



Report Reference Number: E/19/24

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| To: | Executive |
| Date: | 7 November 2019 |
| Status: | Key Decision |
| Ward(s) Affected: | All |
| Author: | Peter Williams, Head of Finance |
| Lead Executive Member: | Councillor Cliff Lunn, Lead Member for Finance & Resources |
| Lead Officer: | Karen Iveson, Chief Finance Officer |

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

Summary:

At the end of quarter 2, the General Fund is indicating an outturn deficit of £298k. This continues to be driven by a shortfall on planned savings. The cost of services is showing a breakeven outturn position at the half year, although this is made up of a number of variances detailed in the report. The HRA is indicating an outturn surplus marginally higher than at Q1 of (£118k). This is 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 £363k which is an increased position from Q1 which was £311k. 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 (£13.870k); (£11.975k) GF and (£1.895k) HRA. In the general fund, the majority relates to the removal of any future New Build Projects (Loans to SDHT) in the current year, Disabled Facilities Grants and a delay in the procurement of new Microsoft licences plus there have been some additional savings made on IT programmes. The HRA is principally Roof Replacements, the Kitchen Bathroom & Rewire programme and 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:

That 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 September 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 – Q2 2019/20 | Budget | Forecast | Variance |
|--|---------------|-----------------|-----------------|
| | £000's | £000's | £000's |
| Corporate SVS & Commissioning | 6,738 | 6,844 | 106 |
| Economic Regeneration & Place | 4,235 | 4,305 | 70 |
| Corporate | (1,335) | (1,470) | (135) |
| Legal & Democratic Services | 1,022 | 1,003 | (19) |
| Net Service Expenditure | 10,660 | 10,681 | 21 |
| Contribution to / from reserves | (1,415) | (1,502) | (87) |
| Council Tax | (5,595) | (5,595) | 0 |
| Business Rates | (2,532) | (2,532) | 0 |
| Collection Fund Deficit Share | 23 | 23 | 0 |
| Shortfall/(Surplus) | 1,141 | 1,075 | (66) |
| Savings Target | (1,141) | (777) | 363 |
| Net Revenue Budget | 0 | 298 | 298 |

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

- A £363k shortfall on planned savings as outlined in the planned savings section of this report and in more detail in Appendix B.
- As reported at quarter 1, planning income was low and this trend has continued into this quarter. As a result, the outturn for this income stream

is projected to fall short of budget by £150k. This will be closely reviewed throughout the year.

- 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 2. This additional Q2 saving has been included in the forecast at (£171k).
- 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.
- The waste service is forecasting a shortfall overall of £63k, mainly due to the continuing low rate received per tonne for recyclable materials which is driving a £102k adverse variance. The reduction in the price received per tonne means that this income is no longer covering the cost of bulking. This is mostly partly offset by savings on rounding and income from new bins.
- The lifeline service is forecasting an adverse variance of £34k due to lower customer numbers than anticipated at this stage. This is marginally higher than was expected at quarter 1. Marketing is underway and numbers are gradually increasing.
- New burdens grants of (£42k) which were not confirmed at the time the budget was set are to be received in 19/20.
- Drainage board levies were budgeted based on an estimate but actual charges once confirmed are lower by (£17k).
- Savings on business support costs, land charges investment interest and external audit fees have helped to further mitigate the shortfall.

2.2 Housing Revenue Account (HRA)

| Housing Revenue Account – Q2 2019/20 | Budget £000's | Forecast £000's | Variance £000's |
|---|------------------|--------------------|--------------------|
| Net Revenue Budget | 8,835 | 8,531 | (304) |
| Dwelling Rents | (11,840) | (11,849) | (9) |
| Shortfall / (Surplus) | (3,005) | (3,318) | (313) |
| Savings Target | (214) | (19) | 195 |
| Net Surplus / (Deficit) transferred to Major Repairs Reserve | 3,219 | 3,219 | 0 |
| Net Revenue Budget | 0 | (118) | (118) |

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 (£300k) is expected this year.
- There was an original savings target in the HRA this year of (£214k), to date savings on the new housing system and procurement partnership

(£19k) have been achieved bring the revised savings target down to (£195k)

- Housing Rents are anticipated to be £9k higher than target for the year due to improved empty home performance and lower right to buy sales at the half year, with 7 so far against an annual estimate of 20.

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 therefore 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. Forecasts at quarter 2 for 2019/20 indicate an increased shortfall against the in-year target with £777k of savings expected to be made against a target of £1,141k. This is an increase from quarter 1 of £52k and is recognising some of the additional risk that was highlighted. 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 (£67k) saving. As this is not expected to be implemented until later in the year, a (£15k) saving has been recognised for the current year.
- 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 other sources but currently do not expect to achieve the Market Cross saving in the current year. The Council is considering alternative options for the premises
- 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.
- Property funds are expected to generate (£193k) of income in the year compared to a target of £200k.
- Loans to the Housing Trust agreed at the end of 2018/19 are generating an additional (£80k) of income for the year. The target of (£100k) is based on additional loans being made in year, but at the present time whilst potential house building opportunities are being scoped, it is not anticipated that further loans will be made in the current year.
- Details of all planned savings can be found in Appendix B.

2.3.2 The original HRA savings target for 2019/20 was £214k, to date £19k has been identified with the target being revised down to £195k. The majority of this saving 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 (£12m) in the General Fund, the variance is made up of :-

- The budget for New Build Projects (Loans to SDHT) has been reduced to reflect that no further projects are anticipated in this financial year meaning a carry forward of £11.6m to fund future loans.
- A budget of £630k available to spend on Disabled Facilities Grants this year which includes £228k carried forward from previous years. Spend has increased this year however delays in referrals for Occupational Therapists mean that 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.
- Underspends in year of (£126k) on IT projects including Channel Shift phase 3 Website and Intranet, End user devices, Disaster Recovery improvements and the implementation of a new cash receipting system. All of these projects will be continue into 2020/21.

2.4.2 The capital programme in the HRA is forecasting an underspend of (£1.9m). The variance is made up of :-

- The roof replacement programme has been delayed as data continues to be gained from the stock condition survey, the in year spend is expected to be (£1.0m) under budget
- 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 this financial year.
- The kitchen, bathroom, electrical rewire & co-detection programme has been delayed while the specifications and contracts have been rolled together, the in-year spend is expected to be (£326k) under budget.

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 second quarter of 2019/20 with £806k 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 help 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 started or due take up post in the coming months, although some 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 is due to be completed by November 2019. Public Health and Inspiring Healthy Lifestyles colleagues are currently preparing a project outline to develop a 'health in all policies' approach to tackle childhood obesity through a 'Healthy School Zone' project which the fund would support.
- 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 cycling

events. 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 Selby Treasures project in November will bring a series of pop-up museum events, where local people will be invited to bring an object that tells the story of their link with the town, leading to an exhibition in the Abbey 2020. 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 projects in the district. Furthermore, Selby has now been included on a Visit Britain touring route called 'The Explorer's Road' for the east of England and a new route for Chinese visitor's will include Selby from November.

- 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 which also created interest in the Selby 950 events and repeat visits by the media for the parade in July. Recently, Tadcaster has hosted a successful start for the Yorkshire Para-cycling International 2019, which saw 50+ para-cyclists set off from the town and involved support from Selby District Disability Forum. The District also welcomed to the womens' junior and mens' under 23 UCI cycling world championships.
- 3.9 Making our assets work – this budget is funding required investigations and actions to bring forward a number of Council owned sites for redevelopment eg ground conditions investigations for Bondgate

- 3.10 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 our successful submission of a bid for the High Street Heritage Action Zone. Further engagement from October 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 now started. Tadcaster will follow in early 2020.
- 3.11 This budget also supports development of the Transforming Cities Fund proposals to improve the Selby Station area, which are the subject of a major public consultation during October. The public response will be reported to Executive in November 2019 and the Council will discover in March 2020 whether it has been successful with its funding bid.

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

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

Not applicable.

5.6 Other Implications

Not applicable.

5.7 Equalities Impact Assessment

Not applicable.

6. Conclusion

6.1 At the end of quarter 2, the outturn is indicating an increasing deficit in the General Fund driven by lower planned savings and a surplus in the HRA as a result of lower external borrowing requirements.

6.2 At this stage, 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.

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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