

## Part I

Meeting: EXECUTIVE

Portfolio Area: Resources



Date: 13 March 2024

### **3<sup>RD</sup> QUARTER REVENUE AND CAPITAL MONITORING REPORT – GENERAL FUND AND 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.
- 1.3 To provide Members with an update on the Council's 2023/24 and 2024/25 capital programme.
- 1.4 To seek approval for the revisions to the General Fund (GF) and Housing Revenue Account (HRA) capital programme.

#### **2. RECOMMENDATIONS**

##### **General Fund**

- 2.1 That the 2023/24 3<sup>rd</sup> quarter projected net increase in General Fund expenditure of £171,980 be approved.

## **Part I**

- 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

### **Housing Revenue Account**

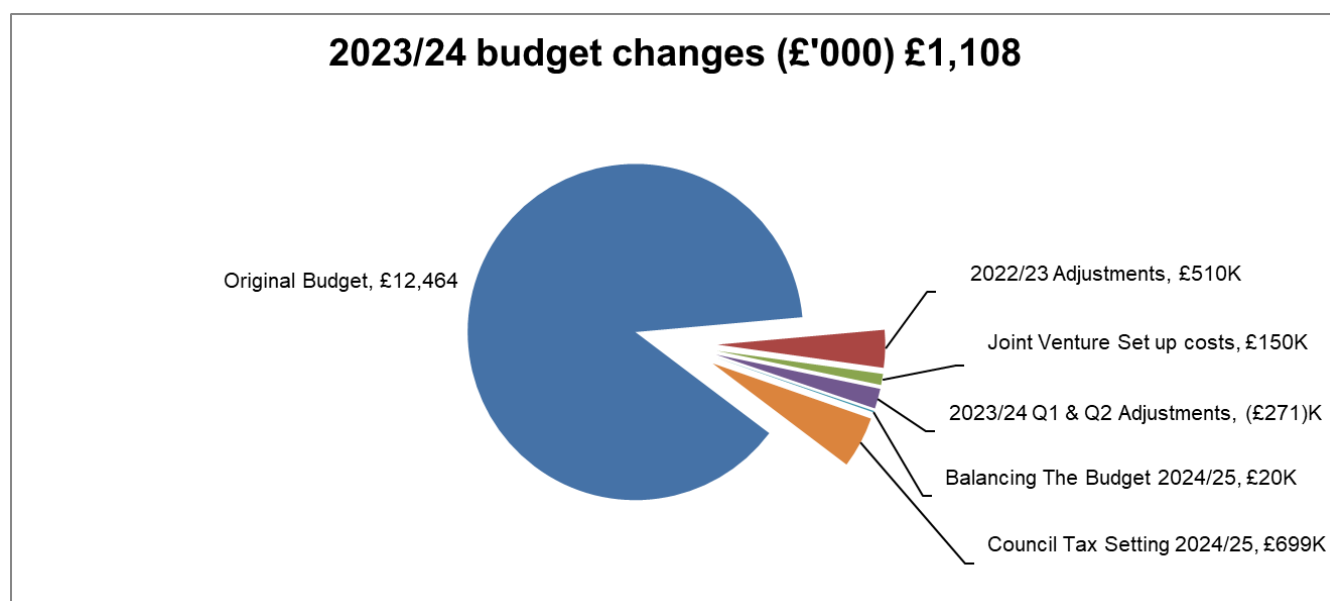
- 2.4 That the 2023/24 3rd quarter net increase in HRA expenditure of £1.002Million be approved.
- 2.5 That Members note the cumulative increases made to the HRA net budget remain within the £400,000 variation limit, delegated to the Executive.

### **Capital Programme**

- 2.6. That the General Fund capital budget re-phasing of £10.6Million from 2023/24 to future years be approved.
- 2.7. That the Housing Revenue Account capital budget re-phasing of £2.3Million from 2023/24 to future years be approved.

## **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 £1,107,690 as detailed in the chart below:



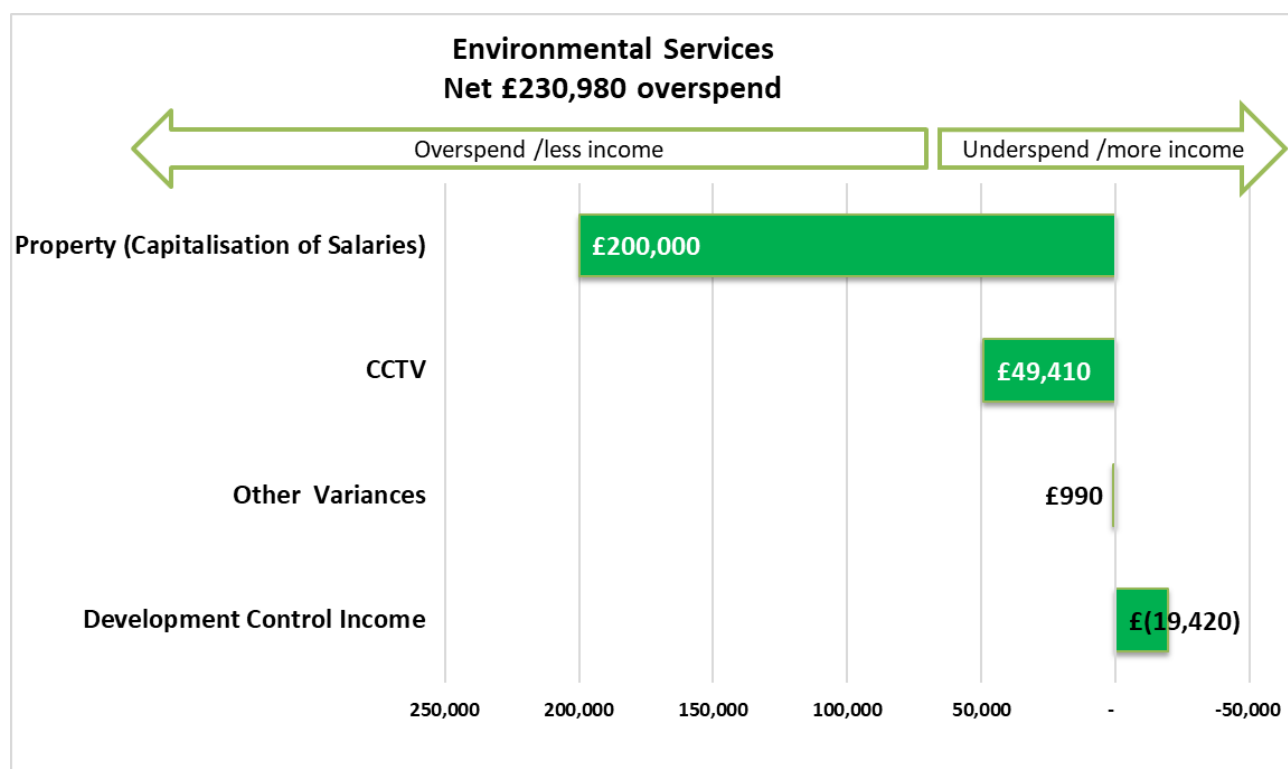
## Part I

### 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 the General Fund budgets officers have identified a projected increase in the forecast budget for the year of £171,980. A detailed analysis is set out below by service area.

4.1.2 **Environmental Services** is forecasting an increase in expenditure or less income for 2023/24 of £230,980 analysis is reported below:



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

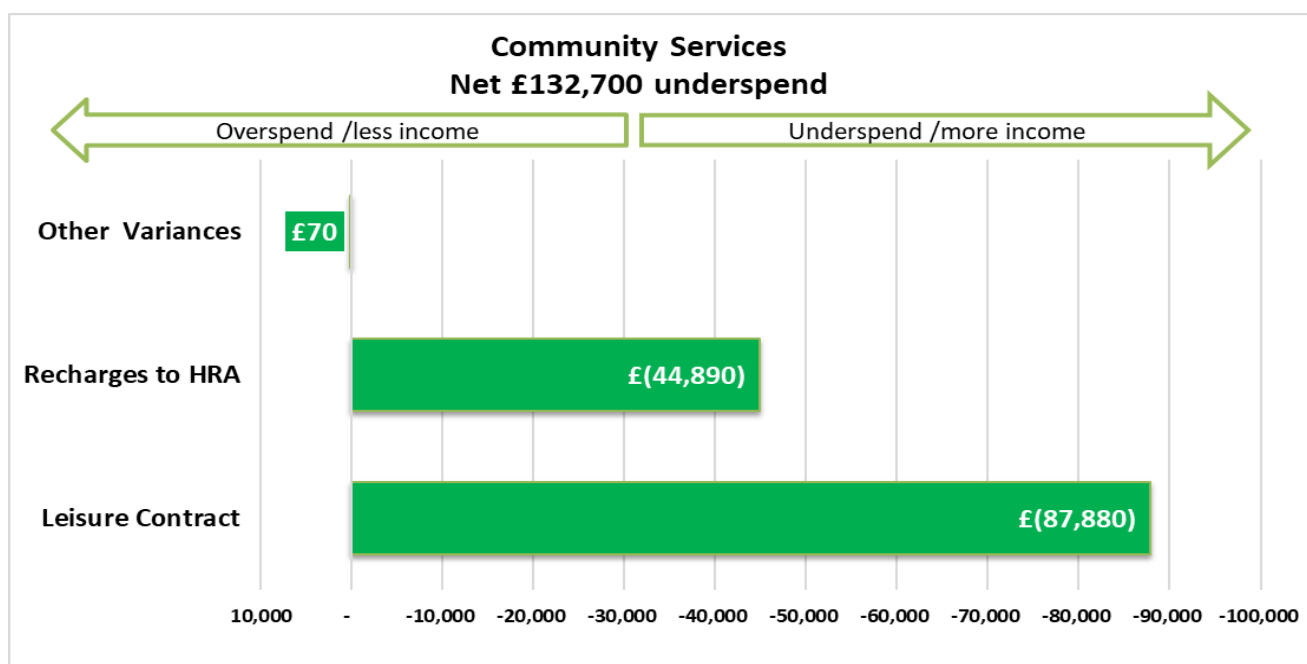
- **Property (Capitalisation of Salaries)** - There is a pressure of £200K from a reduction in salaries being charged to capital due to the switch to more revenue projects such as the garages and commercial stock. Going forward this pressure was included in the 2024/25 General Fund budget approved by Members on 21 February 2024.
- **CCTV** – The one-off pressure, mainly relates to a delay in billing for backdated electricity bills following a change in utility supplier, the budget was reduced in year due to the lower spend but is required to cover the missing months. Following a review there is now an in-year pressure of £36K (£26K of this relate to prior years). The remaining pressure of £13K relates to the recent review of the percentage allocation of costs to partners, SBC's share of the partnership

## Part I

expenditure has increased as costs are allocated based on the percentage share of camera units.

- **Other variances** - a combination of small variances across the service.
- **Development Control Income** – overachievement of income being received due to a Major Housing development application.

4.1.4 **Community Services** is forecasting a reduction in expenditure or increase in income for 2023/24 of £132,700 analysis is reported below:



- **Other variances** - a combination of small variances across the service.
- **Recharges to HRA** – Following a review of management cost an additional share to the HRA is projected as a result of the Assistant Director at the time covering management of the HRA service and Community & Neighbourhoods.
- **Leisure Contract** – finalised dilapidation negotiations with the outgoing previous leisure provider means a provision for works made by the Council to fund some of cost is not required (£67K). There was also a credit of £12K received from Everyone Active for the disposal of old gym equipment. Both are one off surpluses for the year.

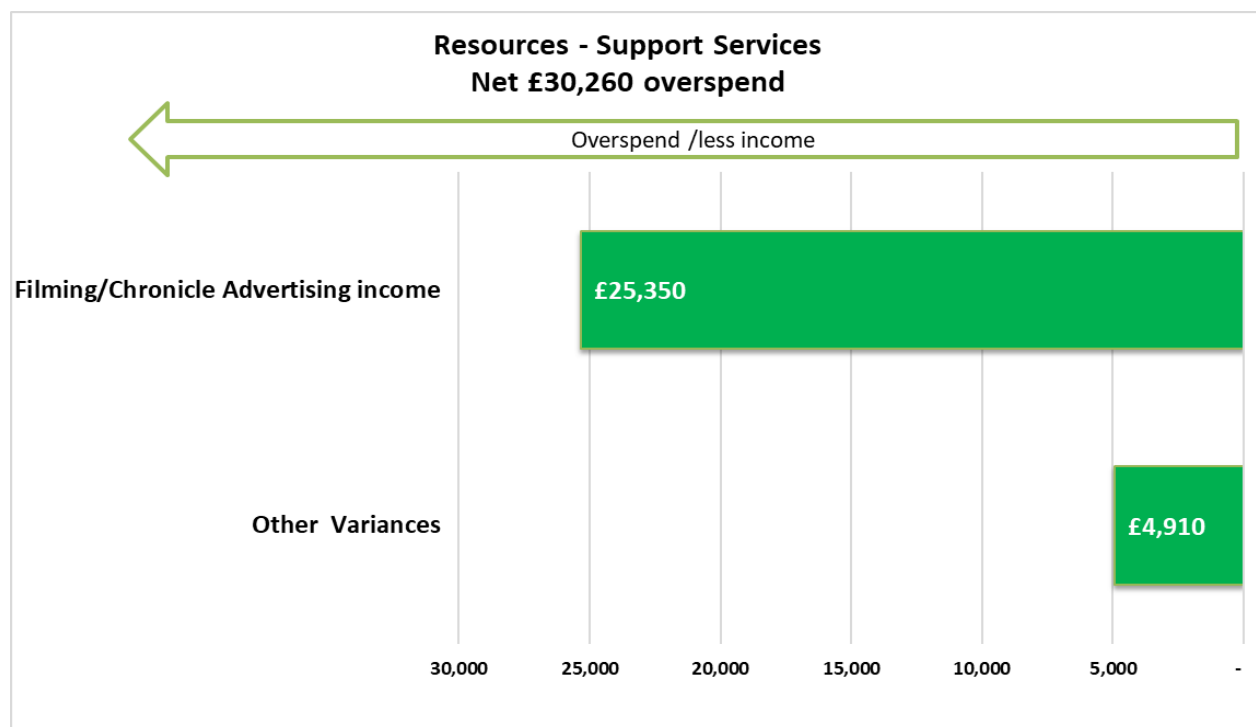
4.1.5 **Stevenage Direct Trading Account** is forecasting less income for 2023/24 of £38,000 analysis is reported below:

- **Trade Waste Income** – the pressure of losing two big customers has been partly offset by seven small businesses coming on board in December. The

## Part I

service is also picking up additional income for extra collections, green sacks, and commercial assessed collections and third-party tipping in the Transfer station starting at the end of January 2024 has also reduced income losses.

4.1.6 **Resources – Support Services** is forecasting an overspend for 2023/24 of £30,260 the analysis is reported below:



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

- **Filming/Chronicle Advertising Income** – There have been only two small productions in 2023/24 due to the impact of the writer strikes and the Council's assumptions for filming income are £9K lower than the budget. However, the Industry is starting to pick up in 2024 with some large-scale enquiries which hopefully will convert into additional income. There is also £16K pressure on income received for advertising in Chronicle. Members will be aware that a 2023/24 savings option was to reduce the cost of the publication, however demand for advertising space within Chronicles has been lower than anticipated.
- **Other variances** - a combination of small variances across the service.

4.1.8 **Resources Services** is forecasting an overspend for 2023/24 of £5,440 a combination of small variances across service areas.

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.

## Part I

<b>Executive Delegation - General Fund</b>	<b>£'000</b>
<b>Original Net General Fund Budget</b>	<b>12,464</b>
Changes agreed at Council February 2024	1,108
<b>Revised GF Budget agreed</b>	<b>13,571</b>
Quarterly monitoring Q3	172
<b>Updated GF Budget</b>	<b>13,743</b>
<b>Within Executive Delegated Limit</b>	<b>228</b>

4.1.10 **Other Pressures – Transitional Vacancy.** Council includes an amount for staff turnover in most salary budgets at 4.5%, however in 2023/24 Some service areas may face challenges in achieving their transitional vacancy. Finance will be working closely with service leads to identify mitigations. Based on the findings Members will be updated in the 4<sup>th</sup> quarter report.

4.1.11 Councils contract costs - As referenced in the General Fund and Council Tax Setting 2024/25 report, the Council is now finalising the utility prices for the Leisure contracts for the financial year 2024/25, where prices have fallen by 36% against 2023/24 figures. This will be partly offset by a projected increase in the Shared Revenues & Benefits service, notified after the budget was set in February 2024. Members will be updated in the outturn report in July on the financial position once a full review been undertaken.

## 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 **£6,845,889** (31 March 2023, £5,556,446). During Quarter three, the following movement between reserves have been recommended.

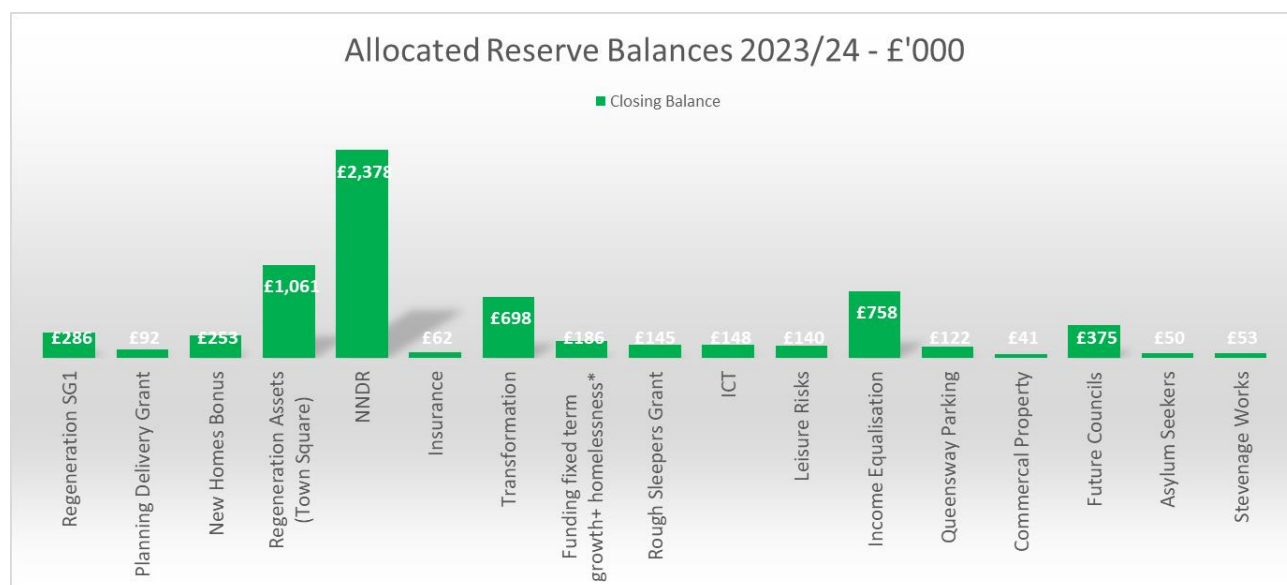
<b>Reserves</b>	<b>Q3 To Be Approved</b>
Regeneration SG1	13,780
Planning Delivery Grant	(17,140)
Transformation	(96,727)
ICT reserve	(62,810)
<b>Total</b>	<b>(162,897)</b>

\*) represents movement to reserves

- **Regeneration SG1** – transfer from reserve is the latest phasing of expenditure for the year, based on Regeneration teams current work activity.
- **Housing & Planning Delivery Grant** – transfer to reserves based on the latest projections for the year.
- **Transformation** – forecast transfer to reserve for the year based on the latest transformation activity profile for 2023/24.
- **ICT reserve** transfer to reserves based on the latest projections for the year.

## Part I

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 3<sup>rd</sup> quarter review the General Fund balance as at the 31 March 2024 is now forecast to be £4,545,232.

General Fund Balances	£'000
<b>Total Net Expenditure post Q3 review</b>	<b>13,743</b>
Less core resources at Budget Setting Report	(12,335)
<b>Transfer (to)/from General Fund balances</b>	<b>1,408</b>
<b>General Fund balance 31/3/23</b>	<b>(5,954)</b>
Transfer (to)/from General Fund balances	1,408
<b>Projected General Fund balance 31/3/24</b>	<b>(4,545)</b>
Allocated Revenue Reserves (Paragraph 4.2.1)	(6,846)
<b>Total General Fund Revenue balances (estimated 31/3/24)</b>	<b>(11,391)</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.

## Part I

Target	RAG	% of Target
1,278,954	Delivered	95%
47,027	Delay in saving delivery	4%
16,036	Not achieving	1%
1,342,017		

4.3.1 **Amber scheme:** The projected underachievement for the year is £47K and has been included within the quarter three forecast. This is due to:

- Bandley Hill and Pin Green play centres were modelled to start generating rental income from October 2023, however this is now projected for February 2024.

4.3.2 **Red Scheme:** The £16K pressure for income received from advertising in Chronicle.

## 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 £273K as detailed in the following table.

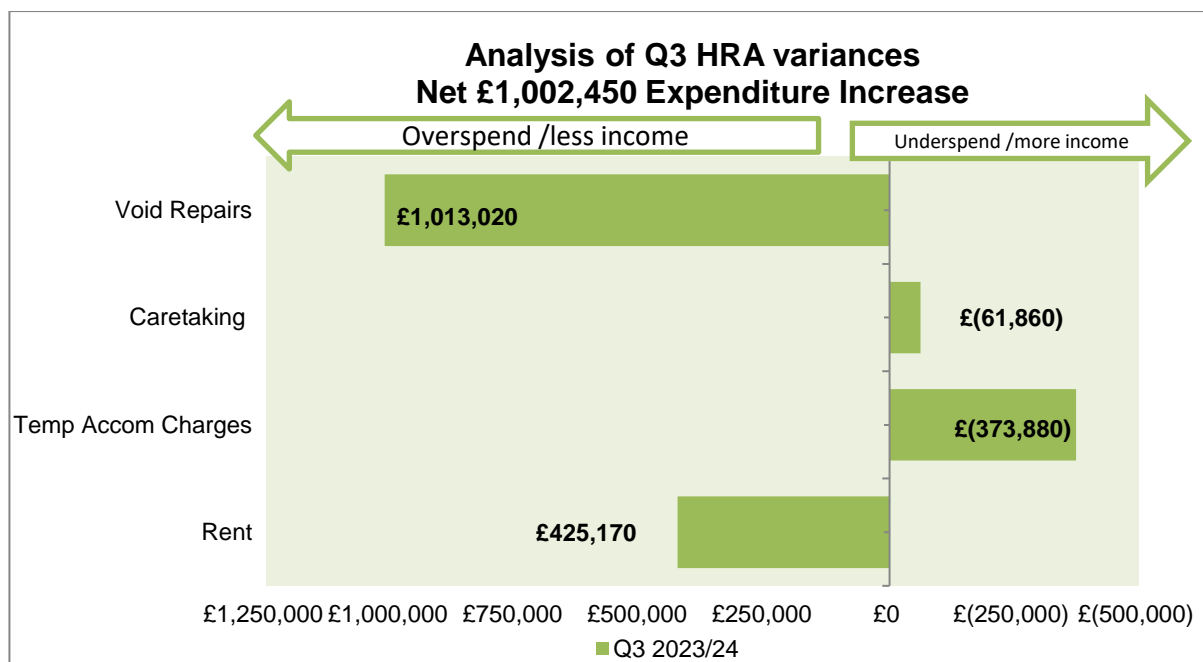
HRA Working Budget	£'000
<b>Original Budget 2023/24</b>	<b>(1,792)</b>
22/23 Q4 Carry Forwards	922
22/23 Q4 Net Projected Saving	(6)
23/24 Q1 Net Projected Overspend	155
23/24 Q2 Net Projected Saving	(1,230)
23/24 Nov Executive extension of fixed term contracts	175
23/24 Jan Council – Pay Award	257
<b>Total Working Budget</b>	<b>(1,519)</b>

## 4.5 Housing Revenue Account - Budget Review

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



## Part I



**4.5.2 Void Repairs £1,013,020.** In previous reports it has been identified that there have been challenges in dealing with the number, complexity and the condition of void properties in the stock. This had led to a net increase in the working budget of £413K. In order to deal with the backlog and bring the properties back into use as quickly as possible a main contractor was engaged during quarter four of 2022/23 to complete the majority of the works. Unfortunately, this has not cleared the jobs as quickly as planned given the volume, age and condition of voids experienced during 2023/24 alongside the backlog brought forward from the previous financial year and the level of works required on the properties. The unit price per job has been higher than estimated (estimated at £3,300, the current average projection is £5,000 per property), but the work now has now been split between more contractors to increase completions, but current projections show a further increase in costs of £1Million for this year. Actions being taken include:

- The current main contractor arrangements are being demobilised, with the expected end date to align with completion of the remaining backlog, which as of 31 January was 45 voids that were forecast to be completed by the end of February.
- All new voids are being allocated to the four new interim contractors, which have been successfully piloted in recent weeks. A proposal to procure new contractors to support the Repairs and Voids Service was included on the Forward Plan and expected to be signed off as a key Officer decision by end of February. The contract award has been included in the Forward Plan for Executive in June 2024.
- The internal management of the voids process has been reviewed to ensure that there is full accountability and ownership by the team/individuals, this has also included some additional staffing resource.

## **Part I**

The service has been independently reviewed and a comprehensive action plan developed which will be implemented over the next 12-18 months. A report on the future delivery model for voids will be brought forward to a future Executive meeting which will also set out budget requirements for future years.

- 4.5.3 **Caretaking (£61,860).** A total saving of £62K has been identified in the caretaking service at quarter three. This relates to increased income on rechargeable jobs of £35K and total savings on expenditure heads of £27K.
- 4.5.4 **Temporary Accommodation Charges (£373,880).** In order to meet housing demand and fulfil its legal homelessness obligations, the Council has substantially increased its temporary accommodation housing stock, including the recent addition of a former hotel. Temporary accommodation attracts higher service charges as it is a managed service including the provision of utilities and furnishings in some of the homes. The combination of higher unit numbers and high utility costs has led to much higher income for service charges for 2023/24, than originally budgeted. While this has increased income for the current year, this is likely to reduce in the future if utility costs continue to fall over the coming months.
- 4.5.5 **Rent £425,170.** The latest estimates for rental income show a deficit of £425K against the quarter two position. The majority of this rent loss relates to the issues identified in 4.5.2 regarding the re-let times for voids. The quarter two forecast had assumed that the backlog of work would be cleared more quickly and that rent would be generated in this financial year. However, this has not been the case and void rent levels have remained higher than anticipated. There have also been some timing differences on the commissioning of new housing stock, with some new homes being let later than was estimated in the quarter two figures. However, this in year loss represents less than 1% of total rental income for the Council, which is £45Million a year.

## **4.6 Housing Revenue Account Balances**

- 4.6.1 Following the 3rd quarter review the HRA balance is now forecast to be £10.6Million. 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 13th December 2023</b>	<b>(1,519)</b>
3rd Quarter Net Projected Overspend	1,002
<b>Projected net Surplus post 3rd Quarter review</b>	<b>(517)</b>
HRA balance brought forward 1/4/23	<b>(10,519)</b>
Surplus in year	(517)
<b>Projected HRA balance 31/3/2024</b>	<b>(11,036)</b>
<b>Remaining Executive Delegated Limit</b>	<b>41</b>

## Part I

### 4.7. Capital Monitoring

4.7.1. The current 2023/24 capital programme was last approved at Council on 21 February 2024. The 2023/24 approved budget for each fund was:

- General Fund £24 Million
- Housing Revenue Account £43 Million

4.7.2. The table below summarises known changes to the programme since the Council meeting in February, revisions that were not known at the time of writing the Capital Strategy report to the February Executive.

	Actual Spend to 31.12.23	Capital Strategy 23/24	Rephased 23/24 Q3	Revised 23/24 Strategy	Rephased 24/25 Q3	Revised 24/25 Strategy	Rephased 25/26 Q3	Revised 25/26 Strategy
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total GF Schemes	5,495	23,895	(10,595)	13,300	5,035	38,593	2,825	16,628
Total HRA Schemes	25,179	43,017	(2,271)	40,746	2,271	57,102	0	56,459
<b>Total Capital Programme</b>	<b>30,674</b>	<b>66,912</b>	<b>(12,866)</b>	<b>54,046</b>	<b>7,306</b>	<b>995,695</b>	<b>2,825</b>	<b>70,337</b>
Re-phase detail:								
Stevenage Direct Services			(1,642)		1,567		75	
Regeneration**			(8,953)		3,468		2,750	
<b>Total GF Re-phasing</b>			<b>(10,595)</b>		<b>5,035</b>		<b>2,825</b>	
Capital Programme Excluding New Build (Housing Investment)			(2,271)		2,271		0	
<b>Total HRA Re-phasing</b>			<b>(12,866)</b>		<b>7,306</b>		<b>2,825</b>	

\*\* £2.7Million Re-phased to 2026/27

### Re-phasing

4.7.3. Re-phasing (re-profiling) of budgets are changes regarding the forecast timing of expenditure from the approved programme, between financial years, with no reported increase or decrease in budget requirement. There is more certainty now about the phasing of some capital projects than was the case when the Final Capital Strategy went to Council in February and as a result expenditure budgets have been re-phased to reflect this increased certainty.

4.7.4. At quarter three, £10.5Million is to be reprofiled from 2023/24 to future years-

- £8.2Million of General Fund, including:
  - £6.55Million of towns fund projects and;
  - £2.4Million SG1 joint venture and;
  - £1.65Million relating to garages refurbishments, the contract for the works runs until August 2024 and budgets have now been re-phased to reflect this.

## Part I

- £2.271Million of Housing Revenue Account (HRA) budgets relating to housing investment. Delays in access and in the supply chain issues have delayed £800k spend relating to internal works. Health and safety works budget £1.6Million has been re-phased to 2024/25 as the project will be delivered alongside the high-rise refurbishments which will be delivered in 2024/25.

4.7.5. The Towns Fund programme continues to progress projects, in particular, Sports and Leisure Hub, Cycling and Pedestrian Connectivity with a number of feasibility and consultation activities completed. There are some re-phasing into quarter one of 2024/25 across some of the projects and further information can be found in the Regeneration Programme Delivery Update report that on this agenda. The Regeneration team are working closely with partners and contractors to mitigate this as well as exploring options to bring other spend forward ahead of schedule, such as the Station Gateway enabling works.

4.7.6. The actual spend as at 31 January 2024 was £32.1Million (Dec 23 £30Million). This represents 51% of the revised budget for 2023/24. The forecast spend for 2023/24 does include some large one-off items of expenditure that may slip into 2024/25. At the current time service managers are expecting these to be spent in 2023/24.

4.7.7. The total Capital Programme, detailing all programmes with the relevant approval to spend, is detailed in Appendix A and B. It shows the revised budget position.

### 4.8. Capital Financing

4.8.1. The table below sets out the change in the Capital Financing position since the Capital Strategy (Council 21 February 2024), as a result of changes to the expenditure phasing discussed above.

	Capital Strategy 23/24	Rephased 23/24 Q3	Revised 23/24 Strategy	Rephased 24/25 Q3	Revised 24/25 Strategy	Rephased 25/26 Q3	Revised 25/26 Strategy
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total GF Financing	23,895	(10,595)	13,300	5,035	38,593	2,825	16,628
Total HRA Financing	43,017	(2,271)	40,746	2,271	57,102	0	56,459
<b>Total Capital Financing</b>	<b>66,912</b>	<b>(12,866)</b>	<b>54,046</b>	<b>7,306</b>	<b>995,695</b>	<b>2,825</b>	<b>70,337</b>
Changes detail:							
Capital Receipts		(1,614)		1,893		267	
Ringfenced regeneration receipts		(1,000)		1,000		0	
Towns Fund		(5,559)		75		2,750	
Revenue Reserves		(28)		28		0	
Short term borrowing		(2,394)		2,039		(192)	
<b>Total GF Financing changes</b>		<b>(10,595)</b>		<b>5,035</b>		<b>2,825</b>	
MRR (Self Financing Depreciation)		(2,271)		2,271		0	
<b>Total HRA Financing changes</b>		<b>(12,866)</b>		<b>7,306</b>		<b>2,825</b>	<b>0</b>

## **Part I**

### **4.9. Capital Receipts Forecast**

4.9.1. There are no significant changes to capital financing forecasts at Q3.

## **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, HRA and Capital Strategy for 2023/24 and the impact on the General Fund and HRA 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 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.

## **Part I**

### **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.

## **6. 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)

BD5 – 2<sup>nd</sup> Quarter Revenue Monitoring Report – General Fund and Housing Revenue Account (Executive 17 January 2024)

BD6 – Housing Revenue Account Rent Setting Report (Council 24 January 2024)

BD7 – Council Tax Setting Report 2024/25 and Final Capital Strategy 2023/24-2028/29 (Council 21 February 2024)

## **Appendices**

A - General Fund Capital Strategy

B - HRA Capital Strategy