

**Meeting: EXECUTIVE**

**Agenda Item:**

Portfolio Area: Resources



**Date: 16 March 2022**

### **3<sup>RD</sup> QUARTER REVENUE MONITORING REPORT – GENERAL FUND AND HRA**

#### **KEY DECISION**

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#### **1. PURPOSE**

- 1.1 To update Members on the projected General Fund and Housing Revenue Account (HRA) 2021/22 net expenditure and seek approval to amend the General Fund and HRA budgets as part of the quarterly revenue review.
- 1.2 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**

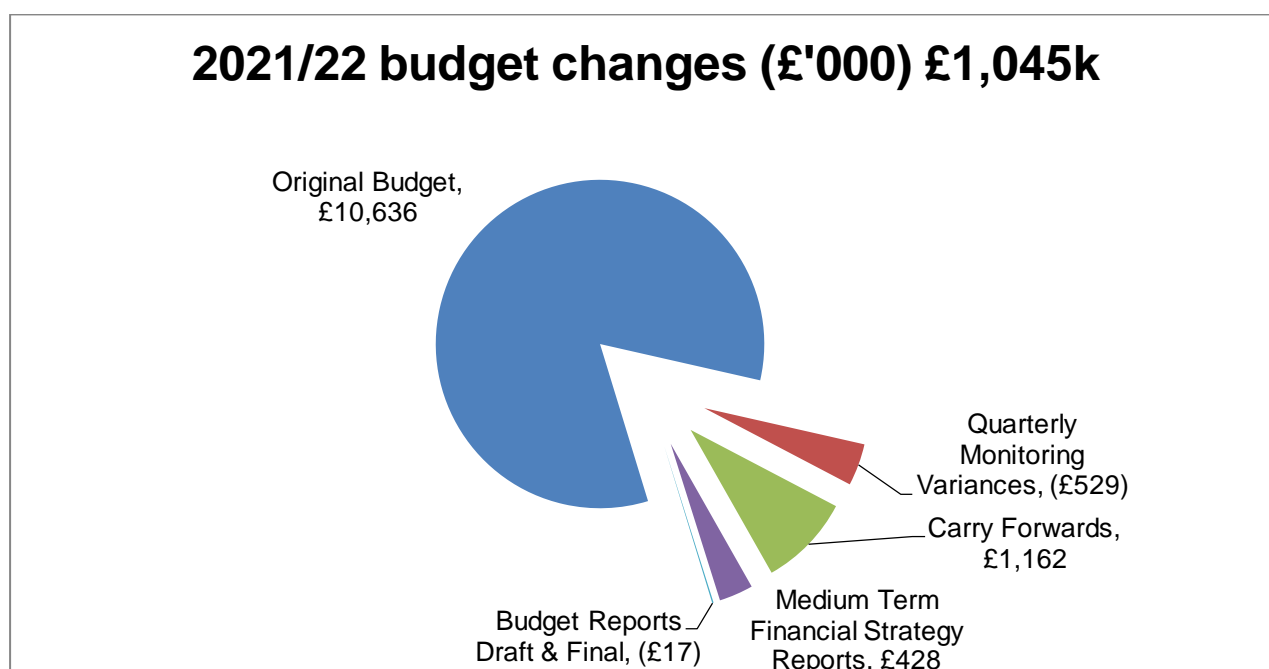
- 2.1 That Members approve the 2021/22 3<sup>rd</sup> quarter projected net decrease in General Fund expenditure of £14,680.
- 2.2 That Members note the cumulative changes made to the General Fund net budget remains within the £400,000 increase variation limit delegated to the Executive, as set out in paragraph 4.1.21.
- 2.3 That Members approve the changes to the 2022/23 General Fund budget of £80,000 reduction in spend as set out in paragraph 4.2.24.

##### **Housing Revenue Account**

- 2.4 That the 2021/22 3rd quarter projected net saving in the HRA budget of £391,960 be approved.
- 2.5 That the carry forward request of £325,000 for decant costs on redevelopment schemes be approved.

**3. BACKGROUND - GENERAL FUND**

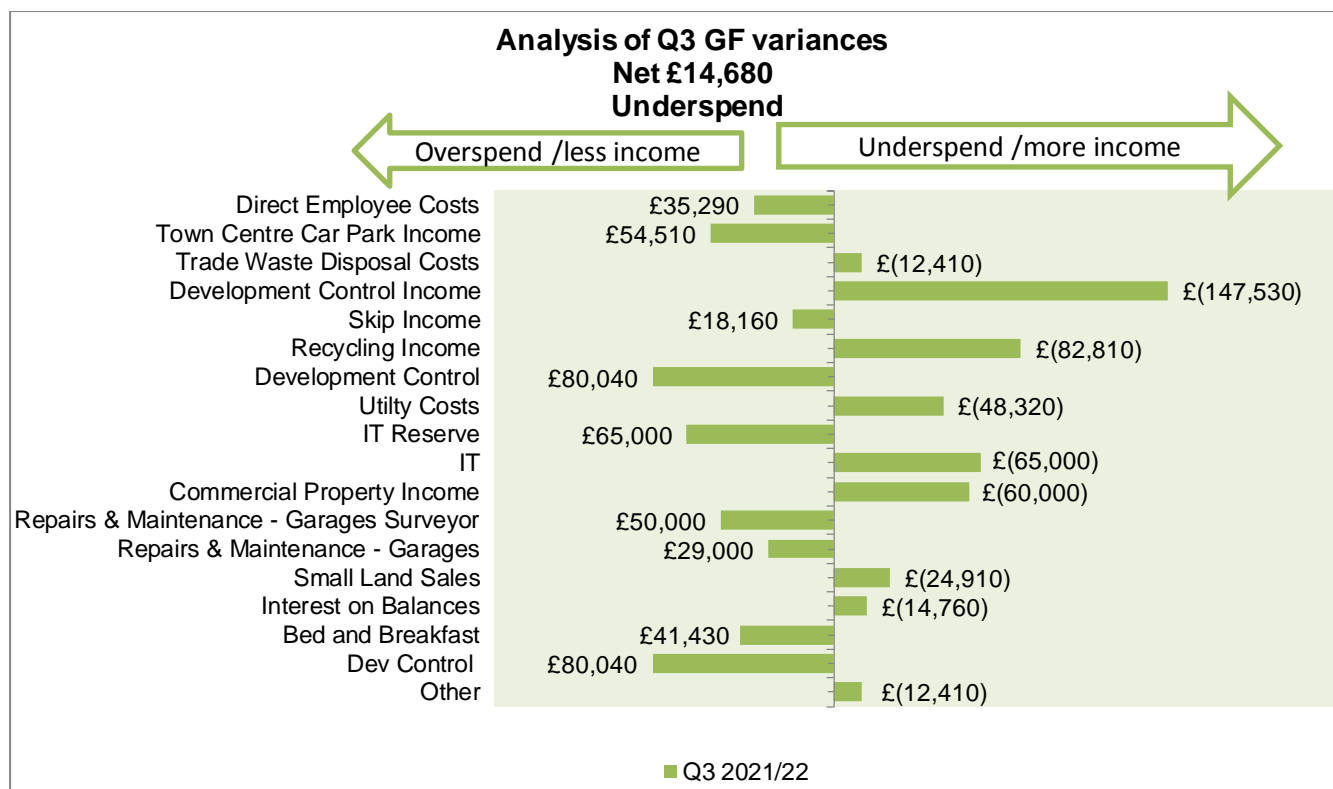
- 3.1. Since the General Fund net budget of £10,635,570 was approved at Council, Members have approved net budget changes of £1,044,940 as detailed in the chart below:



**4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS**

**4.1 General Fund – Budget Review**

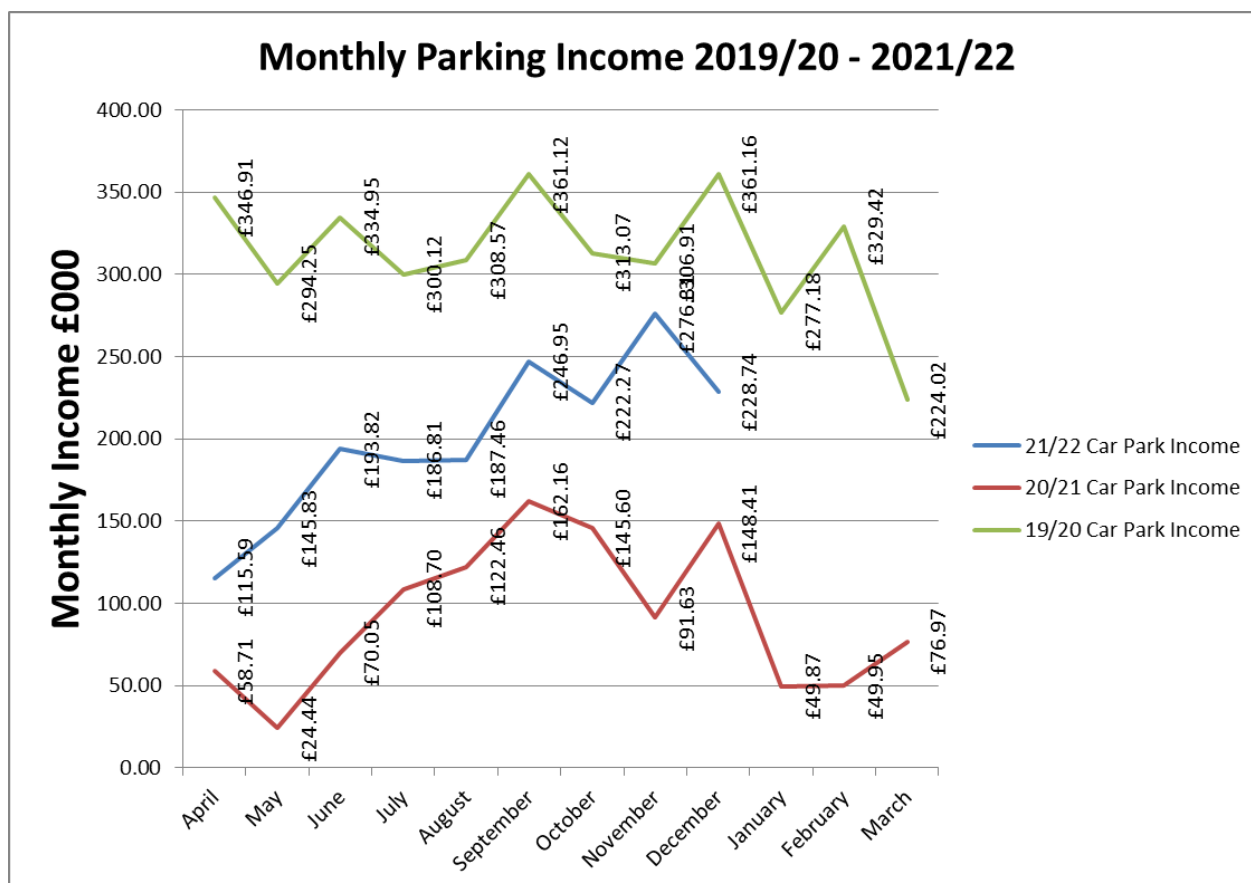
- 4.1.1 Following the 3<sup>rd</sup> quarter review of revenue budgets officers have identified the following budget movements.



(-) lower expenditure / more income

**4.1.2 Direct Employee Expenses – pressure £35,290.** Stevenage Direct Services business unit, additional agency staff required due to an increase in the levels of sickness experienced by the cleansing service unit.

**4.1.3 Town Centre Parking Income– in year pressure £54,510.** Parking income has been significantly impacted by COVID, in 2020/21 there were losses of £2.8Million compared to the original budget. As part of the 2021/22 budget setting process it was anticipated that there would be further losses of £1.5Million budget setting with a further £200K quarter 1 monitoring). During the period September to December there was an projected improvement in parking income reversing the £200K additional loss. But further COVID restrictions (Plan B) have had an adverse impact on that and a further increases in losses of £54K is now projected. Members should note the 2022/23 budget does assume a reduction in pre-COVID parking income of £694K of losses, anticipating that changes made to working patterns and parking behaviour will continue into 2022/23.



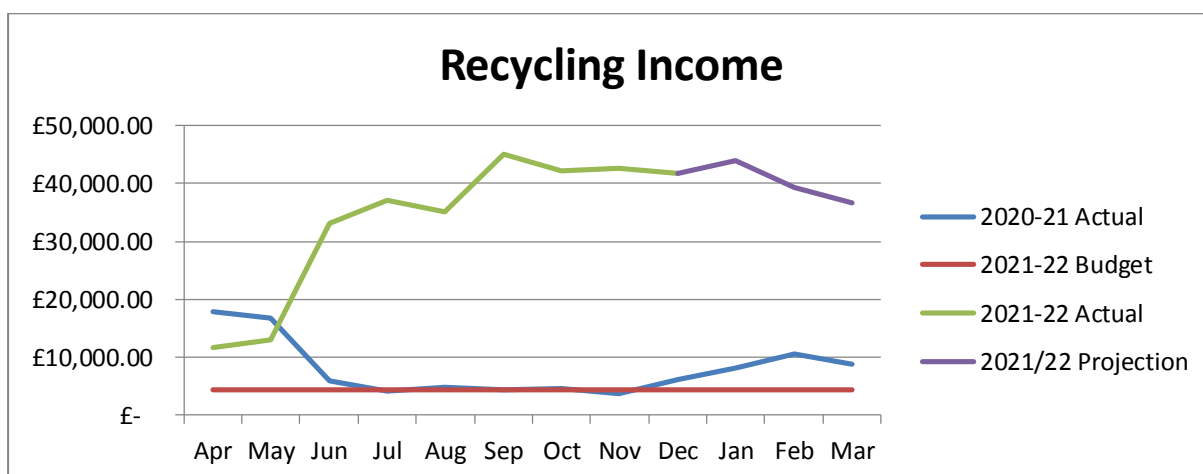
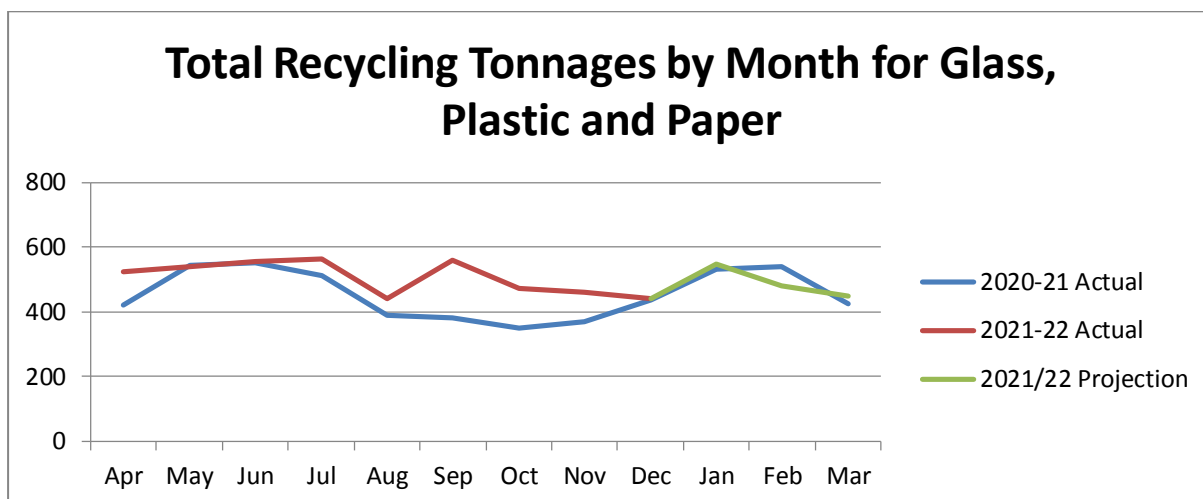
- 4.1.3 **Trade Disposal Costs – in year saving of £12,410.** Disposal costs have reduced for trade waste, mainly due to the reduced use of the skip service. This reduction has helped offset the reduced income from skips.
- 4.1.5 **Development Control Income – in year increased income £147,530.** As part of the quarter 2 monitor a 17% increase in income was reported. A further increase is now anticipated following pre-application advice; this represents a further 31% increase in income.
- 4.1.6 **Skip Service – pressure £18,160.** Following on from the reduced income reported in quarter 2 of £60,060. Pressures for HGV drivers resulted in a three week closure of the service over the Christmas and New Year period. The level of income assumed going forward needs to be reviewed and if lower will offset any on-going gains identified for trade waste and recycling income.
- 4.1.7 **Recycling Income – saving £82,810.** Included in the 2021/22 budget was a pressure of £120,000 as the market price had dropped for recycling plastics. At the time income for recyclates dropped from £140 per tonne to just £10 - £20 per tonne with the added haulage costs.

In 2021/22 tonnage has been higher, possibly as more people have worked at home, together with resale improving. This improving picture has seen

- 1st quarter a £193,740 increased income reported

- 2nd quarter £64,810 increased income reported
- 3<sup>rd</sup> quarter a further £82,810 projected now.

There has been significant recyclate price volatility and it is difficult to accurately predict levels of income and if tonnages will remain higher than pre-pandemic years. An assessment of 2022/23 income has been completed and in addition to the increase already reported to the base budget of £203,740 a further £110,000 is recommended but with a corresponding increase of £50,000 to the income equalisation reserve. This is to protect the General Fund against volatility in pricing and tonnage in the recycling market.



**4.1.8 Development Control – pressure £80,040.** At the 2<sup>nd</sup> quarter a pressure of **£43,360** was reported. **There is a further in year financial pressure as a result** of a planning proposal challenge (judicial review) and drainage advice both of which are the Council’s responsibility to fund. The ability to reclaim some of these costs is currently being investigated.

**4.1.9 Repairs and Maintenance Garages – pressure £29,000.** Backlog of works required to bring garages back into a condition where they can be re-let and asbestos removal. For more details see corporate performance report.

- 4.1.10 **Garage Surveyor – pressure £50,000.** The backlog of repairs to garages mentioned above is having a detrimental effect on the income stream from garage rentals. In order to speed up the repair and re-let of void garages a temporary surveyor is recommended, some of the budget will need to be carried forward into 2022/23.
- 4.1.11 In addition to this additional garage staffing resource of £30,000 is recommended for 2022/23 to help speed up garage lettings and deal with the backlog of voids as they come back on stream. This post will be funded by an equivalent increase in garage income.
- 4.1.12 **Utilities – in year saving £48,320.** The savings relate to electricity, £44,430 and Gas £3,890. Electricity is mainly at the larger half hourly metered sites (e.g. Daneshill House, MSCP, and Indoor Mkt). The usage at these sites is lower and estimated to be due to the pandemic and different ways of working. The gas saving is due to change of supplier and the contracted unit cost being lower than originally projected. However with the current Ukrainian crisis, this is likely to lead to much higher prices in 2022/23 and the budgets will be closely monitored.
- 4.1.13 **IT – in year saving £65,000.** A review of IT budgets in year has highlighted savings which were held to fund Microsoft licences. However it is likely the ICT funding maybe required for the outcomes for the SOCITIM review on the ICT service and it is recommended that the underspend is ringfenced for this purpose in an ICT reserve.
- 4.1.14 **Commercial Property – increased income £60,000.** Income from shops, workshops etc. is expected to exceed budget, some of this increase is one off for back dated rent increases but some is ongoing and £20,000 has been already included in the 2022/23 base budget.
- 4.1.15 **Small Land sales – increased income £24,910.** The number and value of sales of adhoc land is higher than the budget of £100,870 included in the 2021/22 budget.
- 4.1.16 **Interest on balances – increased income £14,760.** Following the increase to the Bank of England base rate it is projected that the General Fund interest earned will be £14K higher than the budget
- 4.1.17 **Bed and Breakfast – pressure £41,430.** Since the pandemic, homelessness presentations and the need to use bed and breakfast accommodation has increased dramatically. The original budget included £80,000 for additional B&B costs and this has subsequently been increased by £104,300.
- The quarter 2 projection showed an increased budget pressure of £62,870,
  - At quarter 3 there is an addition pressure projected of £41,430.

It should be noted that these projections are dependent on an assumed recovery of housing benefits and that the spend is demand led, making it difficult to predict. The area will continue to be monitored and management

action will be focussed on maximising in-house resources and reducing the use of B&B where possible.

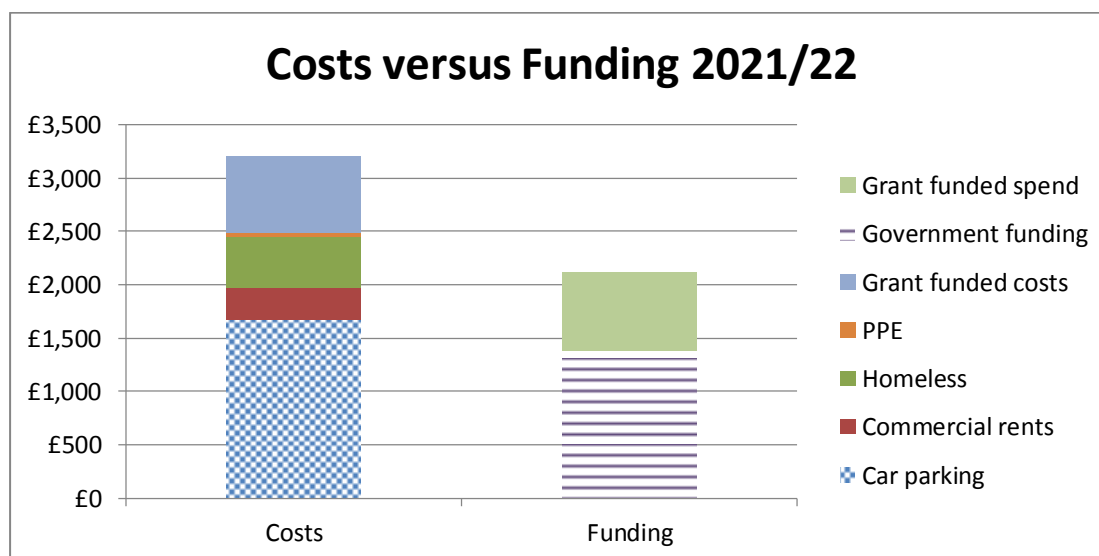
4.1.18 **Other – savings £12,410.** There are small net savings across General Fund Services totalling just over £12K and as such not listed separately.

4.1.19 **Grants** – grants relating to 2021/22 have been received by the council to cover new burdens or extra expenditure incurred and as such will have no impact on the general variance. The grants are:

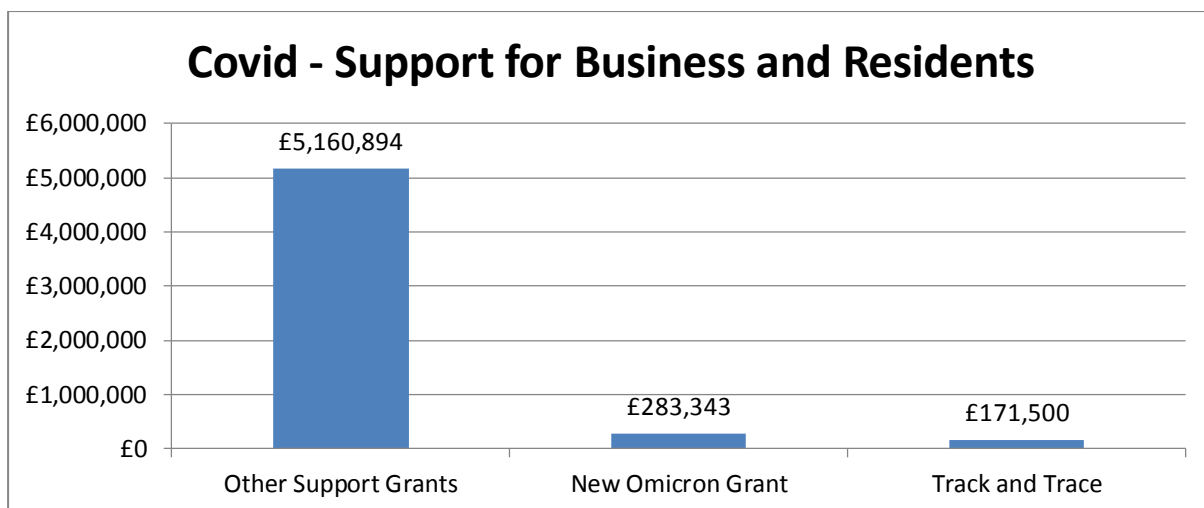
- Biodiversity Net Gain £10,047 - to prepare authorities with planning oversight for mandatory Biodiversity Net Gain 2021/22
- Cyber Security £150,000 – to improve resilience against cyber attacks 2021/22

In addition the Council has been notified of £34,000 for new burdens for the Domestic Abuse Act 2021. This grant will supplement existing budgets that SBC has already in place and the Manager of the service has projected a need for £14K additional spend mean £20,000 of the original budget can be returned to balances.

4.1.20 **COVID.** Total net COVID losses for 2020/21 were projected as £2.48million. The net projected costs for 2021/22 are estimated to be £1.09million as illustrated in the chart below.



4.1.21 The council has continued to distribute support grants to business and residents in 2021/22 including Omicron related grants. The total grants paid to date total £22.9m and the 2021/22 grants are shown below.



4.2.22 There are also some Council Tax Hardship scheme funds to be distributed. In addition in 2022/23 £150 energy rebates will be given to properties. The scheme applies to Council homes band A-D (plus those in band E which are reduced to a band D because of a disability criteria). It will not apply to second homes or empty properties. For those who pay by direct debit (DD) the rebate can be paid direct into their bank accounts after verification. For those not on DD they will have to apply and provide bank details or choose to have the money put on to their council Tax account. The Council have signed up with a company to help with the data and verification of ID and bank details etc as required by the guidance. For note there are 33,344 properties in band A-D and 31 in band E with the disabled reduction, of these only 20,000 pay by DD, leaving 13,000 households needing to apply. There is a further report on this Executive agenda to approve the associated discretionary scheme.

4.1.23 The cumulative changes made to the 2021/22 General Fund net budget remains within the £400,000 increase variation limit delegated to the Executive. The total value of changes is (£545,840).

Executive Delegation - General Fund	£
<b>Original Net General Fund Budget</b>	<b>10,635,570</b>
Q4 Carry Forwards	1,162,400
Reserves and RCCO	428,380
<b>Total</b>	<b>12,226,350</b>
Quarterly monitoring (1&2)	(528,570)
Budget Reports	(17,270)
<b>Within Executive Delegated Limit</b>	<b>(545,840)</b>

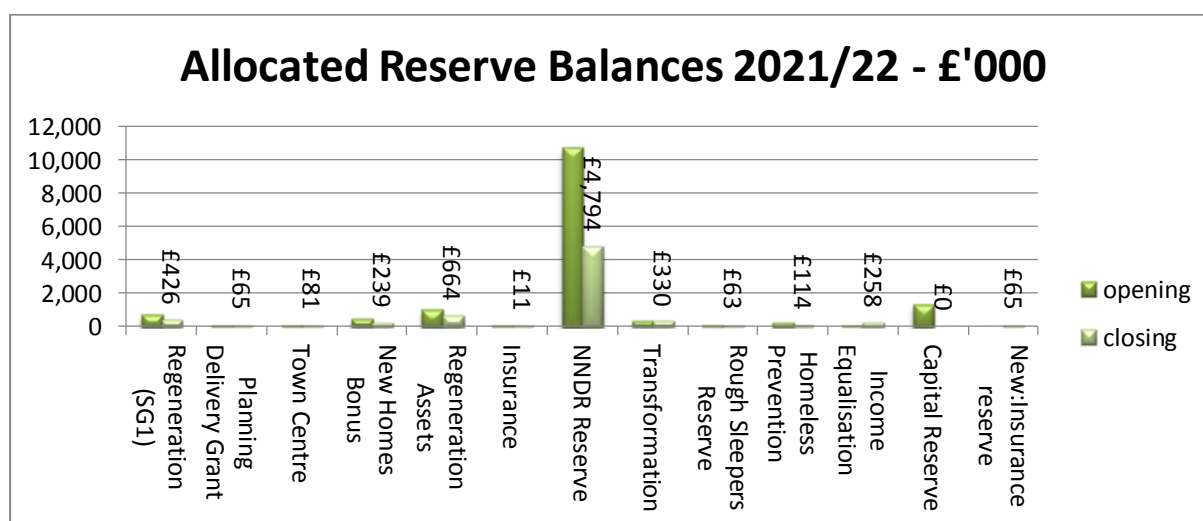
4.1.24 The changes in this report relating to 2022/23 budget total a reduction in spend of £80,000, which is summarised in the table below. Members should also note this reduction in General Fund spending may not be on-going beyond 2022/23.



2022/23 General Fund Budget	£	£
<b>Original Budget</b>		<b>11,151,760</b>
Increase in recycling income	(110,000)	
Increase in income equalisation fund	50,000	
Domestic abuse funding	(34,000)	
Additional domestic abuse budget	14,000	
Additional garage staff	30,000	
Additional garage income	(30,000)	(80,000)
<b>Working Budget 2022/23</b>		<b>11,071,760</b>

## 4.2 Review of General Fund Balances

4.2.1 **Allocated Reserves** – these balances are ‘ring fenced’ and have been set aside for specific purposes. The estimated total value of (revenue) allocated reserves as at 31 March 2022 is **£7,108,771**, (31 March 2021, £15,192,788). Reserve balances are projected to decrease by £8,084,017 during this year, the majority of this reduction relates to NNDR repayments to the Collection Fund (£5,282,497), regeneration and new build projects.



4.2.2 **General Fund Balance** – Following the 2<sup>nd</sup> quarter review and MTFS to the September Executive the General Fund balance as at the 31 March 2022 is now forecast to be **£4,956,639**.

General Fund Balances	£
<b>Original Net General Fund Budget</b>	<b>£10,635,570</b>
Approved budget changes	£1,044,940
<b>Net Working budget approved to Date</b>	<b>£11,680,510</b>
3rd Quarter review	(£14,680)
<b>Total Net Expenditure post Q2 review</b>	<b>£11,665,830</b>

less core resources	(£10,221,600)
<b>Transfer (to)/from General Fund balances</b>	<b>£1,444,230</b>
<b>General Fund balance 31/3/21</b>	<b>(£6,400,869)</b>
Transfer (to)/from General Fund balances	£1,444,230
<b>Projected General Fund balance 31/3/22</b>	<b>(£4,956,639)</b>
Allocated Revenue Reserves –NNDR Collection Fund reserve	(£3,776,866)
Other Allocated Revenue Reserves	(£3,331,905)
<b>Total General Fund Revenue balances 31/3/22</b>	<b>(£12,065,410)</b>

- 4.2.3 The General Fund balance as at 31 March 2023 was estimated to be £3,886,329 in the 2022/23 General Fund budget report to the February Council meeting. The revised projection is now £3,981,009 which is £519,971 above the General Fund risk assessment of balances for that year.

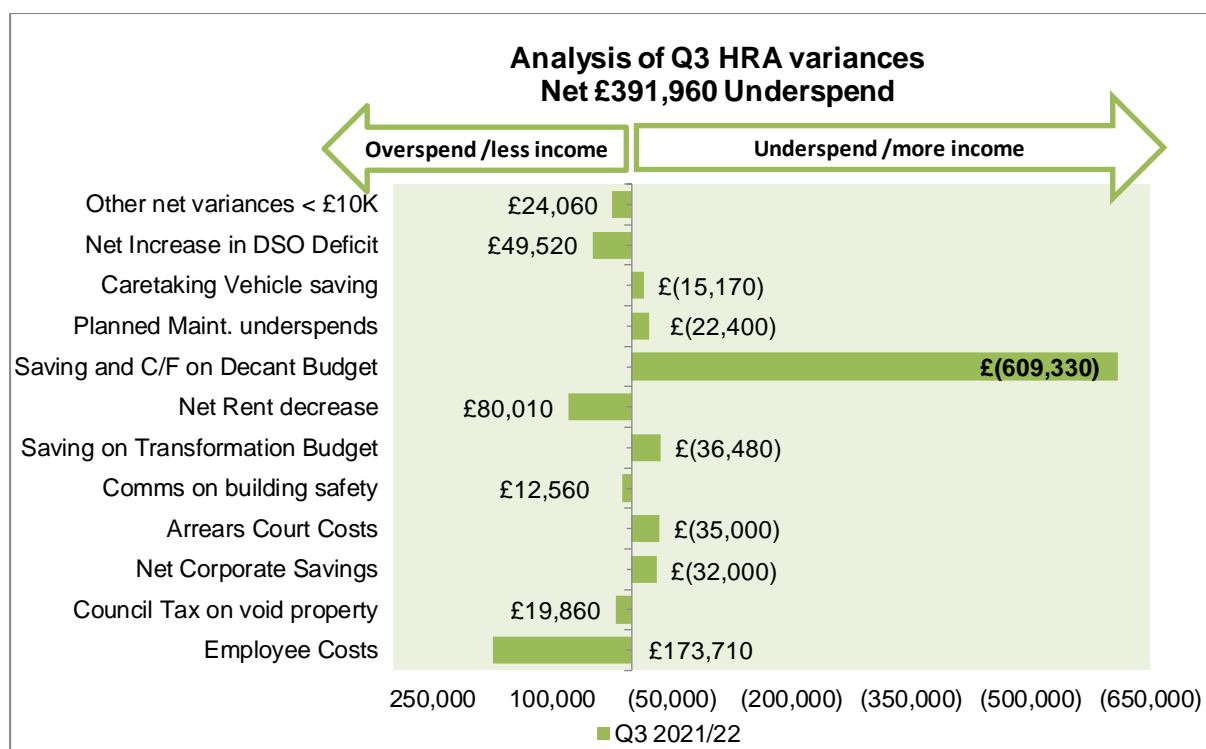
### 4.3 Housing Revenue Account

- 4.3.1 Since the Housing Revenue Account (HRA) net budget surplus of £2,719,960 was approved at Council, Members have further approved net costs of £1,443,450, as detailed in the following table.

<b>HRA Working Budget</b>	<b>£</b>
<b>Original Budget 2021/22</b>	<b>(2,719,960)</b>
20/21 Q3 Carry Forwards	834,380
20/21 Q4 Carry Forwards	377,110
21/22 Q2 Pressure	231,960
<b>Approved Movement</b>	<b>1,443,450</b>
<b>Total Working Budget</b>	<b>(1,276,510)</b>

### 4.4 Housing Revenue Account - Budget Review

- 4.4.1 Following the 3rd quarter review of revenue budgets officers have identified the following budget movements.



- 4.4.2 **DSO Deficit transfer to the HRA £49,520.** The projected net cost of responsive and void repairs charged to the HRA from the Direct Service Organisation (DSO) has been increased for 3<sup>rd</sup> quarter. A more detailed explanation of the increase is included at 4.5 below.
- 4.4.3 **Council Tax on Void Properties £19,860.** In line with the increased void property levels, experienced through the pandemic, council tax costs have increased.
- 4.4.4 **Net Corporate Savings (£32,000).** This represents the HRA's share of corporate savings included in this report in section 4.2 of this report.
- 4.4.5 **Court Costs on Arrears Management (£35,000).** Due to the moratorium on court action for rent arrears during the pandemic there has been less activity in this area this year. This may lead to a build-up of cases in the next financial and the situation continues to be monitored closely.
- 4.4.6 **Communications Building Safety £12,560.** Additional costs have been incurred on communication on building safety issues in this year. In particular, this relates to the waking watch and remedial works carried out in the Council's high rise stock during the year. These works are scheduled to be completed by the end of this year and this is anticipated to be a one off cost.
- 4.4.7 **Saving on Transformation Budget (£36,480).** After reviewing current spend there is an anticipated saving of £36K for the current financial year.
- 4.4.8 **Net Rent Decrease £80,010.** At Q2 expected rent income was reduced by £284K and this was due to a combination of Covid related delays in new delivery and problems experienced on void turn around during the pandemic. The Q2 projection anticipated an improvement in void performance in the

second half of the year to limit the budget pressure. Void performance has improved since the Q2 position was made, but unfortunately not to the levels included in the projection. Therefore a further £80,010 pressure has been projected for Q3.

**4.4.9 Carry Forward of Decant Budgets (£609,330).** This budget was put in place to support the Council’s redevelopment schemes and meet any potential decant costs arising from them. Due to current timescales and the latest assessment of likely costs, there is a request to carry forward £325,000 of this budget to next year and the remainder is not anticipated for current schemes. Any request for decant costs on future schemes will be brought forward separately.

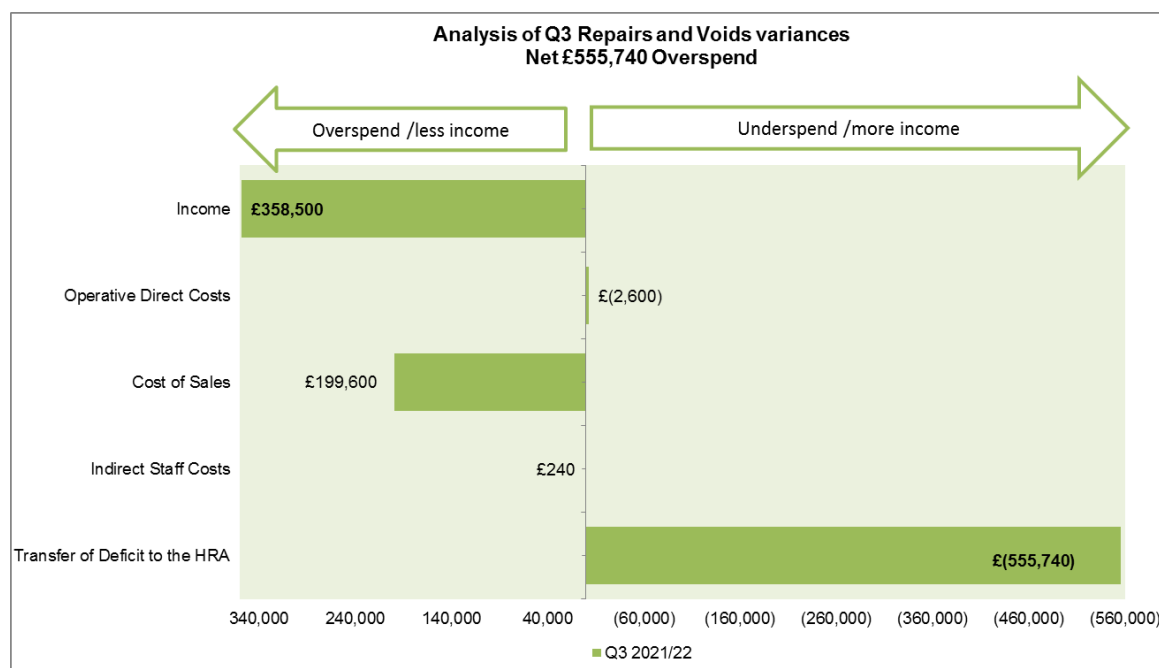
**4.4.10 Planned Maintenance (£22,400).** Currently, there is a projected saving of £22K on the planned maintenance budgets.

**4.4.11 Caretaking Vehicle Savings (£15,170).** Savings have been made in this area by a reduction of one vehicle in the fleet and a lower expected cost on fixed plant than originally budgeted.

**4.4.12 Employee Costs £173,710.** Due to high levels of employment during the year the £155K target on vacancy saving is not expected to be met. In addition there has been an additional cost in covering the current vacant Assistant Director post in Housing and Development.

**4.5 Responsive Repairs and Voids Performance**

**4.5.1** The Repairs and Voids team’s financial position is included in the overall HRA. The Q3 projection expects the deficit to increase by £556K for this year.



4.5.2 **Income £358,500.** Revenue has increased by 17.82% compared to the same time last year, although down 20.77% compared to 2019/20, a non Covid year. Repairs & Voids income has not fully recovered to pre-pandemic levels and a pressure of £358k has been reported at Q3.

4.5.3 **Operative Direct Costs (£2,600).** There are currently two vacant operative posts and four agency operatives in post at Q3, with a plan to back fill vacant posts with agency. The current vacancies have given a small saving on the budget.

4.5.4 **Cost of Sales £199,600.** Contractor spend for the year is 53.65% higher than in 2020/21, (although 8.7% lower than 2019/20). The projection to year end is that the budget will be 6.26% lower than 2019/20 figures. There continues to be backlogs in fencing and roofing some of which existed pre-Covid. As mentioned at Q2, market prices for timber and other materials have increased and a pressure of £73k is included in these figures at Q3.

4.5.5 **Indirect Staff Costs £240.** There is a small pressure showing at Q3.

4.5.6 **Transfer of Deficit to HRA (£555,740).** Income has not increased back to normal (i.e. pre covid) levels, as restrictions have still been in place during the year. While the lower level of activity has reduced the income to the DSO and increased the deficit charged to the HRA, there are compensating savings due to lower levels of jobs carried out. This means that the net impact to the HRA is £49,520 increased cost, reported in 4.4.2.

#### 4.6 Housing Revenue Account Balances

4.6.1 Following the 3rd quarter review the HRA balance is now forecast to be a surplus of £27,062,744. The higher balances are required to fund future loan repayments as set out in the HRA Business Plan, which is due to be refreshed in 2022.

Housing Revenue Account Outturn Position	£
<b>Working Budget</b>	<b>(1,276,510)</b>
2 <sup>nd</sup> Quarter Net Projected Pressure	(391,960)
<b>Projected net Surplus post 2nd Quarter review</b>	<b>(1,668,470)</b>
HRA balance brought forward 1/4/21	(25,394,274)
Surplus in year	(1,668,470)
<b>Projected HRA balance 31/3/22</b>	<b>(27,062,744)</b>

## 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 and HRA for 2021/22 and the impact on those funds 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 balances is undertaken and reported to Council as part of the General Fund and HRA Budget setting process. Both the General Fund and HRA balances are projected to be above minimum levels.

## **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 Budget and Policy setting process prioritised growth for climate change as part of the 2021/22 budget setting process. The 2021/22 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 24 February 2021)
- BD2- 2021/22 Final HRA and Rent setting report (Council 28 January 2021)
- BD3- General Fund Medium Term Financial Strategy Update (2020/22 – 2025/26)
- BD4-2022/23 Council Tax Setting and General Fund Budget (Council 24 February 2022)