

Report Reference Number: E/19/13

To:	Executive
Date:	5 September 2019
Status:	Key Decision
Ward(s) Affected:	All
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Lead Executive Member:	Cllr Cliff Lunn, Lead Executive Member for Finance & Resources
Lead Officer:	Karen Iveson, Chief Finance Officer

Title: Financial Results and Budget Exceptions Report to 30th June 2019

Summary:

At the end of quarter 1, the General Fund is indicating an outturn deficit of £291k. This driven by a shortfall on planned savings. The cost of services is showing a small surplus, although this is made up of a number of variances detailed in the report. The HRA is indicating an outturn surplus of (£112k) due to lower external borrowing requirements partially offset by lower savings expected in the current financial year from the implementation of the new housing system.

General Fund savings are showing a forecast shortfall of £311k whilst the HRA is forecasting savings to be £195k lower. Details of the planned savings and their status can be found in Appendix B.

The capital programme is currently forecasting an underspend of (£766k); (£214k) GF and (£552k) HRA. In the general fund, the majority relates to Disabled Facilities Grants and a delay in the procurement of new Microsoft licences. The HRA is principally the phasing of the Empty Homes Programme which is expected to deliver over three years, with £750k of spend anticipated in this financial year. Headlines can be found in the report below with a more detailed analysis in Appendix C.

Programme for Growth is progressing well with projects delivering over multiple years. Progress on these projects is shown in Appendix D with an update in the report below.

Recommendations:

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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 21 February 2019, this report and associated appendices present the financial performance as at 30 June 2019 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 – Q1 2019/20	Budget £000's	Forecast £000's	Variance £000's
Corporate SVS & Commissioning	6,563	6,567	4
Economic Regeneration & Place	4,505	4,503	(3)
Corporate	(117)	(153)	(37)
Legal & Democratic Services	1,022	1,038	16
Net Service Expenditure	11,974	11,954	(20)
Contribution to / from reserves	(2,729)	(2,729)	0
Council Tax	(5,595)	(5,595)	0
Business Rates	(2,532)	(2,532)	0
Collection Fund Deficit Share	23	23	
Shortfall/(Surplus)	1,141	1,121	(20)
Savings Target	(1,141)	(830)	311
Net Revenue Budget	0	291	291

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

- A £311k shortfall on planned savings as outlined in the planned savings section of this report and in more detail in Appendix B.
- There is expected to be a £51k shortfall in industrial unit rental income due to a number of vacant units. These are currently being marketed and are due for a number of improvements from capital budgets this year.

- The waste service is forecasting a small shortfall overall of £7k, mainly due to the low rate received per tonne for recyclable materials which is driving a £43k adverse variance. This is mostly offset by savings on rounding and income from new bins. In addition, a number of clients did not renew contracts on the commercial waste service so income is expected to be £16k lower.
- The lifeline service is forecasting an adverse variance of £31k due to lower customer numbers than anticipated at this stage.
- A 5% vacancy factor was introduced this year to accommodate for natural staff turnover. This is currently expected to be achieved and is ahead at the end of quarter 1 at 6.5%. This additional Q1 savings has been included in the forecast at (£31k).
- A combination of lower benefit claims and new burdens admin grant for Universal Credit has resulted in a favourable forecast of (£39k). In addition, a grant for Brexit planning has been received for (£17.5k) which had not been budgeted.
- Drainage board levies were budgeted based on an estimate but actual charges once confirmed are lower by (£17k).
- Planning income has been low in the first quarter, with lower than expected levels of large applications. No change to the outturn has been forecast at this stage, but this will be reviewed at Q2.

2.2 Housing Revenue Account (HRA)

Housing Revenue Account – Q3 2018/19	Budget £000's	Forecast £000's	Variance £000's
Net Revenue Budget	8,835	8,523	(312)
Dwelling Rents	(11,840)	(11,835)	5
Shortfall / (Surplus)	(3,005)	(3,312)	(307)
Savings Target	(214)	(19)	195
Net Surplus / (Deficit) transferred to Major Repairs Reserve	3,219	3,219	0
Net Revenue Budget	0	(112)	(112)

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 (£312k) is expected this year.
- There is a savings target in the HRA this year of (£214k), predominantly relating to the new housing system. (£7k) of the housing system savings are expected to be achieved this year as the key modules that will generate savings will be going live in early 2020/21 as part of phase 2.
- Housing Rents are anticipated to be lower than target by £5k as a result of higher than budgeted voids.

2.3 Planned savings

2.3.1 The General Fund savings target for the year is £1,141k. The Council has a strong track record for delivering the savings and efficiencies needed but it is increasingly challenging to identify and deliver savings against a reducing cost base. The savings within the current plan are in large part considered higher risk, with some dependent on a number of external factors. Council recognised the risk within the plan when the Medium Term Financial Strategy was approved in September 2018 and resolved to hold back a level of reserves to mitigate the risk of delayed/non delivery over the medium term. Current forecasts for 2019/20 indicate a shortfall against the in-year target of £311k with further risk in some additional areas. The key areas to note are as follows:

- Planning savings of (£100k) were set. A review of the service is currently underway but early expectations are that this will show approximately a (£40k) saving. Any additional savings may result in a detrimental impact on the service delivery.
- Asset rationalisation target of (£76.5k) is dependent on the move of the contact centre from Market Cross. Negotiations are ongoing, with the move of the contact centre set to go ahead later in the year. We expect to achieve additional (£20k) of income from Align, registry and meeting room bookings but currently do not expect to achieve the Market Cross saving in the current year which is dependent upon the ongoing negotiations with the landlord. The Council is also considering alternative uses for the premises and the possibility of subletting for the remaining term of the lease.
- There was a saving in the budget from the acquisition of commercial property of (£50k) in relation to the £3.5m pot for commercial acquisitions which forms part of the P4G programme. This pot was expected to make a return, however, the commercial properties acquired so far will not generate an ongoing income stream this year. There are no additional purchases anticipated in the immediate future which would generate income in this financial year.
- The digital programme continues to progress and was targeted with generating (£200k) of savings in the current year. (£137k) of savings have been delivered, but further savings will be in 20/21 as programmes such as flexible working and the housing system progress.
- The environmental saving target of (£40k) is now unlikely to be delivered in year. However it will be tied in with the investment in a standard rear loading collection fleet and area based working and a range of opportunities to increase the efficiency of contract delivery which are being explored currently. There is potential to exceed the target in future years through maximising operational efficiencies which will be captured as part

of the formal contract variation to deliver cashable savings in 2020/21 and beyond.

- The work that we were delivering for another District Council has been discontinued. There are no further projects currently to deliver services to other organisations.
- Details of all planned savings can be found in Appendix B.

2.3.2 The HRA has a savings target for 2019/20 of £214k, the majority of which is driven by the new Housing and Asset Management System. There have been delays in the development of the new software modules by the supplier which has resulted in phase 2 (where most savings are expected to be implemented) slipping into early 2020/21.

2.4 Capital Programme

2.4.1 The capital programme shows a forecast underspend of (£214k) in the General Fund the variance is made up of :-

- There is a budget of £630k available to spend on Disabled Facilities Grants this year which includes £228k carried forward from previous years. It is expected that it will not be possible to deliver up to this value in a single year, spend of £500k is expected.
- A delay in the procurement of Microsoft Licences means that the carry forward of £85k from last year will no longer be required. The licences will commence from this year at a cost of £85k per annum.

2.4.2 The majority of the capital programme in the HRA is forecast to spend at the end of Q1. The only adjustment is to the Empty Homes Programme which is expected to deliver over the next two years, so the programme value has been forecast to reflect this, with £750k of the £1.3m budget expected to be spent in the this financial year.

3.0 Programme for Growth (PfG)

3.1 The programme has a multi-year programme budget (£7.7m) to fund a number of projects over the next 2-3 years. The good progress reported to Executive in the 2018/19 budget outturn report (30th May 2019) continues into the first quarter of 2019/20 with £419k spent to date and other spend committed for delivery across a range of projects in 2019/20. The multi-year project budget is forecast to be fully spent in the remaining years of the programme.

3.2 A key issue in 2018/19 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. We have made some progress in recruiting into this service despite a challenging market, with a number of

new appointments due take up post in the coming months, although a number of posts are still vacant.

- 3.3 A project by project progress report can be found in Appendix D. Good progress overall continues to be made across a range of PfG projects. There has been some slippage on some projects (as outlined in Appendix D). Some key highlights demonstrating progress are outlined below:
- 3.4 Health Living Concepts Fund - The Selby Health Matters group have now finalised a 3 year action plan to support delivery of local initiatives for which this fund will support. The Fund has jointly funded work with North Yorkshire County Council on Local Cycling and Walking Infrastructure Plans. This started in December 2018 and are due to be completed by September 2019.
- 3.5 Visitor Economy (Tourism and Culture) – the 2 key staff appointed to oversee the 3 year action plan agreed by Executive are playing a key role in delivery of a number of PfG projects such as Celebrating Selby 950 and the Tour de Yorkshire finish in Selby in May 2019. They helped secure significant match funding from the Arts Council England (£70k), Heritage Lottery Fund (£45k) and Drax (£20k) which has enabled an exciting and engaging programme of work to be delivered for Selby 950. Successful events such as Selby Sings (involving 250 school-children singing in the Abbey) and the St Germain parade (involving 450 in its preparation and many more watching in the town centre) have generated significant regional and local media coverage and positive local feedback. The 3 day illumination project (Pilgrim) planned for the Abbey in November has gained international social media attention. The legacy is already being created e.g. the Arts Council are already wanting to invest in further in projects in the district.
- 3.6 Growing Enterprise – this project helps to match-fund small business support with the Leeds City Region LEP and unlock support for small businesses through the Ad:Venture and Digital Enterprise. It jointly funds our SME Business Advisor post who has secured significant grant aid and expert support for local businesses in the district.
- 3.7 Marketing Selby's USPs – this award-winning 'place-branding' project has helped to tell a positive story of the district as a place to do business and to live. Through use of a range of case studies and media partnerships it continues to secure significant coverage for Selby District about the key things we are achieving and our key projects, from regional and local audiences e.g. recent media coverage around Create Yorkshire, Selby 950, award nominations.
- 3.8 Tour De Yorkshire - despite the challenging weather the Council, working with a range of partners, delivered a successful finish for Selby in front of the Abbey on its 950th anniversary. There was international coverage and significant media attention on the town.
- 3.9 Town Masterplanning – the work is being led by People and Places (Chris

Wade) to support town centre revitalisation by developing long term strategies and action plans. The work continues to progress well and has been well received. Progress includes: the completion of significant survey work and consultations in Selby town centre, involving both businesses and customers; help with the submission of recent bids such as the High Street Heritage Action Zone. Further engagement in September will finalise the delivery plan for Selby town centre and agree multi-partner governance arrangements for overseeing delivery of the plans. Work in the other towns will now start with initial consultation and survey work in Sherburn starting in September. Tadcaster will follow later in the year.

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

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.

5.5 Resource Implications

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

5.6 Other Implications

Not applicable.

5.7 Equalities Impact Assessment

Not applicable.

6. Conclusion

- 6.1 At the end of quarter 1, the outturn is indicating a surplus in the General Fund driven by lower planned savings and a surplus in the HRA.
- 6.2 The capital programme is largely forecast to spend, with just a small number of projects resulting in lower spend than anticipated, the majority of which will deliver in future years.
- 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.

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.

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