

Selby District Council

REPORT

Reference: E/17/44

Item 5 - Public



To: The Executive
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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 December 2017

Summary:

At the end of quarter 3, the full year forecast for the General Fund shows an estimated surplus of (£304k) ((£146k) quarter 2) and the HRA an estimated surplus of (£453k) ((£378k) quarter 2) 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 Q3, but there is still a further £34k 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 £2.599m, £0.486m on the General Fund programme and £2.113m 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. Across all programmes including salaries an in-year underspend of (£1.8m) due to timing on P4G schemes is anticipated, there is a corresponding reduction in reserve contributions for this. This money is still committed to be spent in full in future years. A summary of progress is set out in Appendix D.

Recommendations:

- i. **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, this report and associated appendices present the financial performance to 31 December 2017 against the budget.

2. The Report

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

General Fund Revenue

General Fund Account – Q3 2017	Budget £000's	Forecast £000's	Variance £000's
Net Revenue Budget	11,644	11,311	(333)
Settlement Funding including RSG/NDR and other Grants	(5,062)	(5,067)	(5)
Amount to be met from Council Tax	6,582	6,244	(338)
Council Tax	(5,203)	(5,203)	0
Collection Fund Surpluses	(262)	(262)	0
Shortfall/(Surplus)	1,117	779	(338)
Savings Target	(740)	(706)	34
Net Surplus / (Deficit) transferred from Business Rates Equalisation Reserve	(377)	(73)	304
Net Revenue Budget	0	0	0

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

- Salary savings of (£90k) 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 continues to change over the course of the year and is closely monitored.
- Waste and recycling income is expected to deliver an additional (£81k) with more customers than anticipated on the commercial waste contract and higher recycling credits.
- The agreed extension of the waste and recycling contract included an estimated increase in the contract price based on known and anticipated property growth. To date there have been a number of collection day and routing changes to accommodate property growth without increasing vehicles which is delivering a saving against budget (£61k). However, it

is anticipated that continuing property growth will mean that additional resources will be required early in 18/19.

- Due to a lower volume of applications, a (£60k) saving is anticipated on the council's discretionary localism rate relief, to date only one application has been received, this is partly funded by Section 31 grant.
- Collaborative working with Ryedale DC has resulted in (£25k) backdated income for HR services and (£30k) current year income for marketing support which was not in the budget.
- There has been an increase in Council Tax court and summons fees collected from customers this year (£28k) as a result of an increase in non-payers.
- The retendering of the insurance contract has resulted in a (£25k) saving for the last five months of the year.
- Investment income is expected to exceed target by (£90k), due to buoyant cash balances and the rate increase in the year.
- Lifeline service income - a continued reduction in the Supporting People Grant due to assessment criteria changes has resulted in a shortfall of £46k. Also, despite efforts to increase take up, private payers income has still not achieved target by £30k, which has been mitigated by a £30k reduction in salaries.
- Benefit Admin Grant £60k, anticipated overall shortfall in admin grant due to reductions in central allocations. We have received further DWP funding to support project and service delivery.
- 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 – Q3 2017/18	Budget £000's	Forecast £000's	Variance £000's
Net Revenue Budget	11,016	10,670	(346)
Dwelling Rents	(12,070)	(12,100)	(30)
Shortfall / (Surplus)	(1,054)	(1,430)	(376)
Savings Target	(140)	(217)	(77)
Net Surplus / (Deficit) transferred to Major Repairs Reserve	1,194	1,647	453
Net Revenue Budget	0	0	0

- 2.3 The HRA is anticipating a surplus of £453k. 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:-

- External borrowing has been lower than expected in the year to date due to work programmes being funded from HCA grant and internal borrowing. It is still expected that future development programmes will require external funding, but a saving of approximately (£223k) is expected this year.
- Housing rents are expected to exceed budget by (£30k) in the year, this position is changes as it is influenced by sales, void turnaround time and new tenancies commencing at target rent..
- The retendering of the insurance contract has resulted in a (£16k) saving for the last five months of the year in the HRA.
- Investment income is expected to end the year (£38k) higher due to buoyant cash balances and the rate increase in the year.
- Savings anticipated on solid fuel servicing (£24k) due to transfers to gas central heating, gas servicing (£20k) due to less repairs from modern boilers and the timing of servicing schedules and community centre utilities, repairs and maintenance (£18k) due to less responsive repair requirements.

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 £706K against this total. There is a potential shortfall in Asset Rationalisation which will achieve 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 latest forecast is £17k this year.
- 2.5 Overall there is an additional £34k savings required to meet the target. However, this will 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.
- 2.6 Further details of planned savings can be found in Appendix B.

Capital Programme

- 2.7 The capital programme is currently forecasting an underspend of £2.599m in year although a large proportion is likely to be required to be carried forward to complete programmes in the new year including Car Parks, Portholme Culvert, pointing, roofing, cyclical repairs and door replacements, £0.486m on the General Fund programme and £2.113m on the HRA programme.
- 2.8 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.

- 2.9 Current forecast spend is £4.732m against a budgeted spend of £5.218m. This is mainly driven by forecasted savings on the Disabled Facilities Grant programme (£194k) and IT (£278k).
- 2.10 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. The unspent element of the grant will be allocated to a reserve for future use, currently there are no plans to recover any of the grant back but if it does not get used in future years the government may look to recover it.
- 2.11 IT spend is expected to be £278k lower in year due to projects now set to deliver in 18/19 including a number of individual projects now being rolled into the channel shift project.
- 2.12 Continued progress is being made on several schemes within the HRA capital programme which shows a forecast spend of £4.08m against a budget of £6.06m. The main variances are as follows:-
- 2.13 Roofing in Tadcaster and pointing across the district (£1.055m). This combined programme was budgeted at £1.34m but is now expected to be delivered for £1.145m the saving being from the tender submission and the final works required, £285k in the current year and the remaining £860k in 18/19.
- 2.14 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 (£370k).
- 2.15 The contract for external repairs which includes painting and door replacements is about to get underway, but the delay in commencement of the programme is expected to result in (£255k) slipping into the next financial year.

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 P4G is showing an in year underspend of (£1.8m) due to timing on P4G schemes, there is a corresponding reduction in reserve contributions for this. This money is still committed to be spent in full in future years.

2.18 Excellent progress has been made on a number of Programme for Growth funded-projects. This includes:

- Sherburn all-weather pitch, which is now completed and opened;
- Selby District Visitor Economy Strategy & Action Plan, which will shortly be submitted to the Executive for approval;
- Marketing Selby USP's, including a range of new branding and marketing materials which were launched at November's successful Economic Growth Conference;
- The Business Space & Accommodation Review, for which specialist commercial property software has been purchased;
- Funding contributions to key District events, including Tour de Yorkshire and Sherburn Craft Festival;
- Healthy Living Concept Fund, which has supported the initiation of Selby District's first Parkrun at Burn Airfield.

A number of Programme for Growth funded-projects are progressing significantly, but have been paused due to external factors. This includes:

- Tadcaster Linear Park, which has been paused to align with Environment Agency works to the River Wharfe in Tadcaster;
- The Empty Homes Programme, for which a new programme has recently been adopted by the Executive.

Although little-to-no Programme for Growth funding has been spent, substantial progress has also been made on a number of other Programme for Growth projects. This includes:

- Church Fenton Studios, where officers have been working closely with the landowner, key strategic partners and potential anchor businesses to create a vision for 'Create Yorkshire' and support the submission of a detailed planning application;
- Growing Enterprise, for which a successful multi-partner event was held in November to engage with over 60 local SMEs and a detailed SME Growth Plan is in development;

- Olympia Park, for which a detailed Housing Infrastructure Fund (HIF) bid was submitted in September to unlock the site (decision expected by end of January).

Some projects have not yet been initiated, and are being reviewed at the request of the Executive. This includes:

- Stepping Up Housing Delivery, which has been superseded following the adoption of the Council's ambitious new Housing Development Programme;
- Access to Employment, which will provide critical labour links to key employment locations and will be re-assessed following further business engagement;

The Programme for Growth is showing a forecasted underspend in the year of £1.5m, with a forecasted spend of £879k against £2.4m in the budget.

As illustrated above however, significant progress has been achieved that puts the Council in a strong position to proactively review the Programme for Growth and re-prioritise projects accordingly. This was a key recommendation from the Council's Corporate Peer Challenge in November.

Work is therefore underway, taking on board the clear steer from the Executive to focus on a smaller suite of 'bricks and mortar' projects that will deliver the Council's Corporate Plan and Economic Development Framework, whilst providing a commercial return on investment.

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

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 continues to 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 is 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 3, 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 this stage in the year some savings are forecast on the capital programme and some projects will complete in 2018/19 while some will require funds to be carried forward to 2019/20 to progress or complete.

4.3 Significant progress has been achieved on Programme for Growth that puts the Council in a strong position to proactively review the Programme for Growth and re-prioritise projects accordingly.

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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