

**Meeting: EXECUTIVE**

Portfolio Area: Resources



**Date: 15 November 2023**

**2<sup>ND</sup> QUARTER REVENUE MONITORING REPORT – GENERAL FUND AND HOUSING REVENUE ACCOUNT (HRA)**

**KEY DECISION**

Author – Veronika Mendy/Keith Reynoldson Ext. 2943  
Contributor – Brian Moldon, Finance team and budget Managers  
Lead Officers – Brian Moldon Ext. 2933  
Contact Officer – Brian Moldon Ext.2933

**1. PURPOSE**

- 1.1 To update Members on the projected General Fund and Housing Revenue Account (HRA) 2023/24 net expenditure and seek approval to amend the General Fund and HRA budgets as part of the quarterly revenue monitoring 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 2023/24 2<sup>nd</sup> quarter projected net increase in General Fund expenditure of £1,850 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 note the proposed movement on reserves as detailed in paragraph 4.2.1

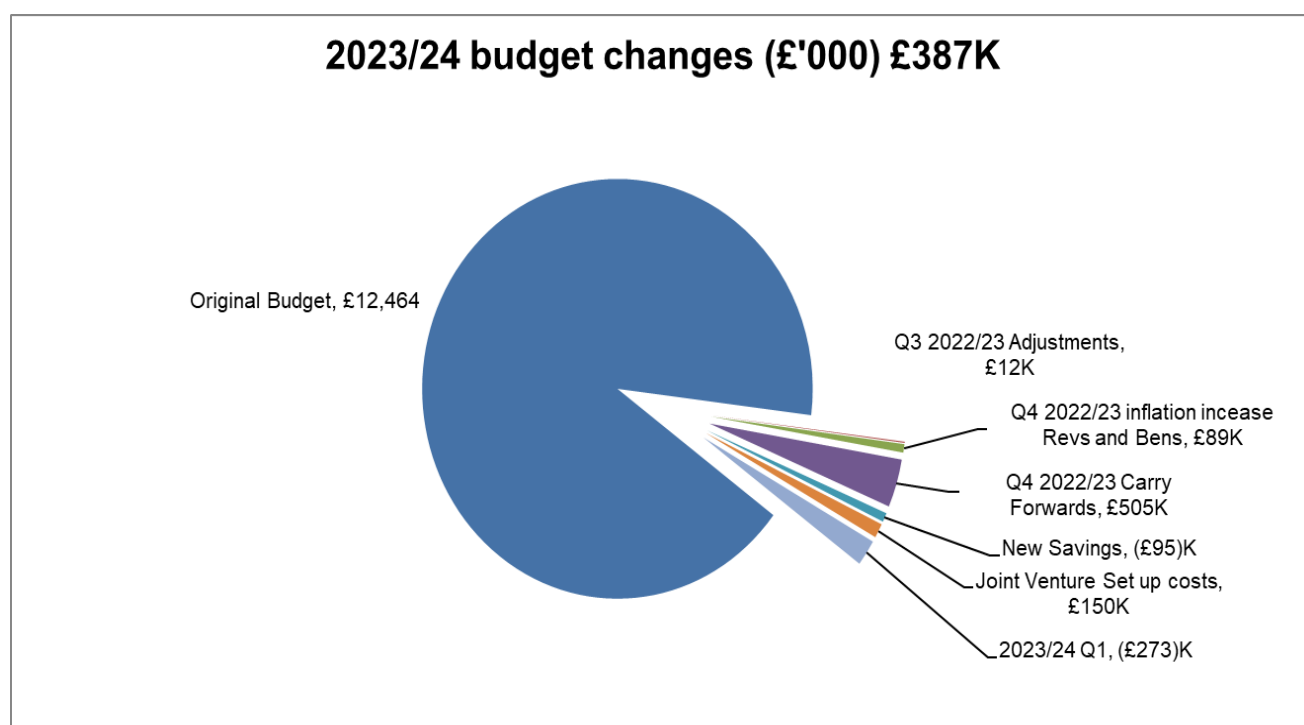
## Part I – Release to Press

### Housing Revenue Account

- 2.4 That the 2023/24 2<sup>nd</sup> quarter projected net budget underspend in the HRA of £1,229,920 be approved.
- 2.5 That Members note the cumulative increases made to the HRA net budget remain within the £400,000 variation limit, delegated to the Executive, in the January 2023 budget report.

### 3. BACKGROUND - GENERAL FUND

- 3.1. Since the General Fund net budget of £12,463,780 was approved at Council, Members have approved net budget changes of £387,280 as detailed in the chart below:

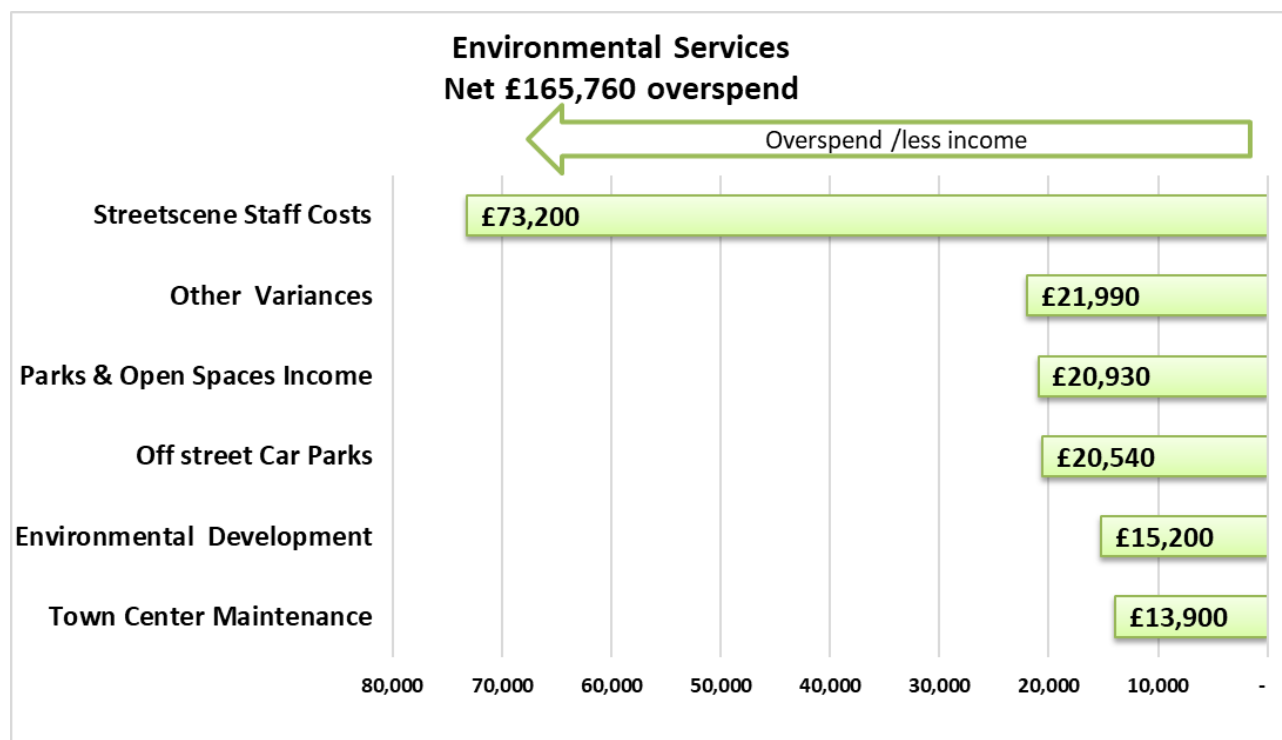


### 4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

#### 4.1 General Fund – Budget Review

- 4.1.1 Following the 2<sup>nd</sup> quarter review of the General Fund budgets officers have identified a small projected increase in the forecast budget for the year of £1,850. A detailed analysis is set out below by General Fund service area.
- 4.1.2 **Environmental Services** is forecasting an increase in expenditure or less income for 2023/24 of £165,760 analysis is reported below:

## Part I – Release to Press



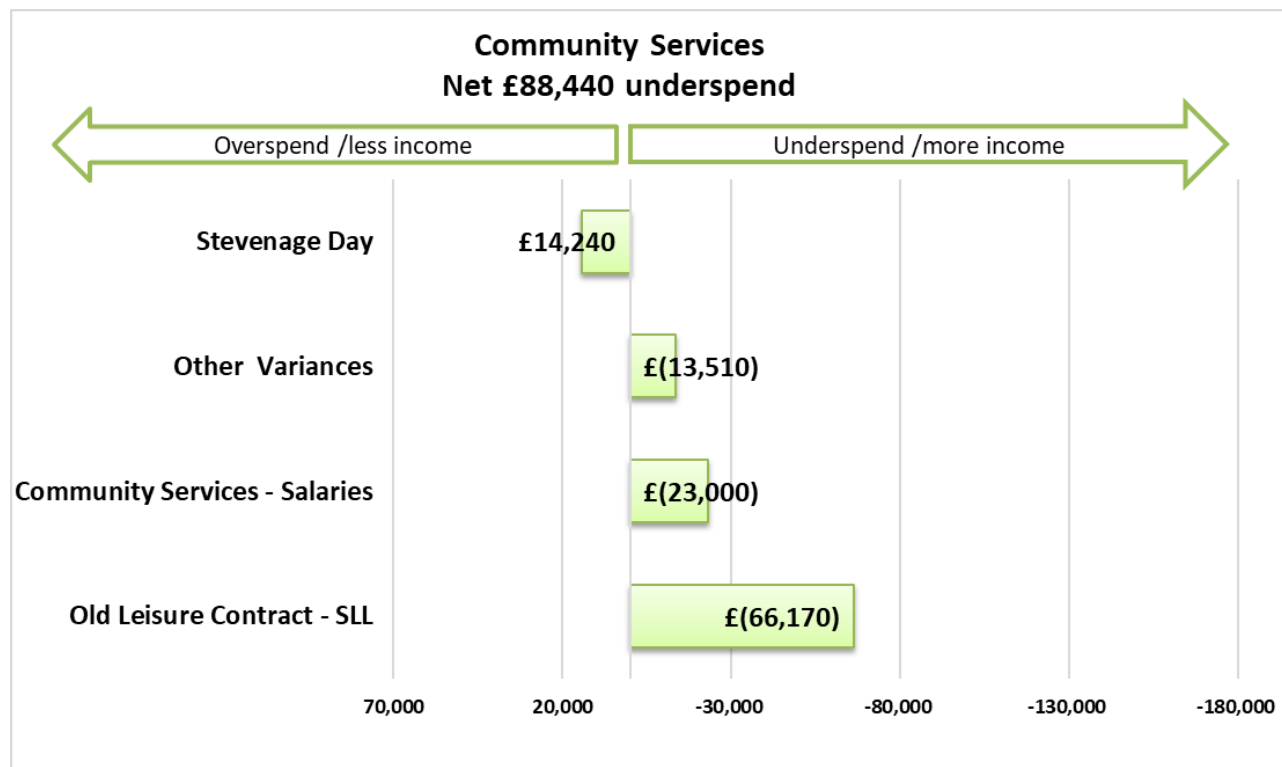
4.1.3 This is made up of the following forecast increase expenditure and / or reduction in income for the year:

- **Street scene Staff costs** – Agency forecasted spend is currently at £420K, this is an increase of £95K due to seasonal work pressures compared to the working budget. This increase is spread across four teams: £47K in Verge maintenance, £29K in Landscape maintenance, £13K in Amenity Woodlands, and £6K in Environmental maintenance. This is partly offset by salary underspends of £22K in Q2, resulting in a net pressure of £73K.
- **Other Variances** - a combination of small number of variances across the service.
- **Parks & Open Spaces income** has seen a significant reduction to date due to a decrease in football pitch bookings, which makes it unlikely to meet the original budget. The projected income is in line with last year's actual suggesting a developing trend. The service is currently reviewing to determine how to best promote the current facilities.
- **Off-Street Car Parks** – the overall forecast indicates an improvement in income for all car parks, however within the overall estimate Westgate and Railway North are reporting a pressure versus budget. The latter has been impacted by a number of train strikes and anecdotally the shift to hybrid work patterns.
- **Environment Development** income was incorrectly increased at quarter 1 and this now reflects the current projections in line with original budget.

## Part I – Release to Press

- **Town Centre Maintenance** – this is made up of a number of maintenance costs including the replacement of the pond’s water softener.

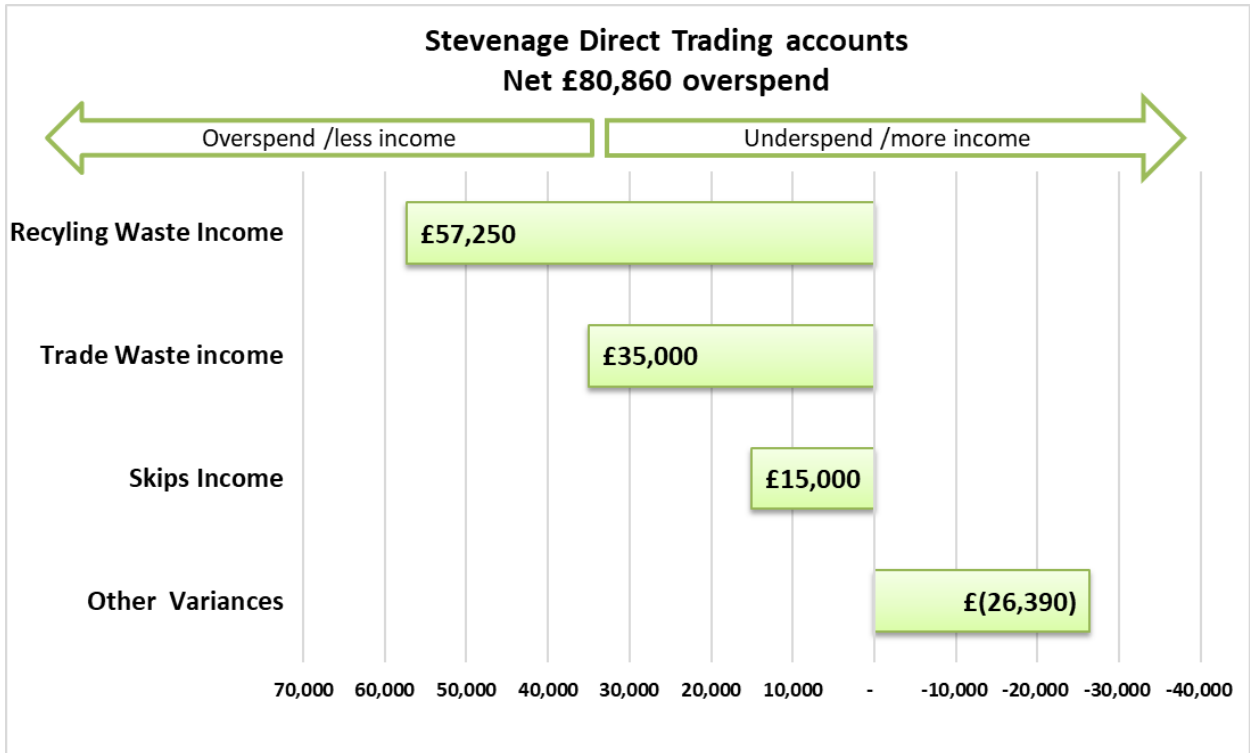
4.1.4 **Community Services** is forecasting a reduction in expenditure for 2023/24 of £88,440 analysis is reported below:



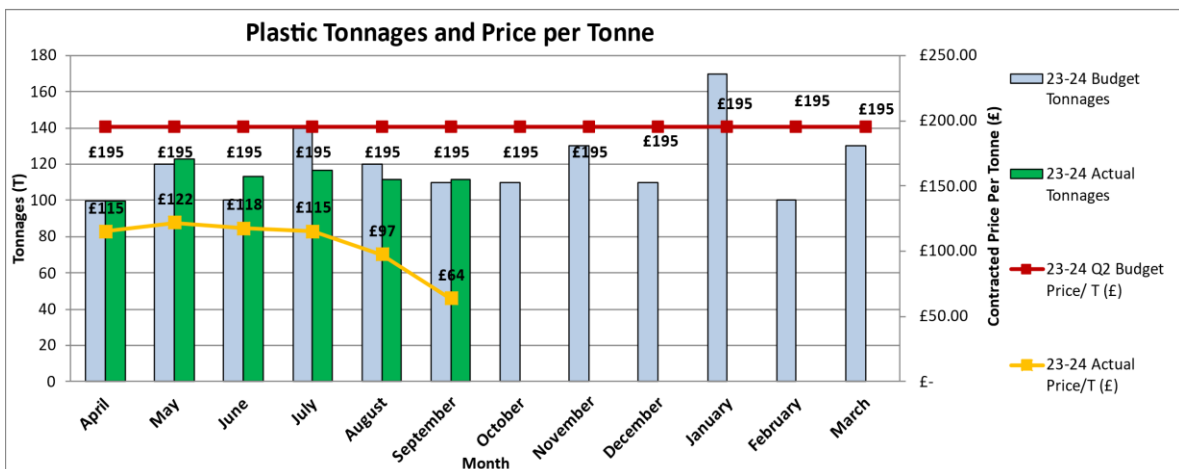
- **Stevenage Day** – the net cost of Stevenage Day (net of stall income) was £14K more than the budget.
- **Other variances** - a combination of small variances across the service.
- **Community Services Salaries** – is reporting in-year saving of £23K due to turnover of staff in year.
- **Leisure Contract** – following final negotiations with the previous leisure provider the final fee payment was agreed. The underspend against budget has been utilised to fund £150K of capital works (relating to the leisure centre) and the balance of £66K is an in year saving to the General Fund.

4.1.5 **Stevenage Direct Trading Account** is forecasting an increase in expenditure or less income for 2023/24 of £80,860 analysis is reported below:

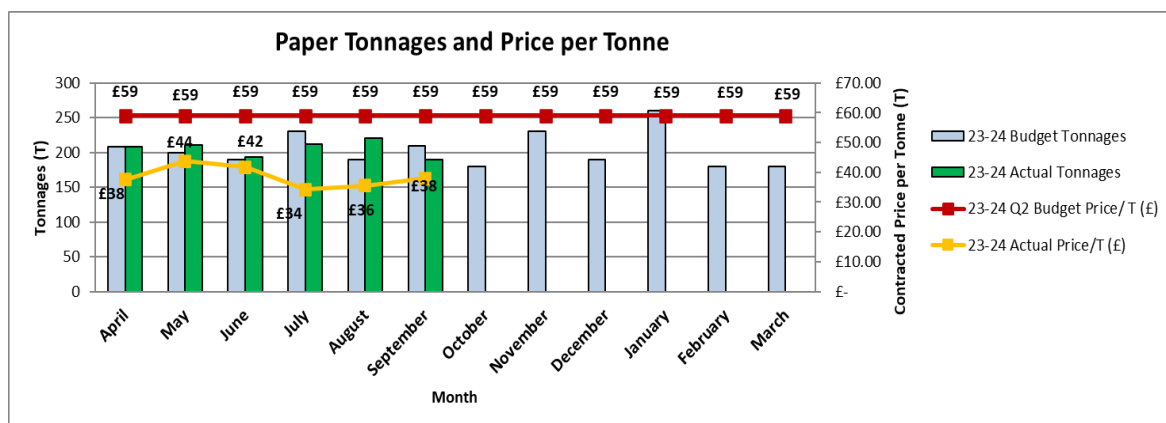
**Part I – Release to Press**



- **Recycling Waste Income** – the recycling pressure of £57K has arisen as a result of:
  - I. Projected Recycle income from **plastic** reduction of £38K – this relates to income the Council receive from recycling the plastics collected. Although the tonnage collected is slightly up on last years, the price per tonnage the Council receives has dropped to £64 per tonnage from August’s £97 per tonne. It should be noted that this market is very volatile from global demand as well as energy prices. No adjustments have been made to the 2024/25 budgets as this is treated as in year pressure.



## Part I – Release to Press

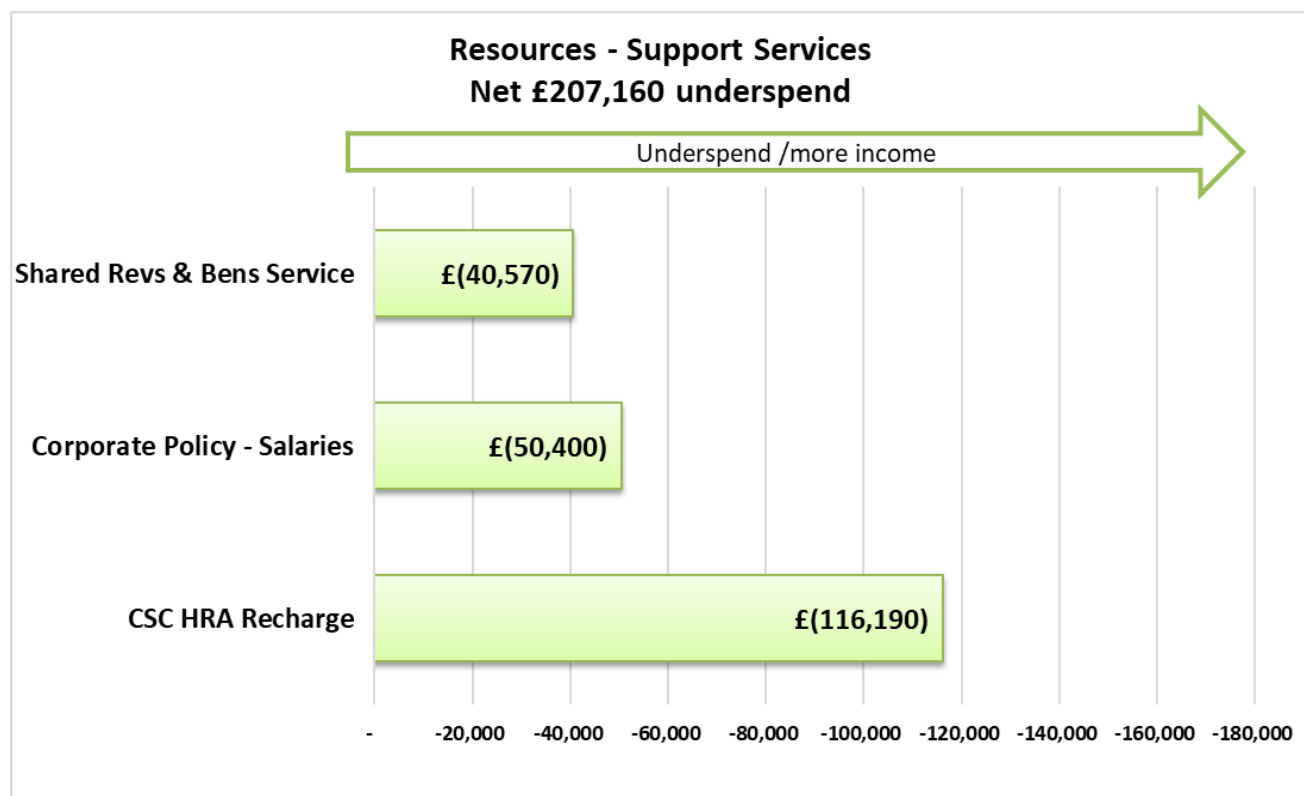


II. Projected reduction in Recycling income from **paper** - £19K – this relates to income the Council receive from recycling the paper collected. Since last September, the price of paper per tonne has shown signs of recovery, reaching £38 per tonne this September. However, it's still notably less than the previous year's rates, mainly attributed to diminished global demand. The escalating concerns over energy costs persist in keeping the tonnage rate suppressed. No adjustments have been made to the 2024/25 budgets as this is treated as in year pressure.

- The loss of two major contracts impacted **Trade Waste Income**. Currently, SBC holds 33% of the town's trade custom, the lower revised level of trading income has been identified as ongoing pressure (£71K) for 2024-25. However, the Council's Commercial Team are working to enhance the service and secure new income streams. A four-month trial for third-party tipping at the Transfer Station will begin in November, which could yield extra income in the region of £40K.
- **Skips Income** – the skip hire market is proving extremely competitive, the current budgeted income of £31K is not likely to be achieved and there is a projected shortfall of £15K. No adjustments have been made to the 2024/25 budgets as this is treated as in year pressure. However, the Commercial Team continues to promote the service and is working to maximise the use of skips by departments within SBC.
- **Other variances** - a combination of small variances across the service.

4.1.6 **Resources – Support Services** is forecasting an underspend and / or additional income for 2023/24 of £207,160 the analysis is reported below:

## Part I – Release to Press

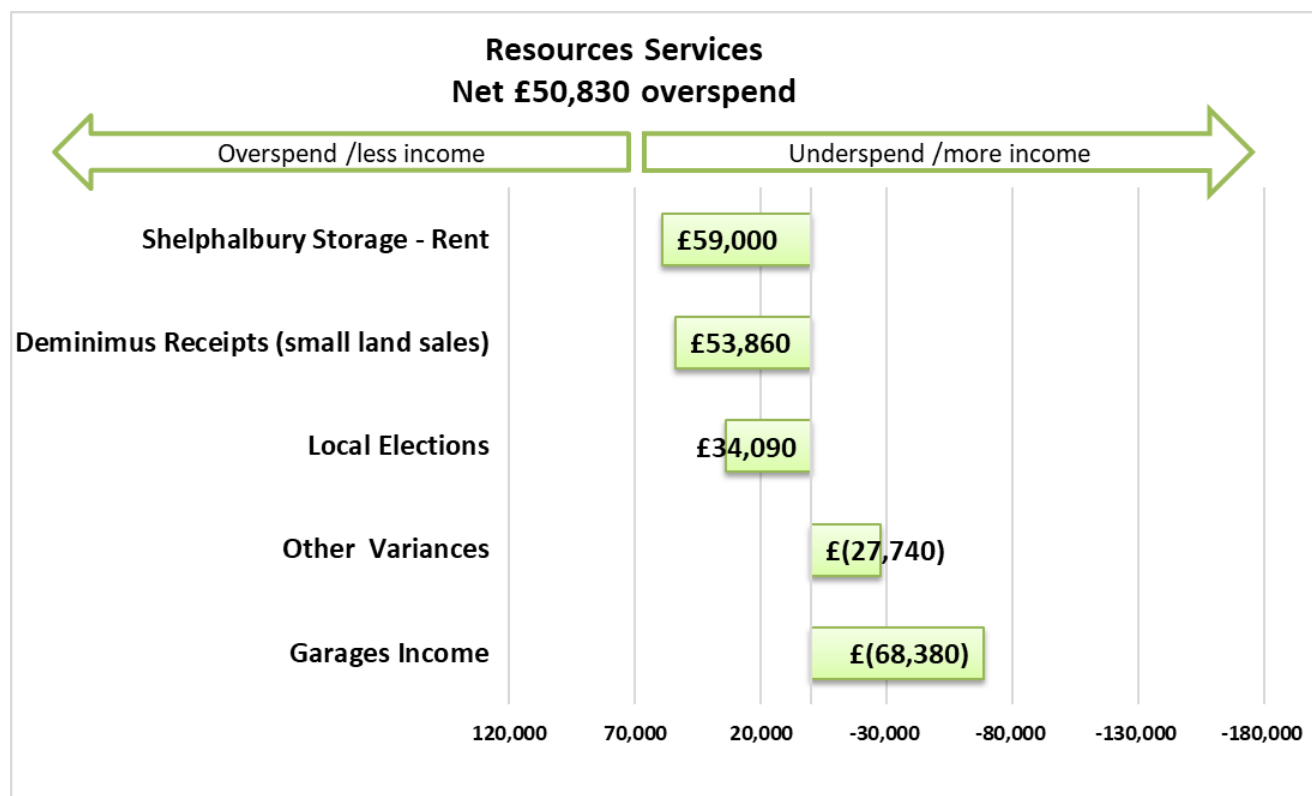


4.1.7 The areas relating to the Quarter two variance are made up of the following:

- **Shared Revenues & Benefits Service** – the most recent projection for the service indicates an in-year saving of £41K due to staffing turnover.
- **Corporate Policy Salaries** – reporting a projected in-year saving of £50K, due to turnover of staff and from the decision to appoint an apprentice to one of the existing vacancies, which is projected to achieve cost reduction of £24K. This saving will last for 21 months until the end of apprenticeship.
- **Customer Service Centre HRA Recharge** –The service’s costs are split between General and HRA services. Following changes to how some General Fund services can be accessed such as online and a review of the level of call traffic received there has been a shift of usage from 41:59 GF: HRA split, to a 34:66 ratio, increasing the charge to the HRA by £116K for 2023/24 and a compensating saving to the General Fund.

4.1.8 **Resources Services** is forecasting a reduction in income and / or increase in expenditure for 2023/24 of £50,830 analysis is reported below:

## Part I – Release to Press



- **Shelphalbury Storage** – one of the Council’s 2023/24 Balancing the Budget options was to commercially let the depot. The lease agreement for the depot is being completed, with an anticipated commencement of rental income starting January 2024.
- **Deminimus Receipts** – the small land sales budget is unlikely to be achieved for 2023/24, with a number of disposals being in excess of £10K and therefore counted as capital receipts. This is a reactive budget and relies on resident enquires to achieve the budget.
- **Local Elections** – the estimated cost pressure of a single preceptor local election is approximately £34K after taking into account to a one-off new burdens grant received this year to assist with the implementation of voter ID. However, during years with combined elections, such as PCC and County, the costs will be distributed between the preceptors, keeping them within budget. An assessment will be conducted to determine the appropriate budget levels needed for the coming years.
- **Other variances** - a combination of small variances across the service.
- **Garages Income** – due to the repairs programme to void garages, digital lettings and the Garage Improvement Programme, the rental forecast has exceeded the budget target by £68K, with the void rate decreasing from 11.5% in the first quarter to 11% in the second quarter. Members should note the 2023/24 budget was reduced by £200K as a result of the asbestos identified in a small number of garages.



## Part I – Release to Press

4.1.9 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 £271K underspend based on the first two quarters.

<b>Executive Delegation - General Fund</b>	<b>£'000</b>
<b>Original Net General Fund Budget</b>	<b>12,464</b>
Changes agreed at Council July 23	150
<b>Revised GF Budget agreed</b>	<b>12,614</b>
2022/23 Adjustments	511
Quarterly monitoring Q1	(273)
Quarterly monitoring Q2	2
<b>Updated GF Budget</b>	<b>12,854</b>
<b>Within Executive Delegated Limit</b>	<b>671</b>

4.1.10 Other Pressures - **Pay inflation**. The budgeted pay award was based on 3% increase, however the employer side offer (agreed on the 1<sup>st</sup> October 2023) was higher at an average 5.6%, it is estimated that the additional cost will be in the region of £457K. As final calculations need to be made, this is not yet been added to the General Fund budgets projections but will be reported in full for quarter 3.

4.1.11 A budgetary risk within the Property Team may arise due to less work charged to capital, a consequence of staffing challenges and recruitment shortfalls. However, there is capacity in the 2023/24 programme to increase capital charges and achieve the budget target and no impact has been included at this time.

## 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 2024 is **£6,094,897** (31 March 2023, £5,556,446). During Quarter two, the following movement between reserves have been recommended.

<b>Reserves</b>	<b>Q2 To Be Approved</b>
Regeneration reserve	(62,520)
Town Centre Reserve	12,112
Insurance	6,440
Transformation reserve	(296,720)
ICT reserve	58,020
<b>Total</b>	<b>(282,668)</b>

\*() represents movement to reserves

## Part I – Release to Press

- Regeneration – transfer to reserve is the latest phasing of expenditure for the year, based on Regeneration teams current work activity.
- Town Centre – to support the programme of events in the town centre over the year.
- Insurance – drawdown for the new insurance database system.
- Transformation – forecast transfer to reserve for the year based on the latest transformation activity profile for 2023/24.
- ICT reserve drawdown relates to the additional Cyber Security works and licences for the year and is matched by additional spend.

4.2.2 Below shows the current forecast closing balances on the allocated reserves after taking into account the above movement.



4.2.3 General Fund Balance – Following the 2<sup>nd</sup> quarter review the General Fund balance as at the 31 March 2024 is now forecast to be £5,043,741.

## Part I – Release to Press

<b>General Fund Balances</b>	<b>£'000</b>
<b>Original Net General Fund Budget</b>	<b>12,464</b>
Approved budget changes	387
<b>Net Working budget approved to Date</b>	<b>12,851</b>
2nd Quarter Review	2
<b>Total Net Expenditure post Q1 review</b>	<b>12,853</b>
less core resources	(11,841)
Movement in core resources at Q1	(102)
<b>Transfer (to)/from General Fund balances</b>	<b>910</b>
<b>General Fund balance 31/3/23</b>	<b>(5,954)</b>
Transfer (to)/from General Fund balances	910
<b>Projected General Fund balance 31/3/24</b>	<b>(5,044)</b>
Allocated Revenue Reserves (Paragraph 4.2.1)	(6,095)
<b>Total General Fund Revenue balances (estimated 31/3/24)</b>	<b>(11,139)</b>

4.3 **Review of Savings** – As part of the 2023/24 budget setting, the Council agreed savings of £1.342Million. The table below represents the RAG rated delivery those schemes.

<b>Target</b>	<b>RAG</b>	<b>% of Target</b>
<b>1,172,076</b>	<b>Delivered</b>	<b>87%</b>
<b>167,025</b>	<b>Delay in saving delivery</b>	<b>12%</b>
<b>2,916</b>	<b>Not achieving</b>	<b>0%</b>
<b>1,342,017</b>		

4.3.1 **Green schemes:** The Council is successfully delivering on majority of the Balancing the Budget schemes.

4.3.2 **Amber schemes:** The projected underachievement for the year is £114K (68% of £167K target).

- The letting of Shephalbury depot (£64K), Bandle Hill and Pin Green play centres (£65K) are being finalised with anticipated delivery of income from January 2024.
- Filming income (£10k) has been impacted as a result of writers strikes.

## **Part I – Release to Press**

- Indoor Market’s increase in rents (from the fees and charges) will not be achieved due to reduced occupancy indicating the projected rent increases for 2023/24 will not be achieved.
- Advertising in Chronicles had a low take up for the summer issue. Work is progressing to establish more advertising for the next edition. The total projected income for the year is £6K with a £12K gap.

4.3.3 **Red schemes:** The saving scheme on decommissioning of eBase software application (£3K) has been delayed and the contract extended for another year.

### **4.4 Housing Revenue Account**

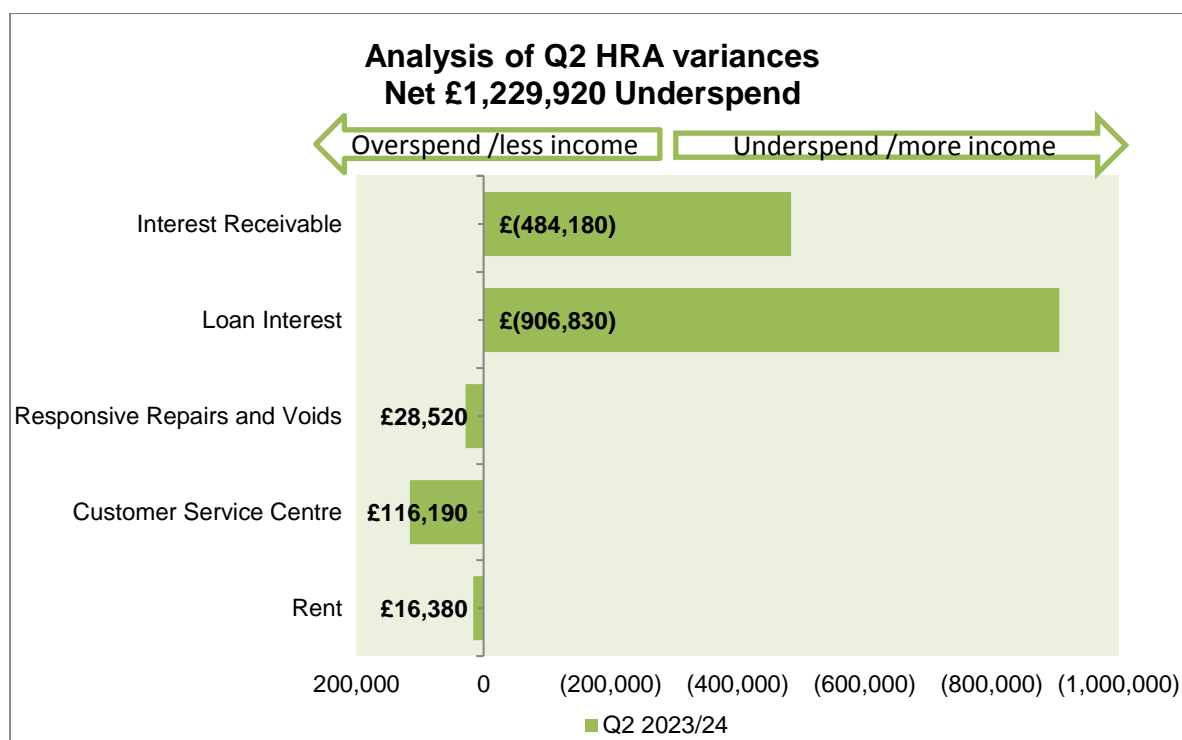
4.4.1 Since the Housing Revenue Account (HRA) net budget surplus of £1.792Million was approved at Council in January 2023, Members have further approved net changes of £1.071Million as detailed in the following table.

<b>HRA Working Budget</b>	<b>£’000</b>
<b>Original Budget 2023/24</b>	<b>(1,792)</b>
22/23 Q4 Carry Forwards	922
22/23 Q4 Net Projected Saving	(6)
23/24 Q1 Net Projected Overspend	155
<b>Total Working Budget</b>	<b>(721)</b>

### **4.5 Housing Revenue Account - Budget Review**

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

## Part I – Release to Press



4.5.2 **Rent £16,380.** Current projections show a small net variance of £16K on rent income to the year end, based on total income of £45Million. There is a 91K expected increase in general need rents, mainly due to anticipated improvements to the current void property levels as a result of the current recovery programme. However, this has been offset by a slight timing change on the delivery of new affordable rent properties that has led to a £72K reduction in expected rent for this year. There is also an anticipated reduction in temporary accommodation rents of £35K, based on current occupancy and tenancy turnaround times.

4.5.3 **Customer Service Centre Costs £116,190.** As detailed in 4.1.7, there has been a review of the allocation of telephony costs between the General Fund and the HRA and this has resulted in a £116K increase. This is not an increase in total costs for the Council, but a reallocation of costs.

4.5.4 **Responsive Repairs and Voids £28,520.** To improve the security of the service's vehicle fleet and materials stock, alarms have been installed costing £29K. This wasn't budgeted but is considered good practice to deter any criminal activity.

4.5.5 **Loan Interest (£906,830).** When the budget was originally set it was anticipated that the HRA would take new loans from the start of 2023/24. However, in order to minimise interest costs some debt is now projected to be taken at the end of this financial year. This results in an in year £907K reduction on loan interest. The HRA Business Plan proposals, included in a separate report to this committee, provide a more comprehensive picture of the debt position for the HRA and show the borrowing position increasing over the coming years. This position will continue to be monitored and loans will be taken at the most preferential rates during this year.

## **Part I – Release to Press**

4.5.6 **Interest Receivable (£484,180).** The HRA is currently holding high levels of reserves to repay the first of the self-financing loans that are due in the next three years. These high balances, combined with the current high interest rates have resulted in increased investment income. The latest projection gives the HRA a further £484K of projected interest earned for 2023/24.

4.5.7 **Other Pressures -Pay inflation.** As reported for the General Fund at 4.1.10, the 2023/24 pay award was agreed on 1<sup>st</sup> October. It is estimated that the total additional cost will be in the region of £276K. As final calculations need to be made this is currently not included in the projections, but will be reported in full for quarter 3.

### **4.6 Housing Revenue Account Balances**

4.6.1 Following the 2nd quarter review the HRA balance is now forecast to be £12.5Million. The HRA Business Plan report proposes carrying a higher level of minimum balances in the HRA, to help mitigate future financial risks and give the account greater resilience.

<b>Housing Revenue Account Outturn Position</b>	<b>£'000</b>
<b>Working Budget – Executive 20th September 2023</b>	<b>(721)</b>
2nd Quarter Net Projected Underspend	(1,230)
<b>Projected net Surplus post 2nd Quarter review</b>	<b>(1,951)</b>
HRA balance brought forward 1/4/23	<b>(10,519)</b>
Surplus in year	(1,951)
<b>Projected HRA balance 31/3/2024</b>	<b>(12,470)</b>
<b>Remaining Executive Delegated Limit</b>	<b>1,475</b>

## **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 2023/24 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.

## **Part I – Release to Press**

### **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 continued to be reviewed as part of the budget monitoring and 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. The 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.

## **5. BACKGROUND PAPERS**

BD1 – 2023/24 Council Tax Setting and General Fund Budget (Council 23 February 2023)

BD2 – Final Housing Revenue Account Budget Setting and Rent Report 2023/24 (Council 25 January 2023)

BD3 – 4th Quarter Monitoring Report General Fund and Housing Revenue Account 2022/23 (Executive 18 July 2023)

BD4 – 1<sup>st</sup> Quarter Revenue Monitoring Report - General Fund and Housing Revenue Account 2023/24 (Executive 20 September 2023)