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To: Executive
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Ward(s) Affected: All
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Title: Financial Results and Budget Exceptions Report to 31st March 2019

Summary:

After carry forward requests, which are detailed in **Appendix E**, the Council's year end results for 2018/19 show a surplus of (£59k) on the General Fund against budget. There are a number of variances (positive & negative) which make up this surplus, including: a shortfall on planned savings, in year staffing savings, lower planning income, changes in waste and recycling income and higher investment income. It is proposed that the surplus is transferred to the Contingency Reserve to support future spending needs.

The Housing Revenue Account shows a significant surplus of (£753k), which is mainly driven by lower external borrowing requirements due to delays in progressing the housing development programme. The surplus will be transferred to the Major Repairs Reserve to help fund future capital expenditure.

More detailed analysis of the General Fund and Housing Revenue Account variances can be found in the report below and **Appendix A**.

Planned savings for the year were achieved in the Housing Revenue Account. However, General Fund savings fell short by £225k as some initiatives slipped into 2019/20. Details of the planned savings and their status can be found in **Appendix B**.

Capital programme spend was significantly under budget as a number of projects have experienced delays and are to be carried forward into 2019/20. After assumed carry forwards, a saving of (£688k) has been achieved - (£91k) General Fund and (£597k) Housing Revenue Account. The General Fund saving relates to a low take up from the private sector for Repair Loans for emergency repairs and planned works to the leisure centre not being required. In the Housing Revenue Account,

Byram Park Road project has been completed with a saving of (£597k), primarily due to receipt of a grant to help fund the project. A summary analysis of the capital programme can be found in the report below with a more detail in **Appendix C**.

Programme for Growth continues with the programme set and approved by Members. In 2018/19 Programme spend totalled £2.005m with a further £7.859m of funding rolling into future years. These projects are delivered over multiple years, and so are shown in the report below and **Appendix D** as total project value rather than in year delivery.

Recommendations:

Recommendations:

1. The General Fund, HRA and Programme for Growth funds set out in Appendix D totalling £19.8m be carried forward from 2018/19 to 2019/20.
2. The £59k General Fund surplus is transferred to the Contingency Reserve to support future spending needs.
3. The additional £753k HRA surplus be transferred to 'HRA Major Repairs Reserve' to support the future capital programme.

Reasons for recommendation

To allow projects and initiatives not completed in year to be rolled over to the following year and to make adequate appropriations to reserves to mitigate future spending priorities.

1. Introduction and background

- 1.1 The revenue budgets and capital programmes were approved by Council on 21 February 2019. This report and associated appendices present the financial performance as at 31 March 2019 against the budget.

2. Main Report

General Fund Revenue

- 2.1 For the year 2018/19 the Council's General Fund activities resulted in a surplus of (£59k). Details of the variances against budget are set out at **Appendix A**.

General Fund Account – Final Outturn	Budget £000's	Actual £000's	Variance £000's
Net Revenue Budget	18,218	17,934	(284)
Settlement Funding including RSG/NDR and other Grants	(4,198)	(4,198)	0
Amount to be met from Council Tax	14,020	13,736	(284)
Council Tax	(5,403)	(5,403)	0
Collection Fund Surpluses	(7,724)	(7,724)	0
Shortfall/(Surplus)	893	609	(284)
Savings Target	(225)	0	225
Net Surplus / (Deficit) transferred from Business Rates Equalisation Reserve	(668)	(668)	0
Net Revenue Budget (Surplus)	0	(59)	(59)

2.1.2 The main variances to the General Fund budget are:

- A £225k shortfall on planned savings as outlined in the planned savings section of this report and in more detail in Appendix C.
- Salary savings of (£214k) as a result of vacancies being held to mitigate the shortfall in planned savings, this is in excess of the (£140k) vacancy factor which was built into the budget.
- Additional income of (£204k) in investment interest due to buoyant cash balances and the August 2018 bank base rate rise. General interest received in excess of £300k has been transferred to the Contingency Reserve in line with policy. In addition, there was income net of fees from the property fund investments placed in October 2018.
- Planning Fee income & Pre Application advice fell short of the budget by £124k with a number of larger applications not being submitted as anticipated, including some which will be submitted in the next financial year.
- Waste collection rounds increased for new properties but efficiency in the rounds helped to contribute (£75k) of savings against budget. In addition, new properties helped to generate a further (£60k) of recycling income. However the price per tonne for recycling was lower than expected resulting in lower sales income by £137k.
- The commercial waste service income was (£44k) higher than budgeted due to an increase in uptake of the service, with an increased margin of (£13k).
- Unspent operational contingency (£43k).

2.2 Housing Revenue Account (HRA)

2.2.1 For the year 2018/19 the Council's Housing Revenue Account activities resulted in a surplus of (£753k). Details of forecast variances against budget are also set out at **Appendix A**.

Housing Revenue Account – Final Outturn	Budget £000's	Actual £000's	Variance £000's
Net Revenue Budget	11,141	10,339	(802)
Dwelling Rents	(11,940)	(11,891)	49
Shortfall / (Surplus)	(799)	(1,552)	(753)
Savings Target	0	0	0
Net Surplus / (Deficit) transferred to Major Repairs Reserve	799	799	0
Net Revenue Budget (Surplus)	0	(753)	(753)

2.2.1 The main variances to budget are:

- External borrowing was lower due to work programmes including the housing development programme being funded from grants and internal borrowing in the short term. It is anticipated that external borrowing will be needed in the future, in particular as the housing development programme progresses, but a saving of approximately (£374k) was made in 2018/19.
- Bad debt provisions were expected to increase substantially this year with the introduction of Universal Credit. However, impacts on housing rents from its introduction have not been as high as anticipated resulting in a saving of (£156k) in 2018/19. Bad debt levels in the Housing Revenue Account will be kept under review in 2019/20.
- Investment returns were (£88k) higher than budget as a result of buoyant cash balances and the increase in the Bank of England base rate.
- The painting revenue budget for the housing stock was underspent (£36k) with a wider capital programme being formulated to identify requirements. In addition, solid fuel servicing (£22k), Ousegate Hostel (£26k) and the Community Centres (£33k) all required less responsive repairs investment in the year.
- Unspent contingency of (£75k).
- Rents were 0.4% down against budget, mainly due to higher levels of void properties.

2.3 Planned savings

2.3.1 The General Fund savings fell short of the target for the year by £225k. The key areas to note are as follows:

- Planning savings were £140k short of target in the year. It was recognised that £60k of the target could be met this year through staff efficiencies, with a reduction of the number of FTE delivering the planning service in 18/19.
- Asset rationalisation fell short of target by £62k. The police colocation project was expected to generate income in 2018/19, but delays mean that the move will now take place in early 2019/20.

- Efficiencies of £42k were generated in the year by the increase in online transactions. Delays to the channel shift project mean that this is £27k short of the budget but increased savings are expected in this area in 2019/20 as the project continues to roll out.
- 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 Capital spend against the approved programmes was significantly below budget for the year as a number of large schemes slipped into 2019/20. After assumed carry forwards an overall saving of £688k was achieved. Full details can be found in **Appendix C**.

Capital Programme	Budget £000's	Actual £000's	Carry Forward £000's	Variance £000's
General Fund	9,622	2,567	6,964	(91)
Housing Revenue Account	7,566	2,742	4,227	(597)
Total	17,188	5,309	11,191	(688)

2.4.2 The General Fund variance of (£91k) is made up of:

- Low uptake on repair loans for private homeowners. This budget was to be used for assisting vulnerable private homeowners with essential emergency repairs. The uptake was lower than anticipated, resulting in an underspend of (£50k).
- IHL have completed inspections of the items in the planned maintenance programme for 2018/19 and no works are required to leisure facilities saving (£30k).
- The bus station refurbishment was completed for less than budgeted with a saving of (£11k).

2.4.3 The HRA capital programme variance of (£597k) relates to the house building project at Byram Park Road. The award of Homes England grant means that (£500k) of Council funding can be diverted to other schemes. In addition, the completed scheme cost (£97k) less than expected.

2.4.4 21 council houses were sold under right to buy in the year against an assumption of 20. This generated £623k of net capital receipts which was £123k higher than budget. There was also £42k of additional receipts for land and discount repayments which were not expected.

2.5 Programme for Growth (PfG)

2.5.1 The programme has a multi-year programme budget of £6.7m to fund a number of projects over the next 2-3 years. There has been considerable progress in 18/19 with project spend of £1.7m and other spend committed for

delivery across a range of projects in 2019/20. The remaining PfG funding will be carried over to allow delivery of the agreed multi-year programme of projects.

2.5.2 A key issue in 18/19 was to ensure that the PfG was properly aligned with the recently adopted Economic Development Framework and 2 year Action Plan for 2019 and 2020 including having the right resources in place in the Economic Development & Regeneration service to ensure this can be delivered. Executive (January 2019) approved the proposed re-allocation of PfG resources to deliver the EDF Action Plan.

2.5.3 A project by project progress report can be found in Appendix D. This is also highlights where PfG funding was re-allocated to support the Economic Development & Regeneration service.

2.5.4 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. There has been some slippage on projects this year but some highlights include:

- Health Living Concepts Fund - has jointly funded work on Local Cycling and Walking Infrastructure Plans with North Yorkshire County Council which can then be used to secure funding for infrastructure investment. They will be completed in 2019.
- 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. Match funding has successfully been awarded by Arts Council England (£70k) and Heritage Lottery Fund (£45k) which will enable an exciting and engaging programme of work to be delivered for Selby 950.
- 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. The first Selby District Business Week was a real success.
- Retail Experience (STEP) – this has funded the pop-up public realm in Selby Town and STEP are now helping to drive forward a range of initiatives to support the high street and enhance the town centre including further street scene improvements planned for later in 2019.
- Town Masterplanning – the work being led by People and Places (Chris Wade) to develop town centre revitalisation plans is progressing well including significant survey work and consultations in Selby and submission of a Future High Streets Fund bid for Selby town centre in March 2019. Further work on this across the three towns will continue into Summer/Sept 2019.

2.5.5 Further details can be found in **Appendix D**.

2.6. Carry Forwards

2.6.1 There are a number of carry forwards in the year which are itemised in **Appendix E**. The key items of note are:

General Fund Revenue - £1.0m

- Specialist fees for the Local Plan of £318k which will be incurred over the duration of delivery.
- Support costs for the new Housing System project of £109k which will continue over the coming two years.
- £135k of contingency has not been drawn down in the year so will be carried forward to help support future years.

General Fund Capital - £7.0m

- £5m of future loans to the Selby District Housing Trust for New Build Projects which will be incurred as building projects progress.
- Work continues on the car park improvement programme with nine areas identified for future delivery, £428k will be carried forward to fund this work.
- Issues with street work licensing mean that the work on Portholme Culvert will commence in May 2019. £419k is to be carried forward for this.
- £325k is required in 2019/20 to bring the industrial units road up to an adoptable standard to reduce potential future liabilities for the Council as the road deteriorates.
- There has been a significant increase in spend on Disabled Facilities Grants this year with £440k spent. Funding of £228k is to be carried over to continue this level of delivery in 2019/20.

HRA Capital - £4.2m

- The housing development programme is progressing but the projects are challenging in terms of viability and therefore significant work to develop appropriate schemes and procure developers within the required cost envelope has meant delays. Accordingly the schemes will deliver over multiple years and a £1.2m carry forward is required to complete this investment.
- The discussions with leaseholders regarding the roof replacement programme on the Hillside estate continue. The roofs are in need of replacement so funds of £711k need to be carried forward to fund this once the leaseholder discussions are concluded.
- The Empty Homes Delivery plan is expected to deliver over the next two years with a case load of potential properties being worked on and a commitment to Homes England to purchase six properties in 2019/20. Funds of £600k will be carried forward for this.

- A number of housing maintenance programmes are underspent by a total of £1.3m due to the time it has taken to put contracts in place to deliver large programmes of work. These contracts are larger and multi-year contracts in order to make them more appealing to larger suppliers, and therefore the profile of works is now expected to take place over more than one financial year. A carry forward is required to ensure delivery of these contracts that will improve the housing stock.

Programme For Growth - £7.6m

- The projects in this programme are to be delivered over multiple years and therefore this will carry forward into 2019/20 to continue the approved projects. £5.4m of project funding will be carried forward as will £2.2m to cover staffing costs and contingency.

4. Alternative Options Considered

Not applicable

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.

5.5 Resource Implications

Not applicable

5.6 Other Implications

Not applicable.

5.7 Equalities Impact Assessment

Not applicable.

6. Conclusion

- 6.1 At the end of 2018/19, after carry forward requests, the outturn shows a surplus on both the General Fund (£59k) and the Housing Revenue Account (£753k). These surpluses will be transferred to the contingency and major repairs reserves respectively.
- 6.2 There has been slippage in projects and programmes in both the General Fund and Housing Revenue Account and consequently these will require funds to be carried forward.
- 6.3 The Programme for Growth is planned to deliver over three years and progress has been made on a number of projects. The unspent balance of the fund will be carried forward into 2019/20 to enable work to continue.

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.

Appendix E – Carry Forwards

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