
Meeting: EXECUTIVE

Agenda Item:

Portfolio Area: Resources

Date: 11 SEPTEMBER 2019

1ST QUARTER REVENUE MONITORING REPORT – GENERAL FUND AND HOUSING REVENUE ACCOUNT



KEY DECISION

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1. PURPOSE

- 1.1 To update Members on the General Fund and Housing Revenue Account (HRA) projected 2019/20 net expenditure and seek approval to amend the General Fund and HRA budgets as part of the quarterly review of revenue budgets.
- 1.2 To update Members on the carry forward requests from 2018/19.
- 1.3 To update Members on the reserves and balances available to support revenue expenditure and seek approval for revisions to the allocated reserves.

2. RECOMMENDATIONS

General Fund

- 2.1 That the 2019/20 1st quarter projected net increase in General Fund expenditure of £193,570 be approved.
- 2.2 That it be noted that cumulative changes made to the General Fund net budget remains within the £400,000 increase variation limit delegated to the Executive.
- 2.3 That it be noted that the 2020/21 ongoing net pressure of £47,190 will be incorporated into the General Fund Medium Term Financial Strategy (MTFS).

Housing Revenue Account

- 2.4 That the 2019/20 1st quarter projected net increase in HRA net deficit of £111,330 be approved.
- 2.5 That it be noted that the cumulative increases made to the HRA net budget remains within the £250,000 increase variation limit delegated to the Executive.

3. BACKGROUND - GENERAL FUND

- 3.1. Since the General Fund net budget of £8,802,520 was approved at Council, Members have approved net budget changes of £779,200, as detailed in Table one below:

Table One – 2019/20 General Fund Working Budget	Working Budget £
Original Budget	8,802,520
3rd Quarter 2018/19 net increase	118,420
3rd Quarter Carry forwards	80,000
4th Quarter 2018/19 net decrease	(10,990)
4th Quarter Carry forwards	591,770
Approved movement	779,200
Total Net Budget Approved to Date	9,581,720

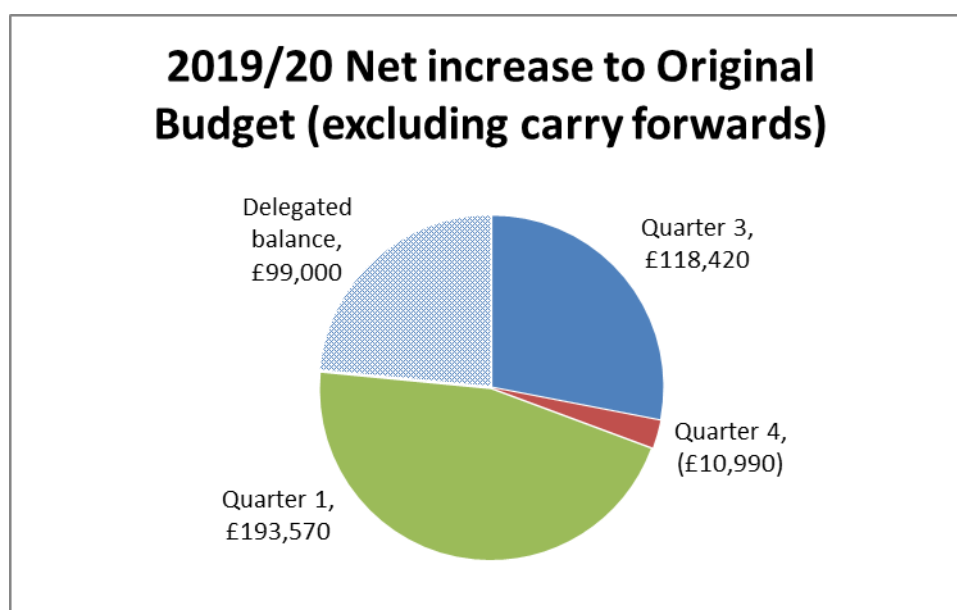
3.2 General Fund – Budget Review

- 3.2.1 Following the 1st quarter review of revenue budgets officers have identified the following budget movements.

Table Two - Budget Alerts - General Fund		Budget change 2019/20 £
	Service Area:	
Income	Planning Applications increase	(50,000)
	Car Parking income decrease	50,000
	Council Tax Summons decrease	50,000
	Garage rents decrease	35,000
	Indoor Market decrease	25,210
	Verge Maintenance decrease	30,460
	Finance Service Level Agreements	(33,250)
Expenditure	Council Tax court costs reduction	(10,000)
	Stevenage Direct Services equipment saving	(10,000)
	Recycled Waste increase	26,000
	IT Strategy pressure	64,920
	Daneshill House Flood costs	27,000
Other		(11,770)
TOTAL BUDGET CHANGES REPORTED THIS QUARTER		193,570

- 3.2.2 **Planning income – increased income £50,000.** This relates to demand led Planning income. Additional income is anticipated due to the timing of planning applications from five main sites within Stevenage relating to Housing Developments within the town, neighbourhoods and other smaller sites.
- 3.2.3 **Parking income – in year pressure £50,000.** The trend on Marshgate, Forum, Westgate and St George's car parks sees usage below budget, which is partly offset by the higher Railway car park usage. Car park income was also impacted by:
- Daneshill car park was affected by damage to the barrier, which resulted in the car park being closed for a few days.
 - Swingate South car park, in part or in full, was closed for a number of days whilst contractors carried out drilling work.
- 3.2.4 **Council Tax Summons income – ongoing pressure £50,000.** The 4th quarter monitoring report identified a trend of reducing income from council tax court action. Fewer Liability Orders were issued over the last three years (Liability Orders Issued - 2018/19 3,575 / 2017/18 3,841/ 2016/17 4,790) and the current trend remains roughly in line with last year. The Arrangement Manager Module is working well with higher numbers of customers paying on arrangement and more customers paying by direct debit. The reduction in income is partly offset by reduced court costs of £10,000 (see 3.2.9 below).
- 3.2.5 **Garage rents – in year pressure £35,000.** Identification of some asbestos in a garage block has resulted in void garages being checked before being letting. This led to a delay in garages being occupied, however, contractors are clearing the backlog.
- 3.2.6 **Indoor Market income – adverse £25,210 variance.** The current void rate is 34 with 98 stalls being occupied (74% occupation). The 2019/20 original budget assumed 103 occupied stalls. The adverse variance on rent is £30,210 is on a budgeted income of £435,000. This has been partly offset by £5,000 of ongoing additional income from tenants using storage space in the basement.
- 3.2.7 **Accountancy Services – in year saving £33,250.** The finance team will be providing services to Queensway LLP, the CCTV Company and it's partners and the Wholly Owned Company (WOC).
- 3.2.8 **Verge Maintenance – ongoing pressure £30,460.** Hertfordshire County Council (HCC) has reviewed the inflationary factor which was historically calculated for the verge maintenance agreement. HCC have reduced the ongoing payment to the Council for grass cutting along the highways in Stevenage. Stevenage Borough Council officers are reviewing the cost of this service.
- 3.2.9 **Council Tax Court costs – ongoing saving £10,000.** Court costs relating to Council Tax have reduced due to fewer numbers of court summonses (see 3.2.4 above).

- 3.2.10 **Stevenage Direct Services Equipment – in year saving £10,000.** A review of equipment required has led to this saving. Any ongoing savings will be reviewed as part of Financial Security process and will be included in the November Executive report.
- 3.2.11 **Recycled Waste – in year pressure £26,000.** This pressure relates to the cost of hiring a loading shovel tractor for nine months following the fire and subsequent scrapping of the depot loading shovel tractor. The vehicle was due for replacement in 2020/21 however the capital monitoring report to this Executive request the purchase in 2019/20 to reduce hire costs.
- 3.2.12 **IT Strategy – pressure £64,920.** Subject to members approval of the IT Strategy the impact to the General Fund in 2019/20 is £64,920 with any ongoing impact to be reported as part of the September MTFS. The costs include a technical advisory partner for Office 365, storage, microwave and one off consultancy for digital innovation.
- 3.2.13 **Daneshill House Flood – one off pressure £27,000.** During July, Daneshill House experienced issues with the soil stack. The cost of repairs and supplies was £27,000.
- 3.2.14 **Other – in year saving £11,770 (ongoing saving £18,270).** These are smaller net savings across General Fund Services.
- 3.2.15 The cumulative changes made to the General Fund net budget remains within the £400,000 increase variation limit delegated to the Executive. The total value of changes (excluding carry forwards) is £301,000. This is 75.3% of the delegated limit.



3.2.16 The impact of the 1st quarter review is an ongoing pressure of £47,190 (see table three below). This has been included in the 2019/20 MTFS update to this Executive and in the Financial Security targets for 2020/21-2022/23

Table Three - Q1 Ongoing - General Fund		Budget change 2020/21 £
	Service Area:	
Income	Council Tax Summons income	50,000
	Indoor Market increase	(5,000)
	Verge Maintenance decrease	30,460
Expenditure	Council Tax court costs reduction	(10,000)
Other		(18,270)
TOTAL BUDGET CHANGES REPORTED THIS QUARTER		47,190

3.3. Financial Security options, Growth bids and Carry forward requests

3.3.1 Included in the 2019/20 General Fund budgets are Financial Security options totalling £798,552. Progress on the Financial Security options will be reported to the Leaders Financial Security Group (LFSG) and any updates will be included in the 2nd quarter Revenue Monitoring report. A number of options are not due to be implemented until later in the financial year. LFSG will review 2019/20 and future year options.

3.3.2 The carry forwards requested at 3rd and 4th quarter 2018/19 of £671,770 are projected to be fully spent.

3.4 Review of General Fund Balances

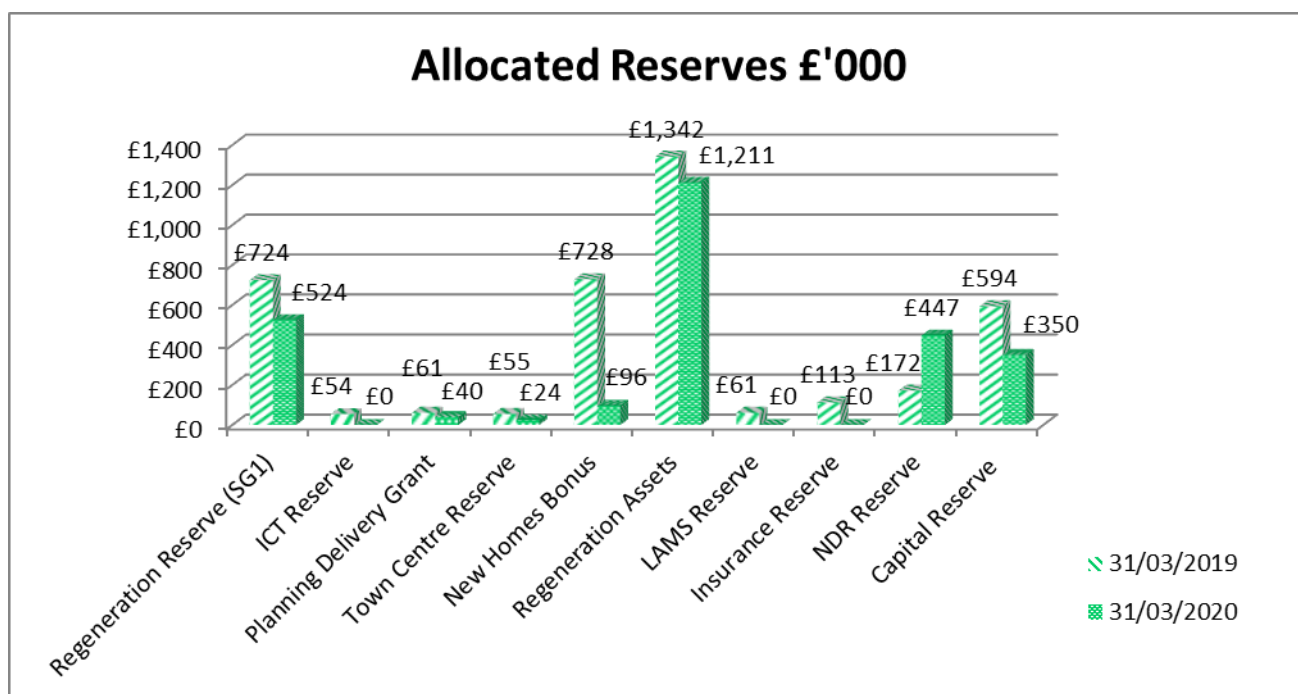
3.4.1 **Provisions** for bad debt and known liabilities are within budgeted levels and no changes are required after the 1st quarter review.

3.4.2 **Allocated Reserves** - Some balances are 'ring fenced' and have been set aside for specific purposes. The estimated total value of (revenue) allocated reserves available for the Council to spend at 31 March 2020 is **£2,341,931**, (31 March 2019, £3,311,142). Reserve balances are projected to decrease by £969,211 in year, the majority of the allocated reserves have been allocated to regeneration projects and new build projects.

3.4.3 The General Fund also has a specific reserve for capital projects funded from unbudgeted underspends at year end. The balance of the capital reserve at the start of 2019/20 was £594,000. The estimated value at 31 March 2020 is

£350,000. The capital reserve is used to finance part the General Fund capital programme.

All allocated reserves are being utilised to some extent in year with the exception of the NDR Reserve, this is summarised in the chart below:



3.4.4 General Fund Balance – Following the 1st quarter review the General Fund balance as at the 31 March 2020 is now forecast to be **£3,772,845** subject to any changes included in the Medium Term Financial Strategy (MTFS) update to this Executive

Table Four:	
General Fund Balances	
	£
Original Net General Fund Budget	8,802,520
Approved budget changes	779,200
Net Working budget approved to Date	9,581,720
1st Quarter review	193,570
Total Net Expenditure post Q1 review	9,775,290
less core resources	(8,754,074)
Transfer (to)/from General Fund balances	1,021,216
General Fund balance 31/3/19	(4,794,061)
Transfer (to)/from General Fund balances	1,021,216
Projected General Fund balance 31/3/20	(3,772,845)
Allocated Revenue Reserves 31/3/20	(2,341,931)
Allocated Capital Reserves 31/3/20	(350,000)
Total General Fund balances	(6,464,776)
(estimated 31/3/20)	

3.4.5 **Core resources** used for the financing of the net General Fund expenditure comes from council tax, retained business rates and revenue support grant. Changes in the council tax base and business rate yield now have a direct impact on Council finances since the localisation of business rates. As at 31 July the council taxbase for 2019/20 is now estimated at 27,525 band D equivalents (Council Tax setting report in February estimated 27,330). The taxbase is higher than expected due to reductions in council tax support and more properties in the taxbase. More information relating to the taxbase can be found in the General Fund MTFS (September Executive).

3.4.6 The forecast yield from business rates remains largely unchanged from original budget. More information relating to the taxbase can be found in the General Fund MTFS (September Executive).

4. HOUSING REVENUE ACCOUNT (HRA)

4.1 Since the Housing Revenue Account (HRA) net budget deficit of £9,076,320 was approved at Council, Members have further approved net budget deficits of £529,480, as detailed in the following table:

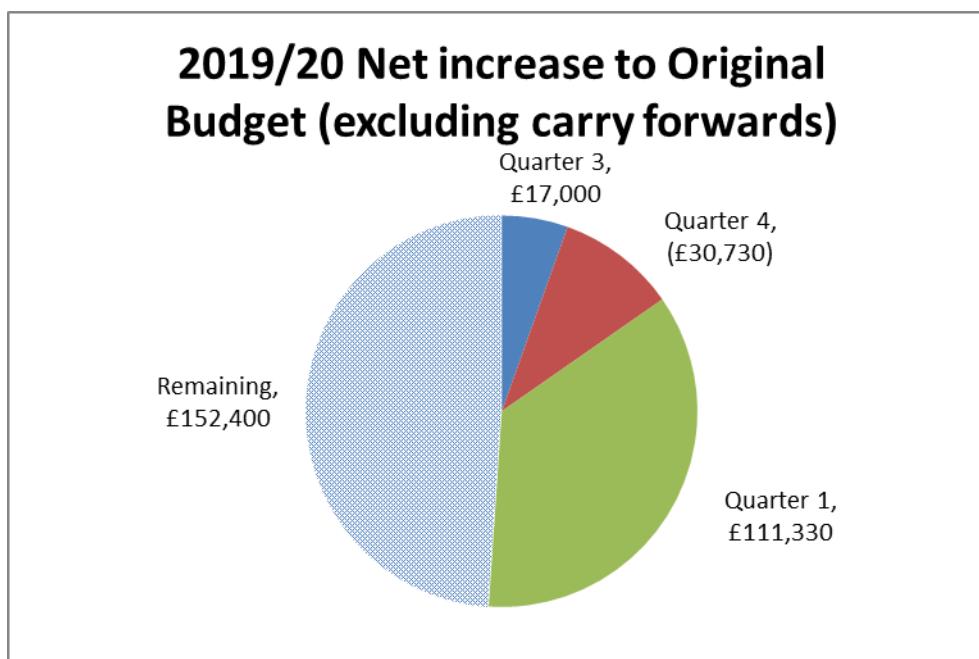
Table Five – HRA Working budget	Working Budget £
Original Budget 2019/20	9,076,320
3rd Quarter 2018/19 net changes	17,000
3rd Quarter Carry forwards	507,470
4th Quarter 2018/19 net decrease	(30,730)
4th Quarter Carry forwards	35,740
Approved movement	529,480
Total Working Budget	9,605,800

4.2 Housing Revenue Account – Budget Review

4.2.1 Following the 1st quarter review of revenue budgets officers have identified the following budget alerts listed in the table below.

Table Six - Budget Alerts - Housing Revenue Account		Budget change 2019/20 £
Income	Rent	(90,000)
Expenditure	Council tax on long term empty properties	97,330
	RTB Administration income reduction	19,500
	HR share of IT pressures	66,500
	Daneshill House Flood	18,000
Other		
TOTAL BUDGET CHANGES REPORTED THIS QUARTER		111,330

- 4.2.2 **Rent variances – in year saving £90,000.** The original rent projections include assumptions for each type of rental property. There are a combination of factors that have contributed to this in year saving, timing of RTB sales, new acquisitions and phasing of void properties.
- 4.2.3 **Council Tax on Long Term Empties – in year pressure £97,330.** Additional Council Tax on long term empty properties pending demolition and redevelopment. Long term empty properties pay a premium of an additional 50% of the Council Tax due.
- 4.2.4 **Right to Buy Administration Income –** The council receives £1,300 from each Right to Buy sale as a contribution to the costs of administering the scheme. The original budget did not reflect the reduction of sales from 50 to 35. This means income will be **reduced by £19,500.**
- 4.2.5 **Information Technology – In year pressure £66,500.** Subject to members approval of the IT Strategy the impact to the HRA in 2019/20 is £66,500 with any ongoing impact to be reported as part of the ICT Strategy to the October Executive. The costs include a cloud operating system, storage, microwave and one off consultancy for digital innovation.
- 4.2.6 **Daneshill House Flood – one off pressure £18,000.** This is the HRA share of soil stack damage reported, see also paragraph 3.2.13.
- 4.2.7 The cumulative changes made to the HRA net budget remains within the £250,000 increase variation limit delegated to the Executive. The total value of changes (excluding carry forwards) is £97,600. This is 39% of the delegated limit.



4.3 Financial Security options, growth bids and carry forward requests

- 4.3.1** Included in the 2019/20 Housing Revenue Account budgets are Financial Security options totalling £354,630 and carry forward budgets of £543,210. The Financial Security savings options will be reported to the Leaders Financial Security Group and reported in the 2nd quarter Revenue Monitoring report. The carry forwards are currently on track to be achieved. A number of options are not due to be implemented until later in the financial year. LFSG will review 2019/20 and future year options.

4.4 Housing Revenue Account balances

- 4.4.1** Following the 1st quarter review the HRA balance is now forecast to be £11,584,929. Although forecast balances are high, Members will be aware of the funding gap identified in the HRA Business Plan in future years and the ongoing requirement to find Financial Security options. This is subject to changes reported to Executive in the November HRA Business Plan.

Table Seven – Housing Revenue Account Out-turn Position	£
Original Budget	9,076,320
Approved budget changes 18/19	529,480
1st Quarter adjustments	111,330
Projected net deficit post 1st Quarter review	9,717,130
HRA balance brought forward 1/4/19	(21,302,059)
Deficit in year	9,717,130
Projected HRA balance 31/3/20	(11,584,929)

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 2019/20 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 summarises external and internal factors that impact on approved budgets and recommends changes to those budgets in year. Budget changes identified for future years that could adversely impact on groups covered by statutory equality duties will be incorporated into the budget setting process which includes Equality Impact Assessments (EqIA). None of the budget changes reported will change any existing equalities and diversity policies.
- 5.3.2 The service department has been asked to look at the equalities and diversity implications in the increase in void re-let times and any potential impact on protected groups.

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 2019/20 General Fund balances was calculated at £2,671,410. This report forecasts General Fund balances of £3,772,845 and

allocated reserve balances of £2,691,931 which is above the minimum balances required.

- 5.4.2 The HRA balances are projected to be £11,584,929. The level of HRA balances or revenue reserves risk assessed for 2019/20 is £1,945,972. The projected HRA balance is above the risk assessed level, however it should be noted that the HRA holds balances for future debt repayments and the capital programme for throughout the 30 year business plan.

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 PAPERS

BD1 - HRA final budget proposals and rent setting report (Council 30th January 2019)

BD2 – 2019/20 Council Tax Setting and General Fund Budget (Council 27th February 2019)