 2018/19.

4.3 The new Programme for Growth is taking shape and resources are in place to begin delivering approved projects although some projects will slip into next year.

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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