
Meeting: EXECUTIVE **Agenda Item:**

Portfolio Area: Resources

Date: 18 November 2020

2ND QUARTER REVENUE MONITORING REPORT – GENERAL FUND



KEY DECISION

Author – Katia Cousins Ext. 2383
Contributor – Finance team and budget Managers
Lead Officers – Clare Fletcher Ext. 2933
Contact Officer – Clare Fletcher Ext.2933

1. PURPOSE

- 1.1 To update Members on the projected General Fund 2020/21 net expenditure and seek approval to amend the General Fund budget as part of the quarterly revenue review. The Housing Revenue Account (HRA) quarterly monitoring update is included in the HRA Medium Term Financial Strategy (MTFS) update to this November Executive.
- 1.2 To update Members on General Fund carry forward requests from 2019/20.
- 1.3 To update Members on the General Fund reserves and balances available to support revenue expenditure and seek approval for revisions to the allocated reserves.

2. RECOMMENDATIONS

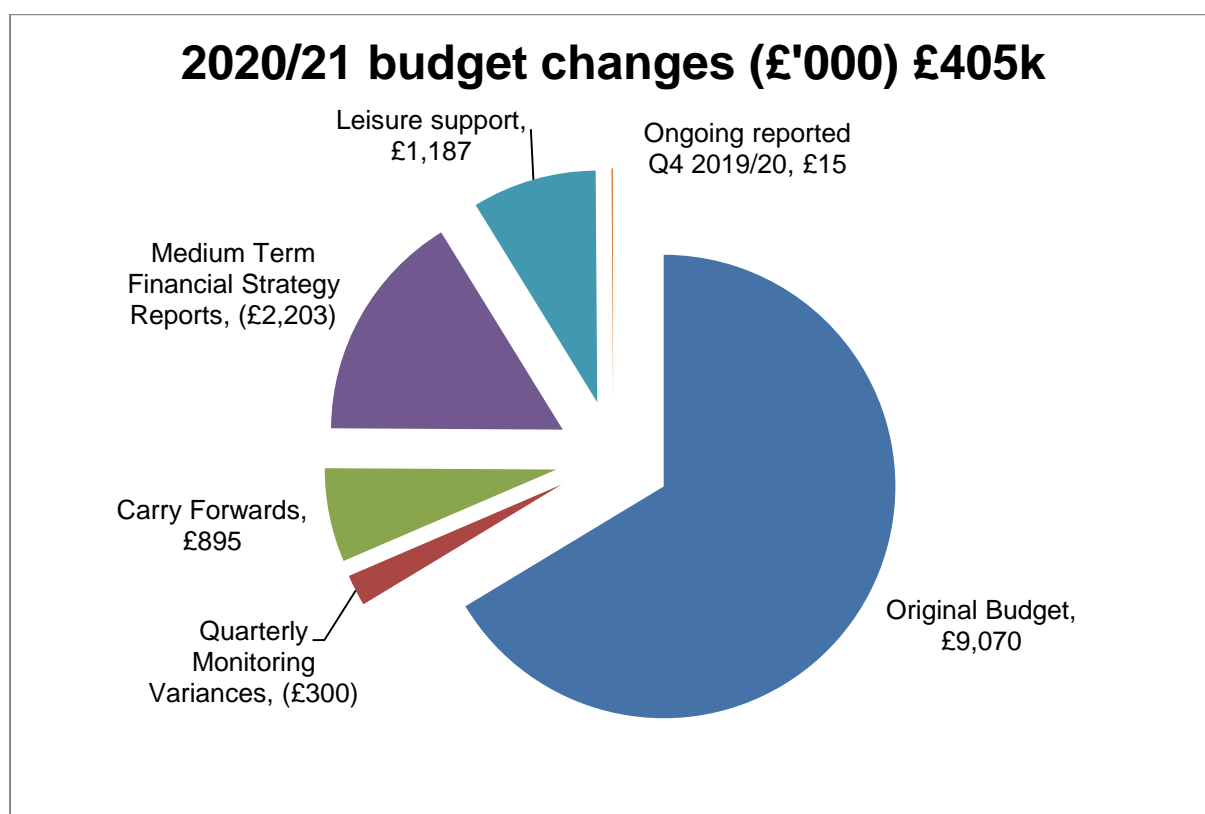
General Fund

- 2.1 That the 2020/21 2nd quarter projected net decrease in General Fund expenditure of £30,300 be approved.
- 2.2 That net COVID budget pressures of £2,132,360 be noted and the amount ring fenced in the General Fund to ensure resources are available for 2020/21 if no further funding is forthcoming from the government, (other than that set out in paragraph 4.1.20).
- 2.3 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, as set out in paragraph 4.1.21.

2.4 That it be noted that the 2021/22 ongoing net pressure of £205,000 will be incorporated into the Budget setting process. Further ongoing pressures identified as risks within this report will be determined and incorporated within the General Fund budget setting process.

3. BACKGROUND - GENERAL FUND

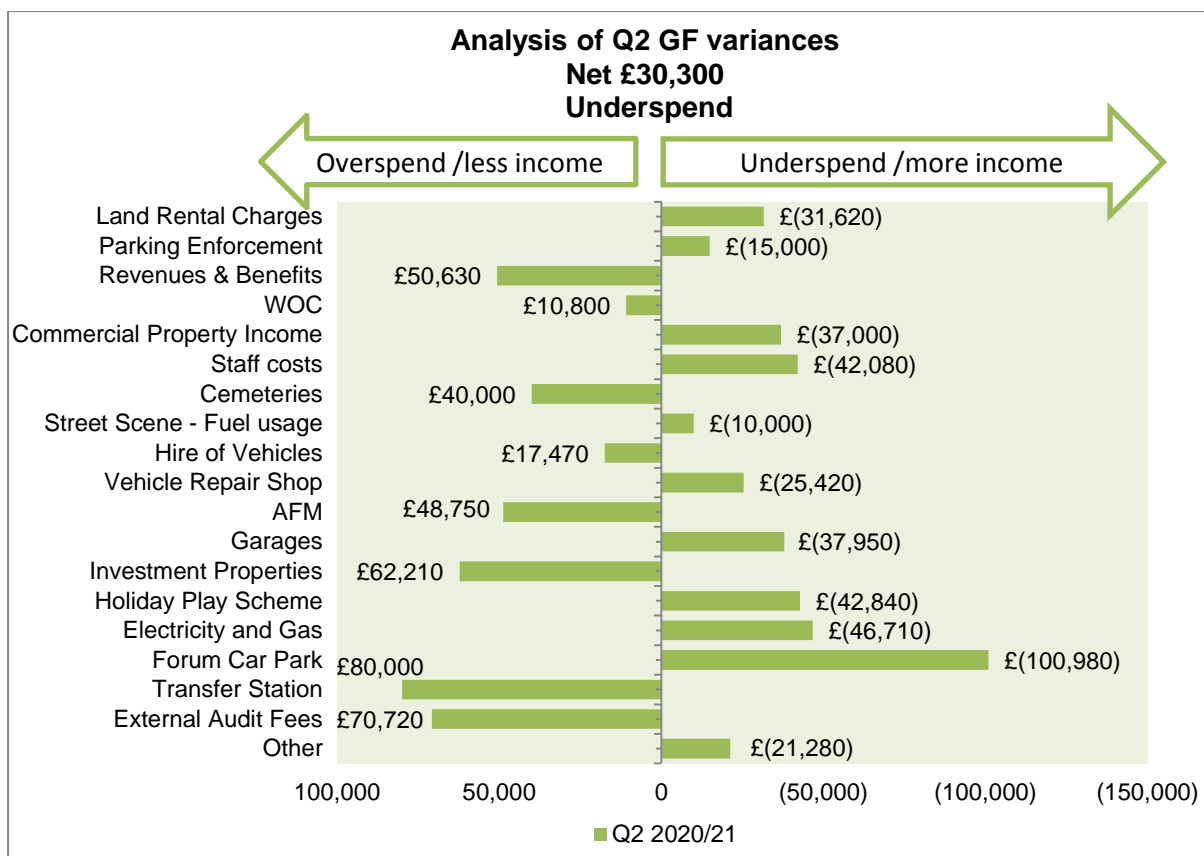
3.1. Since the General Fund net budget of £9,069,830 was approved at Council, Members have approved net budget changes of £405,490 as detailed in the table below:



4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 General Fund – Budget Review

4.1.1 Following the 2nd quarter review of revenue budgets officers have identified the following budget movements.



(-) lower expenditure / more income

- 4.1.2 **Land Rental Charges – additional income £31,620.** The Council has received one off income from the Queensway development pertaining to highways permits and hoarding charges.
- 4.1.3 **Parking Enforcement Contract– in year saving £15,000.** The charge from the contracted service will be reduced due to a six month vacancy of a Parking Enforcement Officer.
- 4.1.4 **Revenue and Benefits – pressure of £50,630.** This pressure comprises of three elements
- £173,880 Housing Benefit overpayment pressure – the impact of real time data from the Department of Pensions (DWP) and Her Majesty’s Revenue and Customs (HMRC) relating to client changes in circumstances along with transfers from Housing Benefit to Universal Credit has led to fewer overpayments being raised. Officers have reviewed trends over the last 11 years and the overpayment income forecast for 2020/21 is significantly lower. It is projected that the ongoing pressure will be £180,000 (see 4.1.21).
 - £77,250 saving – the year end estimate for the 2019/20 Shared Revenue and Benefits Service was higher than the actual final invoice received, resulting in a one off benefit in 2020/21

- £46,000 saving – based on the current level of debt, the projection is that the transfer to the debt provision will be lower than originally budgeted.

- 4.1.5 **Wholly Owned Company (WOC) – pressure £10,800.** The WOC report is due to be presented to the December Executive, this means the assumed income budgeted for the Finance SLA to the WOC will not be realised in 2020/21.
- 4.1.6 **Commercial Property Income – in year saving £37,000.** Work completed by Estates Officers anticipate extra rent (this includes an estimated 10% void rate/bad debt loss).
- 4.1.7 **Staff Costs – saving £42,080.** This saving is made up of;
- £121,150 Stevenage Direct Services business unit (SDS) vacant posts and lower agency costs
 - £60,000 from Street Scene as a result of fewer grass cuts due to COVID restrictions. Four grass cuts are anticipated to take place in 2020/21 compared to eight or nine.
 - £61,150 from Refuse and Recycling where internal staff have been reassigned as a result of COVID restrictions
 - £37,920 the Finance & Estates Assistant Director post has been vacant for a proportion of the financial year
 - £116,990 release of Transitional vacancy. The General Fund salary budgets include an allowance for turnover (4.5% salaries) totalling £585K. To date £269K or 46% has been identified, with a further £316K projected to be found for quarter three and four.
- 4.1.8 **Cemeteries Income – pressure £40,000.** Demand is lower than the set base budget and this lower level of demand is projected to be ongoing (see 4.1.22).
- 4.1.9 **Fuel (plant machinery) – in year saving £10,000.** As a result of earlier COVID restrictions there have been fewer grass cuts and strimming that have led to this in year saving (see 4.1.7).
- 4.1.10 **Hire of Vehicles – pressure £17,470.** Additional vehicle costs due to the need for extra recycling during the summer period to meet service demand.
- 4.1.11 **Vehicle Repair Shop – saving £25,420.** Following the purchase of new vehicles there is a saving on equipment tools and materials as fewer repairs are required. It is projected that £15,000 of this saving is ongoing (see 4.1.22).
- 4.1.12 **Recycling gains Alternative Financial Model – pressure £48,750.** The latest projection from Hertfordshire County Council projects a payment to Stevenage Borough Council of £112k. This is £100k lower than budget, however this has been partially mitigated in year as the 2019/20 receipt was £54k higher. It should be noted that there is potentially an ongoing pressure £100k.

4.1.13 **Garages – saving £37,950.** Reduction in borrowing costs of £54,400 (internal borrowing) partially offset by a pressure from additional repayment of principal on borrowing (MRP) £16,450.

4.1.14 **Investment Properties – pressure £62,210.** A rent free period was negotiated as part of the lease renewal on the Council’s Investment Property.

4.1.15 **Holiday Play Scheme – saving £42,840.** Due to restrictions associated with the pandemic, the Holiday Play Scheme did not run over the summer months.

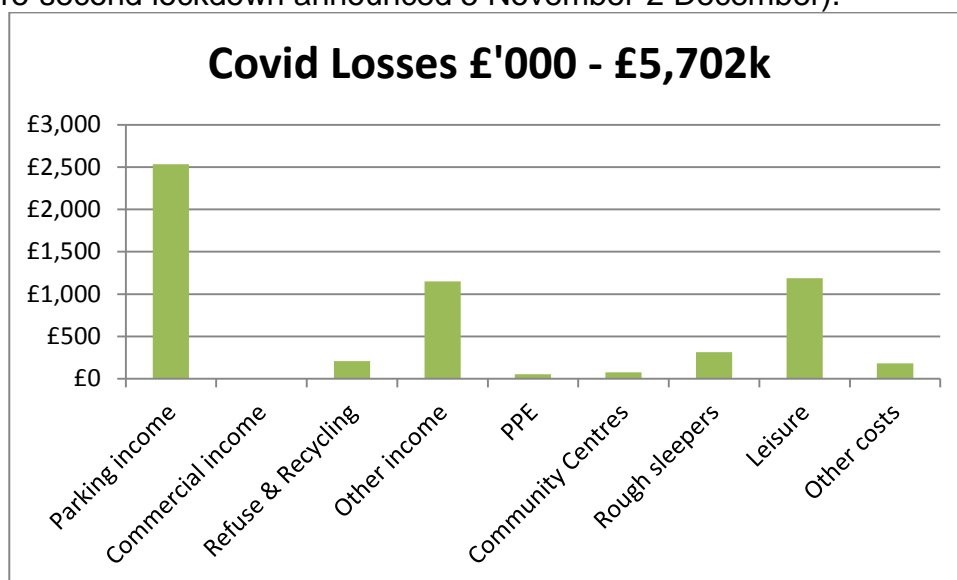
4.1.16 **Electricity and Gas – saving £46,710.** This projected saving is mainly from reduced electricity usage on General Fund properties and car parks.

4.1.17 **Forum Car Park – saving £100,980.** Following the revaluation of Business Rates by the Valuation Office Agency a refund of £100,980 covering 2017/18 to 2020/21 has been received.

4.1.18 **External Audit Fees – pressure £70,720.** The Council’s auditors (EY) have advised the CFO that they assessed SBC’s fees at £70,720 above the budgeted amount (an overall increase of 120%). Whilst the CFO does not necessarily agree the increase and is awaiting commentary from the PSAA, the pressure has been recognised in the budget.

4.1.19 **Other – savings £21,280.** These are smaller net savings across General Fund Services.

4.1.20 **Net COVID Losses – pressure £2,132,360.** The Q2 report contains an update on the projected COVID losses and potential funding. The projected costs are estimated to be £5,701,820 (see table below), (figures calculated pre-second lockdown announced 5 November-2 December).



Included in the 2020/21 losses is £1.187k financial support for the Council's leisure provider already approved at the October Council meeting.

Funding for COVID	Previously reported in MTFS	Grant Received	Grant Projected
Tranche one	£45,305	£45,305	
Tranche two	£871,563	£871,563	
Tranche three	£159,421	£159,421	
Tranche four		£391,055	
Rough Sleepers	£11,500	£11,500	
New burdens grant administration	£130,000	£130,000	
Income Guarantee		£812,775	£1,153,146
New burdens grant		£25,580	
Total	£1,217,789	£2,447,199	£1,153,146

4.1.21 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 is £385,630.

Executive Delegation - General Fund	£
Original Net General Fund Budget	9,069,830
Leisure approved October Council	1,186,900
Delegated amount	400,000
Total	10,656,730
June MTFS In year budget reductions	(2,271,950)
September MTFS Executive approvals	100,000
Quarterly monitoring (1&2)	(315,150)
COVID losses	5,701,820
Grant received	(2,447,200)
Projected Income Guarantee Scheme August- March	(1,153,150)
Within Executive Delegated Limit	(385,630)

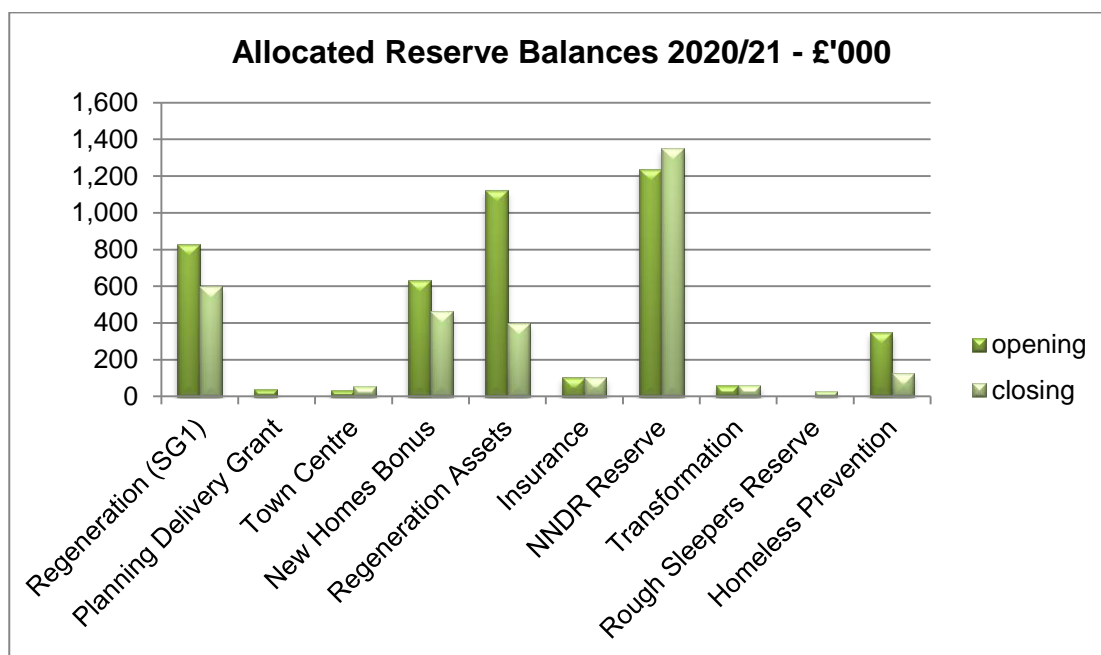
4.1.22 The known ongoing impact of the 2nd quarter review is a pressure of £205,000, (see table below). These have been reflected in the Medium Term Financial Strategy report to November Executive.

Q2 Ongoing Budget Changes	£
Housing Benefit Overpayments income reduction	180,000
Cemetery Income reduction	40,000
Vehicle Repair Shop - Equipment & Materials	(15,000)
Total Changes	205,000

4.2 Review of General Fund Balances

4.2.1 **Provisions** for bad debt and known liabilities have been adjusted as part of the COVID losses and included in the chart at 4.1.20. It should be noted that the Housing Benefit debt contribution has been reduced for 2020/21 (see 4.1.4).

4.2.2 **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 2021 is **£3,175,627**, (31 March 2020, £4,398,549). Reserve balances are projected to decrease by £1,222,922 during this year, the majority of the allocated reserves relate to NNDR, regeneration and new build projects.



4.2.3 **General Fund Balance** – Following the 2nd quarter review and MTFs to the September Executive the General Fund balance as at the 31 March 2021 is now forecast to be **£2,748,841** excluding the impact of changes in the Financial Savings Options report to this Executive.

General Fund Balances	£
Original Net General Fund Budget	9,069,830
Approved budget changes	(405,490)
Net Working budget approved to Date	8,664,340
2nd Quarter review	(30,300)
Net COVID Losses	2,132,360
Total Net Expenditure post Q2 review	10,766,400
less core resources	(8,721,180)
Transfer (to)/from General Fund balances	2,045,220

General Fund Balances	£
General Fund balance 31/3/20	(4,794,061)
Transfer (to)/from General Fund balances	2,045,220
Projected General Fund balance 31/3/21	(2,748,841)
Allocated Revenue Reserves 31/3/21	(3,175,627)
Total General Fund Revenue balances (estimated 31/3/21)	(5,924,469)

4.2.4 **Core resources** used for the financing of the net General Fund expenditure comes from council tax, retained business rates. Changes in the council tax base and business rate yield now have a direct impact on Council finances. As at 30 September the council taxbase for 2020/21 is now estimated at 27,740 band D equivalents (Council Tax setting report in February estimated 27,781). The taxbase is lower than originally estimated but is expected to rise to the budgeted figure by the end of the financial year as new properties are completed. More information relating to the taxbase can be found in the Medium Term Financial Strategy.

4.2.5 The forecast yield from business rates remains largely unchanged from original budget. More information relating to the taxbase can be found in the Medium Term Financial Strategy (November Executive).

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 net expenditure for 2020/21 and the impact on the General Fund 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 2020/21 General Fund balances was calculated at £2,920,935. This report forecasts General Fund balances of £2,748,841 and allocated reserve balances of £3,175,627 which is above the minimum balances required.

5.5 Policy Implications

4.5.1 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 Budget and Policy setting process prioritised growth for climate change as part of the 2020/21 budget setting process. The 2020/21 process should have due regard for climate change implications based on the Council's Climate Change Strategy. There are no direct climate change implications from the budget changes in this report.

6. BACKGROUND PAPERS

BD1 – 2020/21 Council Tax Setting and General Fund Budget (Council 26th February 2020)