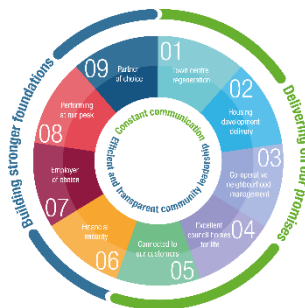


Meeting Executive
Portfolio Area Resources
Date 10 March 2021



3RD QUARTER MONITORING REPORT GENERAL FUND AND HOUSING REVENUE 2020/21

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 3rd quarter monitoring report for 2020/21 and updates Members on the General Fund and Housing Revenue Account (HRA) projected 2020/21 net expenditure and seeks approval for the revisions to those budgets.
- 1.2 To update Members on the General Fund and HRA Financial Security options approved for 2020/21.
- 1.3 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

General Fund

- 2.1 To approve the 2020/21 3rd quarter General Fund projected net decrease in expenditure of £157K as summarised in 4.4.4.
- 2.2 To note the progress of the 2020/21 approved savings, growth bids and carry forwards.
- 2.3 To approve the new carry forward requests of £40k as set out in paragraph 4.2.15.
- 2.4 To approve the transfer to the Income Equalisation Reserve of £8K as set out in paragraph 4.2.14.
- 2.5 To note the additional COVID losses and grants received as set out in section 4.4.

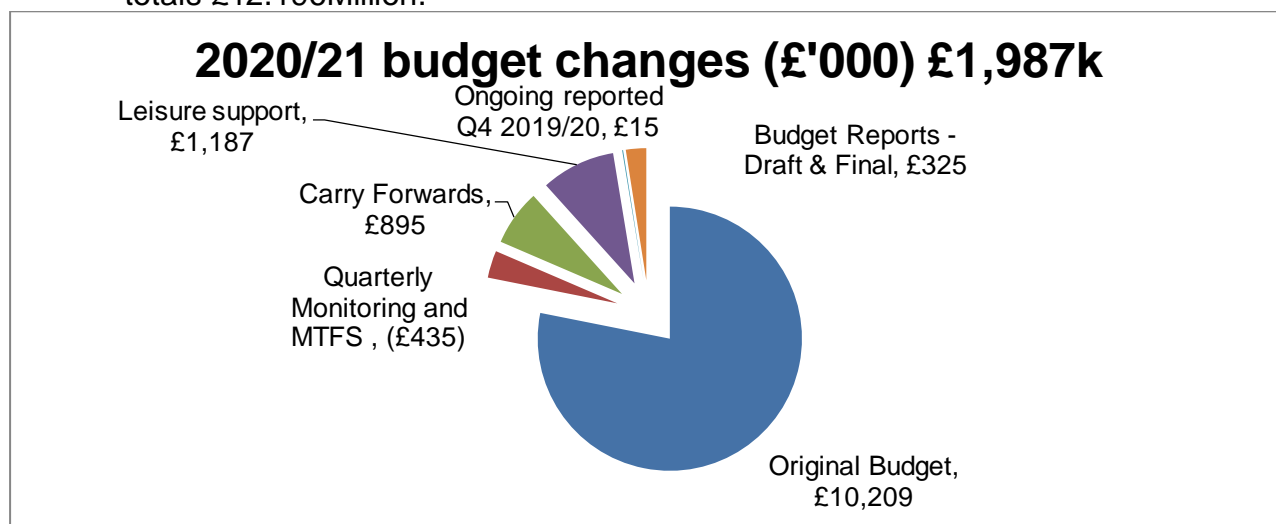
Housing Revenue Account

- 2.6 To approve the 2020/21 3rd quarter decrease in the net HRA surplus of £48K.
- 2.7 To note the progress of the 2020/21 approved savings, growth bids and carry forward requests.
- 2.8 To approve new carry forward requests of £834K as set in section 4.7.

3 BACKGROUND

3.1 General Fund Working Budget

- 3.1.1 Since the 2020/21 General Fund net revenue budget of £10.2Million, (adjusted for S31 grants now shown in core resources), was approved by Council on 27 February 2020, Members have approved net budget increases of £1.987Million, (as summarised below). The approved working budget totals £12.196Million.

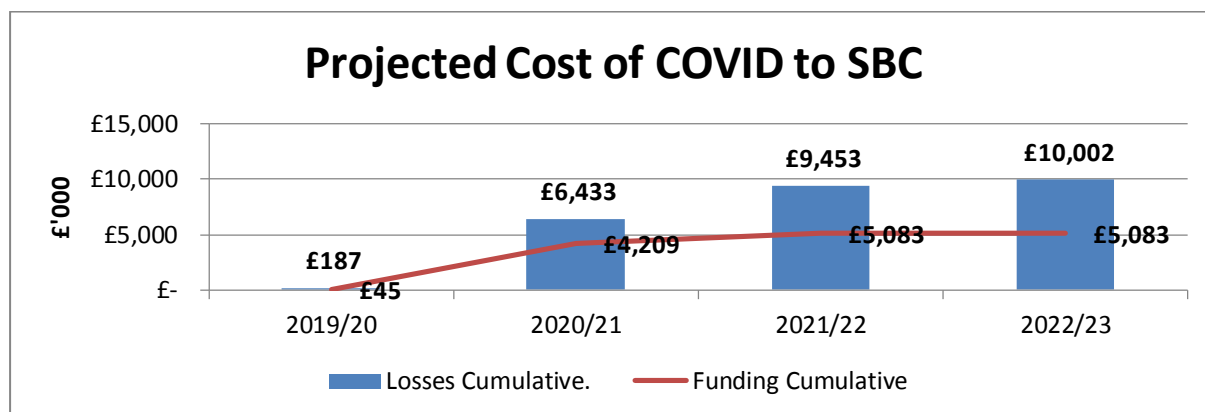


(£) indicates reduction in spend /increase in income

3.2 General Fund COVID Losses

3.2.1 The General Fund COVID losses arising from increased costs or income forgone was £6.246Million as reported to Council in February 2021. The losses for 2020/21 and mitigation to fund this is included in the budget adjustment above.

3.2.2 This report updates the level of losses based on projections taking into account the roadmap as set out by the Prime Minister in February 2021.



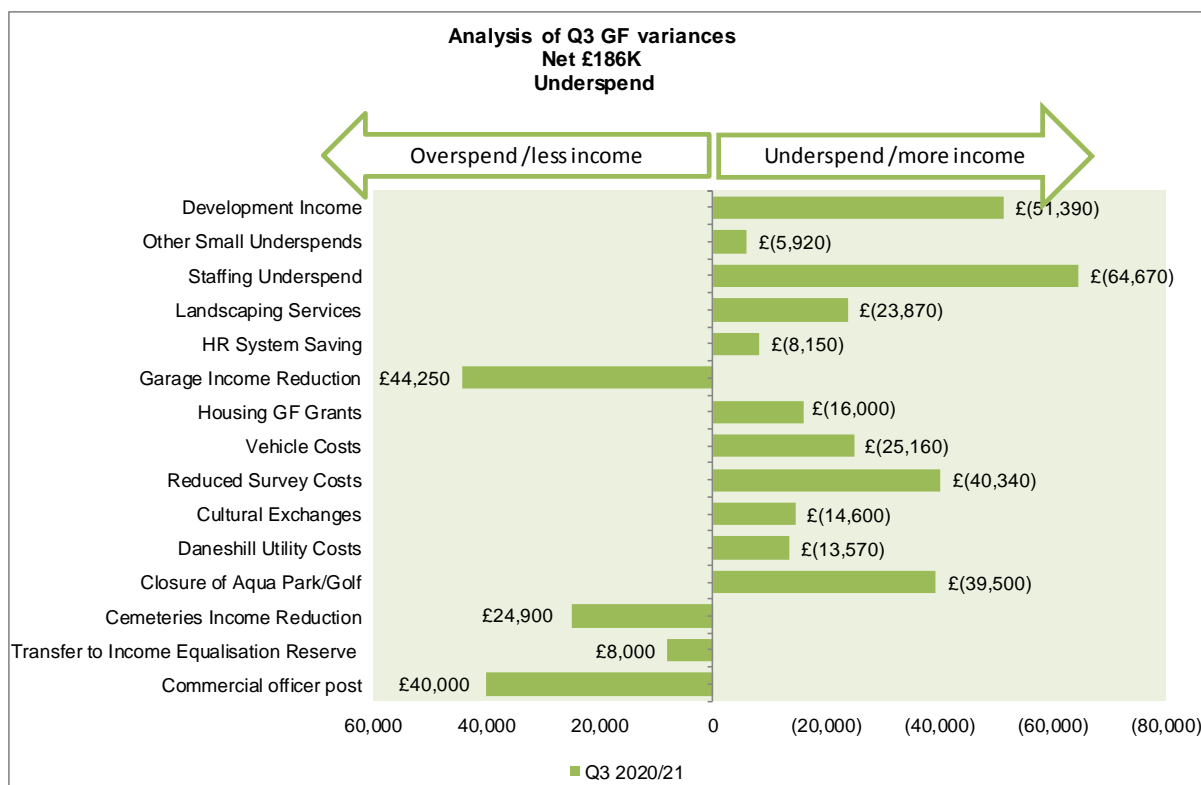
3.3 Housing Revenue Account Working Budget

3.3.1 The HRA net revenue budget of £3,417Million was approved at Council on 28 January 2020. Subsequently Members have approved 2020/21 budget changes of £171K. The approved working budget totals £3,246Million.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 General Fund – Budget Review (excluding COVID Losses)

4.1.1 As a result of the 3rd Quarter review of revenue budgets the following budget movements have been identified based on actual activity and the projected outturn for 2020/21. These movements are those that have arisen as result of general day to day operations and cost avoided/delayed income as a result of the COVID pandemic. The COVID related losses are covered in section 4.4 of this report. Below the table is an explanation of each movement:



(-) lower expenditure / more income

4.2 Explanation of Quarter 3 General Fund budget movements

- 4.2.1 Development Income – increased income of £51K. There has been an increase in monthly planning applications as well as an increase in the number of Majors applications which have been submitted which attract larger fees.
- 4.2.2 Other Small Underspends – net reduced expenditure of £6K. These are smaller net savings across General Fund Services.
- 4.2.3 Staffing Underspends – net reduced expenditure of £65K. Underspends have arisen due to vacancies across Emergency Planning, Strategic Improvement, Business Improvement, Stevenage Direct Services and Community and Neighbourhood Services, which is partially offset by salary cost pressures in Planning due to a post changing from fixed term to permanent and not meeting the Transitional Vacancy Factor in Finance and Estates.
- 4.2.4 Landscaping Services – increased income of £24K. This is combination of additional works carried out for Hertfordshire County Council (HCC) of £13K and the sale of old equipment generating £11K of income.
- 4.2.5 HR System Saving – reduced expenditure of £8K. This relates to delayed implementation of the new Health & Safety system that was brought into use

in December 2020, resulting in a part year saving on the annual licence cost for the period April 2020 – November 2020.

- 4.2.6 Garage Income Reduction – reduced income of £44K. Asbestos has been identified in a number of garages; there is reduced income while testing is being carried out.
- 4.2.7 Housing GF Grants – reduced expenditure of £16K. Budget is held in the event of extreme cold weather events, in order to help voluntary organisations provide temporary homeless shelters. Due to the pandemic and the Government's directive to find accommodation for all rough sleepers which has increased other budgets, this budget has not been required in year and effectively offsets part of the COVID overspend on homelessness and rough sleepers.
- 4.2.8 Vehicle Costs – reduced expenditure of £25K. This has arisen due to a combination of; a number of new vehicles within the SBC fleet resulting in lower spend on tyres; some of the older vehicles have been kept in use resulting in lower hire costs and fuel costs per litre being lower than anticipated in 2020/21.
- 4.2.9 Reduced Survey Costs – reduced expenditure of £40K. The Residential and Star surveys have been delayed till 2021/22. Provision has been made in 2021/22 already for this and the budget should have been removed in 2020/21.
- 4.2.10 Cultural Exchanges – reduced expenditure £15K. Due to the Covid pandemic and restrictions on travel the town twinning events planned for 2020/21 have been cancelled this year.
- 4.2.11 Daneshill Utility Costs – reduced expenditure of £12K (GF share). Daneshill offices have had reduced occupancy while staff members work from home resulting in underspends on electricity and gas.
- 4.2.12 Closure of Aqua Park/Golf – reduced expenditure of £40K. The COVID pandemic has led to the temporary closure of the Golf/Aqua Park in line with restriction put in place through local and national lockdowns. This has reduced the amount SBC pays to SLL for operating these services.
- 4.2.13 Cemeteries Income Reduction – decreased income of £25K. The volume of ashes interment and memorials are down on previous financial years. The budget is demand led and therefore can fluctuate, the income equalisation reserve set up for 2021/22 would be able to offset year on year fluctuations. There may also be an impact on the level of burials and internments due to current restrictions.
- 4.2.14 The Leader has requested that a review is undertaken on the bulky waste charging regime, this was also raised by other councillors and as a result a trial is starting from the 11 March for six months to see if an offer for three items at £45 (no electricals) would have a better take up than a fixed fee of

£75 for six items. In the event that the trial reduces the level of income for the bulky waste service the CFO recommends a sum of £8K is transferred to the income equalisation reserve. Following the conclusion of the pilot a revised offer will be brought back to Members to approve.

4.2.15 As a result of the Quarter 3 underspends, a carry forward of £40K is requested to fund the Commercial Officer post (from one off underspends in salaries in the Stevenage Direct Business Unit), to support the commercial and insourcing agenda in advance of the growth bid being approved for 2021/22.

4.2.16 There is also an underspend on the costs funded from the SG1 Regeneration allocated reserve of £148K, this has been returned to the allocated reserve and therefore has a nil impact on the General Fund, but increases the reserve balances.

4.3 GF Financial Security Options and growth proposals approved for 2020/21

4.3.1 As part of the 2020/21 budget setting process GF financial security savings of £847K were identified. At the 3rd quarter £716K are on track to be achieved and £131K are not expected to be met in the current year. The undelivered savings are:

- £42K of income foregone on fees and charges due to the impact of COVID.
- £19K relating to charging staff for parking season tickets due to the majority of the workforce being home based for the duration of the year.
- £22K for fee increase at Corey's Mill over and above the amounts set out in the fees and charges schedule.
- £10K relating to a review of parking business concessions which has been delayed.

4.3.2 The other significant undeliverable savings include:

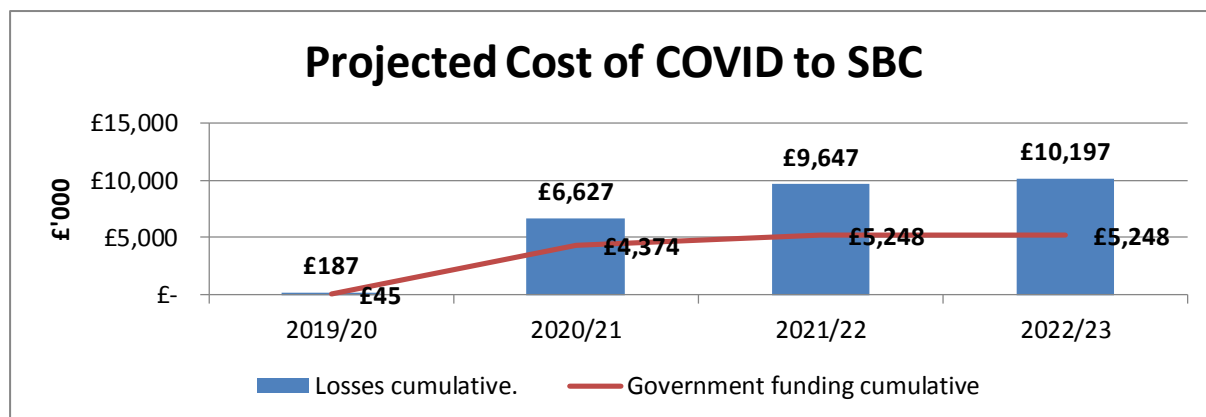
- £15K for a Service Level agreement between the Council and the Wholly Owned Company (WOC) which will be implemented in 2021/22
- £8K further income from cemeteries over and above fees and charges increases.
- The remaining £15K relates to small variances on savings.

4.4 COVID Losses

4.4.1 The projected COVID losses for 2020/21 as at Quarter 3 are £6.627Million (see table below). Since the COVID losses (detailed in 3.2.1) were reported to the Executive in February, the projected losses have increased by £194K of which £165K relates to lower parking income projection due to the first ease in restrictions being 12 April 2021. Officers have still to review the impact on 2021/22.

4.4.2 Projected COVID funding has increased by £166K which is due to:

- Increase in Income guarantee scheme funding due to increase income losses now projected £113K.
- Housing Benefit one off increase for COVID in admin subsidy £27K.
- Track and Trace admin costs for COVID £26K.



4.4.3 The table below shows the funding provided to SBC in 2020/21 relating to COVID:

2020/21 Funding for COVID	Grant	Grant
	Received	Projected
Tranche two	£871,563	
Tranche three	£159,421	
Tranche four	£391,055	
Rough Sleepers	£11,250	
New burdens grant administration	£130,000	
New burdens grant	£25,580	
New burdens grant	£23,028	
COVID Marshals	£45,300	
Income Guarantee	£812,775	£ 1,610,307
New Test and Trace		£26,298
New Burdens Housing Benefit subsidy		£26,989
NDR losses income guarantee		£195,389
Total	£2,469,972	£1,858,983
Grant Total		£4,328,955

4.4.4 The revised General fund budget position is summarised below and all of the Quarter 3 movements are in year improvements only.

Summary of 2020/21 budget movements		£
Quarter 3 Budget		12,196,410
Quarter 3 movements		(£186,020)
Adjustment for Net COVID Losses		28,660
Total movements		(£157,360)
Updated Quarter 3 Working Budget		12,039,050

4.5 Review of General Fund Balances

4.5.1 **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 £12.343Million of which £8.396Million are due to the Section 31 business rates grant which is to be repaid in 2021/22. The changes from the February budget report are shaded below and relate to the reserve changes detailed in 4.2.14 and 4.2.16.

Movements to/from Allocated Reserves £'000			
Allocated Reserve	Balance as at 1 April 2020	Anticipated transfer to/from reserves	Forecast balance as at 31 March 2021
New Homes Bonus	(£630)	£169	(£461)
Business Rates Reserve	(£1,235)	(£680)	(£1,915)
Business Rates Reserve S31 grants	£0	(£8,396)	(£8,396)
Regeneration Assets	(£1,122)	£660	(£462)
Insurance Reserve	(£103)	£35	(£68)
Regeneration Fund (SG1)	(£826)	£81	(£745)
Town Centre	(£34)	£0	(£34)
Transformation Reserve	(£60)	£0	(£60)
Planning Delivery Grant	(£40)	£40	£0
Income equalisation reserve	£0	£0	£0
Rough Sleeper & Homeless reserve	(£347)	£154	(£193)
Income equalisation Reserve	£0	(£8)	(£8)
Total	(£4,398)	(£7,945)	(£12,343)

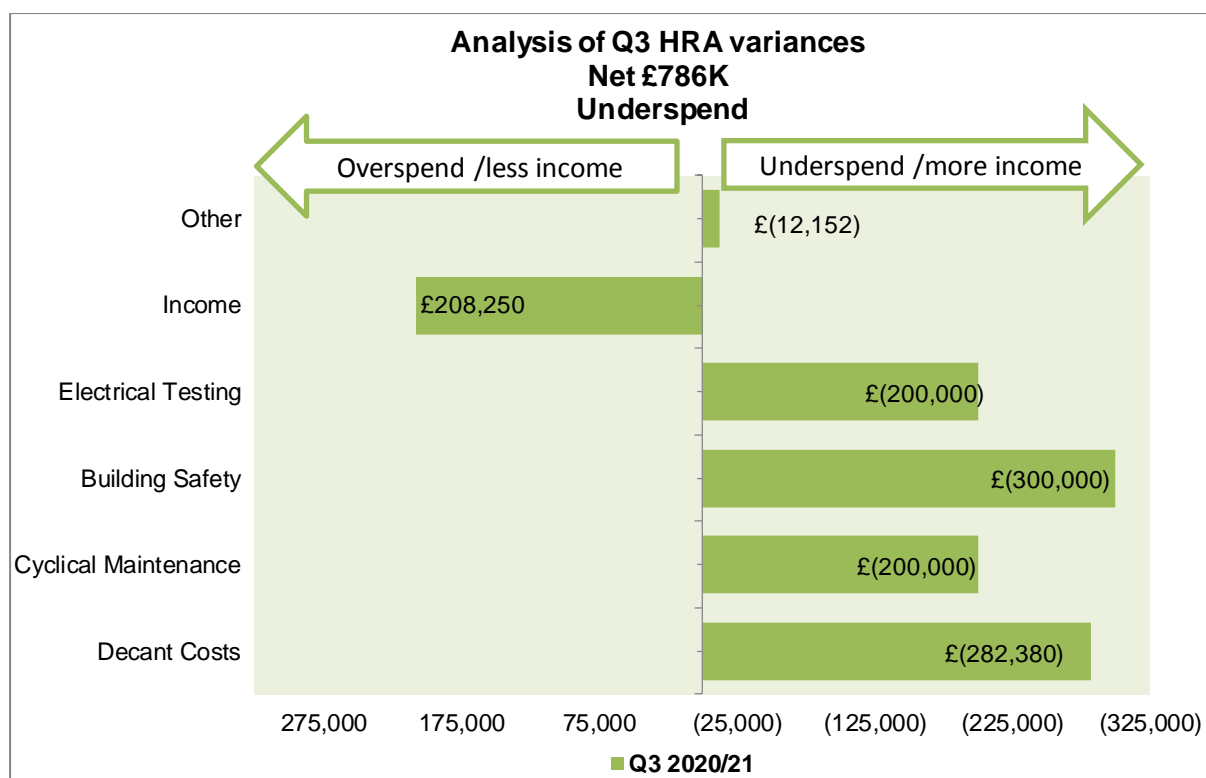
4.5.2 General Fund Balance – Following the 3rd quarter review and GF Budget report to February Executive the General Fund balance as at the 31 March 2021 is now forecast to be **£4.678Million**.

Balances £'000	2020/21
Revised Balances at 31 March each Year:	(£6,930)
use of balances	£2,252
General fund Balance 1 March	(£4,678)
Minimum	(£2,920)

4.6 Housing Revenue Account – Budget review

4.6.1 The 3rd quarter monitoring position for the HRA is unspent budget of £786K. However, there are requests to carry forward unspent budgets totalling £834K into 2021/22 which means that the net change in HRA balances is a decrease in balances of £48K.

4.6.2 Pressures and savings identified during the 3rd quarter are summarised in the graph below.



4.6.3 **Decant Costs** – £282K expenditure not incurred. This expenditure relates to the cost of decanting tenants to allow for the redevelopment of the Kenilworth site. However the program has slipped due to COVID delays which mean the cost will not be incurred in 2020/21, a carry forward request

has been made for this amount, as the funds will be needed in 2021/22 to complete the redevelopment.

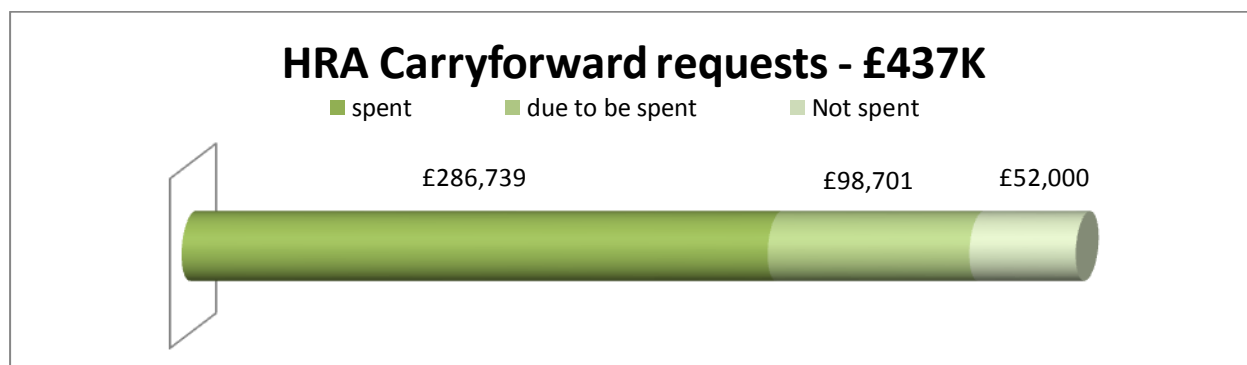
- 4.6.4 **Cyclical Maintenance** – £200K expenditure not incurred. As part of the 2019/20 HRA business plan review a budget to cover the costs of cyclical repairs (items like gutter maintenance, exterior painting etc.) was included in the 30 year plan. Due to the pandemic, the implementation of the new programme has been delayed and has led to a projected underspend in this year. A further £200K budget is available in 2021/22 therefore no carry forward request is required for this item.
- 4.6.5 **Building Safety** – £300K expenditure not incurred. Work has begun on sprinkler systems and lifts to ensure SBC buildings are in line with new building and fire safety regulations introduced in the wake of the Grenfell fire. However, funding was also budgeted to meet expected legislative requirements from the national building safety review. The implementation of this legislation was later in the year than expected and therefore the impact of this is there will not be time to spend the entire budget in 2020/21. A request is being made to carry forward the unspent budget for use in 2021/22, when the impact of the regulation changes will need to be met.
- 4.6.6 **Electrical Testing** – £200K expenditure not incurred. The COVID pandemic has meant works have been curtailed in line with the National guidance during lockdowns. This has resulted in unspent budget of £200K in 2020/21, however there will be a recovery programme put in place when COVID restrictions ease and it is requested that this budget is carried forward to next year to fund this.
- 4.6.7 **Income** - £123K reduced income. Rent projections indicate an in year pressure against the current budget. The largest driver of this has been void losses with works to convert properties to temporary accommodation and difficult to let properties in the independent living schemes.
- 4.6.8 **Other** – £12K net underspend. There are net other projected variances included in this area is an under spend of £52K for project design fees in Housing Development. It is requested that this budget is carried forward to be used on future project design in the next financial year.

Repairs and Voids

- 4.6.9 **Income** – £493K income shortfall. There is a shortfall in trading income due to lockdown restrictions during 2020/21 and operatives shielding. Currently only emergency and urgent works are being carried out and the time taken on each job has increased in order to minimise risk to customers and staff. Demand for ad hoc repairs also fell during the first half of the year, as customers were cautious in allowing operatives into their homes.
- 4.6.10 **Repairs and Voids net cost to the HRA** - £493K increased cost. As a result of the fall in income outlined above, the net cost of the service to the HRA has increased. This is offset in the HRA by reduced repairs costs (offsetting the impact on the HRA).
- 4.6.11 **Other** – £4K expenditure. There were net other variances identified at quarter 3.

4.7 Approved Carry forwards 2019/20 (HRA)

4.7.1 Members approved HRA carry forward budgets totalling £437K.



4.7.2 Overall, £287K of the total £437K has been spent by quarter 3, with a further £99K expected to be spent by the year end. The £287K spend has mainly been on the transformation programme.

4.7.3 At Q3 there are no planned returns to HRA balances, but £52K for housing development consultancy costs will form part of a further carry forward request to match the timing of development schemes.

4.8 HRA Financial Security Options and growth proposals approved for 2020/21

4.8.1 As part of the 2020/21 budget setting process financial security savings of £400K were identified. At the 3rd quarter £162K are on schedule to be achieved and £238K are not expected to be met in the current year. The reduction in savings mainly relates to delayed delivery, with the largest variance being the reconfiguration of the housing repairs function (£101K), which is currently ongoing and will be a saving in 2021/22-2022/23.

4.9 2020/21 HRA Outturn position

4.9.1 Following the 3rd quarter review the HRA balance as at 31 March 2021 is projected to be **£23.851Million** as detailed in the table below.

Housing Revenue Account Out-turn Position	£
Working Budget	(3,245,670)
3rd Quarter Net Projected Pressure	48,100
3rd Quarter Carry Forward	(834,380)
Projected net Surplus post 3rd Quarter review	(4,031,950)
HRA balance brought forward 1/4/20	(19,819,411)
Surplus in year	(4,031,950)
Projected HRA balance 31/3/21	(23,851,361)

4.10 2021/22 HRA Budget

- 4.10.1 The 3rd 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 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 £2.920Million. This report forecasts General Fund balances of £4.678Million which is above the minimum balances required.

5.5 Policy Implications

- 5s.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 – 2021/22 Council Tax Setting and General Fund Budget (Council 24th February 2021)

BD2 – 2021/22 HRA Final Budget (Council 28th January 2021)