

Meeting: EXECUTIVE

Agenda Item:

Portfolio Area: Resources

5

Date: 8 MARCH 2016

3rd QUARTER MONITORING REPORT GENERAL FUND AND HOUSING REVENUE ACCOUNT

KEY DECISION

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1. PURPOSE

- 1.1 The Council undertakes a complete review of all revenue and associated budgets on a quarterly basis. This is the 3rd quarter budget monitoring report for 2015/16.
- 1.2 To update Members on the General Fund and Housing Revenue Account (HRA) projected 2015/16 net expenditure and to seek approval for the revisions to the 2015/16 revenue budgets.
- 1.3 To update Members on the General Fund and HRA savings and growth items approved for 2015/16 and the New Homes Bonus scheme allocations.
- 1.4 To update Members on the Council's reserves and balances available to support revenue expenditure and to seek approval for revisions to the allocated reserves.

2. RECOMMENDATIONS

- 2.1 That the 2015/16 3rd quarter General Fund projected net decrease in expenditure of £267,640 be approved.
- 2.2 That the cumulative changes made to the original General Fund net budget remains within the £400,000 (increase) variation limit delegated to the Executive be noted.
- 2.3 That the transfer to the allocated reserves, as detailed in paragraphs 3.10.4-3.10.6, be approved
- 2.4 That the transfer of £90,420 to the capital (paragraph 3.10.7 refers) be approved.
- 2.5 That the net decrease of £11,330 to the 2016/17 General Fund budget that will contribute to the 2017/18 financial security savings target be approved.

- 2.6 That new General Fund carry forward requests of £177,220 (as listed in table two) be approved.
- 2.7 That the 2015/16 3rd quarter net increase in HRA surplus of £480,180 be approved.
- 2.8 That the cumulative changes made to the original HRA net budget still remains within the £250,000 (increase) variation limit delegated to the Executive be noted.
- 2.9 That the net decrease of £14,370 to the 2016/17 HRA budget that will contribute to the 2017/18 savings target be approved.
- 2.10 That new HRA carry forward requests of £226,890 (as listed in table ten) be approved.

3. GENERAL FUND - Background

- 3.1 Since the General Fund net revenue budget of £10,401,200 was approved at Council on 25 February 2015 Members have approved net budget changes as detailed in table one below.

Table One – 2015/16 General Fund Working Budget	Working Budget £
Original Budget	10,401,200
Section 31 grant (previously shown in core resources)	(381,120)
3rd Quarter 2014/15 net decrease	(88,560)
3rd Quarter Carry forwards	37,250
4th Quarter 2014/15 net decrease	(270,680)
4th Quarter Carry forwards	281,180
1st Quarter net decrease	(58,160)
Financial Security Reserve (MTFS)	150,000
Building Control report (October Executive)	92,430
2nd Quarter net increase	16,780
Budget setting (Exec 19-1-16 & Council 24-2-16)	(706,770)
Total Net Budget Approved to Date	9,473,550

Key = (decrease in expenditure/increase in income), increase in expenditure/reduction in income

3.2 GENERAL FUND – Budget Review

3.2.1 General Fund Budget 2015/16

- 3.2.2 As a result of the 3rd quarter budget monitoring review the General Fund net expenditure is projected to decrease by £267,640 (before transfer of underspend to Capital reserve) of which £177,220 has been requested to be carry forward to 2016/17. The remaining underspend of £90,420 is recommended to be transfer to

the capital allocated reserve. This leaves a further £259,580 to be identified at year end to meet the capital reserve target (£350,000) for the year.

3.3 3rd Quarter variances

- 3.3.1 **Anti-Fraud Shared service** – the contribution to the anti-fraud shared service is lower than budgeted (£36,970) because the shared service obtained additional grant funding in 2015/16.
- 3.3.2 **Business Technology Centre and Chells Enterprise Village** – The Business Technology Centre has an improved occupancy rate of 95% and the Chells Enterprise village is now fully occupied generating additional income for the Council (£76,450). Based on increased occupancy levels additional income of £34,490 is now expected in 2016/17.
- 3.3.3 **Grant** – Additional central government new burdens funding (£69,450) has been received in 2015/16.
- 3.3.4 **Hertfordshire County Council (HCC) contribution to verge maintenance.** The agency agreement between Stevenage Borough Council and HCC to maintain the highway verges was re-negotiated in 2014/15. Since this agreement HCC have paid for additional works. Discussions with HCC indicate that these works will be ongoing; £47,490 additional income in 2015/16 and ongoing.
- 3.3.5 **Debit/credit card commission:** For every credit/debit card transaction taken by the Council commission is paid to the transaction company. The unit cost of these transactions has fallen in the last 12 months and a saving was anticipated (£13 £5,000 see also para 3.5.3). However, the volume of card payments has increased generating an ongoing budget pressure of £42,220 (£15,000 attributable to car park payments). A review of payment costs will be undertaken to identify if any potential savings can be made by implementing changes in payment methods used by customers.
- 3.3.6 **Car park income** – Car park usage continues to be lower than last year and income is projected to be £73,600 lower than working budget. The reduction in use can be partly attributable to increased parking in non-Council carparks. However, no ongoing pressure is currently forecast. Car park income is now projected to be £225,160 lower than the original budget (including the failed saving £15 (£36,000)) of which £151,560 has been reported as ongoing.
- 3.3.7 **Car Parks – Non Domestic Rates.** Following a business rates revaluation additional business rates are payable (£21,700). This has already been incorporated into the 2016/17 budgets.
- 3.3.8 **Building Control and Development Control Income.** The number of building control applications and resultant fee income is lower than anticipated with income forecast to be £26,670 lower than budget. Development control income is also below target at the 3rd quarter and there is a risk that the budgeted income levels may not be achieved. However, should a major application be submitted in the last quarter this adverse position can be recovered so no change is currently proposed to the working budget.

3.3.9 Pressures and savings that have been identified during the 3rd quarter are listed in table two.

Table Two Impact on 2015/16 General Fund budget	£	£
Decrease in spend/ Income increases:		
Anti fraud Shared service	(36,970)	
Business Technology Centre & Chells Enterprise Village income	(34,450)	
New Burdens Grant	(69,450)	
HCC additional funding for verge maintenance	(47,490)	
Salary underspend (net of capital technical assistance charge and transitional vacancy)	(103,210)	
Adhoc sales of equipment	(14,000)	
		(305,570)
Increase in Spend / Income reductions		
Increase in provision	17,400	
Credit/debit card commission payments	45,220	
Car park income	73,600	
Car park – business rates (NDR)	21,700	
Building Control Income	26,670	
		184,590
Other - net increase/(reduction)		30,560
Underspend before carry forwards		(90,420)
Carry forward requests (para 3.7.3)		
Revenue contribution to capital	(52,500)	
Senior Management training	(54,440)	
E-learning carry forward request	(51,380)	
Temporary administration support for senior management	(18,900)	
		(177,220)
Total General Fund Variances (net increase/(reduction))		(267,640)

Key = (decrease in expenditure/increase in income/ new carry forward request), increase in expenditure/reduction in income

3.4 Approved Carry Forwards 2015/16 (General Fund)

3.4.1 Members approved total carry forwards of £1,149,430 of which £831,000 was for revenue contribution to capital in 2015/16. Two capital schemes (as reported in the 3rd quarter capital report presented to this Executive) have slipped into 2016/17

and consequently a carry forward of the “revenue contribution to capital” budget is requested (£52,500).

3.4.2 The remaining carry forward budgets totalled £318,430. One request, to purchase an HCC e-learning platform (£51,380), has been re-prioritised to help fund the employer of choice work stream of the Future Town Future Council programme and is requested to be carried forward to 2016/17. In addition, remaining underspends on carry forward budgets for senior management training is requested to be carried forward (£24,610) to cover the two year course programme. The remaining carry forward requests are expected to be spent in year.

3.4.3 Table three below summarises the carry forward status.

Table Three		
Summary of Carry forward status	£	£
Approved Carry forwards included in 2015/16 budgets		318,430
Amount spent as at 31/12/15	177,150	
Amount due to be spent to year end		242,440
Returned to balances		0
New carry forward request		75,990
Total		318,430

3.5 Savings approved for 2015/16 (General Fund)

3.5.1 Included within the 2015/16 General Fund budgets are savings options totalling £727,370 approved at Council on the 25 February 2015.

3.5.2 The 1st quarter identified three savings that had been withdrawn (S15 - Additional Car Park Season ticket income (£36,000), S155 Street Scene Management (£28,090), S18 Joint use of Daneshill reception with third party (£12,450)).

3.5.3 The 3rd quarter review has identified a shortfall on two other savings;

- S13 Payment card commission for carparks (£5,000) – although unit cost for payment card transaction has reduced, the number of card transactions has increased and this saving has not been achieved.
- S82 Marketing of business improvement services -the income target of £32,000 will not be met - a shortfall of £21,460 - due to additional work being undertaken on internal projects

3.5.4 All remaining savings options are on target to be met with £633,470 being achieved in 2015/16 (87%).

3.6 2015/16 – General Fund Outturn Position

3.6.1 Following the 3rd quarter review the General Fund balance as at 31 March 2016 is projected to be £7,461,542 as detailed in table four.

Table Four: Original Net General Fund Budget	10,401,200
Section 31 grant (previously shown in core resources)	(381,120)
Carry forwards	318,430
3rd and 4th Quarter (2013/14) changes	(359,240)
Reported budget changes	(505,720)
Total Approved to Date	9,473,550
3rd Quarter review (appendix A)	(267,640)
Underspend (after carry forward request) transfer to Capital Reserve	90,420
Total Net Expenditure post Q3 review	9,296,330
less Core resources	(10,667,552)
Transfer (to)/from General Fund balances	(1,371,222)
General Fund balance 31/3/15	(6,090,320)
Transfer (to)/from General Fund balances	(1,371,222)
General Fund balance 31/3/16	(7,461,542)
Allocated Revenue Reserves 31/3/16	(1,958,316)
Allocated Capital Reserves 31/3/16	(1,167,348)
Total General Fund balances (estimated 31/3/16)	(10,587,206)

3.7 2016/17 – General Fund Budget

3.7.1 The 3rd quarter review identified ongoing savings of £100,250.

- Commercial income (Chells and BTC) £34,490
- HCC additional income for highway verge maintenance £47,490
- Contribution to bad debt provision (para 3.9.8) £8,500
- Other minor efficiency savings £9,770

However additional service pressures totalling £88,920 were also identified;

- Card commission payment (para 3.3.5) £39,820
- IT system upgrades (previously capitalised) £30,000
- Auto Cad licences £6,800
- Other pressures £12,300

Resulting in a net saving of £11,330 to contribution to the 2017/18 financial security savings target.

3.7.2 Four new carry forward requests of budget were requested as part of the 3rd quarter review and are detailed in the following table.

Table five	
Summary of New Carry forward requests	£
Corey's mill parking scheme (capital scheme & funding slipped to 2016/17)	42,500
Ridlins Play Area (capital scheme & funding slipped to 2016/17)	10,000
Management Training	54,440
Future Town Future Council	51,380
Temporary administration support for senior management	18,900
Total	177,220

3.8 New Homes Bonus Schemes (NHB)

3.8.1 In February and March 2015 Members approved the allocation of £1,250,400 to the following schemes.

Table Six	
New Homes Bonus projects approved for 2015/16	£
Allocated Capital Reserve	250,000
Domestic Abuse Co-ordinator & Stevenage Domestic Abuse Panel (over two years)	235,000
Antisocial Behaviour Co-ordinator (2 year post)	77,680
No More Project (6 months extension)	80,000
De-cluttering of Street Furniture in Town Centre	139,910
Women's Tour	20,000
Litter / Dog Bin Replacement Scheme	20,000
Shrub Bed & Hedge Area Rejuvenation	150,000
Paving	25,000
Money Matters to Private & Housing Assoc renters	52,810
Supporting General Fund Expenditure	200,000
Total	1,250,400

3.8.2 Phase one of the Town Centre improvements have now been completed. Phase two which includes street furniture, lighting and signage will commence in March 2016 and should take approximately 6 months.

3.8.3 Interviews for the new Domestic Abuse Co-ordinator took place in February. The Co-ordinator will be supported by a commissioned case worker and a review of the Stevenage Domestic Abuse Panel will be undertaken to ensure that cases managed by the Council are undertaken in a safe and appropriate manner.

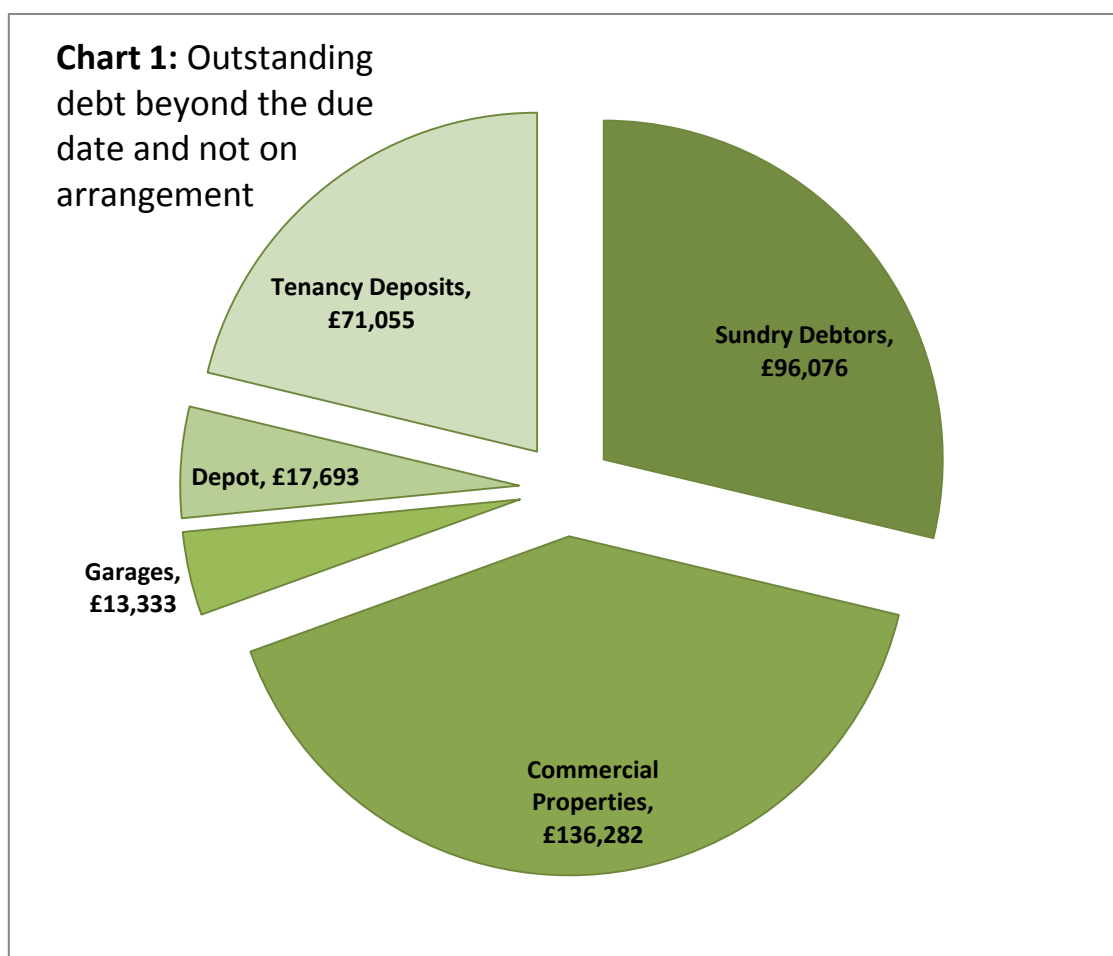
3.8.4 Antisocial Behaviour Co-ordinator (2 year post) was appointed in October 2015.

3.8.5 As a result of some of the staff appointments being made part way through 2015/16 it is likely that some of the 2015/16 funding will be requested for carry forward at the end of the year for staff related new homes bonus projects

3.9 Review of Balances – General Fund

3.9.1 Officers have reviewed the balance sheet at the 3rd quarter including any adjustments required to provisions.

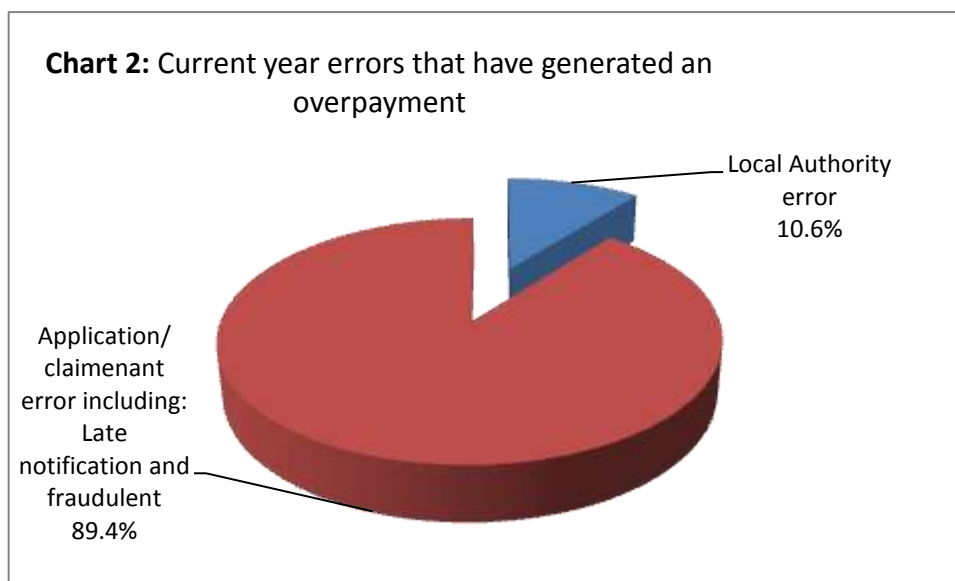
3.9.2 **Bad Debt Levels (General Fund)** - As at 31 December 2015 sundry debt stood at £980,380 a decrease of £284,200 from the 30 September 2015 debt position (£1,264,580). Of this debt £334,439 (34%) is overdue and not on a payment arrangement, as shown in chart one.



3.9.3 **Housing benefit overpayments** – As at 31 December 2015 housing benefit overpayment debt stood at £3,222,000 an increase of £108,000 from the 30 September 2015 debt position (£3,114,000).

3.6.4 Housing benefit overpayments arise from various ways such as timing delays in notification of changes to claimant circumstances, processing errors made by DWP or the local authority, or fraudulent claims made by claimant. These overpayments are recoverable by the Council, but due to the nature of the debt and the difficulty in recovering the overpayment a large bad debt provision is made, which equates to 100% of all debt that is over 12 months old – 84% of the total outstanding overpayments.

3.9.5 The 2014/15 subsidy claim identified that there were in the region of £1.5m claimant error overpayments, and £153,000 of LA error overpayments. As at December 2015 the subsidy claim there were £612,000 claimant error overpayments (89.4%), and £72,000 (10.6%) generated by local authority error. Chart two provides an analysis of reasons why an overpayment has been created.



3.9.6 On the whole claimant error is caused by late notification of changes in circumstance by the customer. Some of it will be fraudulent, and the increased activity locally and through national data matching exercises means more undeclared changes in circumstances, some going back many years, are identified. Real time information from HMRC is received monthly where earnings and pensions data can be matched to claimant information. In addition there are routine National Fraud Incentive matches and SBC takes part in the government's FERIS scheme, where officers intervene on cases to check their accuracy.

3.9.7 LA error occurs when benefit officers make a mistake in the assessment where the officers determine a circumstance incorrectly and where it would not be reasonable for the customer to know that an error has occurred.

3.9.8 **Bad debt provisions** - The calculated provision for General Fund sundry debtors is within budgeted levels. Contributions to the bad debt provision have been lower than anticipated in recent years and officers believe an ongoing saving of £8,500 can be achieved (current budgeted bad debt provision £49,000).

3.9.9 **Insurance provisions** – following a review of outstanding insurance claims no change to the budgeted transfer to the insurance provisions is required at 3rd quarter.

3.9.10 **Other Provisions** – An increase of £17,400 to other provisions is required.

3.10 Allocated Reserves

3.10.1 The total value of allocated reserves available for the Council to spend as at 1 April 2015 was £2,435,721.

3.10.2 Total allocated reserves as at the 31 March 2016 are forecast to be £3,125,664;

- Revenue £1,958,316
- Capital £1,167,348

3.10.3 At the 3rd quarter the following request are made for the transfer to and from the allocated reserves:

3.10.4 The 2015/16 projected additional surplus on regeneration assets of £9,510 to the Regeneration reserve is made at 3rd quarter. This allocated reserve is forecast to have a £1,046,949 balance as at 31 March 2016. However the capital programme for 2016/17 includes regeneration schemes totalling £588,320 funded from this reserve.

3.10.5 A request to transfer £833,020 from the Capital reserve to finance the General Fund capital schemes as detailed in the 3rd quarter Capital Strategy Update reported to this Executive.

3.10.6 Additional New Homes Bonus grant (1 year only) was received in year (£7,570) to be transferred to the New Homes Bonus reserve pending Member approval for new schemes.

3.10.7 A request to transfer the 3rd Quarter identified underspend (after carry forward requests) of £90,420 to the Capital reserve as part of the new integrated financial plan (in which General Fund underspend up to £350,000 per annum are transferred to the Capital reserve).

3.10.8 Table seven shows the approved transfers and anticipated transfers to and from allocated reserves, for 2015/16.

Table Seven: Movements to/from Allocated Reserves 2015/16					
Allocated Reserve	Balance as at 1 April 2015	Approved transfers to/from reserves	Quarter 3 requested transfer from reserve	Anticipated transfer to/from reserves but yet to be confirmed	Forecast balance as at 31 March 2016
Revenue Reserves	£000	£000	£000	£000	£000
Capacity Building	(185)	185			(0)
Planning Delivery	(170)				(170)
New Homes Bonus	(201)	(169)	(8)		(378)
LAMS default	(28)	(14)			(42)
NDR	(172)				(172)
Financial Security	(100)	(50)			(150)
Regeneration assets	(633)	(404)	(9)		(1,046)
TOTAL REVENUE RESERVES	(1,489)	(452)	(17)	0	(1,958)
Capital Reserves					
Capital Reserve (Revenue and Capital contributions)	(947)	(703)	743	(260)	(1,167)
TOTAL CAPITAL RESERVE	(947)	(703)	743	(260)	(1,167)
TOTAL ALLOCATED RESERVES	(2,436)	(1,155)	726	(260)	(3,125)

3.11 Investments and Loans

- 3.11.1 The Council's investments as at 31st December 2015 were £59.866million. The average investment rate achieved in the 3rd quarter was 0.60% compared to the average rate of 0.49% achieved last year.
- 3.11.2 Cash balances are held by the Council to meet financial obligations such as the payment of collection fund surpluses to central government and Hertfordshire County Council and the potential NDR refunds following successful appeals (for which a provision is held). A PWLB loan is also scheduled to be repaid in March (£2million).
- 3.11.3 The Council's loan portfolio totals £211.889million with the majority (£208.415million) with the Public Works Loan Board (PWLB).

4. HOUSING REVENUE ACCOUNT (HRA) – Background

- 4.1 The HRA revenue budget of £2,698,930 (surplus) was approved at Council on 28 January 2015. Subsequently Members have approved 2015/16 budget changes as detailed in table eight below.

Table Eight – HRA Working budget	Working Budget £
Original Budget	(2,698,930)
3rd Quarter 2014/15 net decrease	(146,900)
3rd Quarter Carry forwards	182,620
4th Quarter 2014/15 net decrease	(62,160)
4th Quarter Carry forwards	227,990
1st Quarter net increase in surplus	(11,830)
2nd Quarter net decrease in surplus	338,830
Budget and rent setting (Council 24-2-16)	482,260
Total Working Budget	(1,688,120)

(Key: + = increase in spend / decrease in income, () reduction in spend / increase in income)

4.2 HOUSING REVENUE ACCOUNT (HRA) – Budget Review

4.2.1 HRA Budget 2015/16

As a result of the 3rd quarter budget monitoring review the 2015/16 HRA net budget is now projected to be a £480,180 increase in surplus of which £226,890 relates to new carry forward requests. The HRA budget surplus is now projected to be £2,157,200 following the 3rd quarter review.

4.3 3rd Quarter variances

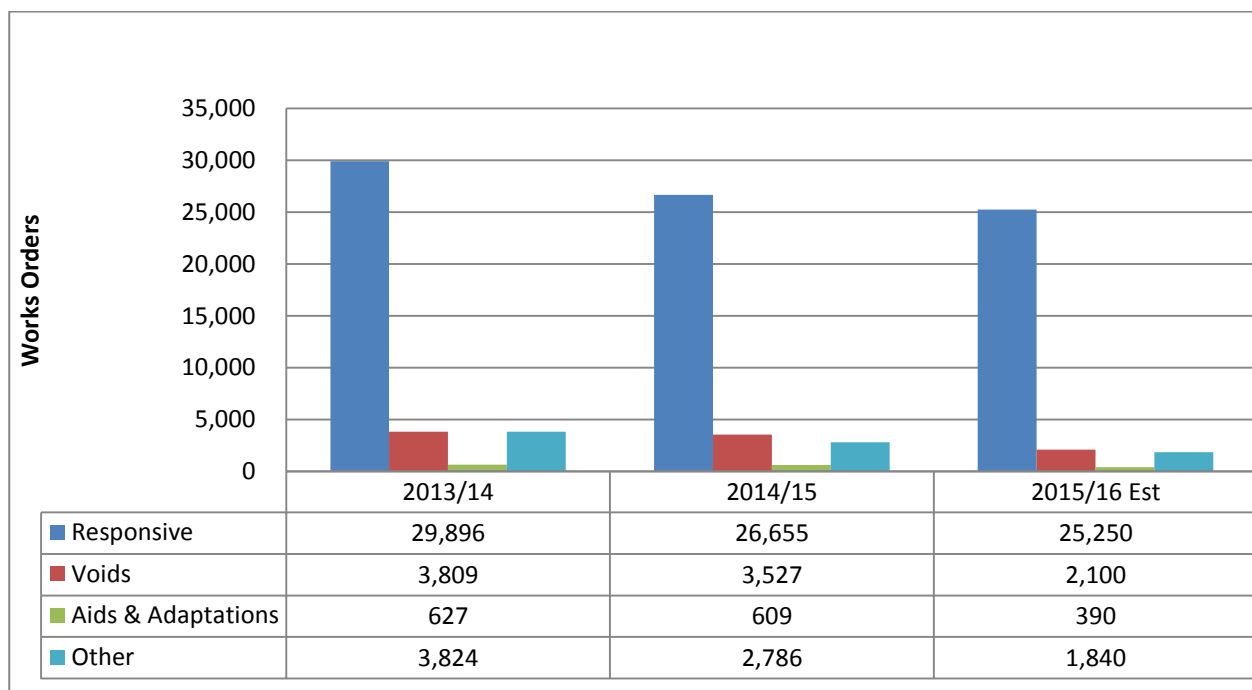
4.3.1 Building Maintenance Organisation

The improvement plan and restructure of the BMO approved by the Executive in January 2016 is now being implemented with staff consultation commencing in February. The new structure and related changes are expected to go live towards the end of June 2016.

4.3.2 The continuing (and previously reported) trend of fewer works orders in quarter 3 and a reduction in the income per job from £73 to £67 for responsive repairs has resulted in an income reduction of £222,670 to the BMO. A reduction in voids orders has resulted in a projected reduced income of £120,980. With other income variances the projected overall reduction in income is £331,360.

4.3.3 Chart three shows the reduction in works orders completed by the BMO over the last three years.

Chart Three – BMO works orders 2013/14 to 2015/16



4.3.4 Costs savings and deferrals have resulted in savings of £177,680, largely from reduced staffing costs through holding posts vacant (pending the BMO improvement plan) and reduced use of contractors within the BMO account.

4.3.5 In accordance with the approved Improvement Plan the BMO has appointed a Commercial Manager (funded from the improvement plan budget) who is due to start on 7th March. The new role will be undertaking further reviews on critical aspects of the financial performance of the BMO in accordance with the approved Improvement Plan.

4.3.6 A summary of the additional BMO pressures identified at 3rd quarter is shown in table nine.

Table Nine BMO variances	Variance £	Comment
Income	331,360	<ul style="list-style-type: none"> • A combination of 750 fewer works orders and a reduction in income per job from £73 to £67 has given rise to a projected £222,670 loss of Responsive Repairs income. • The income from Void works is down by £120,980. This is due to 750 fewer works orders but partly offset by an increase in income per job from £256 to £290. • The assumed income per job for Aids and Adaptation work has fallen from £1,200 to £1,040, resulting in a fall in income of £62,080. • Additional Decent Homes income £74,370.
Increase in material usage	39,490	Material costs on aids and adaptations and decent homes work higher than anticipated.
Direct Employee costs	(78,690)	Operative posts held vacant pending improvement plan implementation.
Private contractors	(34,650)	Reduction in use of subcontractors to reflect lower job numbers.
Training	(64,340)	It is requested that £57,090 be carried forward to complete the operative multi-trading programme. The original requirement for Craft Group B was Level 3 NVQs. This is not the industry standard for this group therefore a case has been made to change the criteria.
Other costs	11,810	
Total	204,980	

4.3.7 The majority of the adverse trading account movement is offset by the lower cost (£187,000) borne on the “client” side of the HRA, resulting in a net adverse movement of £17,980 to the HRA following the 3rd quarter review.

4.3.8 The BMO deficit is now projected to be £2,020,020 an increase of £204,980 from that last reported (£1,815,040). This deficit includes indirect costs and an apportionment of HRA overheads recharged to the BMO services plus a budget for implementation costs of £430,840 for the improvement plan as approved by Council (January 2016). Table ten summaries the projected out-turn for the BMO in 2015/16.

Table ten BMO Summary Position	January Council Approved budget	3rd Quarter Projected outturn	Variance
Operative costs	2,310,420	2,235,590	(74,830)
Direct BMO Back Office support	114,860	54,260	(60,600)
Cost of sales (material, equipment, etc.)	1,378,090	1,435,180	57,090
Subcontractor cost for specialist work	337,870	303,220	(34,650)
Total Direct Costs	4,141,240	4,028,250	(112,990)
Projected income (based on Day to day and void repairs)	(4,077,890)	(3,759,920)	317,970
(Surplus) to contribute to corporate overheads/ Deficit adding to corporate overheads	63,350	268,330	204,980
Implementation costs (One-off costs)	430,840	430,840	0
Service management costs direct to the BMO	606,740	606,740	0
Corporate overheads charged to the BMO	714,110	714,110	0
Total overheads	1,751,690	1,751,690	0
BMO (surplus)/deficit	1,815,040	2,020,020	204,980

- 4.3.9 Following approval of the Improvement Plan at the start of 4th quarter it is anticipated that gradual improvements in the BMO cost base will commence from June 2016, with the full anticipated benefits being realised in the last quarter of 2016/17.
- 4.3.10 **Housing Revenue Account Salary underspends** – As part of the delivery plan a number of new post were identified to contribute to customer service improvements and to deliver the housing pipeline schemes (£140,000). Recruitment difficulties have meant that a number of posts are still vacant. Officers have been looking at alternative ways in which to deliver the customer facing improvements and to facilitate the new HRA housing development plans. Other vacancies in the HRA have contributed to the in year transitional vacancy target being exceeded by £154,070.
- 4.3.11 **Gas compliance – (£62,590)**. In calculating the saving arising from the new gas contract, actual maintenance visits in the first half of 2015/16 under the old contract were higher than estimated giving rise to a net in year pressure of £62,590. There is no ongoing pressure as all visits will be completed under the new contract in 2016/17.
- 4.3.12 **Utility costs** – A saving of £47,320 is now projected on gas utility bills based on anticipated usage following a milder winter and the lower contract price (18.23% reduction) agreed in October.

4.3.13 Major variances are shown in table eleven below and detailed in Appendix A.

Table Eleven HRA Variances 2015/16	£	£
Reduction in expenditure / Income increases:		
Recruitment delays on growth bids (para 4.3.5)	(140,000)	
Utility costs – gas (para 4.3.7)	(47,320)	
Contribution to bad debt provision (para 4.8.2)	(8,000)	
Net salary underspend (excluding BMO) (para 4.3.5)	(154,070)	
		(349,390)
Increased expenditure / Income reductions		
Gas compliance (para 4.3.6)	62,590	
Rents and Service charges	4,510	
		67,100
BMO (para 4.3.1 – 4.3.9)		
Net increase in deficit	204,980	
matched by reduction in "client" side responsive repairs	(187,520)	
		17,460
Carry forward requests		
New build feasibility studies (DP22 £100,000 (para 4.5.4) plus £30,800)	(130,800)	
BMO Training programme (para 4.3.4)	(57,090)	
Parking enforcement scheme (DP41) (para 4.5.4)	(16,000)	
IT equipment to improve efficiency	(13,000)	
Tenant and leaseholder survey (STAR survey)	(10,000)	
		(226,890)
Other - net increase/(decrease)		11,540
Total HRA Variances		(480,180)

(Key: + = increase in spend / decrease in income, () reduction in spend / increase in income)

4.4 Approved Carry Forwards 2015/16 (HRA)

- 4.4.1 Members approved HRA carry forward of budgets totalling £410,610 from 2014/15 to 2015/16.
- 4.4.2 Since approval of the carry forward requests £237,350 has been spent and a further £96,410 is due to be spent by year end.
- 4.4.3 The 3rd quarter review identified three carry forwards schemes that total £30,350 which will not be completed in 2015/16 but are requested to be carried forward into 2016/17. The deletion of one scheme (Chartered Institute of Housing training) that is no longer required and underspends on other schemes enables £46,290 to be returned to balances.

Table Twelve		
Summary of Carry forward status		£
Approved Carry forwards included in 2015/16 budgets		410,610
Amount spent as at 31/12/15	237,350	
Amount due to be spent to year end		333,760
Returned to balances		46,290
New carry forward request (IT and BMO training)		30,560
Total		410,610

4.5 Savings and Growth Bids Approved for 2015/16 (HRA)

4.5.1 **Savings:** Included in the 2015/16 HRA budgets are savings options totalling £293,920 and growth bids of £1,549,420 approved at Council on 28 January 2015.

4.5.2 Apart from the anticipated saving from the gas contract (see para 4.3.11) in 2015/16 all other HRA savings are currently on target to be met.

4.5.3 **Growth Bids:** The 1st and 2nd quarter review identified a number of delivery plan growth bids that had been reprioritised in the light of the government announcement on rent setting from 2016/17 and the pressures faced by the BMO.

4.5.4 The 3rd quarter review identified two schemes that are requested for carry forward to facilitate the building of council housing and scheme development (£100,000) and to fund parking enforcement schemes (£16,000). Further underspends of £140,000 have arisen due to timing of recruitment to growth posts. Some of these delays have arisen due to a re-assessment of the post requirements to ensure business needs are best matched to the proposal.

4.6 2015/16 – Housing Revenue Account – Year End Position

4.6.1 The projected HRA balance as at 31 March 2016 is summarised below in table thirteen.

Table Thirteen – Housing Revenue Account Out-turn Position		£
Original Budget		(2,698,930)
Carry forwards approved		410,610
Approved budgets adjustments to date		600,200
Total net surplus approved to date		(1,688,120)
3rd Quarter adjustments detailed in Appendix A		(480,180)
Projected net surplus post 3rd Quarter review		(2,168,300)
HRA balance brought forward 31/3/15		(13,703,547)
Surplus in year		(2,168,300)
Projected HRA balance 31/3/16		(15,871,847)

(Key: + = increase in spend / decrease in income, () reduction in spend / increase in income)

4.7 2016/17 – HRA Budget

4.7.1 The 3rd quarter budget review identified a net on-going decrease in spend of £14,370 which will be incorporated into the 2016/17 budget.

4.8 Review of Balances – Housing Revenue Account

4.8.1 Bad Debt Levels (HRA) – At the 30 December 2015, rent, service charge and sundry debtor levels were £1,456,588, an increase of £35,397 from the 30 September 2015 (£1,421,191) position.

4.8.2 However, even though total debts have increased in the 3rd quarter, the budgeted transfer to the HRA bad debt provision can be reduced by £8,000.

4.8.3 **Insurance provisions (HRA)** – following a review of outstanding insurance claims no change to the budgeted transfer to the insurance provisions is required at 3rd quarter.

5. IMPLICATIONS

5.1 Financial Implications

5.1.1 This report is financial in nature and consequently financial implications are included above.

5.2 Legal Implications

5.2.1 The objective of this report is to outline the projected General Fund and HRA net expenditure for 2015/16 and the impact on the General Fund and HRA balances. While there are no legal consequences at this stage Members are reminded of their duty to set a balanced budget.

5.3 Equalities and Diversity Implications

5.3.1 This report is of a technical nature reflecting the projected spend for the year for the General Fund and HRA. None of the budget changes reported will change any existing equalities and diversity policies and it is not expected that these budget changes will impact on any groups covered by statutory equalities duties.

5.4 Risk Implications

5.4.1 A risk based assessment of General Fund balances is undertaken and reported to Council as part of the General Fund Budget setting process. The required level of 2015/16 General Fund balances was calculated at £2,231,868. This report forecasts General Fund balances of £7,461,542 and allocated reserve balances of £3,125,664 which is above the minimum balances required.

5.4.2 The HRA balances are projected to be £15,871,847. The level of HRA balances or revenue reserves risk assessed for 2015/16 is £16,197,699. The projected HRA balance is below the risk assessed level, however this balance included £13,982,866 for future debt repayments and a capital programme which has subsequently been updated following legislative changes in rent setting (as presented to Members at Council 26 February 2016).

5.5 Policy Implications

- 5.5.1 The budget framework represents a development of a policy led budgeting approach across Council services and the overall Medium Term Financial Strategy.

BACKGROUND DOCUMENTS

BD1 - HRA final budget proposals and rent setting report (Council 28 January 2015)
<http://www.stevenage.gov.uk/content/committees/117036/117040/117104/Council-28-January-2015-Item-2.pdf>

BD2 - 2015/2016 Council Tax Setting and General Fund Budget (Council 25th February 2015) <http://www.stevenage.gov.uk/content/committees/117036/117040/117104/Council-25-Feb-2015-Item5A.pdf>

BD3 - New Homes Bonus – 2015/16 (Executive 30th March 2015)
<http://www.stevenage.gov.uk/content/committees/117036/117044/117108/Executive-30-March-2015-Item-4.pdf>

BD4 - 1st Quarter Monitoring Report General Fund and Housing Revenue Account (Executive 30 September 2015)
<http://www.stevenage.gov.uk/content/committees/117036/117044/117108/Executive-30-Sept-Item-5-Revised.pdf>

BD5 - 2nd Quarter Monitoring Report General Fund and Housing Revenue Account (Executive 10 November 2015)
<http://www.stevenage.gov.uk/content/committees/117036/117044/117108/Executive-18-November-2014-Item7.pdf>

BD6 - HRA final budget proposals and rent setting report (Council 26 January 2016)
<http://www.stevenage.gov.uk/content/committees/117036/117040/117104/Council-28-January-2015-Item-2.pdf>

BD7 - 2016/2017 Council Tax Setting and General Fund Budget (Council 24 February 2016) <http://www.stevenage.gov.uk/content/committees/139616/139701/139721/Council-24-Feb-2016-Item5A.pdf>

APPENDICES

Appendix A - Investment and Loans Portfolio