

**Meeting** Executive  
**Portfolio Area** Resources  
**Date** 11 March 2020



### 3RD QUARTER MONITORING REPORT - GENERAL FUND AND HOUSING REVENUE ACCOUNT 2019/20

#### KEY DECISION

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#### 1 PURPOSE

- 1.1 The Council undertakes a review of all revenue and associated budgets on a quarterly basis. This is the 3<sup>rd</sup> quarter monitoring report for 2019/20.
- 1.2 To update Members on the General Fund and Housing Revenue Account (HRA) projected 2019/20 net expenditure and seek approval for the revisions to the 2019/20 revenue budgets.
- 1.3 To update Members on the General Fund and Housing Revenue Account (HRA) projected 2020/21 net expenditure and seek approval for the revisions to the 2020/21 revenue budgets.
- 1.4 To update Members on the General Fund and HRA Financial Security options approved for 2019/20.
- 1.5 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.

- 1.6 To update Members on any new Financial Security options that contribute to the General Fund and Housing Revenue Account savings target.

## 2 RECOMMENDATIONS

### General Fund

- 2.1 To approve the 2019/20 3<sup>rd</sup> quarter General Fund projected net decrease in expenditure of £108,000 and that the cumulative changes made to the General Fund remain within the £400,000 (increase) variation delegated to Executive.
- 2.2 To note the progress of the 2019/20 approved savings, growth bids and carry forwards.
- 2.3 To approve the new carry forward requests of £100,800.

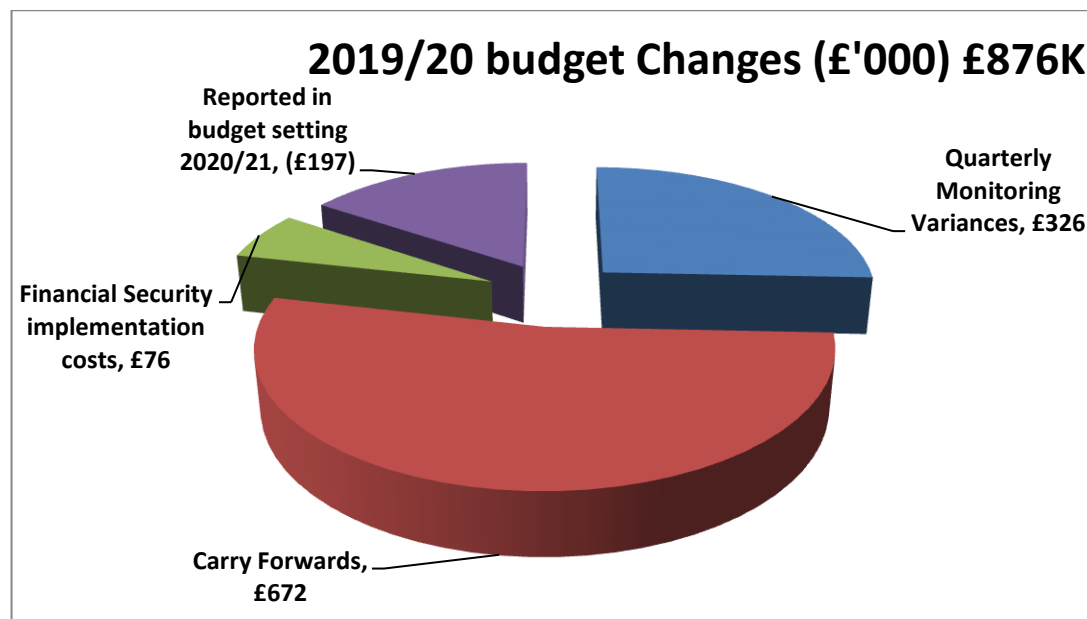
### Housing Revenue Account

- 2.4 To approve the 2019/20 3<sup>rd</sup> quarter decrease in the net HRA deficit of £16,440.
- 2.5 To note the progress of the 2019/20 approved savings, growth bids and carry forward requests.
- 2.6 To approve new carry forward requests of £47,000.

## 3 BACKGROUND

### 3.1 General Fund Working Budget

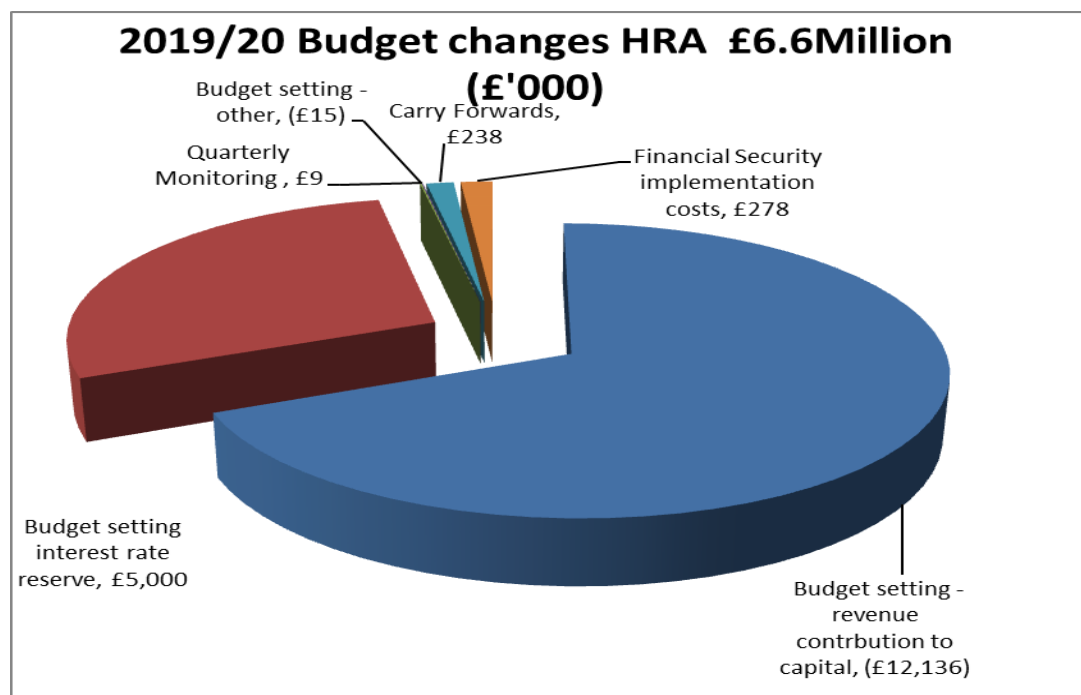
Since the 2019/20 General Fund net revenue budget of £8,802,520 was approved by Council on 27 February 2019, Members have approved net budget increases of £876,160, (as summarised below). The approved working budget totals £9,678,680.



\* (£) indicates reduction in spend /increase in income

### 3.2 Housing Revenue Account Working Budget

The HRA net revenue budget of £9,076,320 was approved at Council on 30 January 2019. Subsequently Members have approved 2019/20 budget changes of £6,627,430 (as summarised below). The approved working budget totals £2,448,890.



\* (£) indicates reduction in spend /increase in income

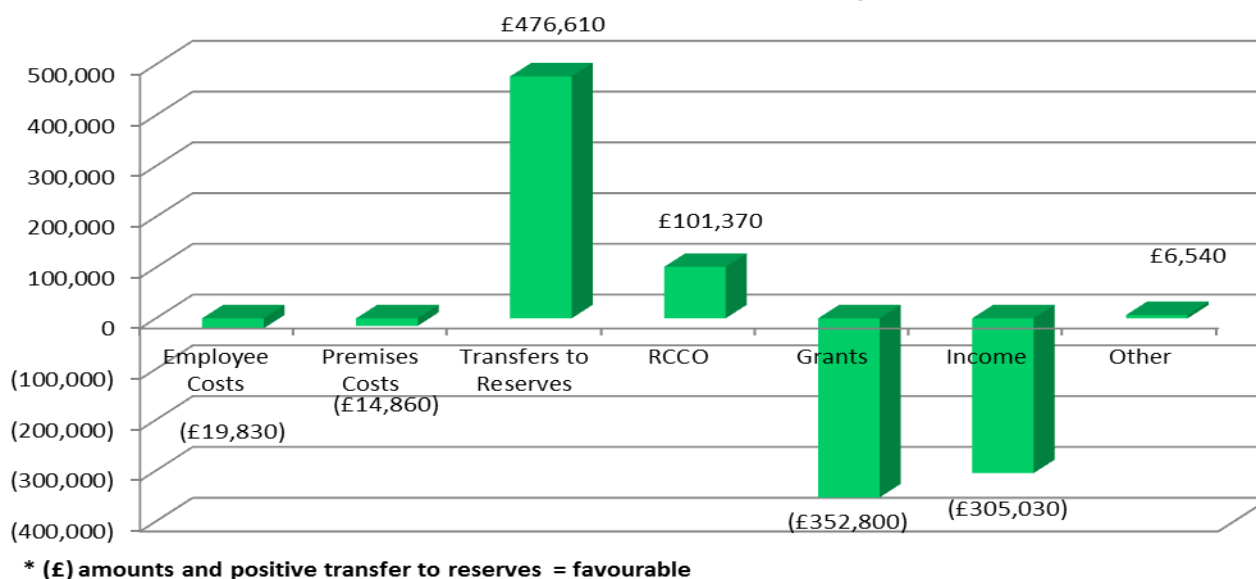
## 4 REASONS FOR RECOMMENDED COURSE OF ACTION

### 4.1 General Fund Budget Review

- 4.1.1 As a result of the 3<sup>rd</sup> quarter budget monitoring review the General Fund net expenditure is projected to decrease by £108,000, including carry forward requests of £100,800. This means the net change in the General Fund projected expenditure is a decrease of £7,200 excluding carry forward requests.
- 4.1.2 Pressures and savings identified during the 3<sup>rd</sup> quarter can be seen in the graph below.

## 2019/20 Quarter 3 - General Fund Variances

### Favourable variance £108,000



## 4.2 3<sup>rd</sup> Quarter variances

### 4.2.1 Employee Costs – net under spend £19,830.

The General Fund salary budgets include an allowance for turnover (4% salaries) totalling £634K. To date £488K or 77% has been identified, with a further £164K projected to be found for quarter 4. In addition to this a further salary underspend of £224K is reported across the General Fund, however £60K of this is recommended to fund a programme manager post to support a review of how we manage our assets (Corporate Landlord review).

### 4.2.2 Premises Net Costs – net saving £14,860. This consists of:

- Additional Rent from Swingate House compared to budget projection of when the building would be empty, £41,060.
- A net pressure on electricity costs of £4,160 across the Councils assets.
- A net pressure of £12,040 on Commercial Property repairs and maintenance relating to re-letting and health and safety compliance. This is continuously under review by Estates officers.
- A £10,000 pressure for a survey and specification for the water project at the Leisure Centre.

### 4.2.3 Transfers to and from Reserves – net transfer to Reserves £476,610.

Table One - Summary of Q3 Allocated Reserve Movements			
Allocated Reserve	Transfers In	Transfers Out	Net Transfer
<b>Revenue Reserves</b>			
Regeneration Reserve (SG1)	71,690		71,690
ICT Reserve		92,410	(92,410)
Homeless Prevention	347,330		347,330
<b>TOTAL REVENUE RESERVES</b>	<b>419,020</b>	<b>92,410</b>	<b>326,610</b>
<b>Capital Reserves</b>			
Capital Reserve	150,000		150,000
<b>TOTAL CAPITAL RESERVE</b>	<b>150,000</b>	<b>0</b>	<b>150,000</b>
<b>TOTAL ALLOCATED RESERVES</b>	<b>569,020</b>	<b>92,410</b>	<b>476,610</b>

- Following the 3<sup>rd</sup> quarter monitoring with the Regeneration team, timing of recruitment and project spend will require a transfer back in to the Regeneration Reserve to fund future years spend £71,690. The reserve is projected to be fully utilised by 31<sup>st</sup> March 2022.
- Members have already approved the ICT Reserve, this adjustment reflects the use of the reserve to fund growth posts in 2019/20 £92,410. The money is required earlier than originally anticipated following establishment monitoring.
- The transfer in to the Homeless Prevention reserve relates to unspent grant that will be drawn down when needed £347,330 to cover staff and homeless prevention activities (see also paragraph 4.2.5).
- A one off contribution to the capital reserve is recommenced in line with the Capital Strategy as reported to the February Executive, to ensure there are sufficient funds for the 2020/21 capital programme (£150,000).

4.2.4 **Revenue Contribution to Capital (RCCO)** – £101,370 revenue transfer to fund capital projects. Queensway set up costs were capitalised in 2018/19 and financed from capital receipts. An adjustment has been included to reverse the impact on the General Funds capital resources.

4.2.5 **Grants** – Flexible Housing Support Grant and the Rough Sleepers Grant are projected to be £347K unspent. These are allocations from 2018/19 (£248K) and 2019/20 (£404K). A further grant notification for 2020/21 was received as part of the financial settlement in December 2019. Staff are being recruited to work with clients to prevent homelessness cases and these have been vital in managing the recent changes to legislation and the peak in demand. £347,330 is recommended to be transferred to the Homeless Prevention Reserve to be drawn down when required to support future prevention schemes.

4.2.6 **Income** – There is an estimated net increase in income is £305,030. This is made up of;

- Additional income of £122,170 from planning reviews and applications. There have been some large planning applications received which have exceeded the working budget projections. This income will fluctuate from year to year hence the

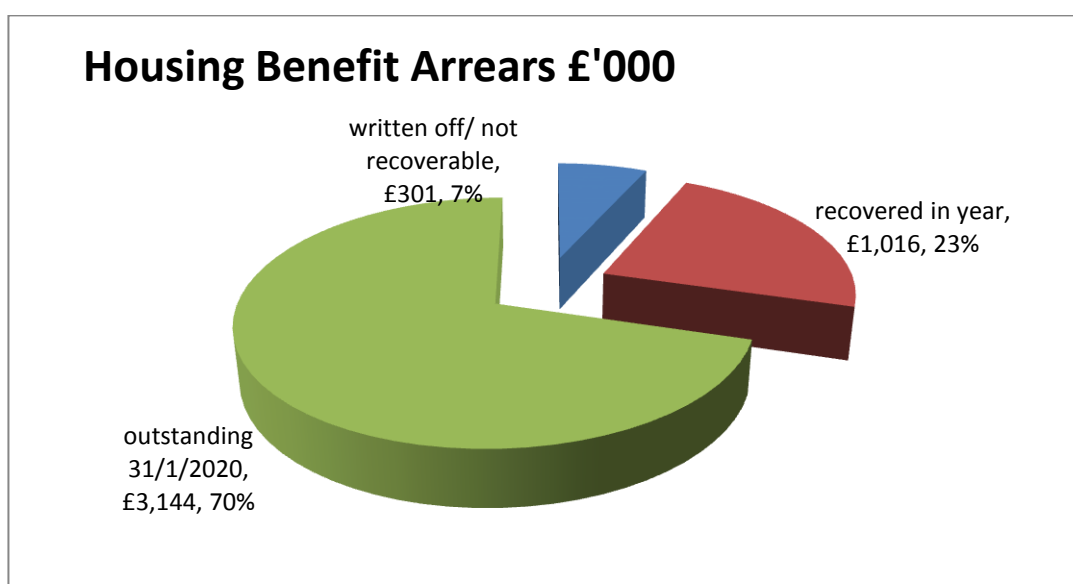
recommendation for some of the gain to go to the equalisation reserve from the net underspend in 2019/20.

- Small land sales have increased by £43,560 over the working budget. These are the sales below £10,000 being our de-minimis for capital receipts.
- As part of the Queensway deal income for set up costs have been received and will be transferred to capital via RCCO £101,370 (see also paragraph 4.2.4 above).
- The original budget for market income was £435,000, this has been reduced during the year as a result of increased voids. There is a further reduction of £10,000 reported in this update and income is now projected to be £404,000. There are currently 132 let stalls and 32 void stalls.
- Additional income is projected for trade waste through the transfer station £22,430. There is also an increase of income from Trade Refuse of £57,500 based on income received to the end of January.
- A decrease of income from cemeteries as death rates are lower nationally £25,000.
- A decrease of income from garage clearances and garage lock changes £7,000.

### 4.3 DEBT PROVISIONS AND ARREARS

#### 4.3.1 Housing Benefit, Council Tax and NDR Debt –

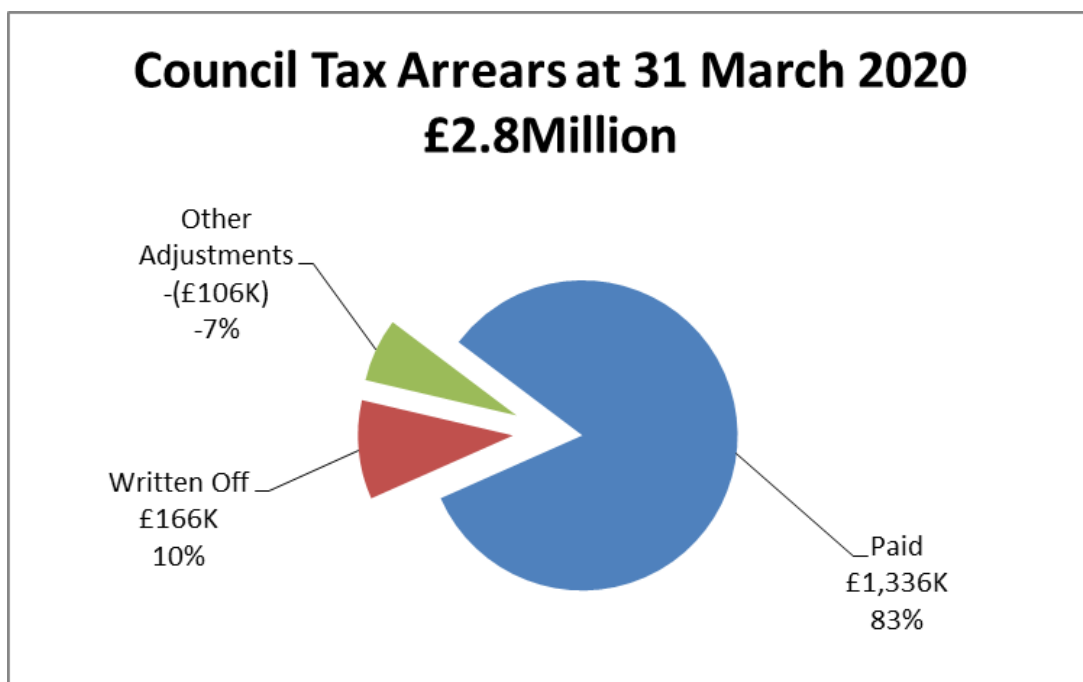
Housing Benefit Debt - There were arrears as at the 1 April 2019 of £3.4Million, with a further £1Million raised in 20219/20. As at the 31 January 2020, 23% of overpayments had been recovered and a further 7% written off, (or unrecoverable). There is a total of £3.1Million outstanding as at the 31 January however there is a debt provision of £2.8Million to offset the impact of write offs.



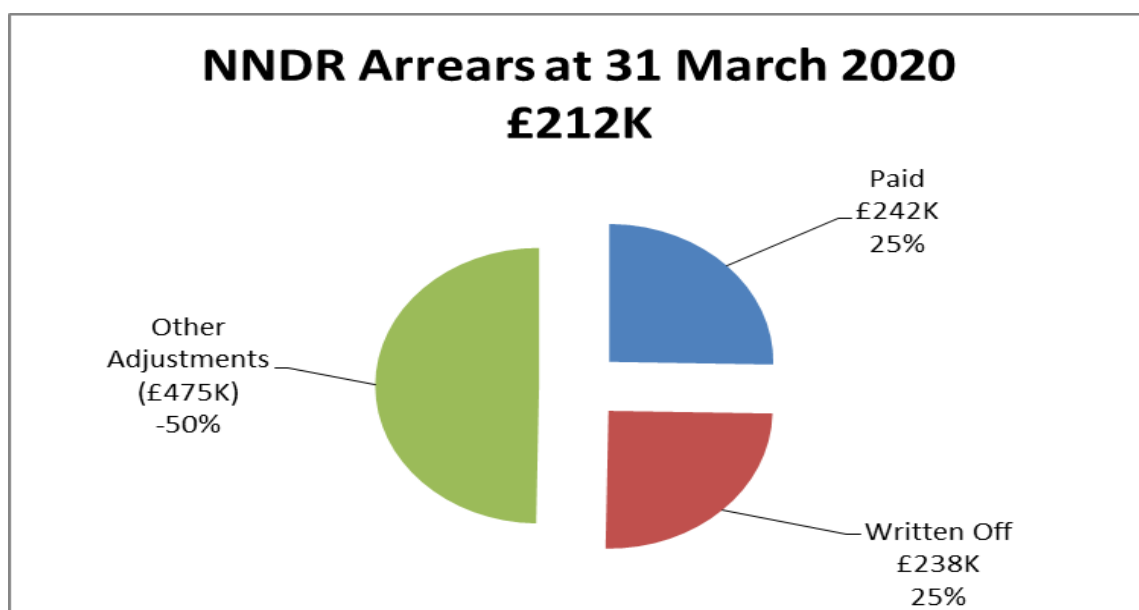
#### 4.3.2 Council Tax and NDR Debt:

There were Council Tax arrears of £4.2Million as at the 1 April 2019, the estimated position at 31 March 2020 is £2.8Million. This equates to £1.3Million (83%) paid, £166K (10%) written off and -£106K (-7%) other adjustments.

Stevenage Borough Council retains 12% of the total precept raised.



4.3.3 There were NDR arrears of £218,078 as at 1 April 2019, the estimated position at 31 March 2020 is £212K. This equates to £242K (25%) paid, £238K (25%) written off and -£475K (-50%) other adjustments.



#### 4.4 Other Updates

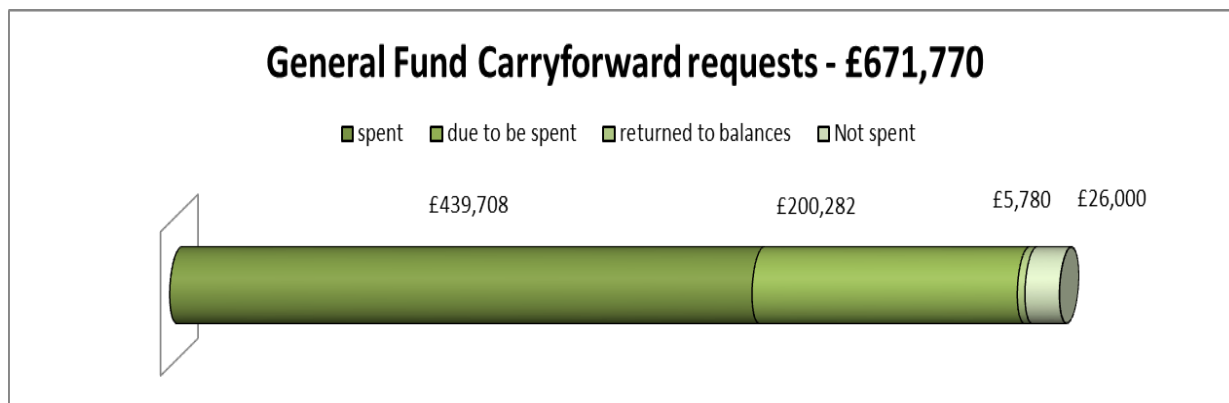
- **Temporary Accommodation** – Members were advised in the 2<sup>nd</sup> quarter monitoring report of a pressure of £164k on temporary accommodation. At quarter 3 this remains unchanged due to;
  - Additional properties have been utilised from the housing stock to meet the current peak in demand. HRA housing rent is lower than external bed and breakfast costs and it also means that the Council avoid paying for further bed and breakfast places.
  - Payments for bed and breakfast have reduced from a peak of £52K in September to £20K in January.
  - Dedicated resource had been put in place to ensure that the Council can reclaim the maximum housing benefit allowance available for each case to help to offset the additional expenditure.

With these measures in place it is anticipated that bed and breakfast expenditure will be contained within the current working budget.

- 4.5 **2020/21 General Fund Budget** – The 3<sup>rd</sup> quarter General Fund review has not identified any changes to the General Fund Budget 2020/21.

#### 4.6 Approved Carry forwards 2019/20 (General Fund)

- 4.6.1 Members have already approved total carry forward requests of £671,770



- 4.6.2 Carry forward requests continue to be monitored and any funds that are required for use in 2020/21 carry forwards will be requested at the 4<sup>th</sup> quarter.

- Carry forward spent to the end of December 2019 related to grant funding £254K, staff costs 148K and other costs £38K.
- The unspent carry forward relates to a fixed term digital post that straddles financial years.
- The carry forward requested for membership of a business portal was not needed and therefore returned to balances.



#### 4.7 New carry forward requests 2020/21

4.7.1 Carry forwards totalling £100,800 relating to staff, are requested for the following;

- £43,000 to fund a fixed term Human Resources post to support the SDS 6<sup>th</sup> Tier restructure.
- £30,000 for a back log in demand led project work delivered by the Business Improvement Team.
- Communities and Neighbourhoods request £10,000 carry forward to fund three months of a Cultural Officer post and £17,800 for an apprentice in Community Safety for one year only

#### 4.8 Financial Security Options and growth proposals approved for 2019/20

4.8.1 As part of the 2018/19 budget setting process Financial Security savings of £798,552 were approved and implemented. 95% of the total Financial Security options approved have been achieved. Officers have identified the following savings options updates;

- Financial Security Option SD12 - The introduction of the staff pension AVC has been delayed and the impact to the General Fund is £8,320. It is anticipated that this option will be implemented in 2020/21.
- Financial Security Option SD15 - Use of transfer station to do bulk haulage £91,650 (reported in the 2<sup>nd</sup> quarter monitoring report to Executive 20<sup>th</sup> November), the fuel element of this saving was over-estimated on the mileage and fuel consumption. This adverse impact has been built into the 2020/21 Budget.
- Financial Security Option SC25 - The holiday purchase scheme saving £10,050 has realised a higher saving of £14,940. This saving will be variable each financial year as staff can choose to purchase up to five additional days annual leave.

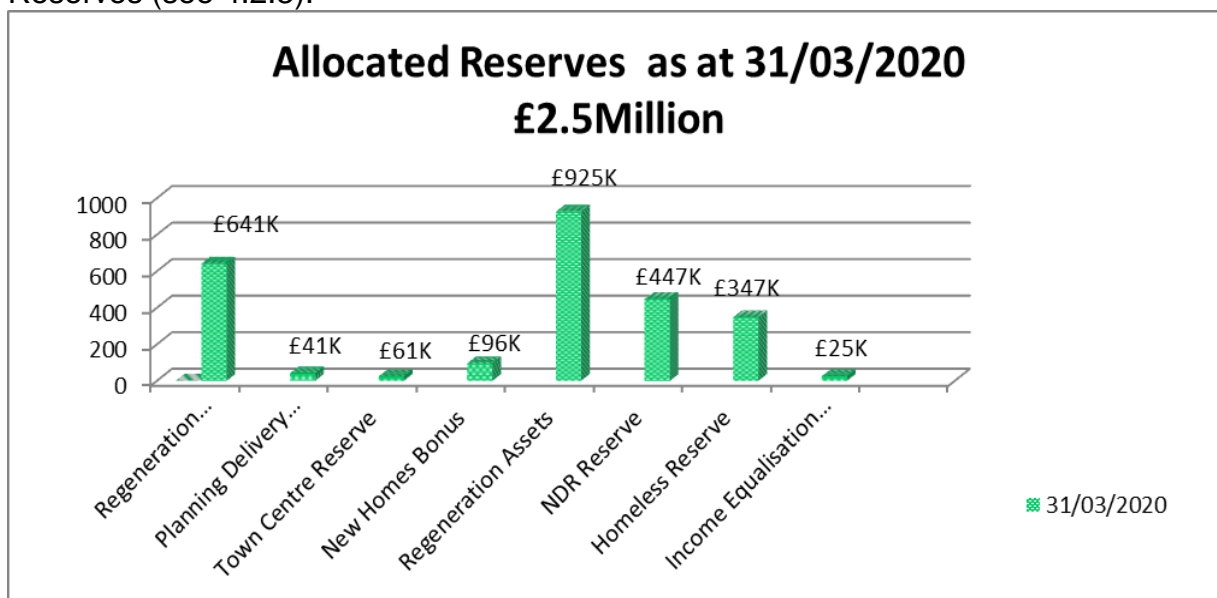
#### 4.9 2019/20 General Fund Out turn position

4.9.1 Following the 3<sup>rd</sup> quarter review the General Fund balance as at 31 March 2020 is projected to be £3,977,455 as detailed in table four.

<b>Table Two:</b>	
<b>General Fund Balances</b>	
	<b>£</b>
<b>Original Net General Fund Budget</b>	<b>8,802,520</b>
Approved budget changes	876,160
<b>Net Working budget approved to Date</b>	<b>9,678,680</b>
3rd Quarter review	(108,000)
<b>Total Net Expenditure post Q1 review</b>	<b>9,570,680</b>
less core resources	(8,754,074)
<b>Transfer (to)/from General Fund balances</b>	<b>816,606</b>
<b>General Fund balance 31/3/19</b>	<b>(4,794,061)</b>
Transfer (to)/from General Fund balances	816,606
<b>Projected General Fund balance 31/3/20</b>	<b>(3,977,455)</b>

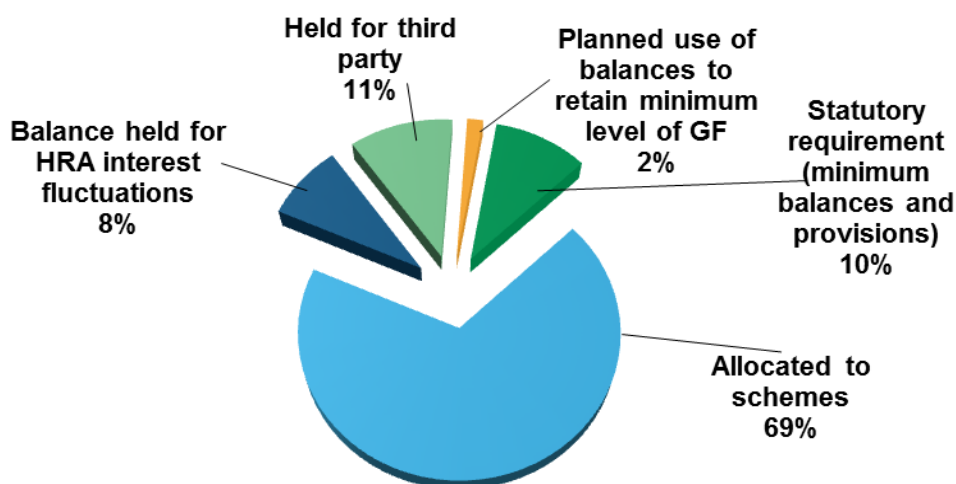
#### 4.10 Allocated Reserves

- 4.10.1 The total value of allocated revenue reserves as at the 1 April 2019 was £3.3Million.
- 4.10.2 The estimated value of allocated revenue reserves as at the 31 March 2020 is projected to be £2.5Million this is an in year decrease of £765K. The majority of allocated reserves relate to regeneration and new build projects £1.6Million, NDR £447K, New Homes Bonus £96K the two new reserves £372k and other reserves totalling £65K.
- 4.10.3 There are two new reserves this year, the Homeless and Income Equalisation Reserves (see 4.2.3).



#### 4.11 Investments and Loans

- 4.11.1 As at 31<sup>st</sup> December 2019 the Council had cash balances of £63.03Million and returns on investment averaged 0.975%. The Council's balances are made up of cash reserves e.g. HRA and General Fund balances, restricted use receipts e.g. right to buy one for one receipts and balances held for provisions such as business rate appeals. The Annual Treasury Management Strategy (Council 26<sup>th</sup> February 2020) reported that all cash balances have been allocated so there are currently no cash resources for new projects. The capital strategy identifies the need for borrowing and a number of capital schemes have not been approved due to the lack of funding resources.



### Analysis of cash balances

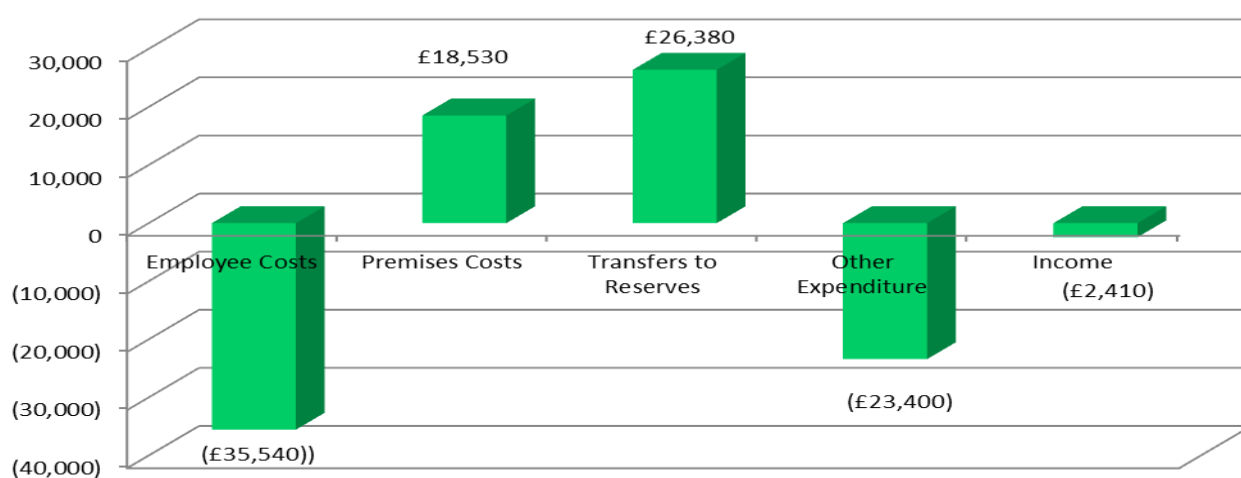
4.11.2 The Council had external debt of £205.351Million as at 31 December 2019 of which £194.9Million relates to HRA Self Financing.

### 4.12 Housing Revenue Account – Budget review

4.12.1 As a result of the 3<sup>rd</sup> quarter budget monitoring review the HRA net deficit is projected to decrease by £16,440. However, from this underspend there are requests to carry forward expenditure budgets totalling £47,000. This means that the net change in the HRA projected expenditure is an increase of £30,560.

4.12.2 Pressures and savings identified during the 3<sup>rd</sup> quarter are summarised in the graph below.

### 2019/20 Quarter 3 - HRA Variances Favourable variance £16,440



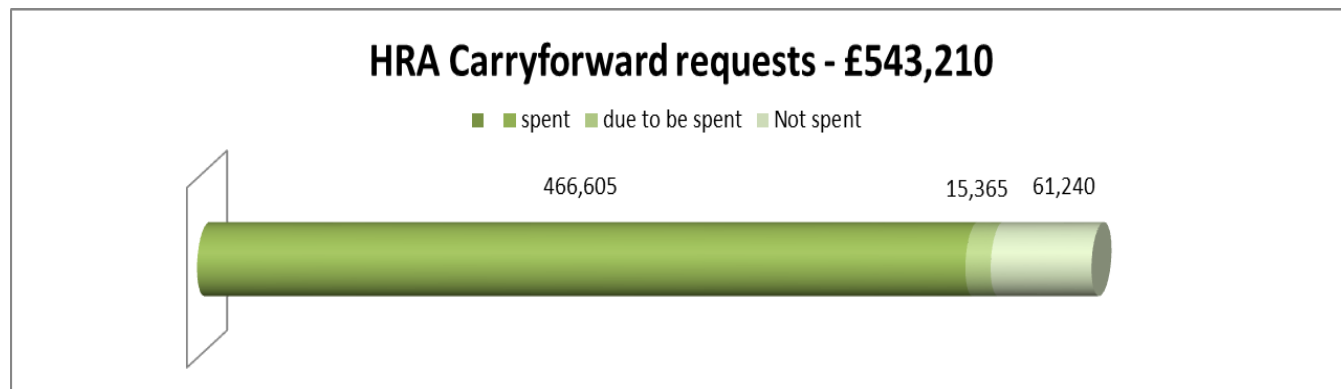
\* (£) amounts and positive transfer to reserves = favourable

- 4.12.3 **Employee Costs** – As part of the budget review for this quarter a further £37,850 of transitional vacancy has been released and this means that the full target of £182,920 has been met for the year. Overall there is a projected saving on salaries of £35,540 in the housing development team due to vacancies.
- 4.12.4 **Premises Costs** – There is a net pressure on premises costs of £18,530.
- £30,570 is required for council tax payments on unoccupied properties. Part of this relates to the Kenilworth development scheme as properties are empty awaiting redevelopment.
  - This pressure has been partly offset by a £12,040 under spend on window cleaning costs due to a delay in procuring a new service provider.
- 4.12.5 **Transfers to/from Provisions** – The provision for bad debt has been increased by £26,380 at quarter 3. Overall debt has not increased significantly from the last quarter, but some debts have fallen into an older debt banding that attracts a higher % provision. If these debts are recovered at a later date the provision will be returned to general HRA balances.
- 4.12.6 **Other Expenditure** – Overall there is a net favourable variance on other expenditure of £23,400. This is made up of the following areas.
- There is currently a £30,000 underspend for electrical testing works where the costs have been met from alternative budgets and this offsets other pressures identified in this report.
  - A new supplier for decoration vouchers and demand has resulted in an under spend of £5,000 in this year.
  - A one off expense of £29,020 for issuing the revised tenancy agreement.
  - Currently there is no budget provision to cover development and maintenance work on the housing management system. This has led to a projected overspend this year of £25,000. Improvements are being made to workflow on the system reducing the use of paper systems and improving customer's access to services.
  - The budget to progress housing development schemes is currently projected to be £47,180 under budget for the year. A request has been made to carry £47,000 forward into the next year.
  - Other minor pressures totalling £4,760
- 4.12.7 **Income** – Overall there is a £2,410 favourable variance projected on income areas. This is made up from the following;
- Rent projections are £8,320 lower than budget due to the timing and tenure type of new properties coming into the HRA.
  - Charges on temporary accommodation of £10,080, as more properties have been made available to avoid the use of bed and breakfast places and provide more suitable accommodation for customers (see paragraph 4.2.8).
- 4.12.8 The Corporate Performance Report for quarter 3 identified rent collection has fallen below target to 97.3%. This is 0.5% lower than the target and represents £191K of rent. This will impact on the HRA if the rent becomes uncollectable and could lead to an increase in the bad debt provision when reviewed in future budget monitoring.
- 4.12.9 The projection for Interest on balances has been reduced by £15,200 based on average levels of balances for the year.

4.12.10 Other minor pressures totalling £4,760.

#### 4.13 Approved Carry forwards 2018/19 (HRA)

4.13.1 Members have approved HRA carry forward budgets totalling £543,210.



4.13.2 Overall, £466,605 of the total £543,210 has been spent by quarter 3, with a further £15,365 expected to be spent by the year end. The £467k spend has been on Maintenance £302K, Transformation £203K and other spend of £38K.

4.13.3 In total £46,240 of carry forward requests can be returned to HRA balances, but £15,000 for housing development consultancy costs will form part of a further carry forward request to match the timing of development schemes.

#### 4.14 HRA Financial Security Options and growth proposals approved for 2019/20

4.14.1 As part of the 2019/20 budget setting process financial security savings of £354,630 were identified. At the 3<sup>rd</sup> quarter £284,157 are on schedule to be achieved and £70,473 are not likely to be met in the current year. The failed savings mainly relate to timing differences,

- Financial Security Option SA5 - Sale of assets £32,000. This one off saving was achieved in 2018/19 and was included in the year end balances.
- Financial Security Option SC2 - Formation of a wholly owned company (WOC) £25,000. The plan is to be able to set up the WOC in the 4<sup>th</sup> quarter.

#### 4.15 2019/20 HRA Outturn position

4.15.1 Following the 3<sup>rd</sup> quarter review the HRA balance as at 31 March 2020 is projected to be **£18.9Million** as detailed in table three.

<b>Table Three – Housing Revenue Account Out-turn Position</b>	<b>£</b>
<b>Original Budget</b>	<b>9,076,320</b>
Approved budget changes 18/19	(6,627,430)
3rd Quarter Pressure	30,560
3rd Quarter Carry Forward	(47,000)
<b>Projected net deficit post 3rd Quarter review</b>	<b>2,432,450</b>
HRA balance brought forward 1/4/19	(21,302,059)
Deficit in year	2,432,450
<b>Projected HRA balance 31/3/20</b>	<b>(18,869,609)</b>

#### **4.16 2020/21 HRA Budget**

- 4.16.1 The 3<sup>rd</sup> quarter budget review has not identified additional ongoing budget pressures or savings. However, there are several areas that will be reviewed before the year end to ensure that ongoing budget impacts are included in future reports.

### **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 £3,977,455 and allocated reserve balances of £2,546,231 which is above the minimum balances required.
- 5.4.2 The HRA balances are projected to be £18,869,609. 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 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.

## **5.6 Climate Change Implications**

- 5.6.1 The Council declared a climate change emergency at the June 2019 Council meeting with a resolution to work towards a target of achieving net zero emissions by 2030.
- 5.6.2 The Final General Fund and Council Tax Setting 2020/21 Report approved by Council 26<sup>th</sup> February 2020 included funding for a climate change officer/works to meet the Council's climate change aims and these will be monitored from 1<sup>st</sup> April 2020.

## **BACKGROUND DOCUMENTS**

BD1 FINAL GENERAL FUND AND COUNCIL TAX SETTING 2019/20 Council 27<sup>th</sup> February 2019

BD2 FINAL HRA RENT SETTING AND BUDGET REPORT 30<sup>th</sup> January 2019

BD3 ANNUAL TREASURY MANAGEMENT STRATEGY COUNCIL 26<sup>th</sup> February 2020