

Meeting: EXECUTIVE

Portfolio Area: Resources



Date: 15 March 2023

3RD 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) 2022/23 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

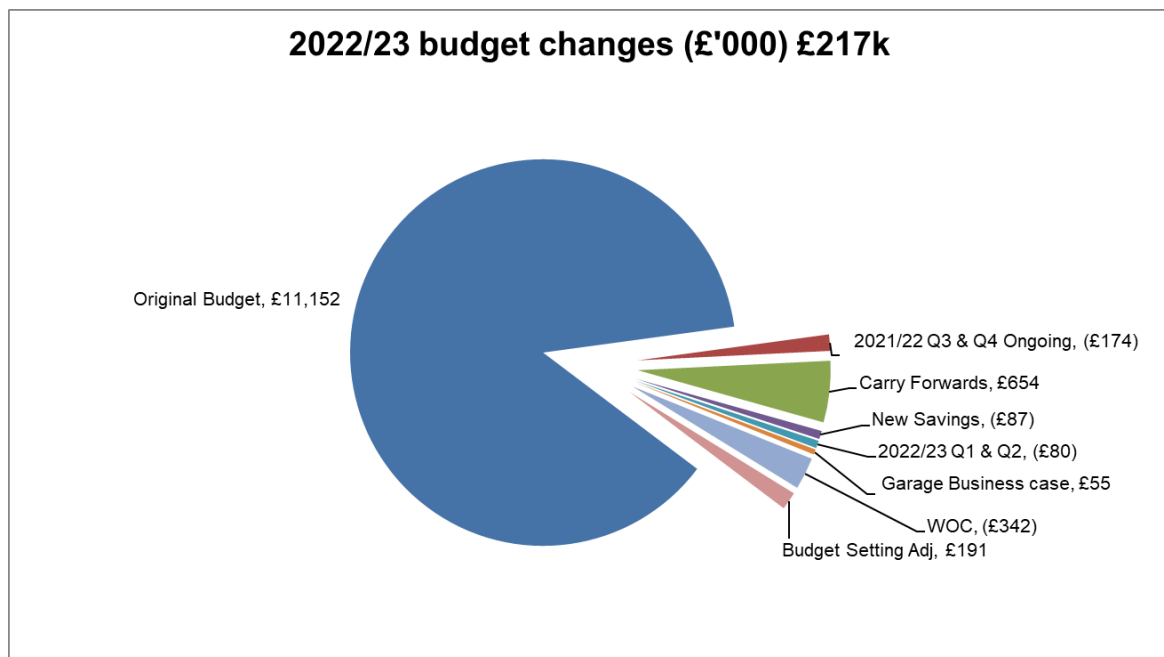
- 2.1 That the 2022/23 3rd quarter projected net decrease in General Fund expenditure of £205,150 be approved.
- 2.2 That Members note the cumulative changes made to the General Fund net budget remains within the £400,000 increase variation limit delegated to the Executive.
- 2.3 That Members approve the changes to the 2023/24 General Fund budget of £12,000 as set out in paragraph 4.1.5.

Housing Revenue Account

- 2.4 That the 2022/23 3rd quarter projected net increase in HRA expenditure of £157,730 be approved.
- 2.5 That members approve the two virements from the planned maintenance budgets fund the works to void properties. Firstly, a virement of £250,000 from the decent homes budget and a second virement of £250,000 from the cyclical maintenance budget as set out in paragraph 4.4.4.
- 2.6 That Members note the cumulative increases made to the HRA net budget remain within the £250,000 increase variation limit, delegated to the Executive, after the Council endorsed charges made in the January 2023 budget report.

3. BACKGROUND - GENERAL FUND

- 3.1. Since the General Fund net budget of £11,151,570 was approved at Council, Members have approved net budget changes of £216,990 as detailed in the chart below:

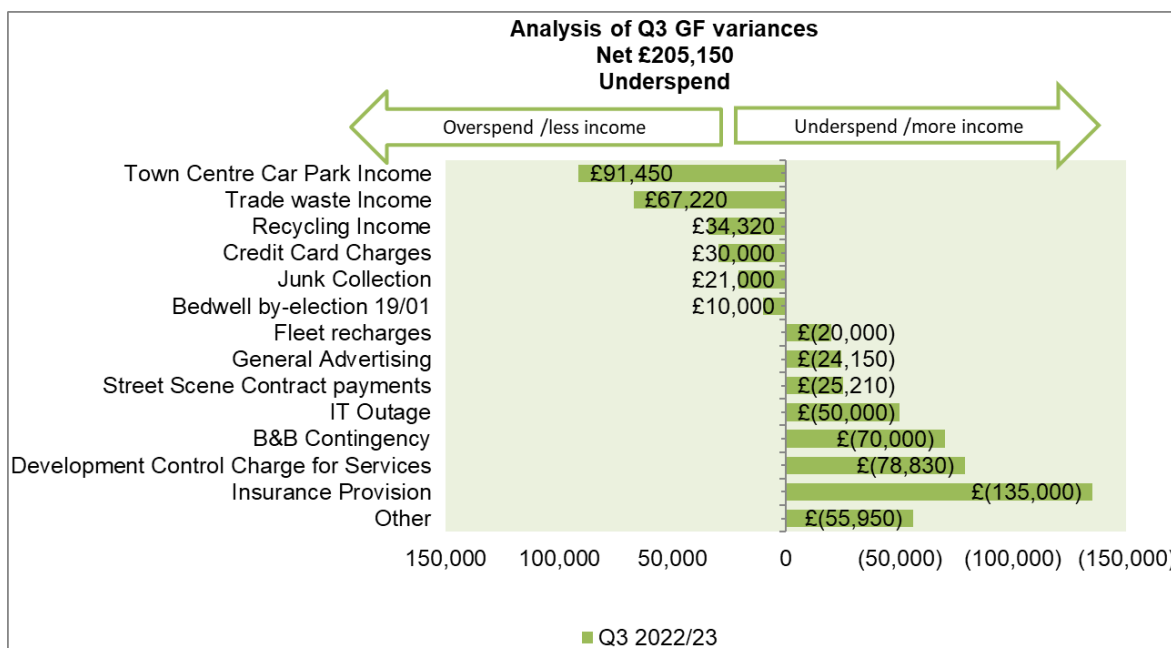


*Wholly Owned Company (WOC)

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 General Fund – Budget Review

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



(-) lower expenditure / more income

4.1.2 **Town Centre Parking Income – pressure £91,450. Reductions in income have already been** reported at Q1 (£175k) and Q2 (£100k) but an expected improvement during Christmas period did not materialise to the extent expected and now the total reduction in income for 2022/23 is anticipated to be £1.1 Million. The ongoing impact of reduced parking income has been recognised in the 2023/24 accounts of £600k possibly due to hybrid working following the impact of Covid.

4.1.3 **Trade Waste Income – pressure £67,220.** The Total Waste Solutions business case was approved in 2021/22 with expectation to bring in an additional £109k of income over two years on ongoing basis. However, the service has experienced some delays with regards implementation, resulting in this pressure. A review is taking place to identify any ongoing pressure for this service.

4.1.4 **Recycling Income – pressure £34,320** (Working Budget £937K). There has been a reduction in paper rates of £36.25 per tonne between Q1 and Q2 and a further reduction of £64.05 per tonne from September 2022. Currently the rates are holding at around £20/tonne, with tonnages c10% lower than last year. The pressure is a result of both - the reduction in paper rate and tonnages. This pressure is in year only and is not expected to on the levels of income assumed in the 2023/24 budgets.

4.1.5 **Credit/Debit Card Charges (Car parks only) – pressure £30,000.** During COVID car parks went cashless which resulted in an increase in credit card charges. An additional £26k has been included in 2023/24, but there is likely to still be a further pressure in next year of £12k, based on current income levels and Members are asked to approve an increase to the budget of a further £12K.

- 4.1.6 **Junk Collection – pressure £21,000.** This as a result of a reduction in demand compared to previous years. It is thought that the cost-of-living crisis is resulting in people disposing of items themselves via marketplace and websites. It is difficult to predict future demand currently no reduction has been built into 2023/24 budgets.
- 4.1.7 **Bedwell By-Election - pressure £10,000.** Estimated costs to fund Bedwell by-election, which was over and above the budget for Local Elections.
- 4.1.10 **Fleet recharges – reduction in expenditure £20,000.** Fuel costs were increased in the 2022/23 working budget (fuel costs increased by £107k at Q1) as the actual price per litre was 26% higher than the budgeted price. Since June, prices have fallen and are currently £1.22/litre (22% decrease). Price per litre and average usage have been used to now estimate a reduction of £20k. For note an additional £116k has been built into the 2023/24 budget as a result of higher fuel costs.
- 4.1.11 **General Advertising – reduction in expenditure £24,150.** This is in line with agreed Making Your Money Count (MYMC) reduction in budget for 2023/24.
- 4.1.12 **Street Scene Contract Payments – reduction in expenditure of £25,210.** There was £30,500 added at Q1 budget monitoring to deal with the asbestos found in fly tipped material. Actual costs came in lower than estimated.
- 4.1.13 **IT Outage – additional income £50,000.** This is in relation to claim for IT outage from a broadband cable cut. The costs associated with the claim were £30K and the remaining £20K has been transferred to an ICT reserve to fund future ICT pressures.
- 4.1.14 **Bed and Breakfast Contingency – reduction in costs £70,000.** As homelessness presentations have reduced and the use of bed and breakfast accommodation has also decrease, the originally anticipated net expenditure of £430K has now been forecast at £360K.
- 4.1.15 **Development Control – additional income £97,630.** Increasing number of pre-applications due to the large-scale development of the town and a provision built in for a claim with Planning Inspectorate of £70K.
- 4.1.16 **Insurance Provision – reduction £135,000.** The council assumes a level of provision for self-insured and below excess insurance costs based on historical data. A review of the projection to the year-end indicates a reduction in the amount required (predominately tree root claims) and a reduction therefore to the General Fund.
- 4.1.17 **Other variances of (£55,950).** This relate to Movement in Reserves and other small net variances across General Fund Services and as such are not reported separately.
- 4.1.18 The overall underspend of £205K being reported in this report carries number of yet to be evaluated financial risks:

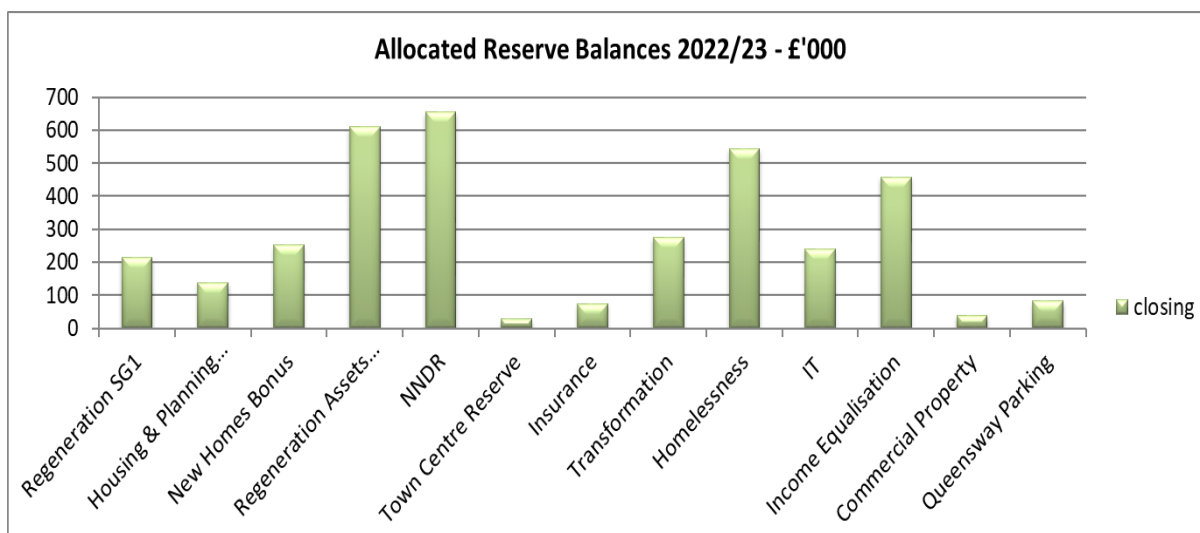
- The Council assumes a 4.5% salary vacancy rate on salary costs as part of the budget setting process, assuming a certain level of turnover. There is a risk that an underspend in salaries will not materialise to fund the remaining transitional vacancy still included in the budget of £280K
- The amount the Council can claim in Housing Benefit subsidy is reduced for certain types of HB spend, this includes B&B and private leased properties. The reclaimable subsidy is set at the Local Housing Allowance and anything above that is not payable to the Council from the DWP. Further work is being completed on the projected subsidy gap and an update will be included in the 4th quarter report.

4.1.19 The cumulative changes made to the General Fund net budget as agreed at Council February 2023 remains within the £400,000 increase variation limit delegated to the Executive. The total value of changes is an underspend of £205,150 based on the third quarter.

Executive Delegation - General Fund	£'000
Original Net General Fund Budget	11,152
Changes agreed at Council Feb 23	217
Revised GF Budget agreed at Council Feb 23	11,369
Quarterly monitoring Q3	(205)
Updated GF Budget	11,164
Within Executive Delegated Limit	605

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 2023 is **£3,616,179**, (31 March 2022, £8,430,125). Reserve balances are projected to decrease by £4,813,941 during this year, the majority of this reduction relates to NNDR repayments to the Collection Fund (£3,622,422).



4.2.2 General Fund Balance – Following the 3rd quarter review and MTFs to the February Executive the General Fund balance as at the 31 March 2023 is now forecast to be £5,179,679

General Fund Balances	£'000
Original Net General Fund Budget	11,152
Approved budget changes	217
Net Working budget approved to Date	11,369
3rd Quarter Review	(205)
Total Net Expenditure post Q3 review	11,164
less core resources	(9,436)
Transfer (to)/from General Fund balances	1,728
General Fund balance 31/3/22	(6,908)
Transfer (to)/from General Fund balances	1,728
Projected General Fund balance 31/3/23	(5,180)
Allocated Revenue Reserves (Paragraph 4.2)	(3,616)
Total General Fund Revenue balances	(8,796)
(estimated 31/3/23)	

* Core resources include Council Tax Precept, retained Business rates, Government Grants and movements to and from Collection funds.

4.3 Housing Revenue Account

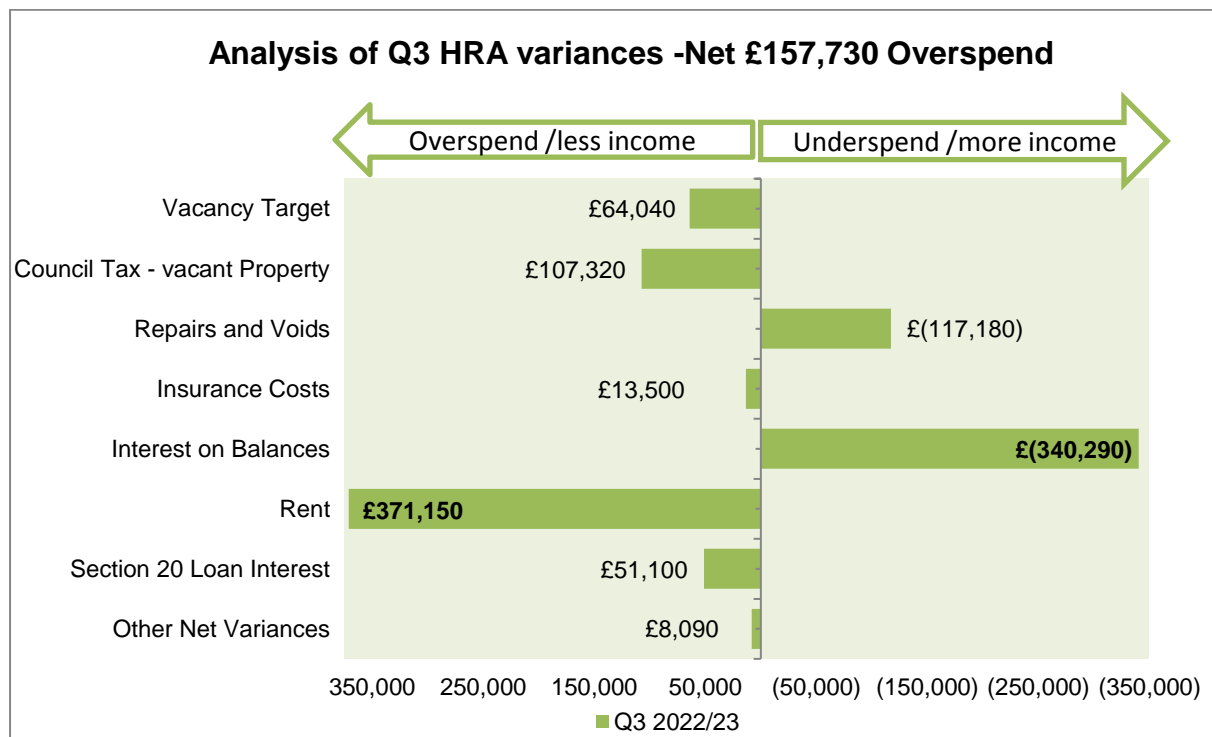
4.3.1 Since the Housing Revenue Account (HRA) net budget surplus of £1.956Million was approved at Council in January 2022, Members have further approved net changes of £2.786Million as detailed in the following table. The majority of these changes, £1.437Million, were made in the 2023/24

Budget report to Council in January 2023 and are mainly the result of the increased pay award and significant increases in utility prices.

HRA Working Budget	£'000
Original Budget 2022/23	(1,956)
21/22 Q3 Carry Forwards	325
21/22 Q4 Carry Forwards	973
21/22 Q4 Ongoing Budget Pressures	64
22/23 Q1 Net Projected Pressure	250
22/23 Q2 Net Projected Saving	(263)
Council approved revision 25 January 2023	1,437
Approved Movement	2,786
Total Working Budget	830

4.4 Housing Revenue Account - Budget Review

4.4.1 Following the third quarter review of revenue budgets officers have identified and projected the following budget movements.

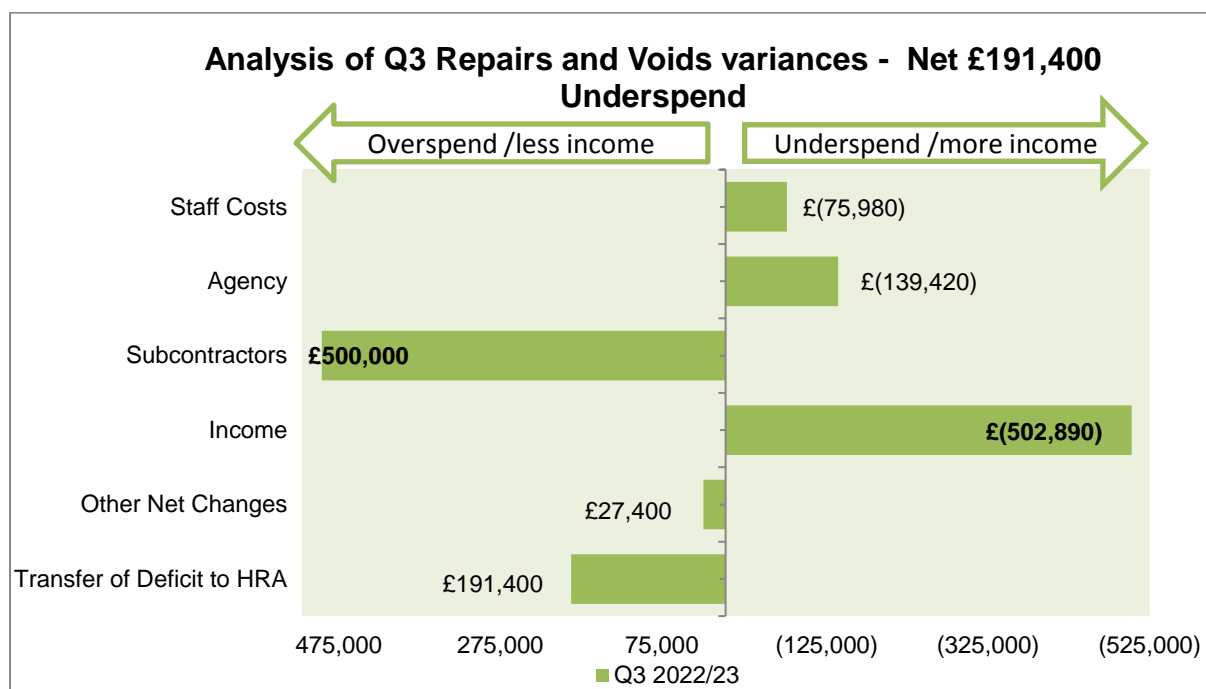


4.4.2 **Vacancy target not met £64,040.** The Housing Revenue Account also has a transitional vacancy rate (see also paragraph 4.1.18). The 2022/23 budget has a vacancy target of £232K and the latest projection indicates that there will be a shortfall of £64K. This has arisen due to the need to cover essential posts, especially in the building compliance area, with agency staff while permanent recruitment is ongoing.

- 4.4.3 **Council Tax on void properties £107,320.** Due to the issues that have impacted the repair and voids service this year, some properties have remained void for longer periods of time than originally anticipated. Added to this has been the impact of re-scheduling of the demolition of existing properties related to the development programme, mainly due to the pandemic and supply issues. When properties are vacant for greater than two years, the charge applicable is 150% of the normal bill. As of January, there were 5 properties in the general needs void list for greater than 2 years, but a further 19 properties that could pass this time limit during 2023. Additional resources for voids work and a current review of the voids process should help minimise this problem going forward, and this will continue to be monitored next year.
- 4.4.4 **Repairs and Voids (£117,180).** There is a small reduction in the overall cost of repairs and voids at Q3, but this is in the context of an addition £1Million that has been added to the service budget this year. The 2022/23 budget was increased by £500K, as part of the 2023/24 budget report to Council, and a further two virements totalling £500K, from planned maintenance budgets, have been made at Q3. Details of this increase are given at 4.5.1 below.
- 4.4.5 **Insurance Costs £13,500.** There has been a small increase in the HRA contribution to the Council's insurance costs that have been revised as part of the Q3 monitor.
- 4.4.6 **Interest on Balances (£340,290).** The recent Bank of England base rate increases have improved the interest that the Council can earn on balances. Combined with the latest projections and the current timing on capital expenditure this is expected to generate a further £340K of income in the current year.
- 4.4.7 **Rent £371,150.** The original budget for 2022/23 anticipated the addition of 97 affordable rent properties for half of this financial year. Due to delays in the development programme, mentioned in 4.4.3 above, none of these properties are expected to be operational in this year. As they are let at 80% of market rent this has had a significant impact on the rent budget for the year. However, although they have been delayed, it is now likely that the Kenilworth site will generate more units than initially forecast. This will help offset the current year's loss in the medium term of the HRA business plan.
- 4.4.8 **Section 20 Leaseholder Loan Interest £51,100.** As part of the major repairs programme the Council is currently issuing section 20 invoices to its leaseholders for works to their properties. When the budgets were set it was assumed that a proportion of leaseholders would take out either statutory, or discretionary, loans with the Council. However, due to the timing of the bills and the payment options selected, there are currently no loans in place. While this leads to a revenue budget pressure, it also indicates that the Council is recovering its costs, in the form of capital contributions, more quickly than originally anticipated and improves the cash flow position of the HRA.
- 4.4.8 There were other small variances totally £8K across the HRA accounts that have been included in the new forecast for Quarter 3.

4.5 Responsive Repairs and Voids Performance

4.5.1 The net Repairs and Voids team financial position is included in the overall HRA as a budget saving of £117,180. This is made up of a £191K improvement in the trading deficit, however, due to operational difficulties within the void property service during this year, this position is after an additional £1Million has been added to the budget as per paragraph 4.4.4. The net position for the HRA includes an increase in costs to the HRA of £74K.



4.5.2 **Staff Costs (£75,980).** Direct staff costs are currently projected to be £76K less than the working budget and this covers both indirect and direct staff.

4.5.3 **Agency (£139,420).** Agency costs are also below the budget and this is consistent with the current activity levels in the unit and the decision to contract a main supplier to help clear the current backlog of work.

4.5.4 **Subcontractor Costs £500,000.** As mentioned above, subcontractor costs have been increased in order to engage a contract partner to supplement the existing work force and clear the backlog of void properties. This has been met from budget virements out of the planned maintenance programme and has not been a net increase to the overall HRA budget for the year.

4.5.5 **Income (£502,890).** In line with the virement for voids spend of £500K expenditure budget detailed in 4.5.4, income also increases to recharge the work from the trading account to the HRA. As mentioned in 4.5.1, the work recharged to the HRA is expected to be £74K more than currently budgeted, but this has been offset by £71K lower income generated from outside the core service, which is demand led and can fluctuate from year to year.

4.5.6 **Other net changes £64,610.** For Q3 there have been other small net changes to the budget that give a further total pressure on costs of £65K.

4.5.7 **Transfer of Deficit to HRA £191,400.** While significant additional resources have been added to the service in this year, for Q3 the projected trading deficit has decreased by £191K, due to the type and volume of work currently projected to be completed in this year.

4.6 **Housing Revenue Account Balances**

4.6.1 Following the 3rd quarter review the HRA balance is now forecast to be £27.2Million surplus.

Housing Revenue Account Outturn Position	£'000
Working Budget – Council 25 January 2023	830
3rd Quarter Net Projected Overspend	158
Projected net Deficit post 3rd Quarter review	988
HRA balance brought forward 1/4/22	(28,208)
Deficit in year	988
Projected HRA balance 31/3/2023	(27,220)
Remaining Executive Delegated Limit	92

5 **IMPLICATIONS**

5.1 **Financial Implications**

5.1.1 This report is financial in nature and consequently financial implications are included above. The impact of these changes for future years will be incorporated into the budget setting process.

5.2 **Legal Implications**

5.2.1 The objective of this report is to outline the projected General Fund net expenditure for 2022/23 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 balances is undertaken and reported to Council as part of the General Fund Budget setting process. Both the General Fund and HRA balances are projected to be above minimum levels.

5.4.2 Inflationary pressures continue to be a financial risk to both the HRA and General Fund, in the form of higher borrowing, wages and material costs, these risks will be reviewed as part of the budget setting process.

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 2022/23 budget setting process. The 2022/23 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 – 2022/23 Council Tax Setting and General Fund Budget (Council 24 February 2022)

BD2- 2022/23 Final HRA and Rent setting report (Council 28 January 2022)

BD3- General Fund Medium Term Financial Strategy Update (2021/22 – 2025/26)

BD4 - First Quarter Revenue Budget Monitoring Report 2022/23 (Executive 14 September 2022)

BD5 – Second Quarter Revenue Budget Monitoring Report 2022/23 (Executive 16 November 2022)

BD6 – 2023/24 Council Tax Setting and General Fund Budget (Council 23 February 2023)

BD7 – Final Housing Revenue Account Budget Setting and Rent Report 2023/24 (Council 25 January 2023)